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I. Introduction

As the Manager and Budget Officer for Rowan County, it's a true honor to present the proposed operating budget of the General Fund for the Fiscal Year 2024 (FY 2024). The requested expenditures for the General Fund total \$245,426,470, a 30.70% increase of \$57,647,810 over last year's budget.

The recommended FY 2024 budget is in the amount of \$198,247,750, an 5.6% increase of \$10,469,090 over last year's budget. The recommended budget is balanced and prepared in accordance with the Local Government Budget and Fiscal Control Act.

This budget message summarizes the attachments, budget workbook, and budget ordinance.

II. Revenue

This section is a general summary of the revenue recommended in Schedule 1.

Property Tax

The projected tax base for FY 2024 is \$18,707,900,000 and includes real property, personal property and vehicles, with a tax collection rate of 98.00%, an increase from last year's rate of 97.00%. This is a 31.75% increase over last year's \$14,200,000,000 tax base.

Local governments are mandated by State law to revalue property at least every eight years. Rowan County's last revaluation was in FY 2019-2020.

State law requires local governments to publish a revenue neutral property tax rate. North Carolina General Statute 159-11(e) defines the revenue neutral rate as "the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced by the current tax rate if no revaluation had occurred, adjusted by a growth factor equal to the average annual percentage change in values and anticipated appeals." The revenue neutral tax rate is estimated to be 52.59 cents per 100 of valuation, with an annual estimated growth rate of 2.15%.

The current year's tax rate is 65.75. The recommended tax rate for FY 2024 is 58 cents, a 7.75 cent reduction.

Sales Tax

Of the seven cents of sales tax charged on purchases in the County, Rowan County Government receives 2¼ cents. In addition, the County receives an allocation of Article 44.524(c) sales tax, which is restricted for education and economic development expenditures. The County shares proceeds with the municipalities in the amount of

\$4,400,000 for the hold harmless provision in the Medicaid Relief Swap Project initiated by the State in FY 2008. The Article 46 ¼ cent sales tax, approved by the voters in the November 2010 referendum, is dedicated to public safety.

For FY 2024, the recommended budget includes projected sales tax revenue at \$35,600,000, an increase in sales tax of 5.64%, or \$1,900,000 over last year's budget. This projection makes up approximately 17.93% of the overall revenue.

Although COVID-19 is no longer a major concern, inflation remains a considerable concern as we go into FY 2024. The impact inflation will have on spending and sales tax remains unclear. Rising prices increase the sales tax earned, but rising prices could also decrease spending capacity. This projection is in line with the annualized FY 2023 projection.

As outlined in the North Carolina General Statutes, the local option ½ cent sales tax known as Article 40 (enacted in 1983) requires that 30% of the proceeds be restricted for public school capital outlay; the local option ½ cent sales tax known as Article 42 (enacted in 1988) restricts 60% of its proceeds for the same purpose. Staff estimates that these restricted revenues will provide \$6,700,000 to Rowan County for School Capital. The recommended debt service for schools far exceeds the restricted proceeds, and all but \$1,000,000 of the restricted proceeds will be allocated for the retirement of debt associated with school construction.

Lottery Revenues

In the past, State law required 40% of lottery proceeds to be set aside for school construction. In the 2013 North Carolina Legislative Session, this 40% earmark was eliminated. Now, 100% of the funds are paid to the State to be appropriated to the counties at its discretion. The recommended County budget includes \$1,300,000 in lottery funding to pay school debt payments as promised with the lottery approval in 2005.

Fees

This budget recommends increasing fees in the Emergency Services Department, and the Parks Department. A detailed fee schedule adjustment can be found in Schedule 3.

Fund Balance

All local governments in North Carolina maintain a fund balance to provide cash flow, in part because property taxes, the largest revenue source for local governments, do not become due until January 5th of each fiscal year. The FY 2024 recommended fund balance appropriation to balance the budget is \$10,947,265.

This is \$1,619,738 greater than last year's approved fund balance appropriation of \$9,327,527, or a 17.37% increase. There is \$700,000 in contingency.

III. Expenditures – (A) Departmental

This section is a general summary of the expenditures recommended in Schedule 2.

