

## Strategic Planning, Focus Areas & Projections

The Strategic Planning, Focus Areas and Projections portion of this document provides a narrative discourse of the County's strategic planning process and provides the linkage of the policy making priorities and the operational implementation. There are a variety of planning efforts occurring in the organization. These efforts, where appropriate have been included in the Adopted FY 2017 Operating and Capital Budget.

The County, in recent years, has set its strategic priorities through the adoption of a "Plan of Work" process. In contrast to traditional strategic planning efforts, the plan of work process focuses on specific issues and is project oriented, versus the traditional planning model based on objectives or intended outcomes.

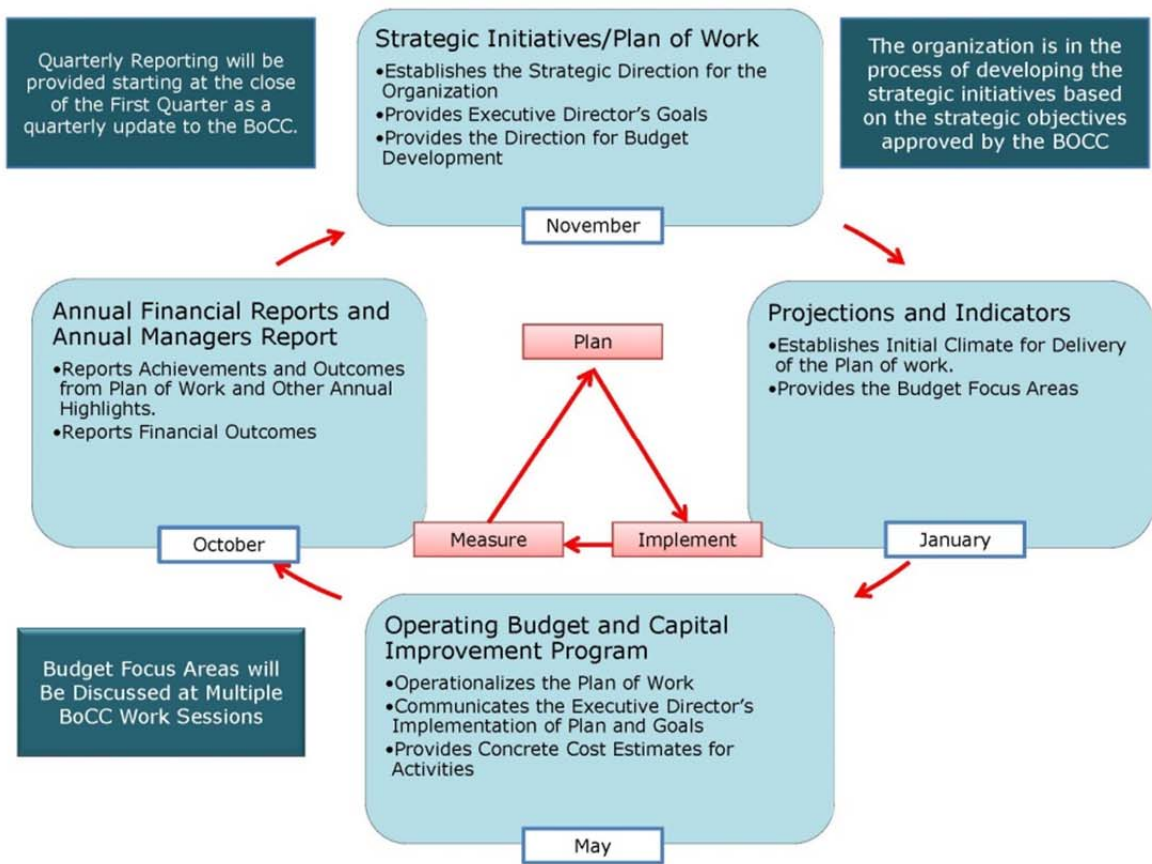
While this plan of work process has been extremely effective in achieving the desired tasks, the organization in 2014 and 2015 undertook a strategic planning process, which shifted the focus in the process to a longer term window of planning and decision making.

The Plan of Work, in recent years, has translated into the development of the operating and capital budgets, and has established the guiding basis for the organization.

