

A scenic view of a rocky stream flowing through a dense forest. The water is clear and shallow, cascading over numerous large, dark, moss-covered rocks. The surrounding trees are lush and green, with sunlight filtering through the canopy, creating a bright and vibrant atmosphere. The stream flows from the background towards the foreground, where a large, prominent rock sits in the middle of the water. The overall scene is peaceful and natural.

MANAGER'S MESSAGE



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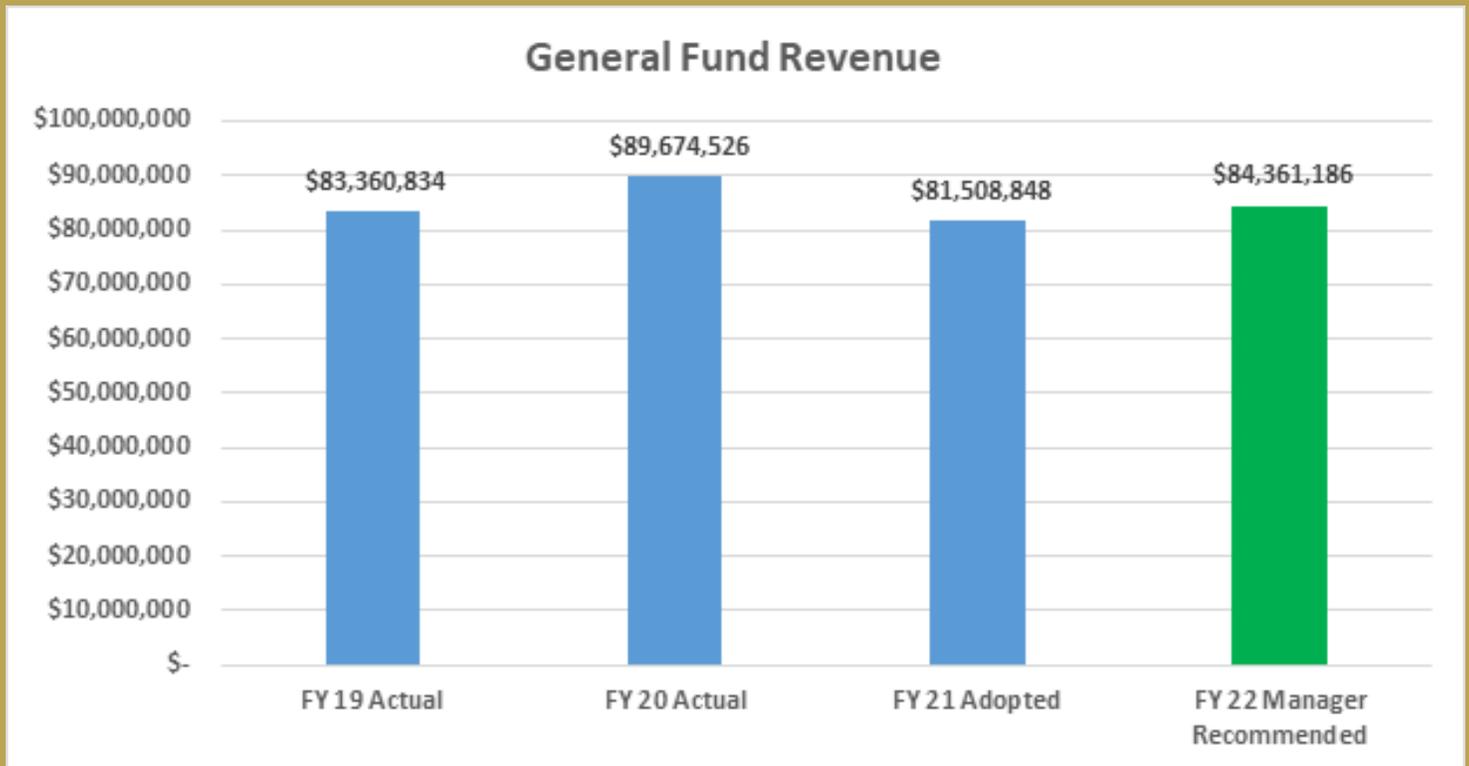
Honorable Chairman Ensley and Members of the Board of County Commissioners:

In accordance with the General Statutes of North Carolina, I am pleased to submit for your consideration the Manager Recommended Fiscal Year 2021-2022 Budget. The budget is balanced and prepared under the guidelines of the North Carolina Local Government Budget & Fiscal Control Act and it incorporates the priorities and policy directions communicated by the Board of County Commissioners. The Recommended Budget is based on a tax rate of 53.5 cents per \$100 of property value, using a total valuation of \$9,112,497,160.

The North Carolina Local Government Budget & Fiscal Control Act requires, in each year in which a general reappraisal of real property has been conducted, publishing a statement of the revenue-neutral property tax rate for the budget. North Carolina General Statute 159-11 (e) does not specifically say if the revenue-neutral calculation should be completed by using data from the Tax Office or from the Comprehensive Annual Financial Report (CAFR). Using Tax Office data, the revenue neutral rate is 50.78 cents; using CAFR data, the revenue neutral tax rate is 50.69 cents. The variance between these two calculations is nine ten-thousandths of a cent.

