

Draft

**BOARD OF COMMISSIONERS
BUDGET WORK SESSION** April 29, 2024

**ALEXANDER COUNTY
STATE OF NORTH CAROLINA**

PRESENT: Josh Lail, Chairman
 Kent Herman
 Josh Lail
 Larry Yoder

ABSENT: Ronnie Reese, Vice-Chairman

STAFF: Allison Brown, Cooperative Extension Director
 Mark Earle, Fire Marshal
 Ben Faulkenberry, County Attorney
 Greg Foster, 911 Communications Director
 Doug Fox, Tax Administrator
 Shane Fox, County Manager
 Gary Herman, PIO
 Jennifer Herman, Finance Director
 Scott Hines, Register of Deeds
 Kristy Hunt, Senior Center Director
 David Moose, Consolidated Human Services Director
 Chad Pennell, Sheriff
 Linda Pennell, Deputy Finance Director
 Todd Rauscher, Assistant Tax Administrator
 Jeff Sigmon, EMS Director
 Jamie Starnes, Clerk to the Board
 Sylvia Turnmire, HR Director
 Billie Walker, Health Director
 Patrick Wike, Elections Director

The Alexander County Board of Commissioners held a budget work session on Monday, April 29, 2024 in the Services Center Conference Room in Taylorsville, North Carolina.

*****SPECIAL RECOGNITIONS*****

In appreciation of his time as County Manager, Chairman Lail presented a wooden keepsake box made by Relic Wood in Taylorsville to Shane Fox. Sheriff Chad Pennell and Jeff Sigmon, EMS Director, also thanked Mr. Fox for his support and guidance to local emergency departments and presented him with a plaque.

Mr. Fox thanked everyone for the gifts and recognition, as well as the opportunity to serve as Alexander County Manager since June 2023.

FY 2024-2025 PROPOSED BUDGET

The proposed General Fund budget for FY 2024-2025 totals \$56,274,901 and includes a 2-cent property tax reduction, 5% COLA and Christmas bonuses for employees, continued focus on public safety, and additional funding for Alexander County Schools. Mr. Fox reported that the proposed budget is \$1,355,117 less than current year (or 2.4%) and \$1,870,190 less than FY 2022-2023.

GENERAL FUND REVENUES

Mr. Fox presented a pie chart with General Fund revenue distribution as follows – property taxes at 47%, sales taxes at 21%, restricted grants at 20%, other revenues at 6%, and sales / services at 6%. Although our property tax base increased by approx. 40% after the statutorily required revaluation in 2023, we continue to have slow base growth that is only projected to increase by 1.4% for the coming budget year. At a property tax rate of 67 cents, Alexander County ranks at #55 statewide; however, we rank 94th in taxable property per capita (\$78,323). Reducing the tax rate by two cents will also reduce the County's revenue by \$816,000 (\$408,000 per penny).

Sales taxes are only up 3.85% this year, compared to 11% growth in the prior year. December 2023 sales taxes were only up 2% compared to 13% in December 2022. Mr. Fox reported that our Article 44 Medicaid Hold Harmless revenue was down 54% due to increased administration costs caused by Medicaid expansion; this is a statewide trend in every county but one.

Building permits have increased 18% (484 YTD compared to 232 this time last year) with FY 2024-2025 revenue projected at \$550,000. Detention Center revenue is projected at \$135,000 for the coming year thanks to inmate housing a new commissary program. EMS revenue has increased, but so has the cost of doing business, as well as interest earned from cash investments.

GENERAL FUND EXPENDITURES

To prepare for the FY 2024-2025 budget, Mr. Fox and Finance staff met with each department head to review line-item actuals, which helped to decrease overall expenditures. Prior to adding the 5% COLA, 29 departments were equal to or less than current year expenses. Mr. Fox explained that General Fund expenditures include public safety at 35%, health and social services at 25%, general government at 18%, education at 15%, culture and recreation at 5%, debt at 1%, and economic development at 1%. Projected operating expenditures for FY 2024-2025 are 9% less than current year that is attributed to a renewed focus on actuals vs. budgeted which showed that many line-items were being overestimated.

Budgeted capital outlay includes \$100,000 for IT upgrades, \$200,000 for 6 vehicles, \$600,000 for two ambulances (one is backordered and won't be delivered this fiscal year), \$79,000 for Sheriff's Office SUV and equipment, \$450,000 for a trash truck, and \$60,000 for HVAC upgrades. FY 2024-2025 capital spending is projected at almost \$400,000 less than current year.