The ongoing strategic planning process works in conjunction with the Plan of Work to establish the specific tasks and projects necessary to implement the strategic priorities.

As the flow chart indicates, the Plan of Work or Strategic Initiatives are the starting place for the annual cycle, establishing the foundation and priorities for the budget process and providing measurable and tangible goals.

Melding the use of the Plan of Work with the Strategic Initiatives will provide a means to establish clear objectives, determine deliverables, reporting mechanisms, and other needed feedback. In addition, this mixed process allows for continual adjustments and eventual celebration of the successes and achievements of the organization.



The priorities established during these processes inform and guide the development of the annual operating and capital budget.

### The Strategic Planning Initiative Process

What is a vision statement? The vision statement, as adopted by the Union County Board of County Commissioners, represents a description of what the organization would generally like to achieve or accomplish. It serves as guide for developing and evaluating all aspects of County government and service delivery.

Beginning in the fall of 2013, the County's executive management team began work on what was considered a "branding" project focused on establishing the County's brand in the community and unifying the County's message for the public.

During the initial branding development process the executive team quickly realized that while the County had a vision statement adopted in 2004, it did not reflect the changing values and services in the community. Additionally, given the organizational changes, the core values had evolved as well.

The management team worked through a different process and started with several fundamental questions:

- How did we get here, what is our history?
- What are our core values?
- What are the issues facing Union County and its residents?
- What does our environment look like, politically, economically, internally to the organization, externally in the community, and customer expectation?
- What do we want the future to look like?
- How do we get there?

The discussions focused in on the rapid growth of the County during the late 1990s and early 2000s. The growth was reflective of a community that was evolving; going from a period, in the 1980s and before, of fairly minimal growth in population as well as a fairly static county government. From 1990 to 2010 the population of the County more than doubled. This unique stressor significantly impacted the County and can be felt even today.

From the work done during multiple sessions, the management team established several key concepts that it believes should guide the vision statement.

- Consensus of the Community
- Continuity of Leadership and Direction
- Sustainability, both Economically and Institutionally, of Key Programs and Services
- Balance of Programs and Services that Address the Diverse Interests of our Residents

During the December 9, 2013 Board of County Commissioners' work session, the proposed vision statement was presented to the Board.

Through continuity of leadership and direction, and built upon consensus of the community, we identify and implement strategies, programs, and services necessary to promote and sustain the quality of life and lifestyles unique to Union County.

During the January 21, 2014, Board of County Commissioners' work session, the proposed vision statement was again discussed and presented, with the final adoption coming following a presentation during the February 17, 2014, Board of County Commissioners' regular board meeting.

From that the adopted vision statement and the key concepts, the countywide management team set out to develop strategic objectives. During the November 3, 2014, Board of County Commissioners' meeting the BOCC received an update concerning the strategic objectives and approved the objectives allowing the staff to move forward with planning.

The approved objectives were as follows:

**Public Safety** - In concert with our community partners provide those essential services that protect the public's health, safety, and welfare.



**Community Consensus** - By developing relationships based upon mutual trust and understanding, engage appropriate stakeholders to identify and successfully implement programs and initiatives that reflect community priorities.

**Economic Development** - Through common vision and direction become a more business friendly, economically vibrant and sustainable community by fostering development of a qualified workforce and infrastructure capacity to support future and current economic sustainability and growth.

**Sustainability** - Through collaboration with community partners, foster an environment that promotes affordability of services, conservation of resources, and preservation of a high quality of life to support and enrich a diverse and productive population.

**Organizational Strengthening** - Develop and maintain a highly engaged workforce through shared values and clarity of purpose, with the tools, training and resources that support skills development, knowledge sharing and retention, and employee advancement.

These strategic objectives are now the framework in which the organization and each service area is to carry out its unique mission.

