

**SUBMISSION OF  
PROPOSED ANNUAL BUDGET  
TO THE  
ROWAN COUNTY  
BOARD OF COMMISSIONERS**



**Fiscal Year 2022**

**Fund 101 - General Fund**

***Aaron Church, County Manager***

***May 26, 2021***

## I. EXECUTIVE SUMMARY

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 (FY) 2022. The requested expenditures for the General Fund total \$312,814,129, (\$159,292,915, or 103.8% increase from last year's budget).

The recommended budget is in the amount of \$174,457,202, (\$20,935,988, or 13.6% increase from last year's budget). The budget is balanced and prepared in accordance with the Local Government Budget and Fiscal Control Act.

In May 2020 the Budget Message quoted David Payne, Staff Economist with Kiplinger who wrote, "with inflation likely to barely register this year, The Kiplinger Letter is now forecasting that there will simply not be a Social Security cost-of-living adjustment for 2021."<sup>1</sup> Twelve months later, "Warren Buffett says Berkshire Hathaway is seeing 'very substantial inflation' and raising prices".<sup>2</sup> A recent headline in the Wall Street Journal read, "**Everything Screams Inflation**"<sup>3</sup>

"The Great Inflation" referred to by the Federal Reserve was 1965 to 1982.<sup>4</sup> In 1980 inflation "reached more than 14%."<sup>5</sup> This year's sales tax projections are 24.68% over last year's projected sales tax. Federal Government dollars related to COVID-19 will or have exceeded over \$100,000,000 for schools, municipalities and the County.

While increasing revenues a substantial amount, I am also recommending many increases including a 100% increase in fuel in every department that uses fuel in County Vehicles. This alone is an estimated \$680,798 dollars which is approximately ½ of penny on the tax rate.

Of the \$20,935,988 increase, approximately \$7,021,900 revenue will be provided by COVID-19 funding and \$4,939,066 will be provided from restricted Article 46 sales tax proceeds for a total of \$11,960,966.

## REVENUE HIGHLIGHTS

### Property Tax

The projected tax base for FY 2022 is \$13,910,000,000 and includes real property, personal property and vehicles, with a tax collection rate of 96.50%, (the same as last year). This is a 1.09% increase over last year's \$13,760,000,000 tax base.

<sup>1</sup> Payne, David. 15 May 2020, "No Social Security COLA Increase likely for 2021" The Kiplinger Letter

<sup>2</sup> Li, Yun. 3 May 2021, "Warren Buffett Says Berkshire Hathaway is seeing 'very substantial inflation' and raising prices." CNBC.COM Accessed May 25 2021: <https://www.cnbc.com/2021/05/03/warren-buffett-says-berkshire-hathaway-is-seeing-very-substantial-inflation-and-raising-prices.html>

<sup>3</sup> Mackintosh, James. 5 May 2021 "Everything Screams Inflation." Wall Street Journal accessed May 25, 2021: <https://www.wsj.com/articles/everything-screams-inflation-11620163599>

<sup>4</sup> Bryan, Michael. 22 November 2013. "The Great Inflation" Accessed May 25, 2021. <https://www.federalreservehistory.org/essays/great-inflation>

<sup>5</sup> Bryan, Michael. 22 November 2013. "The Great Inflation" Accessed May 25, 2021. <https://www.federalreservehistory.org/essays/great-inflation>

The recommended tax rate for FY 2022 remains the same at 65.75 cents.

## 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 \$3,400,000 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, will be dedicated to public safety if the budget is approved as presented.

The projected decrease for FY 2021 was based on COVID-19. Last year's budget message cited a May 15, 2020 article titled, "Retail sales plunge a record 16.4% in April, far worse than predicted."<sup>6</sup>

The projected decrease didn't happen and Rowan experienced record sales tax revenue throughout the pandemic.

For FY 2022, the recommended budget includes projected sales tax revenue at \$29,673,000 (\$5,873,000, or a 24.68% increase in the sales tax). This projection will make up approximately 17.0% of the overall revenue.