A - Capital

One-time Capital Expenditures

The recommended budget includes \$1,725,000 for large one-time capital items, as listed below:

<u>Item</u>	<u>Cost</u>	<u>Funding Source</u>
Ag Center Roof	\$ 450,000	General Funds
Information Technology Server	175,000	General Funds
Tennis Court Renovations DNP	400,000	General Funds
Playground DNP	450,000	General Funds
Library Carpet-South Branch	100,000	Non-Recurring State Grant
Transit Scheduling Software	150,000	5310 Grant Funds 80/20 Split
Total	<u>\$1,725,000</u>	

ADA Transition Plan

The accessibility of the Rowan County sites is mandated by federal law, the Americans with Disabilities Act (ADA). In FY 2022 the County completed an ADA Self-Evaluation and Transition Plan that provides needed improvements to County sites. The County has 10 years to complete the items identified in the plan. The total estimated cost is \$6,144,496.00. The FY 2024 budget has \$600,000 in funding. A new position is also being recommended to provide project management for the plan and other capital projects throughout the County. The funding for this position will be shared with the Landfill Fund.

Vehicles

The proposed budget includes 36 vehicle purchases, at a purchase cost of \$3,024,507 for the departments as follows:

<u>Department</u>	<u>Vehicles</u>	<u>Estimated Cost</u>
Emergency Services	4	\$ 895,000
Inspections	2	46,000
Animal Services	1	40,063
Transit *	14	1,312,659
Sheriff	<u>15</u>	<u>730,785</u>
 Total	 <u>36</u>	 <u>\$ 3,024,507</u>

**The only vehicles purchased using current operating funds total \$131,266. Ninety percent of the transit vehicles' expense will be reimbursed to the County through the DOT CTP Capital Grant. The remainder will be paid for with Article 46 ¼ cent Sales Tax Restricted Fund Balance.*

B – Operational Expense Highlights

Health Insurance

The County's self-insured employee health plan is budgeted at \$1,060 per employee per month for all full-time employees in all funds. This recommendation is a \$60 increase per employee per month for FY 2024 and will be paid by the County. Employees hired after January 2012 will also see a monthly increase from \$100 to \$106 for their portion. The estimated overall increase to the budget is \$851,126. This is a 6% increase over last year's insurance cost.

Proposed Position Upgrades and Career Development

Human Resources examined three (3) departments this year for reclassifications: Tax Assessor, Board of Elections and Sheriff's Office. The goal is to conduct such an examination on a third of the employees each year. As previously applied, the Cost-of-Living Adjustment will be made to the new recommended pay. The FY 2024 budget recommends approving these reclassifications as described in the budget details of each department listed below. The total cost to the County for the reclassifications, including fringe benefits, is approximately \$9,409.

In addition, the budget recommends the following for the Sheriff's Office:

1. Pay differential in the amount of \$2,600 a year to all deputies who work full-time in Patrol, Sheriff's Office Criminal Apprehension Team (SOCAT), and Detention. This pay differential is for 103 employees.
2. Sign on bonus of \$2,000 and a \$500 referral bonus.
3. Relocation assistance up to \$3,000 for any new deputy relocating to Rowan County.

4. Clothing allowance for Detectives is currently \$1,000 a year; this budget recommend \$2,600 a year.

Schedule 8 provides a list of each recommended change.

Below is the increase by department:

<u>Department</u>	<u>Salary</u>
Sheriff's Office	\$ 7,120
Board of Elections	2,289

Proposed New Full-time Positions

During this year's budget process, Department Directors and Elected Officials requested 102 new positions at a cost of \$4,121,800. Schedule 4 provides a list of requested positions and their estimated cost.

The FY 2024 budget recommends approving the following positions.

<u>Department</u>	<u>Title</u>	<u>Cost</u>
Sheriff's Office	School Resource Officer *	\$ 86,246
Register of Deeds	Deputy Register of Deeds	57,100
Social Services	Income Maintenance Worker II (5)**	164,500
Social Services	Supervisor	31,008
General Government	Project Manager/Engineer ***	<u>150,000</u>
Total Increase		<u>\$ 488,854</u>

**The Board of Commissioners approved the addition of the School Resource Officer at the April 17, 2023 meeting.*

***These positions are for the Medicaid Expansion and may need to be increased this year.*

****50% of the Project Manager/Engineer position will be covered by the Landfill Fund.*

Employee Cost-of-Living Adjustment (COLA)

The Cost-of-Living Adjustment (COLA) represents many months of research and analysis. I firmly believe this recommendation should be approved to continue to provide the County's important services to the citizens who pay taxes.

As the County strives to keep wages at market level for our region, this budget recommends a 2.0% COLA effective July 1, 2023, then an additional 2.0% COLA will be effective January 1, 2024.

If this budget is approved as presented, this shall apply to every County employee and official, including seasonal, part-time, temporary, elected, and appointed. This shall include but is not limited to the Board of Commissioners, County Attorney, County Manager, Clerk to the Board, Sheriff, Register of Deeds, Health Board, Social Services Board, Board of Education and Elections Board.