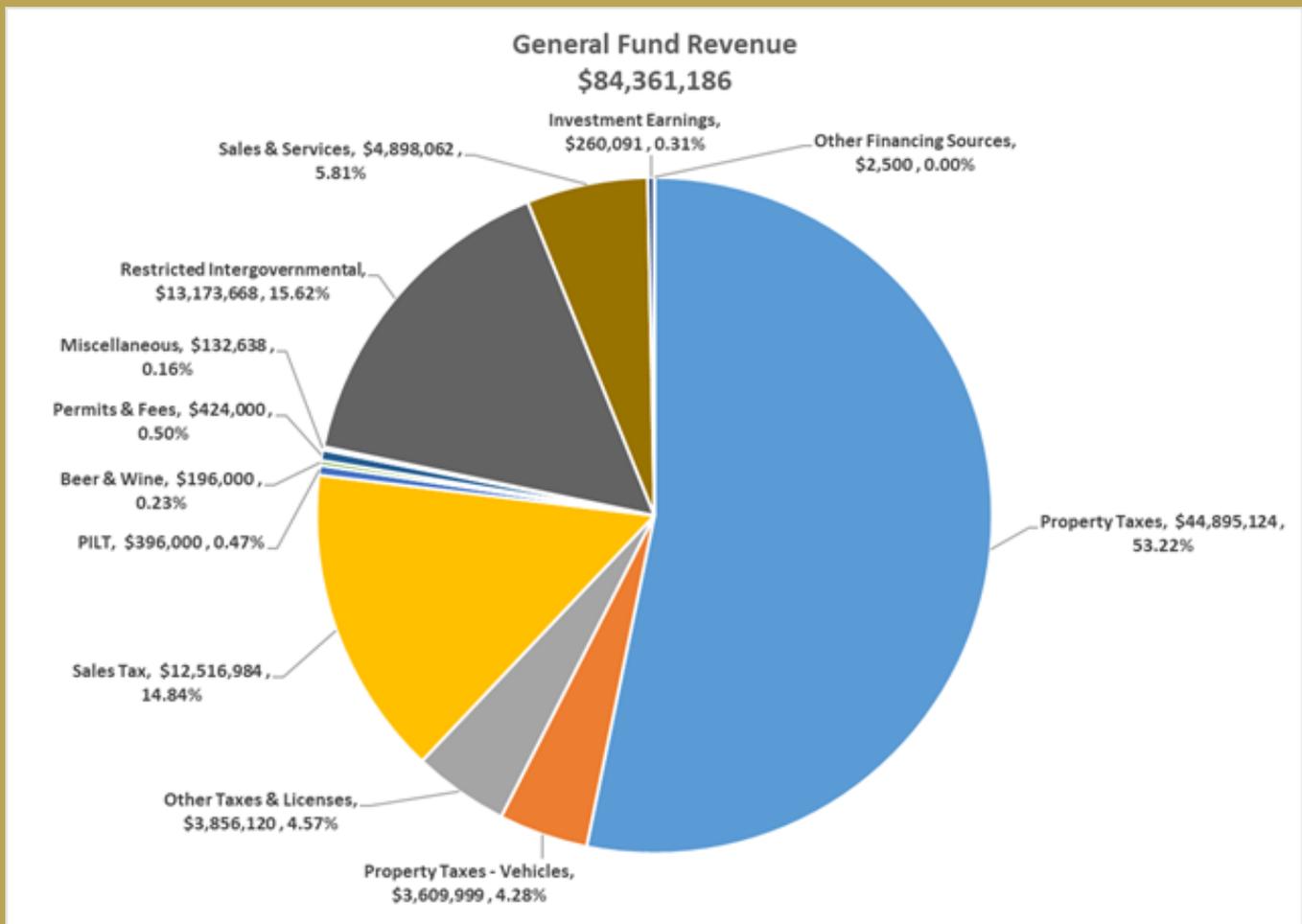
GENERAL FUND REVENUES

The Fiscal Year 2021-22 (FY 22) General Fund Revenues have grown from \$81,508,848 in Fiscal Year 2020-21 (FY 21) to a total of \$84,361,186 in FY 22. These revenue amounts exclude appropriated fund balance to give a true picture of the revenue generated by the County. Overall, the County is showing an increase of \$2,852,338 in revenues from FY 21 to FY 22. This amounts to 3.5% more revenue than was budgeted in the FY 21 budget.



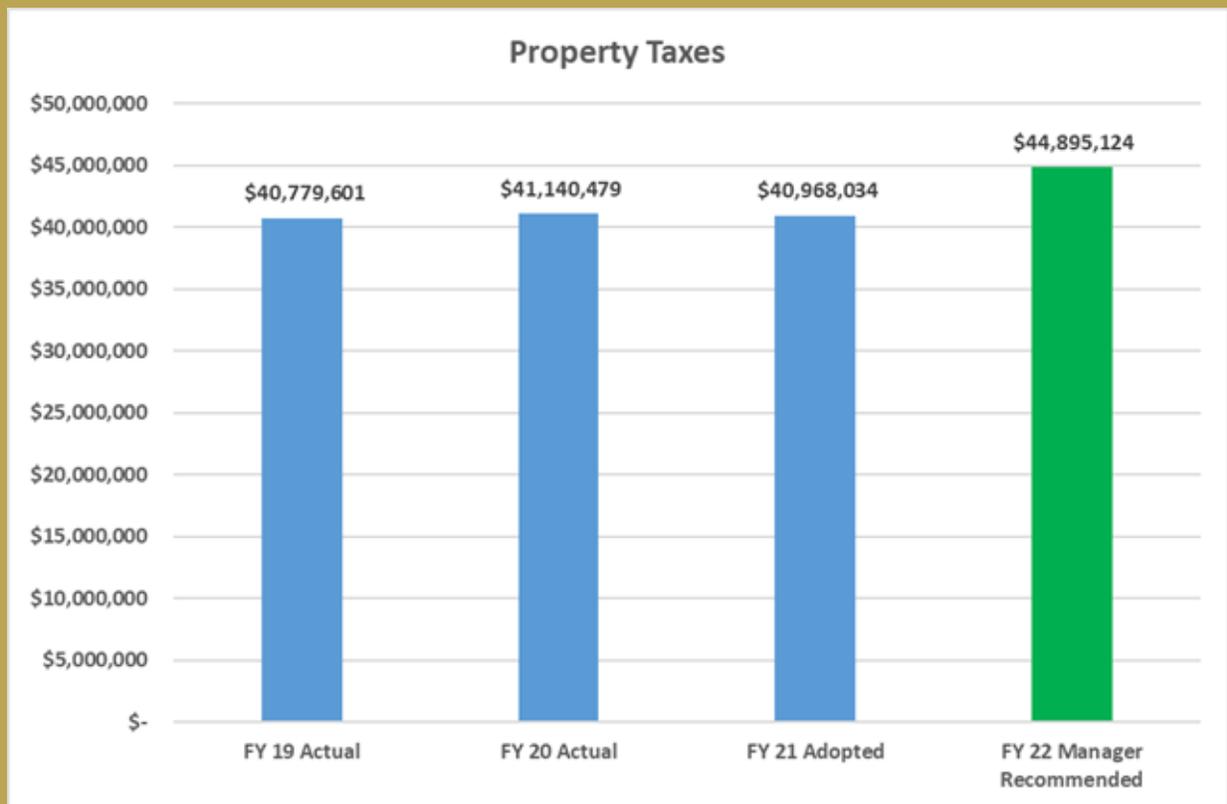
REVENUE BREAKDOWN

“General Fund Revenue” breaks down the major revenue drivers for the County. The three most important are Property Taxes, Restricted Governmental, and Sales Tax. In sum, they represent roughly 83.68% of the County’s revenue. Individually, Property Tax is the largest at 53.22%, Restricted Governmental is second at 15.62%, and Sales Tax is third at 14.84%. All other revenues amount to 16.32%.



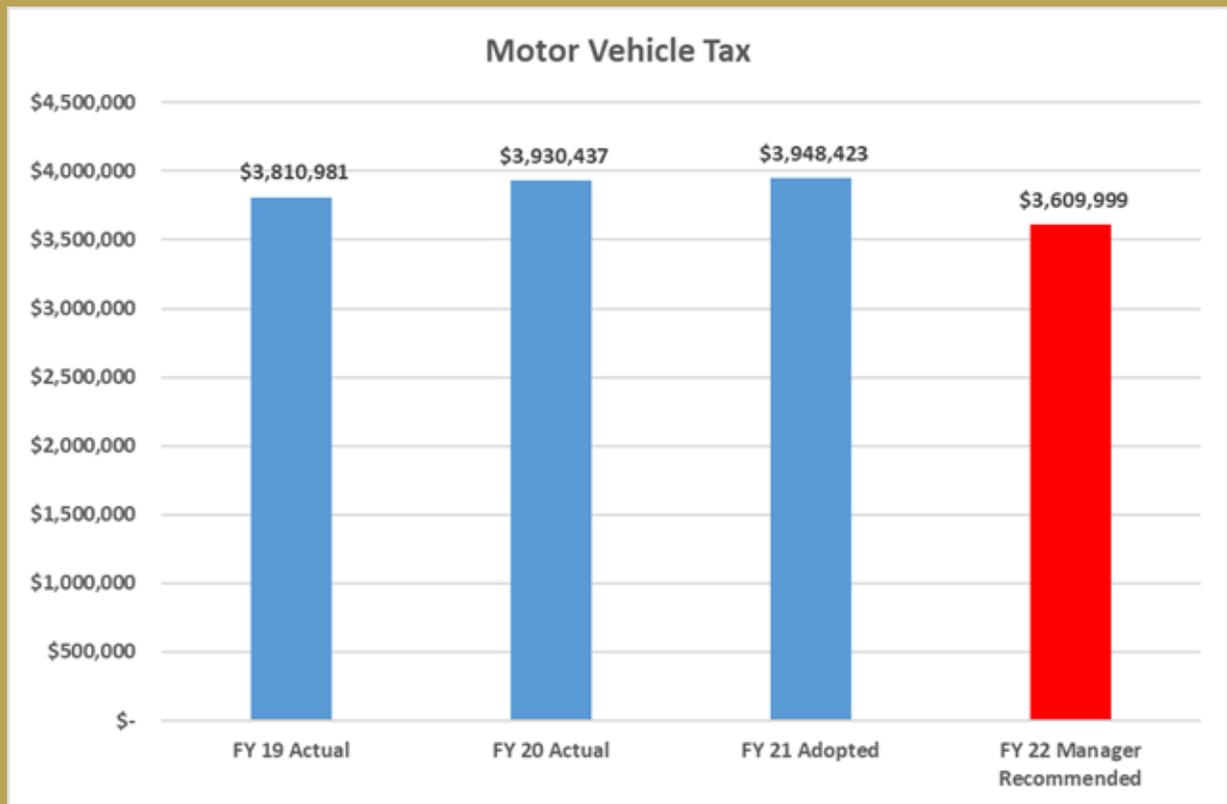
PROPERTY TAXES

The majority of tax revenue received by the County is derived from real estate, personal property and utility taxes. In the Pie Graph, Property Tax slice represents these different sources in the pie graph. The Recommended Budget includes an additional \$3,927,090 or an increase of 9.59% over FY 21. We have accounted for some natural growth in the tax base and this budget uses a collection rate of 97.39%. This collection rate is about one percentage point higher than the FY 21 budgeted collection rate because of the improved state in the economy.