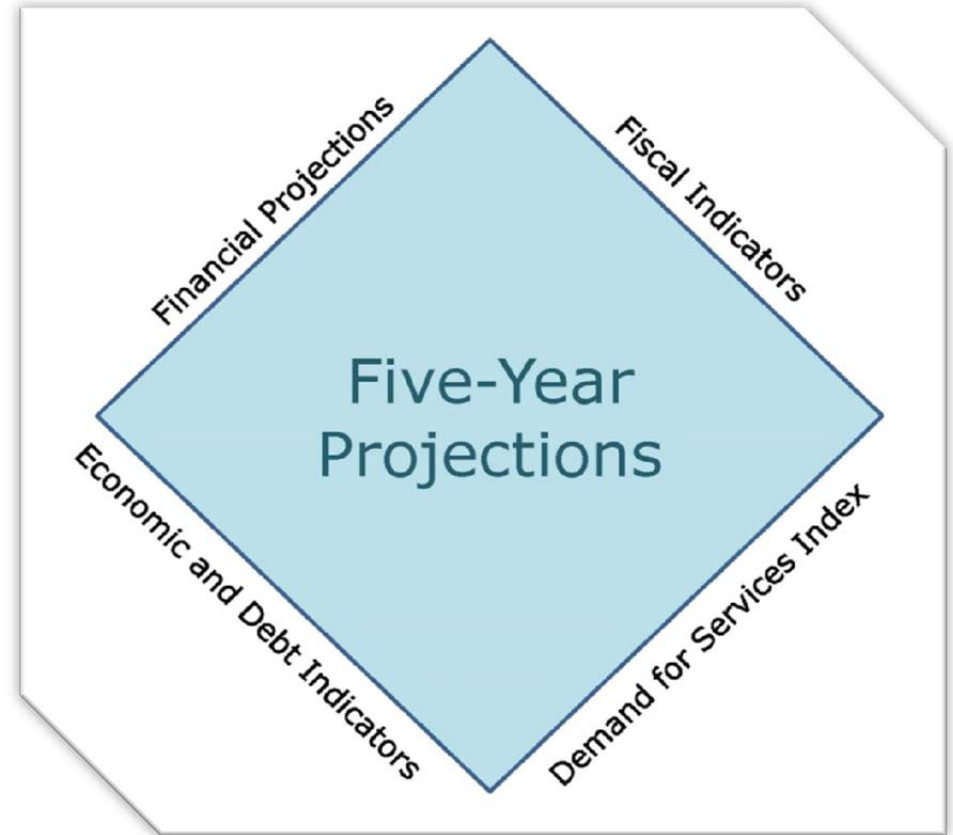
During the next four to six months, departments will be developing their specific action plans, deliverables, and means of measurement to achieve these objectives.

The Adopted FY 2017 Operating and Capital Budget includes these objectives as guiding principles and the adopted budget is reflective of the resources necessary to achieve these objectives.

### Budget Focus Areas

Each year, in late January or early February, as the kick off to the annual budget development process, the County staff prepares and updates the annual Five-Year Financial Projections, Fiscal Indicators, Economic and Debt Indicators, and Demand for Services Index. The "Five-Year Projection" provides a snapshot into the future regarding the County's General Fund, future debt, and economic and demographic trends.

The County's *Five-Year Financial Projections, Fiscal Indicators, Economic and Debt Indicators, and Demand for Services Index*



provides a four pronged approach to analyzing the County's needs.

The Financial Projections provide a statistically valid projection of future costs and revenues. This core information provides a basis for decision making in the budget process as well as providing some general indications concerning anticipated resource requirements for the future.

The Fiscal Indicators provide a more global look at the fiscal health of the County. The fiscal indicators use various economic, demographic, and financial indicators to establish trends. These trends in turn provide an indication of fiscal health and sustainability. Much like a thermometer



provides a temperature reading, fiscal indicators provide a picture of the County's financial health.

The Economic and Debt Indicators provide the key economic data and debt trends that rating agencies consider. While economic and debt indicators together provide context for the County within the region and information concerning the external forces that will impact the County; the debt indicators alone provide a clear picture of the historical impact of debt on the community.

The Demand for Services index provides a services side analysis of demand. While not comprehensive, the selected demand indicators provide an indexed look at the past demand for services. With this look at demand trends there is indication of possible future demand. An index is indicative of underlying trends, and provides a directional look at service demands.