The passage of this budget authorizes the Board of Education to increase their stipend by 2% COLA in July and an additional 2% in January. The updated July stipend will go from \$478 per month to \$488, and to \$498 in January. The recommended budget will maintain the Board of Education to receive a monthly travel stipend of \$114. Further, the budget will authorize the Board of Education's training allotment to increase from \$181 to \$185 in July, and to \$189 in January; this is a 2% COLA in July and an additional 2% in January.

Longevity Plan

The FY 2024 budget recommends the continued implementation of an on-going Longevity Program with an appropriation of \$445,199. This will address current and on-going salary compression issues by recognizing and rewarding employees for their length of service. The program will run annually and independently from other types of increases that may be implemented in any given year, such as cost-of-living adjustments. The formula will be applied to pay after other increases. All eligible employees will receive between 0.5% and 2.0% longevity pay in FY 2024, to take effect in July 2023.

The Longevity Program increases an employee's salary base pay based on the following formula:

0.5% increase for benefitted employees with at least one (1), but less than five (5), continuous years of service as of June 30th

1.0% increase for benefitted employees with at least five (5), but less than ten (10), continuous years of service as of June 30th

1.5% increase for benefitted employees with at least ten (10), but less than fifteen (15), continuous years of service as of June 30th

2.0% increase for benefitted employees with at least fifteen (15) continuous years of service as of June 30th

The above formula for part-time benefitted employees will be pro-rated based upon average hours worked per week.

Special Appropriations to Non-County Agencies

Annually, many agencies and non-profit groups request funds from Rowan County to provide their services. These special grants and appropriations are made on an annual

basis with consideration to continue the funding. A complete listing of the requests can be found in Attachment 5.

Article 46 Sales Tax Expenditures

The recommended budget includes expending \$6,780,006 million in Article 46 sales tax on public safety. This is based on a projected \$4,000,000 in revenue. With an estimated current balance of \$3,674,915. We are projecting the remaining fund balance for Article 46 to be approximately \$894,909.

III. Expenditures – (B) Education

Education

Rowan County Schools make up approximately 32.31%, or \$64,053,414, of the recommended County budget. This includes \$48,435,430 for operating, and \$15,617,984 for debt service. Operating costs consist of current expense and recurring capital.

	<u>FY 2023 Original Budget</u>	<u>FY 2024 Requested Budget</u>	<u>Difference in Requested and Original</u>	<u>% Increase/ (Decrease)</u>
RCCC	\$ 4,278,636	\$ 40,983,307	\$ 36,704,671	857.86%
Rowan-Salisbury Schools	38,227,414	45,304,804	7,077,390	18.51%
Kannapolis City Schools	2,890,538	2,888,170	(2,368)	(0.08%)
Charter Schools	<u>2,238,349</u>	<u>2,240,675</u>	<u>2,326</u>	0.10%
Total	<u>\$ 47,634,937</u>	<u>\$ 91,416,956</u>	<u>\$ 43,782,019</u>	91.91%

The total recommended amount to be paid directly to Rowan County Schools in the FY 2024 budget is \$48,435,430, a 1.68%, or \$800,493 increase.

	<u>FY 2023 Original Budget</u>	<u>FY 2024 Recommended Budget</u>	<u>Difference in Recommended and Original</u>	<u>% Increase/ (Decrease)</u>
RCCC	\$ 4,278,636	\$ 3,478,636	\$ (800,000)	(18.70%)
Rowan-Salisbury Schools	38,227,414	39,634,826	1,407,412	3.68%
Kannapolis City Schools	2,890,538	2,888,676	(1,862)	(0.06%)
Charter Schools	<u>2,238,349</u>	<u>2,433,292</u>	<u>194,943</u>	8.71%
Total	<u>\$ 47,634,937</u>	<u>\$ 48,435,430</u>	<u>\$ 800,493</u>	1.68%

Rowan-Cabarrus Community College

For FY 2024, the College requested \$40,983,307. This request does not include a request for funding of the project approved by the bond that was approved by the voters in FY

2020. The budget estimates paying two semi-annual debt payments for the bond referendum in FY 2024, which increases our debt service by \$4,018,493.