In terms of personnel, the proposed budget includes two new positions (Sheriff's Office and Landfill), a 5% COLA, and Christmas bonuses for employees. In addition, several employee benefits are improving at no additional cost to the County (lower medical deductible, increased dental and vision allowances, and reduced premiums for multiple dependents). Salaries and benefits expenses total \$29,859,926 in the proposed budget. Mr. Fox recommended a pay/class study be conducted in the near future to stay competitive with other counties and municipalities.

Alexander County Schools requested \$8,287,394 for FY 2024-2025, an increase of \$903,966 over current year funding, to cover shortages in 4 areas – Fire Academy (\$46,016), NC Pre-K (\$63,596), increase in employee benefits (\$170,919), and loss of state funding due to projected loss of 93 students (\$623,435). Mr. Fox stated that the Board of Commissioners had been consistent in providing positive funding to the School System for the past 20 years while enrollment has continued to fall by 33% since 2005-2006, noting that enrollment was the issue, not County funding. According to NC DPI data, there has been a 21.9% decline in student enrollment over the past 10 years but during that same timeframe, County funding increased by 40.6%. Mr. Fox also added that 4 of the 7 elementary schools were currently operating at or below 50% capacity. For these reasons, the proposed budget includes an additional \$109,612 for the Fire Academy and NC Pre-K Program, for a total allocation of \$7,493,040. While counties statutorily cannot allot funding for specific school functions, Board of Education Chairman Robert Arguelles and School Board Member Josh Dagenhart have assured the commissioners that any additional funding provided by the County would be utilized where intended – Fire Academy and NC Pre-K.

Other appropriations include a half-cent fire tax increase request from Vashti Volunteer Fire Department; no changes in current funding structure otherwise, an additional \$27,000 for Alexander Rescue Squad to cover salaries for increased assistance, continued current funding levels for the Christmas Parade, Hiddenite Center, WPCOG, YMCA, Vaya Health, WPRTA, and others included under Special Appropriations. Funding for the Economic Development Corporation, which is currently operated under a 501(c)3, has been reduced by \$390,000 to transition Economic Development into a County department.

WATER & SEWER FUND

The City of Hickory has proposed a 5% rate increase for water and sewer services (about \$3 increase per bill), which has been accounted for in the proposed budget. In addition, the County will incur no further expenses to cover the water tap discount program that expired in October 2023. Mr. Fox discussed current water and sewer projects (see Capital Projects section below) and recommended future planning for a sewer lift station at Wittenburg Access as well as an additional water pump booster station in Bethlehem to coincide with the new water tank.

CAPITAL PROJECTS

Capital projects included / continued in the proposed budget include:

- Bethlehem Park Improvements Project – complete overhaul of Bethlehem Park made possible through state grant funds and use of Article 44 sales tax dollars; project is well underway.
- Bethlehem Water Tank – 750,000-gallon tank to assist with water system flow issues and prepare for expected growth in the area through use of state grant funds; property has been purchased and the project will be bid soon.
- Bowman Court Sewer Project – submersible pump station on east side of Bowman Court through use of state grant funds; project has been rebid several times with final bid opening scheduled for next week.
- EMS Station #1 Garage – will house several ambulances, offices, and training space through use of state grant funds; architect is finalizing designs and project will be bid soon.
- ARPA Water Extension Project – construction of water lines in 12 areas of the county through use of federal grant funds; there is a backlog on permitting at the state level but staff hopes to bid this project later this summer.

Mr. Fox added that the programming and design phase for a new courthouse was complete and that Jenkins-Peer Architects would present a suggested space layout and design in the next few months.

NEXT STEPS

Mr. Fox advised that a formal presentation on the FY 2024-2025 proposed budget as well as a public hearing was planned for May 20th with adoption on either June 3rd or June 17, 2024.

Several commissioners thanked Mr. Fox and Finance staff for their work to prepare the proposed budget. Thanks was also given to department heads for submitting conservative budget requests. Chairman Lail pointed out that changes to the budget could still be made by the Board if found to be in the best interest of the citizens.

ADJOURNMENT

There being no further discussion, the meeting was adjourned at 8:01 PM.

Joshua D. Lail, Chairman

Jamie M. Starnes, Clerk to the Board