MOTOR VEHICLE TAX

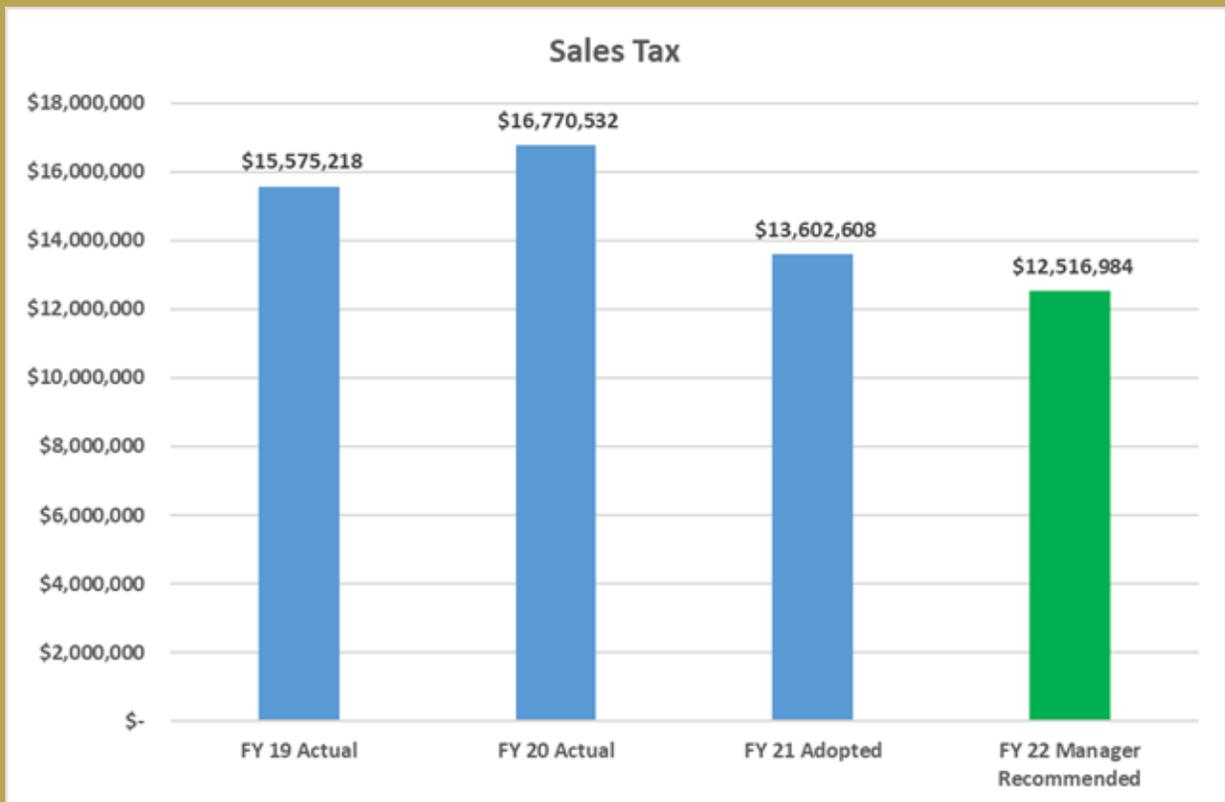
Another significant portion of the County's revenue comes from the tax on motor vehicles. The recommended budget includes \$3,609,999 of motor vehicle tax revenue, which is a decrease \$338,424. The loss of motor vehicle tax is largely the product of reducing the tax rate from 58.5 cents to 53.5 cents.



SALES TAX

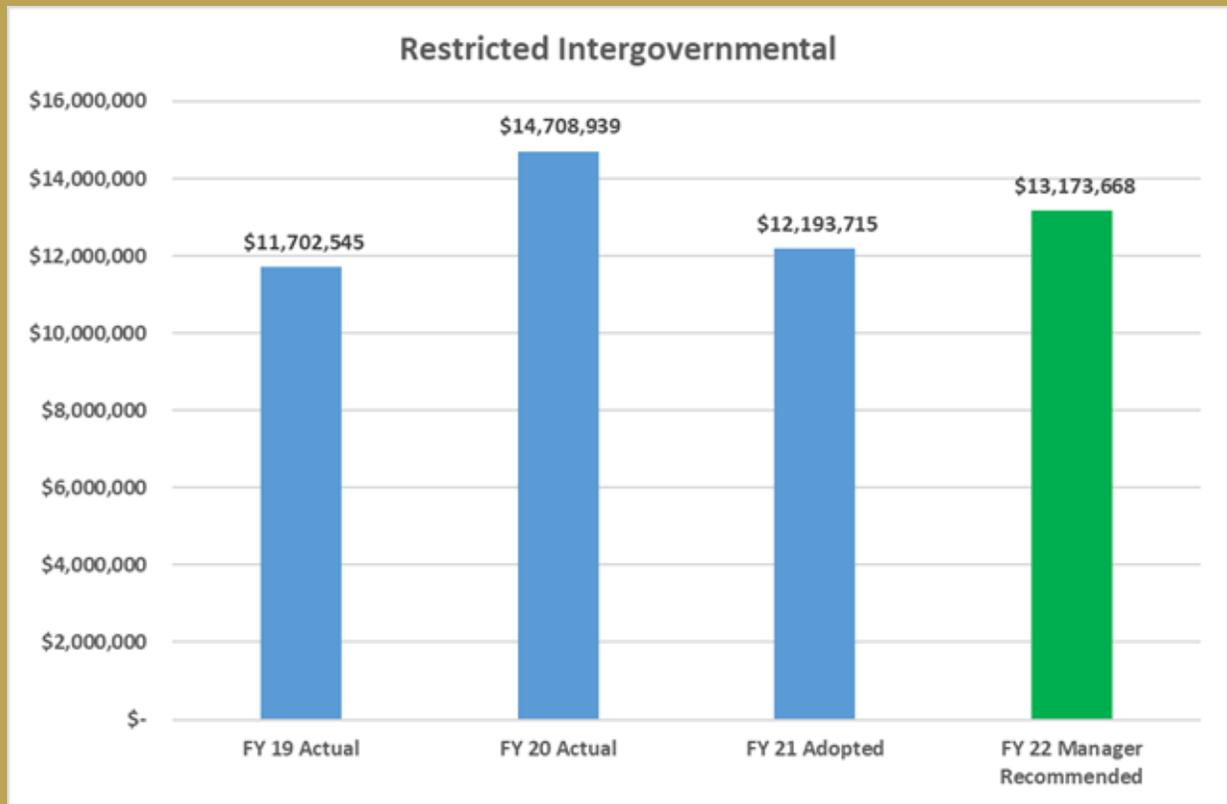
The recommended budget includes just over \$12.5 million in sales tax in the general fund for next year. This is equal to a decrease of \$1,085,624 or 7.98% compared to the current year (FY 21).