Public Schools (Elementary through High School)

Current Expense

The appropriations for public schools' current expense and capital outlay are made in accordance with the projected average daily membership (ADM) of each school unit. The State Department of Public Instruction provides these estimates. The estimated average daily membership percentages for school year 2023-24 are provided below:

<u>School System</u>	<u>FY 2021</u>		<u>FY 2022</u>		<u>FY 2023</u>		<u>FY 2024</u>	
	<u>Students</u>	<u>%</u>	<u>Students</u>	<u>%</u>	<u>Students</u>	<u>%</u>	<u>Students</u>	<u>%</u>
Rowan-Salisbury Schools	18,679	90.1	18,402	89.0	18,396	88.1	18,180	88.0
Kannapolis City Schools	1,289	6.2	1,305	6.3	1,391	6.6	1,325	6.4
Charter Schools	<u>767</u>	<u>3.7</u>	<u>978</u>	<u>4.7</u>	<u>1,104</u>	<u>5.3</u>	<u>1,143</u>	<u>5.6</u>
Totals	<u>20,735</u>	<u>100.0</u>	<u>20,685</u>	<u>100.0</u>	<u>20,891</u>	<u>100.0</u>	<u>20,648</u>	<u>100.0</u>

According to State and local estimates for the average daily memberships, it is projected that Rowan-Salisbury Schools will lose 216 students, Kannapolis City Schools will lose 66 students, and Charter Schools will gain 39 students.

This budget recommends that per pupil funding for current operating expenses increase by 5% over FY 2023 to \$2,128.86. Proposed current operating and capital expense and new debt service for the School Systems is summarized below:

<u>School System</u>	<u>FY 2023</u>	<u>Total Proposed Funding for FY 2024</u>
Rowan-Salisbury Schools (Current Operating)	\$ 36,910,713	\$ 38,315,757
Rowan-Salisbury Schools (Current Capital)	929,701	932,069
Debt Service for \$55 Million	<u>3,557,000</u>	<u>4,911,491 *</u>
Total	<u>\$ 41,397,414</u>	<u>\$ 44,159,317</u>

** This is the estimated amount to pay the debt service on \$55 million dollars starting April 1, 2024. If the budget is adopted as presented, this shall be considered approval of \$55 million dollars in new debt, which will increase the debt in FY 2024 in the amount of approximately \$4,911,491 subject to interest rates.*

<u>School System</u>	<u>FY 2023</u>	<u>Total Proposed Funding for FY 2024</u>
Kannapolis City Schools (Current Operating)	\$ 2,792,793	\$ 2,793,299
Kannapolis City Schools (Current Capital)	70,299	67,931
Debt Service	481,000	473,400
Total	\$ 3,344,092	\$ 3,334,630
Charter Schools	\$ 2,230,093	\$ 2,422,710

Important Note: The annual appropriation made to the School Systems for classroom teachers' supplies, or as a separate education appropriation, is not part of the current expense funding reflected above and has been continued in the Budget.

Schools Special Appropriation

Since FY 1999, the Board of County Commissioners has appropriated a sum of County funds for the purpose of providing supplies and materials to classroom teachers, or as a separate education appropriation. The appropriation made by the Board has been in the amount of \$375,000 to Rowan-Salisbury Schools, with a comparable amount to the other School Systems based upon average daily membership (ADM). I have included the funds for this appropriation in the Budget.

Schools Capital Outlay

The Board has routinely appropriated the proceeds from the restricted portions of the local option sales taxes for debt service to the public schools for use in capital outlay and technology. It is anticipated that the following amounts will be received and be eligible for distribution in FY 2024, detailed below:

	<u>FY 2023</u>	<u>FY 2024</u>	<u>Difference</u>
Estimated Revenue from Article 40 Restricted	\$ 2,500,000	\$ 2,600,000	\$ 100,000
Estimated Revenue from Article 42 Restricted	5,000,000	5,100,000	100,000
Estimated for Principal Payments for Debt	(7,643,000)	(7,596,000)	(47,000)

Appropriation of Expanded Sales Tax Base Revenue

The recommended budget includes \$1,000,000 of the expanded sales tax to be spent on education. The funds are allocated based on ADM percentages to Rowan-Salisbury Schools, Kannapolis City Schools, and Charter Schools in the amounts of \$880,473, \$64,171 and \$55,356, respectively.

IV. CONCLUSIONS FROM THE PROPOSED FY 2023 BUDGET

Rowan County is fortunate to have a professional and solid Finance Department under the leadership of Finance Director Anna Bumgarner. Much of the credit for this budget goes to Anna Bumgarner, Siobhan Allen, and Teresa Sharpless.

The proposed budget for FY 2024 reflects growth in property tax revenue due to revaluation and a sales tax revenue increase.

If you have any questions regarding the proposed budget, please contact staff or myself.

Sincerely,

Aaron Church