Using these four tools the County can draw conclusions concerning the future of finances and services in the County. It is from the vision statement, strategic objectives, and these conclusions, that the staff and the Board of County Commissioners can determine the needed budget focus areas.

In February of 2016, the Board of County Commissioners established the budget following focus areas:

- Sustainable Fire Department Funding
- Revenue, Expenditure, and Capital Funding Overview
- Solid Waste Business Plan

These specific focus areas, combined with the strategic objectives and other direction received throughout the year formed the foundation for the Adopted FY 2017 Operating and Capital Budget.

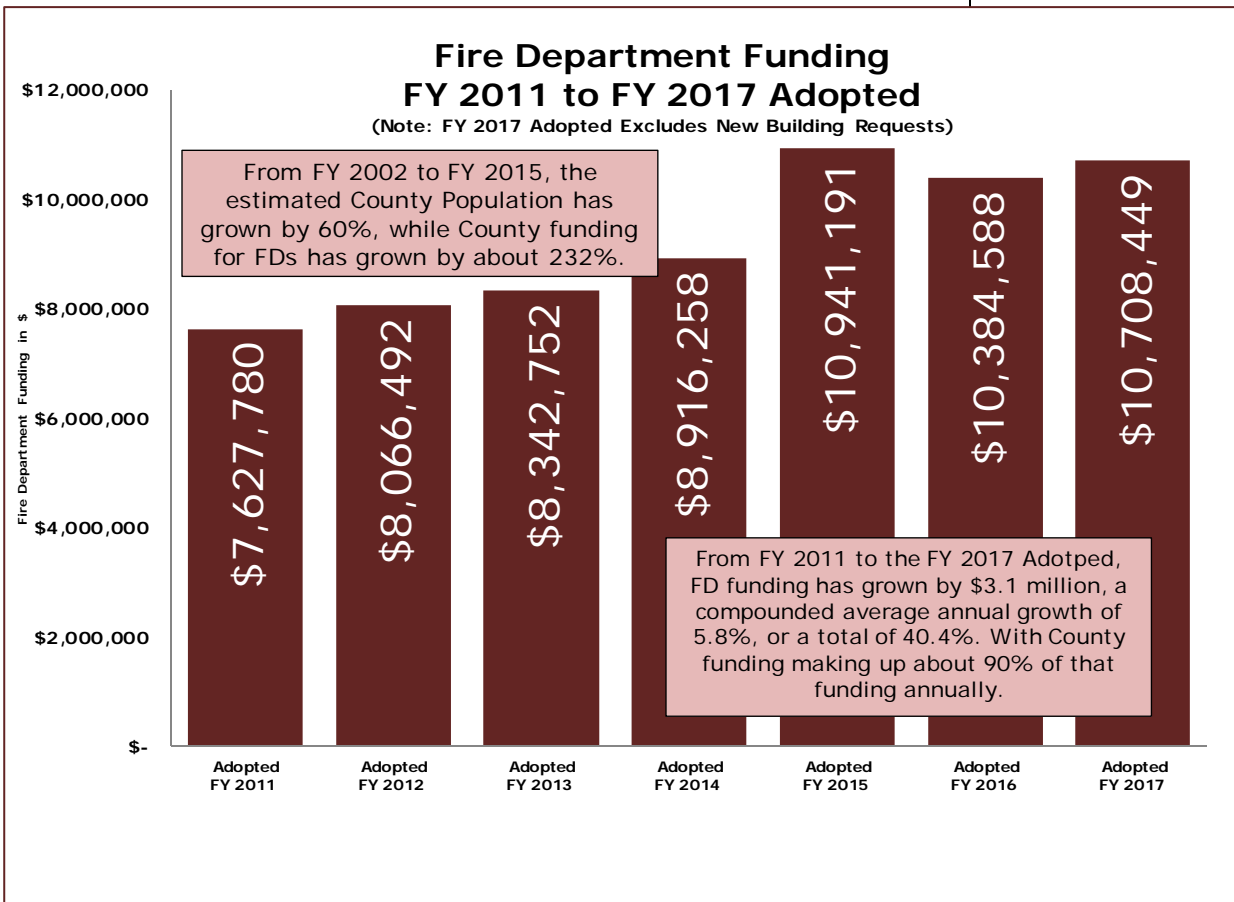
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**Focus Area: Sustainable Fire Department Funding**

The funding of Fire Services in Union County has historically presented a challenge. Whether through a fire fee district or a fire tax district, Union County's 17 fire departments are challenged to keep up with a dynamic County while adapting to changing service standards and regulations.

