



To: Board of Commissioners

From: Richard D. Morris, County Manager

Date: 24 May 2004

Re: FY 2004-05 Budget Message

As required by statute, I hereby submit my proposed balanced budget for Fiscal Year 2004-05. I would also remind the Board that the mandatory Public Hearing for the Fiscal Year 2004-05 Budget has been set for 7:00 P.M. on 3 June 2004 at the Government Center Building, Courtroom "A".

The County remains in the recovery mode financially as a result of past revenue reductions. The total budget request for 2004-05 from both internal and external requesters was \$ 37,168,298. To fund the total budget request with Hold Harmless included would require a thirteen-cent tax increase. My total recommended proposed budget of \$36,531,127 is a 9.6% increase over the 2003-04 budget. This proposed budget requires no tax increase and restores the fund balance from 5.73% to 8%. Eight percent is the minimum required by the Local Government Commission and is critical to the County maintaining its A (S&P) and A1 (Moody's) bond rating.

The contingency line in this budget for emergencies is funded at \$100,000, the same as 2003-04. Of the Hold Harmless revenue, projected to be \$2,076,379, fifty-seven percent is budgeted to specific items with the condition that these items will not be executed until the Hold Harmless funds are received. Telephone, Postage, Travel and Training are broken out separately this year, which is a change from last year. Also, health insurance cost is allocated to each department and is reflected in the budget notes as a departmental increase. In reality it's not an actual increase to the department, just a reallocation from a single line item titled "Health Insurance" in previous year budgets.

This proposed budget is designed to take advantage of the current low interest rates by using Debt Service to finance a number of capital items over three years, which will spread out cash outlays while locking in the low rates. This proposed budget also takes an initial step toward "performance budgeting" where departments will be incentivised to meet specific budgetary goals. For example, in this budget additional ambulance purchases will be triggered by achieving designated revenue collection thresholds on delinquent ambulance bills.

In the area of personnel, this proposed budget provides a 2% cost-of-living adjustment (COLA) for all employees along with the addition of County funded dental insurance coverage for all full-time employees. These increases to employee compensation are sorely needed given the lack of a comprehensive salary increase since FY 2000-01 where all departments received increases based on a salary study conducted by an outside contractor. It should also be noted that health insurance is expected to increase significantly this year. This proposed budget incorporates the option of health and dental insurance coverage for commissioners, while actively serving, and changes the formula for the calculation of commissioner compensation. Also included are a number of recommended personnel reclassifications, which are called out in the notes under each department and scheduled to become effective with the pay period beginning 10/22/04. Final Board approval of personnel reclassification changes will result in an updated personnel classification guide for the County. The updated classification guide does not include an increase in the minimum and maximum scales for any of the grade levels. Personnel classification changes are recommended for two primary reasons. The first is to ensure that positions accurately reflect the current position responsibilities and secondly, some of the grades require adjustment to maintain parity with other counties since most of the County's personnel classifications have not been recently updated.

Other changes from last year's budget are the breakout of Purchasing from Finance into a stand-alone department and a new funding line under the Contingency budget line that will cover all payoffs of personnel retiring or departing the County for other reasons. The King Clinic has been folded back into the Health Department budget and Environmental Health has been broken out as a stand-alone department under Health.

Revenue projections for this proposed budget are supported by a strong collection effort by the Tax Department where we are ahead of last year's collections. We are also projecting the collection of \$700,000 in delinquent EMS ambulance bills in conjunction with improved collection procedures of current EMS bills. Also included in this proposed budget is an increase in the County's impound lot fees from \$12.00 to \$15.00 per day. Interest income remains low due to the low interest rate which supports the decision to maximize the use of Debt Service in this budget. As the uncertainty of receiving Hold Harmless funding in the future increases, it would be prudent for the Board to consider other revenue sources. Potential out-year sources of revenue not included

in this proposed budget are the sale of the County's Health/DSS building in King and the Old Prison Site in Meadows. These properties could provide a "funding bridge" for the County to absorb future decreases and eventual elimination of Hold Harmless funds.