Sales Tax overall is increasing significantly in FY 22, but we will begin to segregate funds generated from sales tax revenue earmarked for Haywood Community College and the Haywood County School System into two new debt service funds instead of the County's General Fund. Sales Tax for the School System and the College pay their annual debt payments and capital allocations. The County will continue to fund the operating costs for Haywood County Schools and Haywood Community College out of the General Fund. The total amount of Sales Tax collected in all three funds total to \$18,827,729.



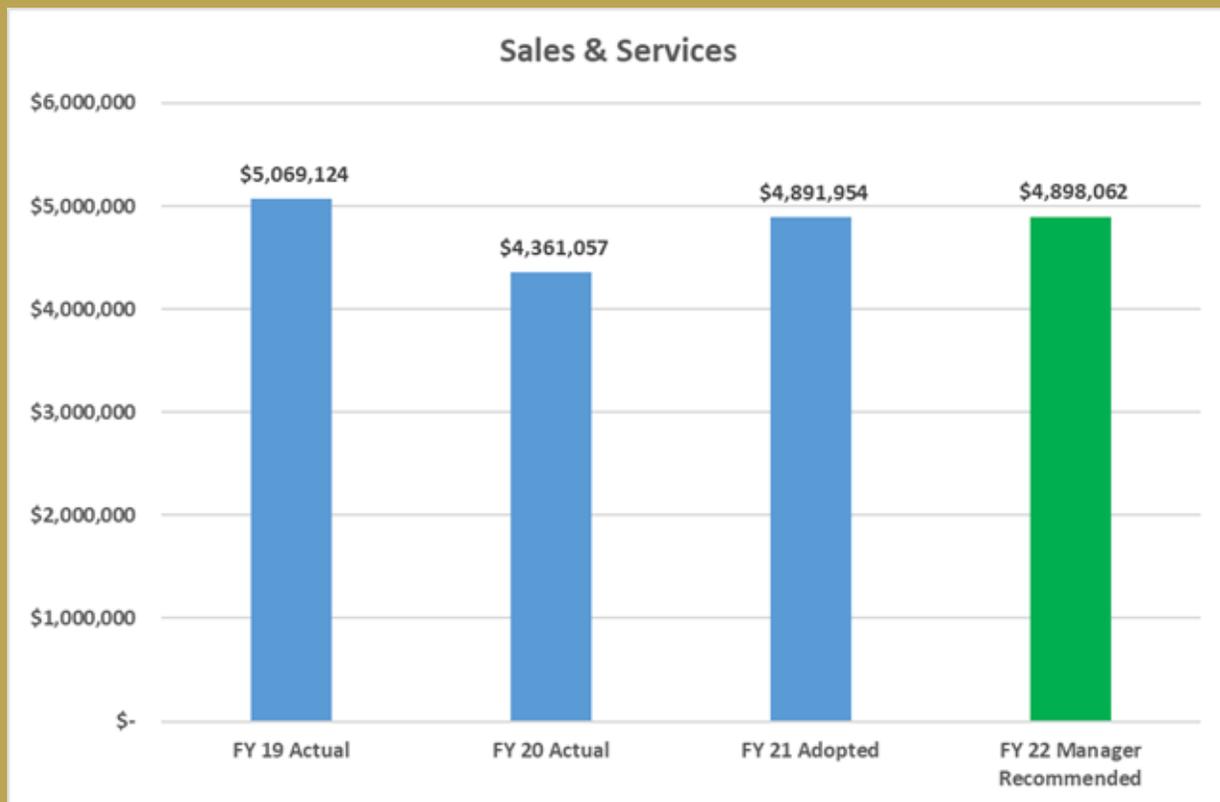
RESTRICTED INTERGOVERNMENTAL

Restricted intergovernmental revenues are revenues that Haywood County receives but are restricted for a specific purpose. Almost 60% of the growth comes from State reimbursements for HHS and the other 40% comes from payments from the Town of Clyde to the County for the services provided by the Sheriff's Office. Clyde's reimbursement is \$393,364. In FY 22, this category is increased \$979,953 or 8.04%.



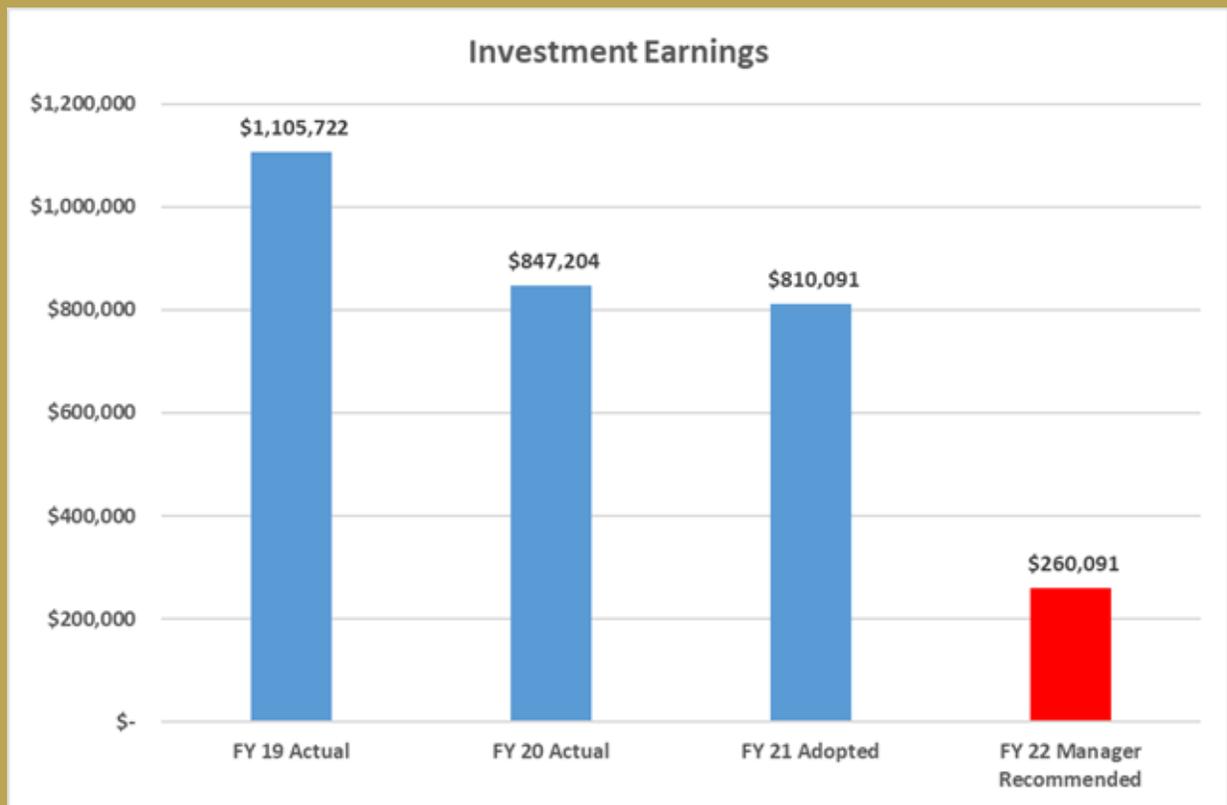
SALES AND SERVICES

Revenue derived from sales and services total 5.81% of the General Fund revenue. This category captures most of the collections received from providing services, with the majority of revenue coming from ambulance service charges. A few other income streams from sales and services include library and recreation program fees, vaccinations, well and septic inspection fees, and the sale of maps through the GIS department. Overall, Sales and Services are expected to increase marginally, totaling \$6,108 more in FY 22.