**\$5,873,000 or 24.68%  
increase in Sales Tax**

This is a \$1,141,879 (or 4.0%) increase of the FY2021 actual.

*If the projected sales tax revenue does not meet the projection in FY2022, **a property tax rate increase will be required in FY 2023** to maintain the current services recommended in this budget.*

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. Also, the local option ½ cent sales tax known as Article 42 (enacted in 1988) restricts 60% of its proceeds for the same purpose.

## 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 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.

<sup>6</sup> Cox, Jeff. 15 May 2020 "Retail sales plunge a record 16.4% in April, far worse than predicted." CNBC.com: <https://www.cnbc.com/2020/05/15/us-retail-sales-april-2020.html>

## 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 5<sup>th</sup> of each fiscal year. The FY 2022 recommended fund balance appropriation to balance the budget is \$12,550,262.

This is \$5,779,672 more than last year's approved fund balance appropriation of \$6,770,590 (an 85.4% increase). However, the recommended fund balance appropriation is \$1,019,605 more than the FY2020 appropriation of \$11,530,657 (a 8.8% increase).

## EXPENDITURE HIGHLIGHTS

### Education

Rowan County Schools make up approximately 30.7% (or \$53,594,684), of the recommended County budget. This includes \$45,355,684 for operating costs, and \$8,239,000 for debt service. Operating costs consist of current expense and recurring capital.

	FY 2021 Original Budget	FY 2022 Requested Budget	Difference in Requested and Original	% Increase
RCCC	\$ 3,114,973	\$ 54,186,709	\$ 51,072,636	1,640.06%
Rowan-Salisbury Schools	38,706,758	116,883,174	78,176,416	201.97%
Kannapolis City Schools	2,671,075	14,781,294	12,110,219	453.38%
Charter Schools	<u>1,479,384</u>	<u>1,841,837</u>	<u>362,453</u>	24.50%
Total	<u>\$ 45,971,290</u>	<u>\$ 187,693,014</u>	<u>\$ 141,721,724</u>	308.28%

### Capital

#### One-time Capital Expenditures

The recommended budget includes \$2,197,818 for large one-time capital items and removes the suspension of all capital item, as listed below:

<u>Item</u>	<u>Cost</u>
Courthouse Roof	\$ 431,000
Heart Monitors	\$ 880,000
Sheriff Vehicle Equipment	\$ 310,710
Detention Center Kitchen Equipment	\$ 36,815
Tasers	\$ 81,703
Body Scanner	\$ 150,000
Detention Center	<u>\$ 307,590</u>
Total	\$ 2,197,818

**New Debt**  
(not including school capital)

<u>Item</u>	<u>Total Cost</u>	<u>Annual Debt Payment</u>
Airport Hangar Expansion	\$12,500,000	\$ 1,150,000*
West End Plaza Renovations	\$15,000,000	\$ 1,377,000
Radio Infrastructure and New Radios	<u>\$10,500,000</u>	<u>\$ 1,104,000</u>
<b>TOTAL</b>	<b>\$38,000,000</b>	<b>\$ 3,631,000</b>

\*A portion of Article 46 ¼ will be used to pay the debt service for the new Highway Patrol and Novant Helicopter Hanger. The actual debt service for the entire \$12,500,000 will be approximately \$1,700,000 a year for 10 years. The \$1,150,000 may pay the first semi-annual payment in FY22 and provide a remaining estimated \$266,000 that will go toward the landscaping project that was stopped due to COVID-19.

### **West End Plaza**

The debt service budget lines for DSS renovation principal and interest was \$536,060 in FY 2019. In FY 2019, the last debt service payment for this project was paid in the amount of \$261,240. The reduction in those budget lines of \$274,820 was recommended in the FY 2019 budget to increase the transfer to the West End Plaza Capital Projects Fund (Fund 317) from \$615,000 to \$889,820.

