



County Manager

Davie County Government

123 S. Main Street | Mocksville, NC 27028 | 336.753.6003

DavieCountyNC.gov



MEMORANDUM

DATE: JUNE 5, 2020

SUBJECT: Fiscal Year 2020-2021 Budget Message

TO: Davie County Board of Commissioners

FROM: John Eller, County Manager

Commissioners,

As required by G.S. 159-11, I present to you my recommended fiscal year 2020-2021 budget for Davie County in the amount of \$78,795,593 at a property tax rate of \$0.738 per \$100 of valuation. Therefore, a value of a penny of property value at this rate equates to \$480,000. In addition, we have maintained a \$0.04 countywide fire tax. In addition, the Advance Rural Fire Protection District tax recommended rate is \$0.02438 (in addition to the current \$0.04 county-wide fire tax). The budget is balanced and prepared in accordance with the Local Government Budget and Fiscal Control Act.

Fund	FY 2021 Manager Recommended
General Fund	\$66,349,428
Advance Rural Fire Protection District Fund	\$421,241
Environmental Protection Fund	\$483,000
Public Utilities Fund	\$7,682,169
E-911 Fund	\$279,766
Employee Health Fund	<u>\$3,579,989</u>
Total FY2020-2021 Recommended Budget	\$78,795,593

Davie County has not experienced a surge in revenue over the past several years as our property tax revenues are relatively flat. Due to our history of level operational property tax, the County is beginning to experience pressures that must be addressed in coming years. Apart from the increase of \$0.108 for the new High School debt and the \$0.01 for the new County Park that were both voted on by our citizens, the County has not increased the property tax rate for operations since FY 2006-2007 (fourteen years). Therefore, it is advantageous to grow our housing, retail base, and economic development opportunities to proactively prepare for the future. Given the uncertainty of Sales and Use Tax revenue reductions due to the coronavirus pandemic, the county is hesitantly optimistic that we will receive funding from federal and state governments to offset some of those losses.





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The County has maintained a Bond Rating of Aa2 by Moody's Investors Service (Moody's) and a rating of AA+ by Standard and Poor's (S&P). These rankings are excellent for a rural county, as only urban counties are ranked higher due to their growth and tax base. Moody's and S&P rated Davie County as they did due to our strong history of budgetary performance, conservative budgeting philosophy, ability to balance service demands with available revenues, our fiscal policies that govern our work, and our new performance based budget process which improved fiscal forecasting. Our strong ratings show that Davie County is very competitive in the Piedmont-Triad region of North Carolina.

The Local Government Commission (LGC) recommends municipalities and counties to establish a general fund balance reserve of 8%, or the equivalent of one month's worth of operating expenses. Consistent with Davie County's mindset of fiscal sustainability, the Board has adopted a fund balance reserve policy of 25% for the General Fund, more than triple the LGC requirement. Commissioners may appropriate funds that would reduce the Available Fund Balance below the 25% threshold during declared fiscal emergencies or to protect the long-term fiscal security of the County. **In such circumstances, the Commissioners will adopt a plan to restore the Available Fund Balance to or above the threshold within 36 months from the date of the appropriation.** Currently, Davie County has a fund balance reserve of 24.39%. Given the fiscal impact of the coronavirus epidemic, the fund balance will be further impacted making the need to develop a fund balance plan even more critical.

The County has a policy establishing a minimum 10 Year Tax Supported Payout Ratio of 55% measuring the amount of principal to be retired over the next 10 years. This ratio is an important metric that indicates whether or not a locality is back-loading its debt. Davie County's current ratio is 79.2%. The County also has a policy establishing a maximum Debt to Assessed Value of 2.50%. Currently, Davie County's existing Debt to Assessed Value is 1.35%. Moody's criteria for General Obligation Credits for Debt to Assessed Values shows Davie County within the Strong category while S&P acknowledges ratios below 3% as positive. Governmental Expenditures represent the ongoing operating expenditures of the County. In this analysis, debt service and capital outlay expenditures are excluded. The County has a policy establishing a maximum level of Debt Service to Expenditures of 15.00%. S&P notes the Debt and Contingent Liabilities as categories of Net Direct Debt as a percentage of Total Governmental Funds. Davie County falls within their Strong Category with a projected ratio of 14.03% for FY 2020. The Board may, from time to time, allow ratios to fall below a policy for a declared fiscal emergency or other such purpose, as to protect or enhance the long-term fiscal security. In such circumstances, the Board will adopt a plan to restore the policy to the target level within a specified time frame.