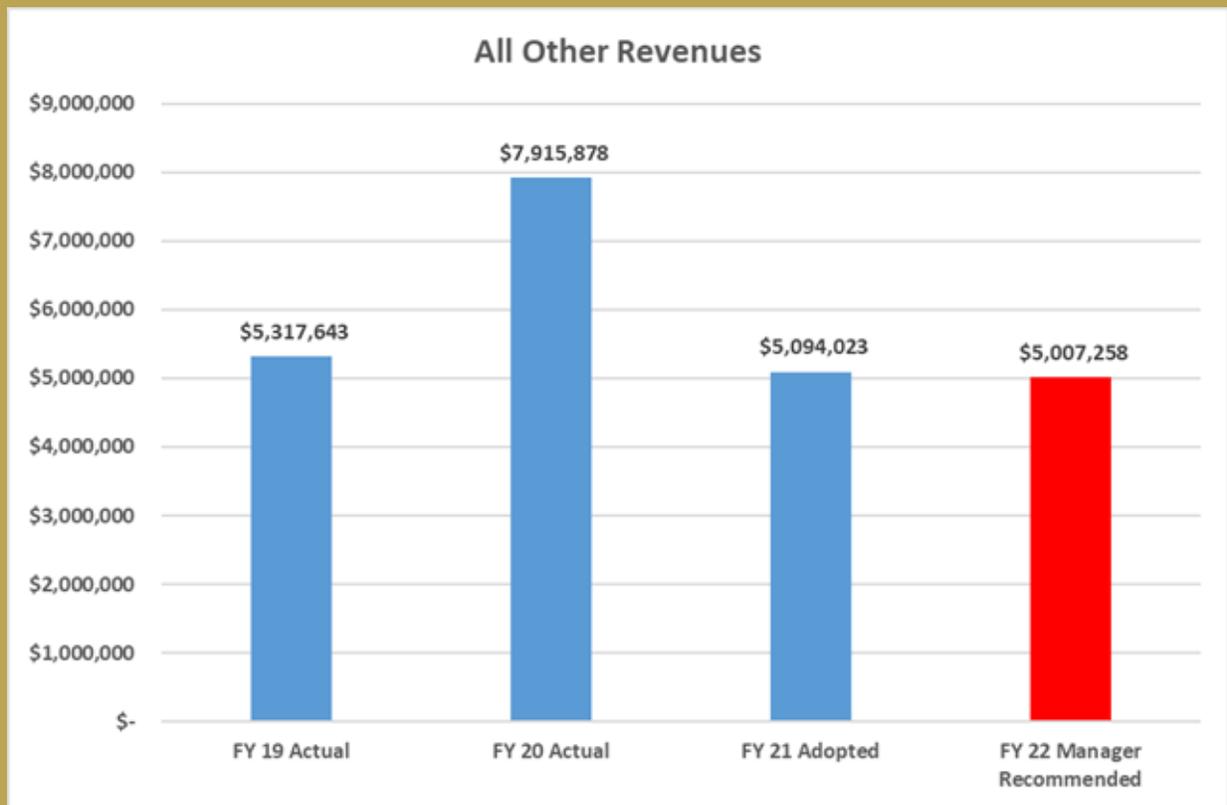
INVESTMENT EARNINGS

Investment earnings are basically interest earned on the County's deposit and investment of idle funds. Interest rates have remained very low over the past year and as a result, this budget projects a decrease of \$550,000 in the FY 22 budget compared to FY 21.



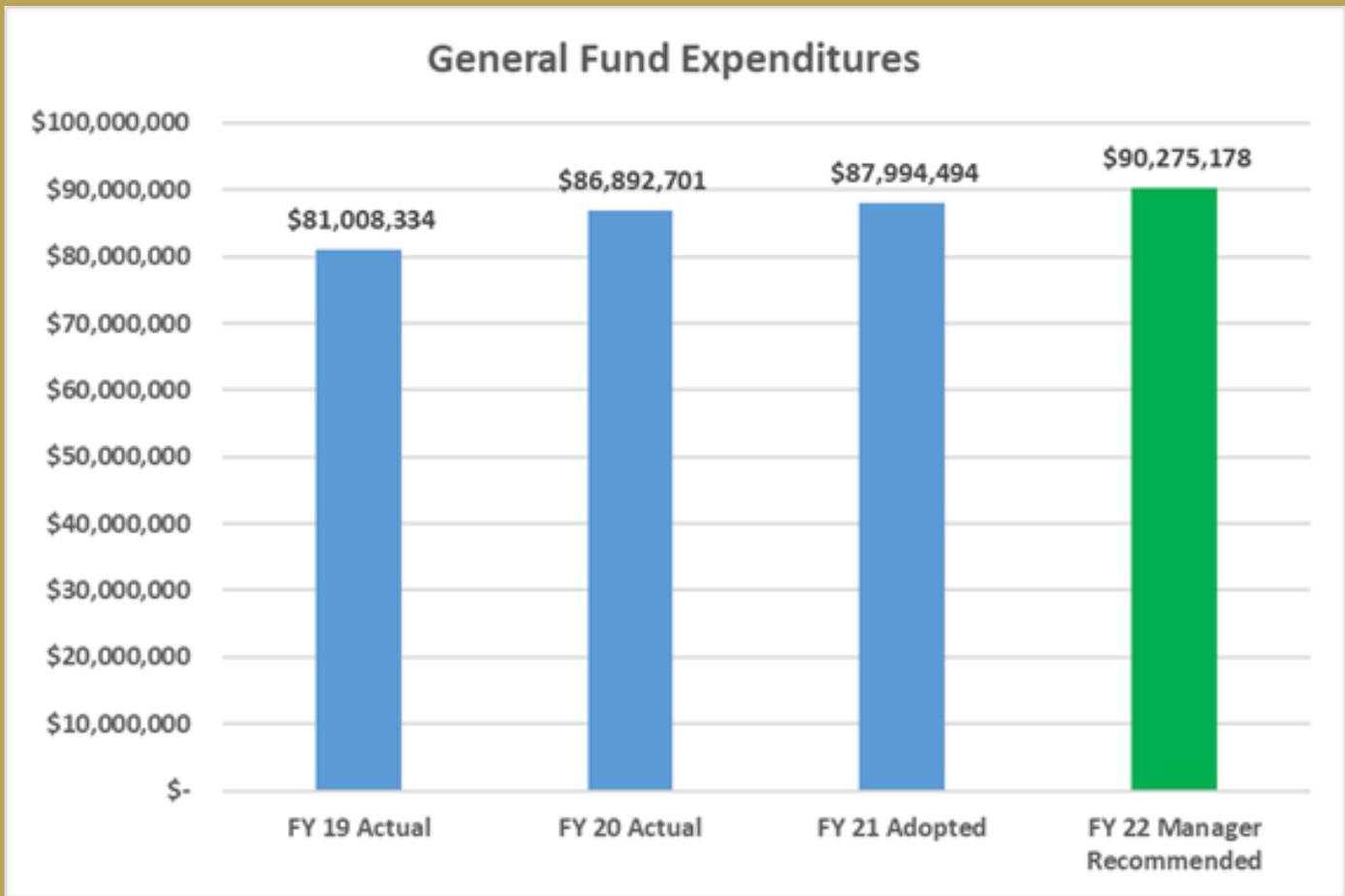
ALL OTHER REVENUE

For presentation purposes, all of the other general fund revenue has been combined into an All Other Revenue category. This category includes revenue generated from occupancy tax, beer and wine tax, PILT funds, land transfer taxes, concealed weapon permits, etc. This revenue category is projected to have a decrease of \$86,765 or -1.70%.