The FY 2020 budget recommended that the remaining reduction for DSS renovation principal and interest, and Town Creek Water Project reduction, be transferred to Fund 317. This resulted in a transfer of \$1,299,820 in FY 2020. The FY 2021 budget recommended a transfer for \$1,440,160 to the West End Plaza Capital Projects Fund (Fund 317).

The FY 2022 budget recommends a \$1,753,660 transfer to fund 317.

FY 2019 Balance	\$ 1,532,998
FY 2020 Transfer	1,299,820
FY 2021 Transfer	1,440,160
FY 2022 Transfer	<u>1,753,660</u>
<b>Total</b>	<b><u>\$ 6,026,638</u></b>

## **II. CONTINUATION EXPENDITURE BUDGET**

The objective of the Continuation Budget is to maintain levels of service comparable to previous years while restricting increases in expenditures to those areas where either mandated or contractual obligations occur. For example, an effort has been made to

allow minimal increases to recognize increases in utilities, repairs and maintenance, postage, and other essential operating costs. Also, adjustments have been allowed for the replacement of needed equipment and vehicles. It is staff's responsibility to carefully analyze, review and adjust all requests to provide for a minimal overall growth in our continuing operations. The Continuation Budget includes the following major items:

1. The County's self-insured employee health plan is budgeted at \$910 per employee per month for all full-time employees. There is no recommended increase in the employee health plan for FY 2022.
2. The proposed budget includes 37 vehicle purchases, at a purchase cost of \$2,391,183 for the departments as follows:

<u>Department</u>	<u>Vehicles</u>	<u>Estimated Cost</u>
Emergency Services	4	\$ 838,032
Transit	10	677,935
Sheriff	20	768,216
Animal Enforcement	1	31,000
Facilities Management	1	45,000
Building Inspections	<u>1</u>	<u>31,000</u>
Total	<u>37</u>	<u>\$ 2,391,183</u>

The only vehicles purchased using current operating funds total \$161,735. Ninety percent of the transit vehicles' expenses 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 in the amount of \$1,637,248 if the budget is adopted as presented.

### *III. EXPENDITURE EXPANSION BUDGET*

It is the Manager's responsibility to recommend a proposed operating budget to the Board of County Commissioners. Importantly, the responsibility also includes advising the Board on statutory regulations dealing with fiscal accountability under State law. For the Board's review of the proposed budget, every request submitted by Department Directors and Elected Officials for expansion of programs, services and positions, and other requests have been listed for the reader on Attachments 3-5 as follows:

Attachment 3 – FY 2021 Expansion Budget Requests with Manager's Recommendations  
- Other Expenditures

Attachment 4 – FY 2021 Expansion Budget Requests with Manager's Recommendations  
- New Positions and Upgrades

Attachment 5 – FY 2021 Expansion Budget Requests with Manager's Recommendations  
- Special Appropriations

The County Manager's recommendation for funding is outlined on these attachments. Detailed support for these requests can be found in the FY 2022 Proposed Budget notebook under the appropriate section listed by department or agency.

The total of all County-funded expansion requests submitted for consideration in the General Fund amounted to \$145,628,589 and represented, for the most part, efforts to improve and expand services and benefits to the citizens of our County. However, funds are not available to provide for all the requests unless the Board elects to substantially increase the current property tax rate. The total recommended expenditures in the Expansion Budget equal \$3,569,662.

The following is a summary of the major items addressed in the recommended Expansion Budget.

**Proposed Position Upgrades and Career Development**

Human Resources examined twelve (12) departments this year for reclassifications. The departments consisted of Airport, Tax Assessor, Department of Social Services, Information Technology, Facilities, Finance, Parks, Planning, Sheriff's Office Administrative Staff, Soil and Water, Telecommunications, and Veteran Services. The goal is to do a third of the employees each year. The FY 2022 budget recommends approving these reclassifications as described in the expansion section of each department mentioned below. The total cost to the County is \$983,525 of which approximately \$190,950 may be reimbursed in Social Services.