Additional points of interest for selected departments/activities contained in my proposed 2004-05 budget are highlighted below:

- Schools - Provides funding for increased teacher supplement, wireless internet technology upgrade and SRO officers. Also includes funding for capital improvements for school roof replacement and other general facility repairs. The School Budget includes State & Federal funding estimates broken out by purpose and function. We have attempted a "best guess" estimate of where to assign reductions from the school request by purpose and function; however, I would suggest the two Boards closely examine and reassess the reductions where they desire to do so.
- Animal Control - Adds a new 4WD truck and dog box to provide rough terrain capability regularly needed in the conduct of animal control investigations and routine operations.
- Cooperative Extension Service - Adds a full time livestock agent for the County and funds one half of the salary with the remaining half to be funded by the State.
- Contingency Funds - Increased over last year to cover payoffs for departing employees and a new merit awards program.
- Debt Service - Overall cost of Debt Service is reduced from last year by refinancing; however, several items of new equipment have been transferred from Capital Reserve to Debt Service and financed for three years to take advantage of current interest rates and to maximize the amount of new equipment purchased this year.
- District Resource Center (DRC) - Increased part time funding to cover new pre-trial release program being implemented by DRC.
- Department of Social Services (DSS) - Adds Income Maintenance Worker position to increase fraud investigations and increase fraud revenue.
- Emergency Medical Services (EMS) - Adds two new ambulances plus one additional ambulance per \$100,000 of collected delinquent ambulance fees above \$700,000 up to five total units. Also adds an assistant EMS Director and three additional EMT positions to complete the staffing of EMS Unit 5. Adds five laptop computers with docking stations and wireless transmission capability to equip five ambulances.
- Emergency Management - Adds a funding line for quick access spending to be used in case of an actual emergency.
- Fire & Rescue - Adds Assistant Fire Marshal position plus an administrative position. Adds an additional truck equipped with fire fighting equipment to back up volunteer firefighters. Additional positions will also perform numerous other operational duties such as fire inspections and health and safety program management (mandated by OSHA). New Assistant Fire Marshal position should eliminate need to add paid fire fighters to County fire departments for foreseeable future.
- Health & Dental Coverage - Incorporates premium increase in employee health insurance coverage and adds dental coverage for all full-time employees.
- Jail - Adds new position for evidence management / administrative functions and purchases a used van and prisoner cell assembly from State to increase the prisoner transport capability.
- Parks - Increased funding of part-time personnel to provide required weekend coverage at Moratock Park that is needed to support increased park use.
- Public Buildings - Provides funding for scrape blade and bush hog for recently acquired tractor. Also funds new heating unit and renovations for Administration Building and renovations for the Government Center Building to meet required code/safety specifications.
- Recreation - Funding included to continue YMCA contract should the Board decide to do so. Current contract expires in December 2004 and contains requirement for six-month notification if contract will not be renewed.
- Solid Waste - Provides funding for two new garbage trucks (reflected in Debt Service line) due to the repair record experienced this year on these older trucks. Replaces worn-out green boxes.
- Vehicle Maintenance - Provides funding for replacement of worn out-tire changer and tire balancer (approximately 20 years old). Also provides lifts for new garage and new equipment for conducting State vehicle inspections. Adds new position for one-half-year beginning January 2005 to cover increased YVEDDI maintenance that should be offset by additional YVEDDI revenues paid to the County for their vehicle maintenance.
- Mountain Rescue - Mountain Rescue requested County funds of \$45,000 for 2004-05. No County funding has been included in this budget for Mountain Rescue because, after repeated requests, they failed to provide the required supporting documentation to justify their request, which included a complete budget and their overdue contract for County approval.

I would like to personally recognize the outstanding efforts of the County Department Heads and especially Finance Director Julia Edwards for their outstanding efforts in constructing this year's proposed budget. The department budget packages were thorough, well-thought-out and well-justified. I appreciate the Board's consideration of my proposed fiscal year 2004-05 budget.

Very Respectfully,

Richard D. Morris
County Manager