The Board has also approved prudent fiscal policies to help guide future growth in our Water and Sewer Enterprise Fund, while also providing greater fee predictability for residents year-to-year. These policies will provide for future predictability, allow for orderly expansion of services and operations within the financial framework, ensure efficiency while providing necessary services, and maintain a minimum debt service coverage ratio (Net Revenue Available for Debt service ÷ Annual Debt Service) of 1.50x of Total





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Indebtedness. In addition, the County will maintain a minimum liquidity balance for the Enterprise Funds equal to 365 Days Cash on Hand. Days Cash on Hand represents the unrestricted cash balances of the Enterprise Funds ÷ Annual Operating & Maintenance Expense ÷ 365. As determined by the Financial Forecast, the County will implement annual rate increases, as necessary, with a goal of limiting any increases to a maximum of 3.00% in any given year (unless approved by the Board).

Davie County follows a staggered rate increase to avoid any large spikes in utility services for citizens while staying below the state and national annual escalation rate average of 4-6%. This budget includes the fee recommended by our Raftelis consultant to the Board, as noted on the approved fee schedule, and includes the approved/projected escalation rate of 2.3%. Davie County's agreement with Republic Services (dated 5/02/16) includes bi-weekly recycling to all County residents, as curbside recycling has been provided since 2005. Due to changes in the recycle markets and the impact on the current collection agreement with Republic Services, County staff has negotiated an agreement for one additional year (FY2021) for this county-wide residential curbside recycling service. The County will provide the municipalities more than 12 months' notice of this change in funding for recycling and will coordinate with them and Republic Services on transitioning over the next year.

We acknowledge that needs always exceed revenues. To combat this, we continue our Performance Based Budgeting philosophy. This allows us to focus on historic/actual spending, prioritizing outcomes, and using data to make informed decisions. This will require us asking questions that we may not have asked before in order to compile data so that we show the results of the exemplary work being done by staff each and every day.

As more companies choose to invest in Davie County, we hope their investment will result in jobs that pay above the median income. While economic growth is positive for communities, it comes with an associated cost that must be planned for in order to maintain financial sustainability. Population growth brings increased service demands for county services. Economic Development is strong, and we hope to enhance those efforts more over the next few years as we plan for future growth and infrastructure. We can approach these items strategically, with anticipation, as we develop comprehensive long-range plans which will be completed in this budget to guide proper growth. Our citizens will experience the first county owned park at the former high school to enhance our Quality of Life and Place offerings.

As the County grows, it will be important for us to maintain, or even increase, service delivery to our citizens. Therefore, our staff will continue to explore innovative ways to create revenue while looking toward outside funding. We will also continue to work with our federal, state, and local elected officials on collective outcomes and needed resources to best serve the citizens of Davie County.

We will invest in needed capital improvements which citizens will see as a result of our Facility Space Needs Assessment that was recently conducted. We will also invest in enhanced technology, streamlined operations, and continue a multi-year classification and compensation process to ensure that our staff are "at market" rate to remain a competitive employer in our region.





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The budget includes a cost of living adjustment, absorbs retirement and health premium increases for staff, and requires health risk assessments for covered staff and spouses to avoid increased health insurance costs. This budget also reflects reductions in revenues related the local, state and national economies, which we will hopefully be offset by coronavirus government assistance.

Highlights of the proposed budget include:

- Property taxes will not increase and will remain at \$0.738, plus a \$0.04 countywide fire tax. In addition, the Advance Rural Fire Protection District tax rate will remain at \$0.02438.
- Anticipating financial support from federal and state governments to cover pandemic expenses and offset expected Sales & Use Tax reductions;
- Revised Fee Schedules;
- Canine Privilege Tax will be rescinded on tax bills beginning in 2021;
- Supporting 352 Full Time and 110 Part Time/Hourly staff to provide superior services to our citizens;
- Continuing policies that assist with good fiscal performance for both our General Fund budget and Enterprise Fund for Public Utilities;
- Employees are eligible to receive up to a 2% salary increase unless they are experiencing any current performance issues and/or are serving in a probationary status. This will consist of those eligible receiving a 1% cost of living increase in their salary no later than January 3, 2021 (so revenue projections can be assessed once they are received in the fall). Probationary employees are eligible to receive the 1% increase at the completion of their probationary period. Further, employees who perform well, as noted on our county-wide performance appraisal, may be eligible to receive up to an additional 1% salary merit, as determined by their department director on their anniversary date;
- Investments in employee wellness programs for staff to keep our self-insurance rates as low as possible for employees, including continuing Health Risk Assessments at the County Employee Wellness Center;
- Investments in staff development and training;
- Continuation of a multi-year market rate study cycle to ensure that staff salaries are competitive in our region;
- Increase in retirement contribution rate according to NC Local Government Employees' Retirement System regulations;
- No increases in health insurance rates for staff as the County will absorb any insurance increases in benefit premiums for staff to remain a competitive employer in our region;
- Continued implementation of our Davie County Comprehensive Plan, and completion of the Joint Water Feasibility Study, and Utilities Master Plan to align and complement our County Strategic Plan;
- Continued investments in needed infrastructure and technology as prioritized in our five-year capital improvement plan, including but not limited to, the new County Governmental Center, County Administrative Building, communications systems and radios, Library expansion, and hospital demolition;
- Implementation of a County Building Staging Plan based on the Facility Space Need Study;
- Incentives for business recruitment, growth, and retention for economic development;





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- County has negotiated an agreement for one additional year (FY2021) for county-wide residential curbside recycling service;
- Continued investment in Senior and Veteran services/programs and expansion of Senior Center programming at the Brock gymnasium;
- Outside agency funding for recreation centers will be reviewed and allocated by the Recreation and Parks Advisory Board;
- Operational increases for the new County Park and partnership with Twin City Soccer for field turf;
- Funding for cultural, arts and tourism partner agencies;
- Continuation of our vehicle replacement plan to replace decommissioned vehicles and two ambulances that have reached end of life;
- Maintain Fire Department/Rescue funding (no reduction), new fire contracts complete, purchasing reporting software for all departments, and radios for departments outside the county;
- Adherence to the five focus areas and monitor key departmental metrics as outlined in the Davie County Strategic Plan and performance based budget;
- Improving our safe and healthy community with enhanced access to health services through convalescent care transportation and partnership with a Federally Qualified Health Center;
- YVEDDI Transportation Services to residents (and supporting the Mocksville Circulator Route);
- Continued investment in Davie County Schools through the Interlocal Agreement for education of our children (seventh consecutive year of increase);
- Continued investment in secondary education for Davie County citizens through increased contribution to College of Davidson and Davie Counties (DCCC);
- Adherence to the Interlocal Agreement our three towns;
- Mileage reimbursement rate of \$0.45 per mile;
- Investment in our environment through Cooperative Extension, NC Forest Service, Davie Soil and Water Conservation and Davie County Watershed Improvement Commission;
- Alignment with Davie Economic Development Commission's Strategic Plan (Workforce Development through Ignite Davie Promise /Davie Works, Cognition Museum, economic development incentives, and next gen leadership);
- Contribution to Lake Louise Park for maintenance.

Davie County's vision statement affirms that we will be a vibrant, prosperous, and dynamic county, committed to building a sustainable future for generations to come, while celebrating our rural heritage and enhancing our quality of life. Our mission statement notes our desire to provide superior public service, offering all citizens the opportunity to improve their quality of life, while enjoying the benefits of a safe, healthy and vibrant county.

We are pleased to work with the Board of Commissioners to further the County's Strategic Plan (<https://www.daviecountync.gov/847/Supporting-Resources>) and work diligently to serve our staff, citizens, and community. Our five focus areas: Safe & Healthy Community, Growth and Infrastructure, Business





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Operations, Quality of Life & Place, and Education will guide our organization in making decisions as we focus on outcomes.

Davie County is filled with wonderful people who volunteer daily to better our community. However, government cannot independently solve all of our issues. It takes all of us in conjunction with our towns, county staff, private sector partnerships, nonprofits, faith-based partners, and volunteers to effectively serve our county.

I would like to thank each of you for your input. Also, I would like to thank our Department Directors for their tireless efforts to get us to this point and each county employee who faithfully serves the citizens of Davie County daily. May we collectively continue to move the County forward.

The public hearing on the recommended budget is schedule for June 22, 2020 at 4 pm. Budget information can be found on our website at <https://www.daviecountync.gov/222/Budget>.

Cc: Stacy Moyer, Clerk to the Board
Robin West, Assistant County Manager/ Chief Financial Officer
Cindy Chapman, Strategy and Budget Director
Ed Vogler, County Attorney
Department Directors