EXPENDITURES

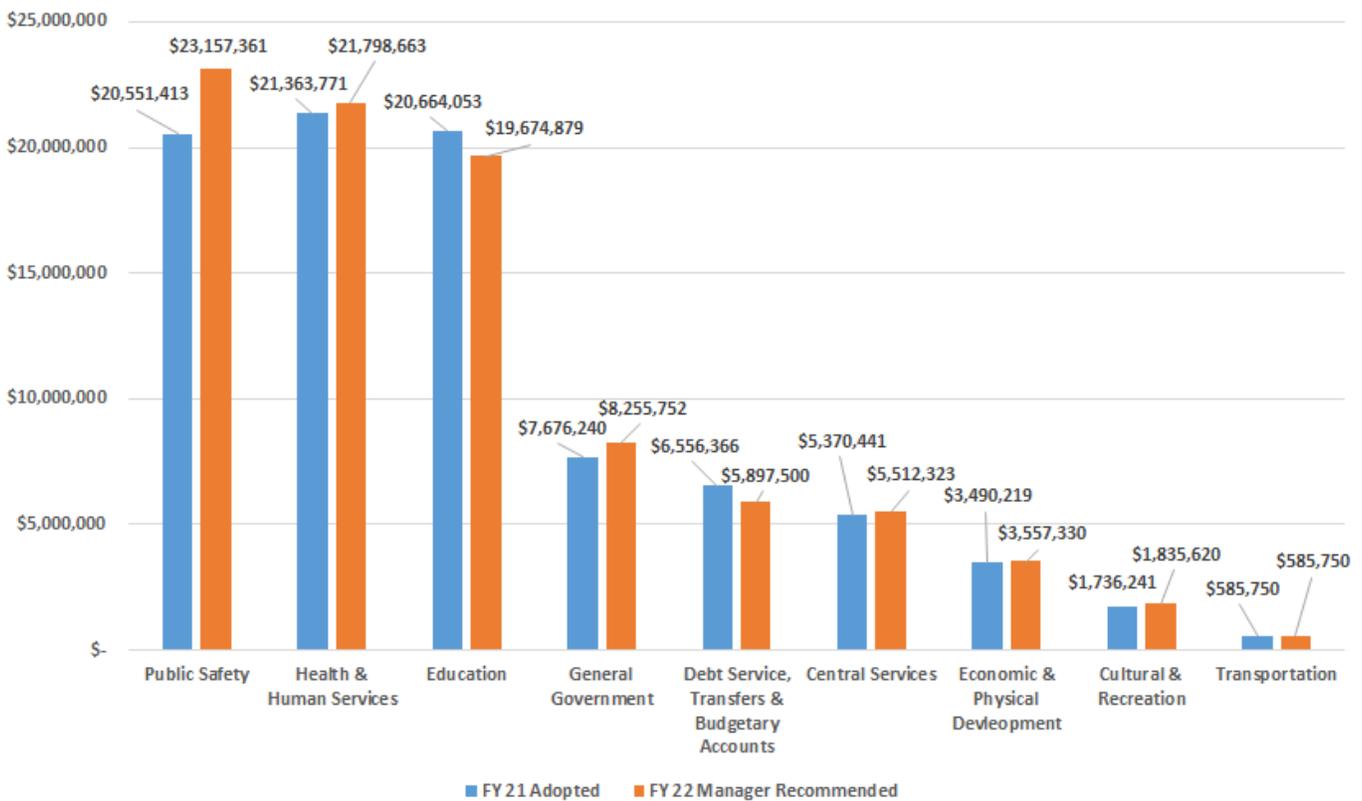
General Fund Expenditures for the FY 22 Manager's Recommended Budget are proposed to increase to \$90,275,178. Expenditures in this budget have risen 2.59% which totals to \$2,280,684 more than FY 21. With the conservative approach of FY 21 taken into account, this year's proposed budget more closely aligns with the trend from FY 19 and FY 20, which is modeled below.



EXPENDITURES

The graph below shows the Functional Divisions that are driving the expenditures in this budget. Public Safety's portion of the budget is \$2,605,948 higher than last fiscal year. Health and Human Services is \$434,892 higher than last fiscal year. This reflects the ongoing commitment to the continued development of a safe and healthy community.

Changes in General Fund by Classification



EXPENDITURES

Education and Debt Service, Transfers & Budgetary Accounts show a decrease, although, as we've already discussed, that is due to the new debt service funds that were created for the Haywood County School System and Haywood Community College.

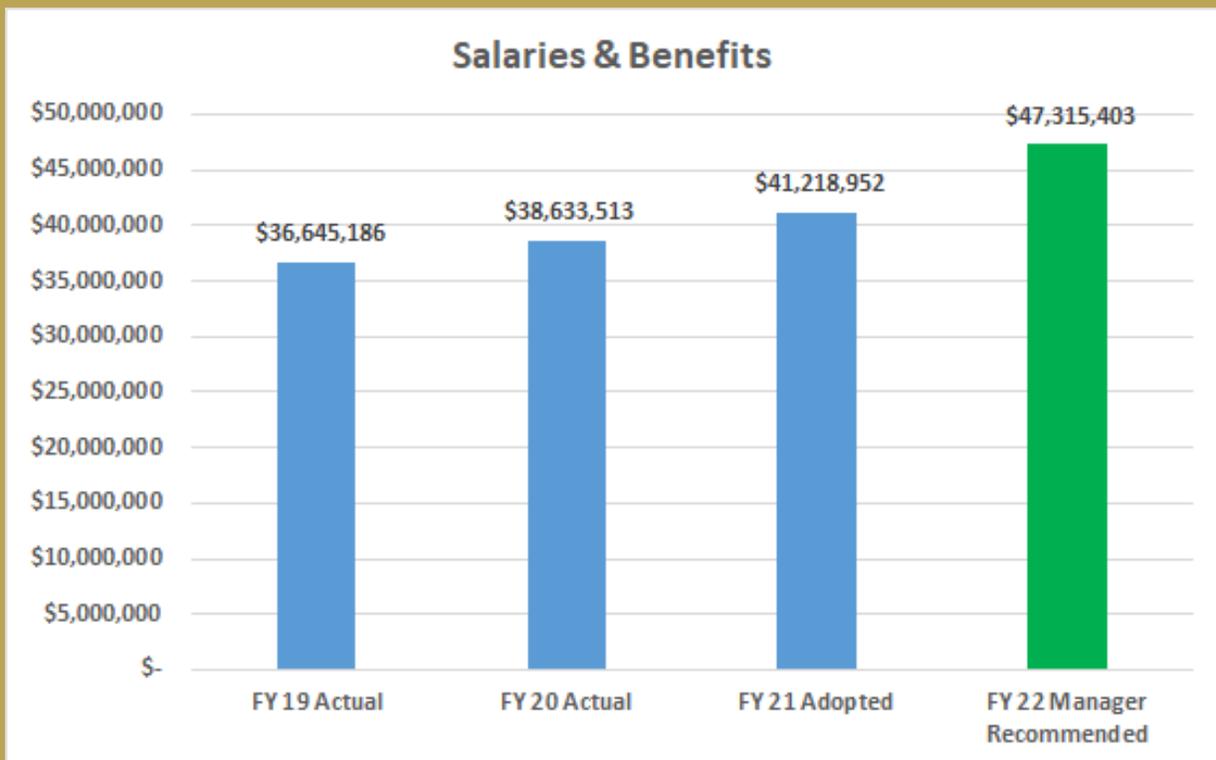
Classification	FY 19 Actual	FY 20 Actual	FY 21 Adopted	FY 22 Manager Recommended	FY 22 Recommended O/U FY 21 Adopted	% Change
Public Safety	\$ 18,740,888	\$ 20,067,713	\$ 20,551,413	\$ 23,157,361	\$ 2,605,948	12.7%
Health & Human Services	\$ 17,655,623	\$ 18,401,462	\$ 21,363,771	\$ 21,798,663	\$ 434,892	2.0%
Education	\$ 19,876,877	\$ 20,704,349	\$ 20,664,053	\$ 19,674,879	\$ (989,174)	-4.8%
General Government	\$ 6,649,801	\$ 7,697,799	\$ 7,676,240	\$ 8,255,752	\$ 579,512	7.5%
Debt Service, Transfers & Budgetary Accounts	\$ 8,928,758	\$ 10,238,482	\$ 6,556,366	\$ 5,897,500	\$ (658,866)	-10.0%
Central Services	\$ 4,298,047	\$ 4,605,972	\$ 5,370,441	\$ 5,512,323	\$ 141,882	2.6%
Economic & Physical Development	\$ 2,972,178	\$ 3,190,384	\$ 3,490,219	\$ 3,557,330	\$ 67,111	1.9%
Cultural & Recreation	\$ 1,653,183	\$ 1,578,145	\$ 1,736,241	\$ 1,835,620	\$ 99,379	5.7%
Transportation	\$ 232,979	\$ 408,395	\$ 585,750	\$ 585,750	\$ -	0.0%
Total	\$ 81,008,334	\$ 86,892,701	\$ 87,994,494	\$ 90,275,178	\$ 2,280,684	2.6%