Below is the increase by department:

<u>Department</u>	<u>Salary</u>
Airport	\$ 32,787
Tax Assessor	48,482
Department of Social Services	253,655
Facilities / Parks	182,629
Finance	28,799
Information Technology	44,649
Planning	25,099
Sheriff	27,844
Soil & Water	8,550
Telecommunications	119,450
Veterans Services	20,631
TOTAL (Minus Reimbursement)	\$792,575

### Proposed New Full-time Positions

During this year's budget process, Department Directors and Elected Officials requested 37 new positions at a cost of \$2,335,413. Attachment 4 provides a list of requested positions and their estimated cost. This budget recommends eliminating the Risk Manager position from the Risk Management fund in the amount of \$ 85,230.

The FY 2022 budget recommends approving the following full-time positions. The table below is followed by detailed justification.

Department	Title	Cost
Finance	Accountant II	\$ 94,160
Register of Deeds	Deputy Register of Deeds	49,586
Building Inspections	Building Inspector	106,309
Health Department	Environmental Health Specialist	90,872
Health Department	Environmental Health Specialist (OWW)	<u>89,892</u>
Total Increase		<u>\$ 430,819</u>

The FY 2022 budget recommends approving the following temporary full-time positions that will be paid for with COVID-19 related funding. The table below is followed by detailed justification.

Department	Title	Cost
Finance	Analyst	\$ 74,920
Emergency Services	Community Paramedic	63,630
Emergency Services	Community Paramedic	63,630
Emergency Services	Community Paramedic	63,727
Emergency Services	Community Paramedic	<u>63,727</u>
Total Increase		<u>\$ 348,874</u>

### Employee Cost-of-Living Adjustment (COLA)

The FY 2022 budget includes a 2% Cost-of-Living Adjustment pay increase at a total cost to the County is \$1,141,366 of which approximately \$102,656 may be reimbursed in Social Services. If the 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 and Elections Board.

### Premium Pay

The FY 2022 recommends providing premium pay to every eligible full-time and part-time benefited County employee in the amount of \$2,000.

- Eligible employees at this time are those that do not make 150% above the greater of the state or local average annual wage. The US Treasury Fact Sheet reads "Treasury's Interim Final Rule emphasizes the need for recipients to prioritize premium pay for lower income workers. Premium pay that would increase a worker's total pay above 150% of the greater of the state or county average annual

wage requires specific justification for how it responds to the needs of these workers.”<sup>7</sup>

- Eligible employees must have been, or will be required to be, physically present at their jobs for at least 154 hours.

### **Longevity/Merit Plan**

The FY 2022 budget recommends the continued implementation of an on-going Longevity/Merit Program with an appropriation of \$525,719. 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 2022 in July 2021.

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 30<sup>th</sup>

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

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

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

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

### **Rowan-Cabarrus Community College**

For FY 2022, the College requested \$54,186,709. This request includes a request for funding the project approved by the voters in FY 2020. The recommended budget does not include this project at this time. However, \$1 million dollars is being recommended to assist the college with architect fees in anticipation for the project starting in FY 2023, in which a tax increase of approximately 3.5 cents will be required. The \$1 million dollars shall be paid back to the County with the general obligation bond proceeds.

<sup>7</sup> FACT SHEET: The Coronavirus State and Local Fiscal Recovery Funds Will Deliver \$350 Billion for State, Local, Territorial, and Tribal Governments to Respond to the COVID-19 Emergency and Bring Back Jobs. 10 May, 2021:  
<https://home.treasury.gov/system/files/136/SLFRP-Fact-Sheet-FINAL1-508A.pdf>

## Public Schools

### Current Expense, Capital Outlay, New Debt and COVID-19 funding

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 FY22 are provided below:

School System	FY 2019		FY 2020		FY 2021		FY 2022	
	Students	%	Students	%	Students	%	Students	%
Rowan-Salisbury Schools	19,080	92.5	18,701	91.8	18,679	90.1	18,402	89.0
Kannapolis City Schools	1,281	6.2	1,290	6.3	1,289	6.2	1,305	6.3
Charter Schools	<u>258</u>	<u>1.3</u>	<u>376</u>	<u>1.9</u>	<u>767</u>	<u>3.7</u>	<u>978</u>	<u>4.7</u>
Totals	<u>20,619</u>	<u>100.0</u>	<u>20,367</u>	<u>100.0</u>	<u>20,735</u>	<u>100.0</u>	<u>20,685</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 277 students, Kannapolis City Schools will gain 16 students, and Charter Schools will gain 211 students.

This budget recommends that per pupil funding for current operating expense remain the same at an estimated \$1,949.51. Proposed current operating, capital expense and new debt service for the school systems is detailed below:

School System	FY 2021	Total Proposed Funding for FY 2022
Rowan-Salisbury Schools (Current Operating)	\$ 36,027,914	\$ 35,487,883
Rowan-Salisbury Schools (Current Capital)	2,291,844	854,731
Debt Service for \$55 Million	-	2,524,500 *
Architect fees	-	2,100,000 **
Water, sewer and storm water	-	<u>4,000,000</u>
Total	<u>\$ 38,319,758</u>	<u>\$ 44,967,114</u>

\* This is the estimated amount to pay the debt service on \$55 million starting February 1, 2022. If the budget is adopted as presented, this shall be considered approval of \$55 million in new debt, which will increase the debt in FY 2023 in the amount of approximately \$2,524,500, subject to interest rates.

\*\* This expenditure of estimated architect fees will authorize the Board of Education to commence on July 1, 2021 on the design and construction of a new school not to exceed \$55 million, including land acquisition and architect fees. This expenditure will be offset and repaid to the County through loan proceeds if the budget is adopted as presented. For example, if the amount of architect fees expended from July 1, 2021 through February 1, 2022 is \$2.1 million, this shall reduce the debt capacity for the new school from \$55 million to \$52.9 million.

**ROWAN COUNTY**  
**Fund 101 - General Fund**

**For the Fiscal Year 2022**

<u>School System</u>	<u>FY 2021</u>	<u>Total Proposed Funding for FY 2022</u>
Kannapolis City Schools (Current Operating)	\$ 2,486,213	\$ 2,516,666
Kannapolis City Schools (Current Capital)	158,156	60,614
<b>Total</b>	<b><u>\$ 2,644,369</u></b>	<b><u>\$ 2,577,280</u></b>

<u>School System</u>	<u>FY 2021</u>	<u>Total Proposed Funding for FY 2022</u>
Charter Schools	1,479,384	1,907,271

***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 Continuation 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). This is included in the funds for this appropriation in the Continuation Budget.

**Restricted Local Option Sales Tax**

The budget recommends that proceeds from the restricted portions of the local option sales tax be used for debt service payments for public school capital projects and technology. It is anticipated that the following amounts will be received and be eligible for debt payments in FY 2022:

	<u>FY 2022</u>
Estimated Revenue from Article 40 Restricted	\$ 2,000,000
Estimated Revenue from Article 42 Restricted	4,000,000
Estimated for Principal Payments for Debt	(8,239,000)

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 \$889,600, \$63,100 and \$47,300, respectively.

**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 on Attachment 5.

***IV. CONCLUSIONS FROM THE PROPOSED FY 2022 BUDGET***

Rowan County is fortunate to have a professional and solid Finance Department under the leadership of Finance Director Jim Howden. Much of the credit for this budget goes to Jim Howden, Siobhan Allen, Rita Peters and Lisa Bevis.

The proposed budget for FY 2022 reflects growth in property tax revenue due to small incremental growth and a sales tax revenue increase.

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

Sincerely,

A handwritten signature in cursive script that reads "Aaron Church". The signature is written in dark ink and is positioned above the printed name.

Aaron Church