The functional divisions of the budget are important to display because they help display where the expenditures are distributed. However, by categorizing the expenditures within the budget by Salaries & Benefits, Operating, Capital instead of functional lines, we are able to see where the expenditures have been changed.

COUNTY SALARIES & BENEFITS

Salaries and Benefits for this year are proposed to increase by \$6,096,451. Funds were also budgeted in FY 22 to implement the Pay/Classification Study, a 2% merit and 2% cost of living adjustment, and the annual Christmas Bonus. This money was budgeted to continue to bring Haywood County employees closer to market. This year's budget incorporates the cost of these increases for the entire fiscal year.

At the point of writing, the classification study is near completion and the money set aside will be distributed to departments once we have a clear picture of what positions need to be adjusted, if adopted by the Board of County Commissioners. The County wants to continue attracting and retaining the highest caliber employees in a very competitive job market.



COUNTY SALARIES & BENEFITS

We changed our insurance provider to Aetna in January 2020 and overall the transition continues to be smooth, and most employees and retirees are very happy with the change. We did not budget more for health insurance last year because of the savings we were generating from the change in provider, but we will have to raise the County's portion of health insurance from \$16,200 per person to \$17,500 in order to keep up with the cost of healthcare industry wide. The amount budgeted for Worker's Compensation has also been increased to keep up with claims.

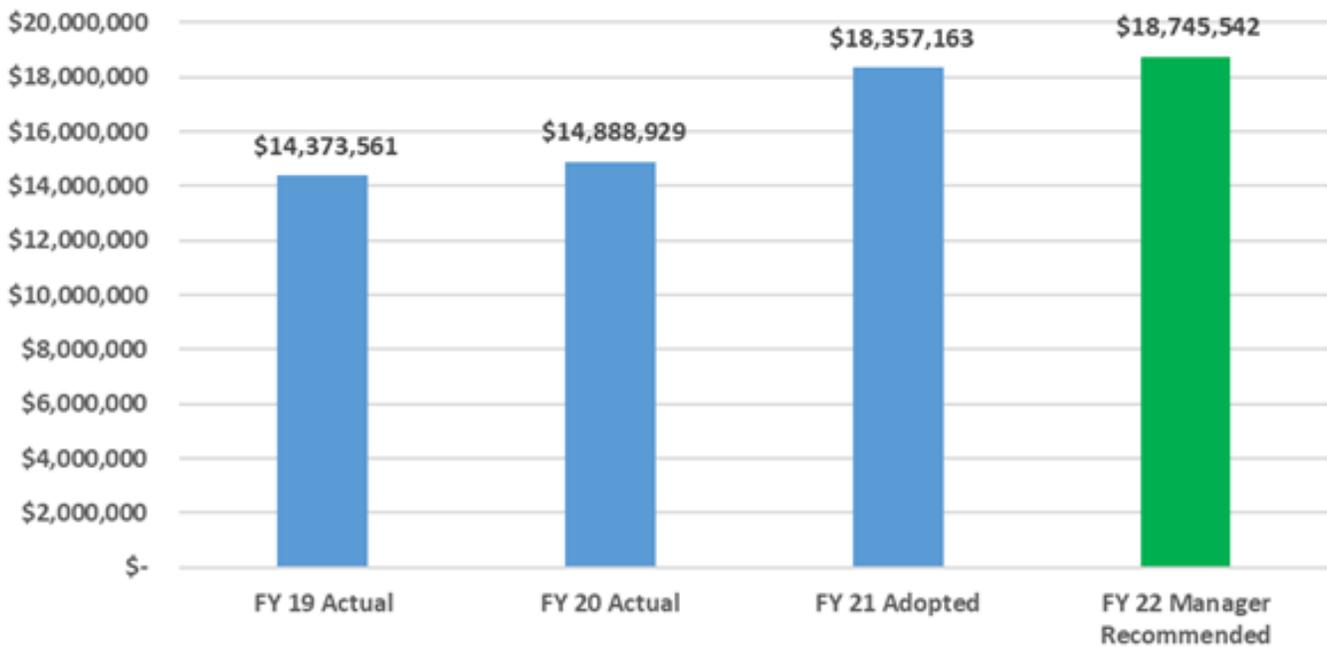
Positon	Amount	Approved
Tax Assessor	3	0
Sheriff	10	6
EMS	1	0
HHSA	7	4
Total	21	10

The proposed budget includes 10 new positions, of the 21 requested by departments. Each of these positions has merit, a need, and a direct impact on service level. Six of these positions are telecommunicators, with the expectation that we will increase our capacity to answer calls. The budget also includes three positions for the Health Department, with one specifically being dedicated to Communicable Disease. The emphasis of the County continues to be on improving the safety and health of or residents.

COUNTY OPERATING

When controlling for Education funding, County Operating is only increasing by \$329,205 or 0.86%. This budget looks to streamline operating expenses to only what is necessary. The County is committed funding the requests that will improve efficiency, productivity, and morale. The SpeakWrite system funded in HHSa meets this criteria. This system increases the efficiency of social workers' note transcription and expands their capacity to see more citizens. This program is also subsidized by State money, saving the taxpayers of Haywood County. This is just one example, but these are the types of operating expenses worth county investment.

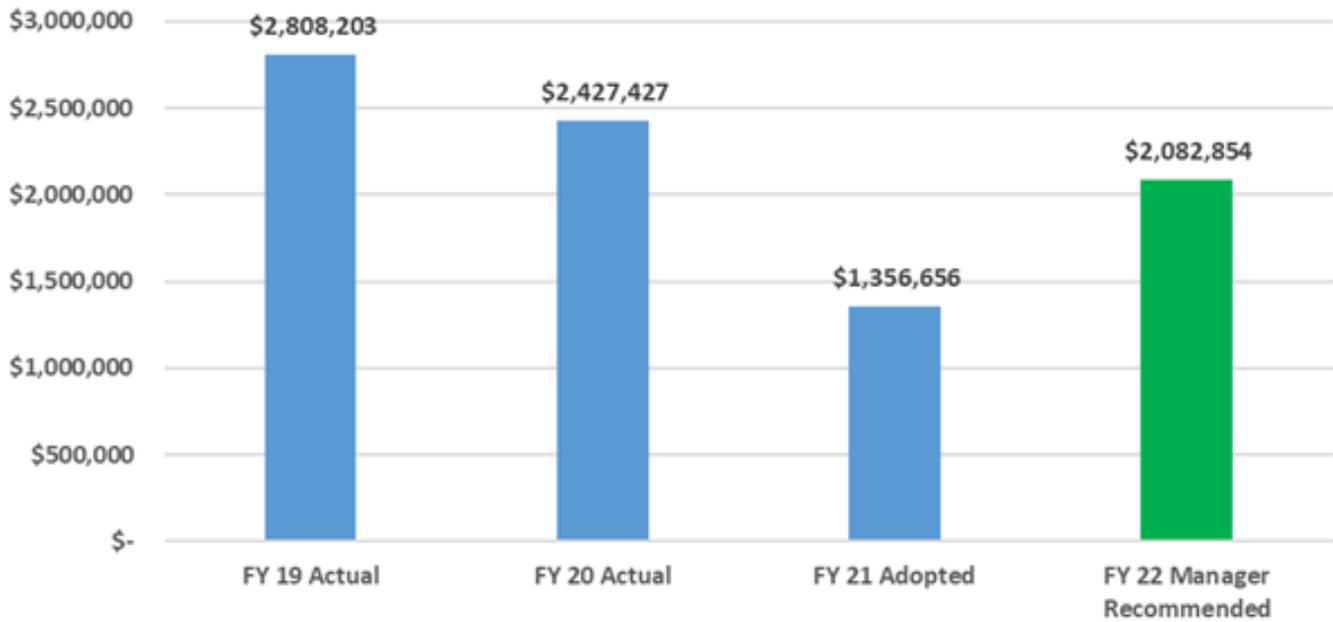
County Operating (Excludes Schools and College)



COUNTY CAPITAL

County capital outlay is budgeted at \$2,082,854. This represents an increase of \$726,201 or 53.53% from FY 21, but is still \$344,573 less than FY 20 and \$725,349 less than FY 19. The expected reduction in Sales Tax stemming from COVID resulted in the FY 21 budget being stripped of most of the capital outlay. The FY 22 Recommended Budget tries to catch up on capital needs. There are two primary drivers of this type of expense: vehicles and other capital items.

County Capital & Capital Outlay
(Excludes Schools and College)



COUNTY VEHICLES

The County began to take a closer look at the way we replaced vehicles during FY 21. Previously, the County would replace vehicles as departments requested them. During the previous year, the County created a proactive fleet management system, with the intention of maximize the vehicle's useful life, offsetting cost by utilizing departmental transfers and reimbursements from the State, and thoughtfully planning new vehicle purchases.

Department	New	Transfers
Sheriff	13	0
Detention	2	1
Emergency Services	3	0
Animal Services	1	0
Environmental Health	0	2
HHSA - DSS	4	0
Meals on Wheels	0	1
Inspections	1	0
Facilities/Maintenance	0	1
Total	24	5

During this process, all County vehicles were inspected and checked for mileage, and Fleet Services identified the need for 24 new vehicles, for a total expected cost of \$1,396,469. Two of these vehicles are ambulances for EMS, and they are almost \$580,000 combined. With the expense of new ambulances, it makes sense to maximize the life of the vehicles we are replacing. To extend the useful life of one ambulance, it will repurposed to Facilities and Maintenance by removing the box and replacing it with a flat bed.

COUNTY CAPITAL ITEMS

In addition to vehicles, a significant amount is budgeted to take care of our existing facilities and replace equipment that is at the end of its useful life. As with vehicles, we want to maximize the life of our buildings, but also important to create space where both our citizens and employees feel comfortable and empowered. The major capital items included in this recommended budget are listed below.

Department	Capital Item	Budgeted Amount
Courthouse & Justice Center	Repair/Maintenance	\$ 50,000
Courthouse/Annex 1	Paving Repair	\$ 15,000
Law Enforcement Center	Replace Carpet	\$ 20,000
Law Enforcement Center	Replace Roof Top HVAC Units (2)	\$ 100,000
Canton Library	ADA Upgrades	\$ 15,000
Health & Human Services	Bathroom/Laundry Upgrades	\$ 20,000
Emergency Medical Services	Painting/Maintenance	\$ 40,000
Parking Deck	Cleaning/Maintenance	\$ 15,000
Armory	Roof Replacement	\$ 70,000
Moving Fiber Optic Cable - Required		\$ 79,007
		\$ 424,007



EDUCATION

As discussed previously, the County will continue funding operating expenditures for the Haywood County Schools and the Haywood Community College out of the General Fund. The revised Funding Formula increased the funds allocated per pupil for the Haywood County Schools this fiscal year, but the drop in student population reduced the operating expense from \$16,717,348 to \$16,567,674.

Haywood Community College operating funds are recommended to increase \$90,500 to a total of \$3,107,205.

Haywood County Schools	
Operating	\$ 16,567,674.00
Capital	\$ 950,000.00
Debt	\$ 2,123,919.00
Total	\$ 19,641,593.00

Haywood Community College	
Operating	\$ 3,107,205.00
Capital	\$ 350,000.00
Debt	\$ 1,687,393.00
Total	\$ 5,144,598.00

The School System and College's debt and capital funding comes from local option Sales Tax. That revenue will be allocated into the new Debt Service Funds. These Sales Tax funds will be used to pay debt and fund capital needs. The amounts used for debt and capital this year are displayed above. Sales Tax revenues not used this year will remain in the Debt Service Fund for future debt or capital needs.



GENERAL FUND SUMMARY

The proposed General Fund budget totals \$90,275,178 which is an increase of \$2,280,684 or 2.59%. In order to balance the proposed budget, an appropriation of Fund Balance totaling \$5,913,992 is required. This is \$571,654 less than what was used to balance the FY 21 budget. Appropriating Fund Balance for recurring costs should be avoided in order to stay fiscally sustainable, Haywood County is in sound financial shape. It is my hope that revenue estimates are conservative and throughout the fiscal year we can find ways to reduce expenditures.

OTHER FUNDS SUMMARY

In addition to the General Fund, the County manages several additional funds. The County has two Internal Service Funds. One for the health plan totaling \$11,746,435. The other is a Worker's Compensation Fund totaling \$706,200. Both our health plan and workers' compensation claims had significant cost increases over the last fiscal year, so these increases are commensurate with our current trend estimates.

To separate sales tax funds for Haywood County Schools and Haywood Community College that have specific restrictions related to debt and capital, we have set up debt service funds. The County School System Debt Service Fund totals \$3,876,527 and the College Debt Service Fund totals \$2,846,068. This approach fully funds our debt obligations and capital allocations.

An Emergency 911 Fund is also budgeted, which totals \$465,802, a decrease of \$16,394 from FY 21. The largest fund outside of the General Fund is the Solid Waste Fund which totals \$6,103,249, a decrease of \$296,454 from FY 21.

The Road District Fund totals \$248,364, an increase of \$7,116 from the previous year. The Fire District Fund totals \$4,859,713, which is an increase of \$741,175. Lastly, the Junaluska Sanitary District totals \$320,519, an increase of \$45,519. Two Road Districts lowered their tax rate: Maggie Valley CC and Oak Park.

NEXT STEPS

The Commissioners may wish to schedule budget work sessions between now and June 1, 2021 to review all facets of this budget. I would like to schedule the public hearing on the FY 2022 budget on Tuesday, June 1, 2021 at 5:30 p.m. in the Historic Courtroom of the Haywood County Historic Courthouse.

In addition, the Haywood County Board of County Commissioners will hold its regularly scheduled meeting on June 7, 2021, at 9:00 am, in the Haywood County Historic Courthouse. At this meeting, the Board may consider the adoption of the FY 2022 budget.

A copy of the proposed FY 2021-22 County Budget is available for public inspection in the Office of the Clerk to the Board located in the Haywood County Historic Courthouse, 215 North Main Street, Waynesville, NC, the Main Library located at 678 South Haywood Street, Waynesville, NC, and on the Haywood County website, at www.haywoodcountync.gov.

Public comment is greatly appreciated.

Respectfully submitted,

Bryant E. Morehead
County Manager