In years past, the funding for fire services was derived from fire fees, fire service taxes, countywide fire tax, sales taxes, and fire department revenue. In recent years, the funding demands have grown beyond the capacity of the current funding models. To that end, the Board of County Commissioners, as with other services, have set out to establish a sustainable funding model for the 17 Fire Departments (FD).



Before there can a specific discussion of the various funding options, it is important to return to several fundamental principles for funding fire services.

- *Uniformity of Base Level of Service Regardless of Density* – Every resident and business in Union County should expect a base level of service, regardless of where they reside geographically. Similar to the discussion related to EMS, the more rural portions of the County should enjoy and expect a comparable level of service to those in the more densely populated areas.
- *Uniformity of Base Level of Service Regardless of the Ability to Pay* – The level of fire protection and Suppression provided should be uniform throughout the County and not based on the economic factors or property values within a specific geographic portion of the County. The base level of service should be consistent throughout the County.

As the graph indicates, from FY 2011 to the adopted budget in FY 2017, the funding for Fire Services grew by more than 40.4 percent, or about 5.8 percent annually. For comparative purposes from FY 2002 to FY 2015, the County's population has grown by about 60 percent.

responsibility is to ensure there is an adequate coverage throughout the County.

The BOCC contracts with each FD to provide fire protection and suppression services, similar to the contract with Carolina's Healthcare System for EMS services.



The concept of fire protection and suppression should be considered in conjunction with Emergency Medical Services, Sheriff's Office Services, and Human Services as a comprehensive approach to public safety.

- Funding Methods and Levels are Determined by the Board of County Commissioners – The level of funding provided to each FD, regardless of funding sources, is provided through the authority and at the discretion of the Board of County Commissioners. While some individual FDs provide limited funding through fund raisers and contracts, the majority of funding is provided by the BOCC through setting rates, fees, or additional general tax contributions. Individual FD boards determine the level of the request, but the BOCC represents the taxpayers in setting the rates.

In addition to tax rates, the BOCC must consider the insurance rate impact on the taxpayers. Balancing the funding impacts against the requests of the individual FDs will always be a trade-off, however an objective process with a countywide view ensures that this balance is achieved.

A sustainable funding model paired with a sustainable service model will ensure appropriate service levels. Any funding model that does not achieve sustainability is only short-term in nature and will require modification. Sustainability of the funding model is the only way to ensure a viable long-term solution.

- Adequate Staffing, Equipment, and Facilities are Essential – Although the term “adequate” is a determination for the BOCC, all FDs should be staffed, equipped, and have adequate facilities. The varying needs throughout the county should be evaluated and prioritized to address the highest risk areas. The ultimate goal is to determine a long term countywide strategic plan.

With these five core principles, a “checklist” can be established. A successful and sustainable fire protection and suppression plan will meet the principles and subsequently address the Public Safety needs of the community.

### **Fire Stakeholders Group:**

The BOCC, during the April 20, 2015 work session last year, determined that it would move forward with a group of 18-21 community members to study this issue and by January 15, 2016 make a recommendation to the BOCC concerning the appropriate funding model. This group included Commissioners, fire tax districts, fire fee districts, municipalities, the agriculture community, business community, the Fire Marshal, and residents.

Many issues were discussed in the Fire Stakeholders Group during the summer of 2015 and ultimately resulted in four funding model options being recommended. The options were:

- “Subsidy & Tax Districts” – Funding fire protection through providing up to a \$250,000 subsidy through a countywide fire tax, and then funding above the subsidy level, funded through localized tax districts.
- “Countywide Rate Hybrid” – Funding fire protection through a countywide fire tax, while maintaining the existing five fire service tax districts to provide higher levels of service to the more densely populated areas of the County.
- “Countywide Plus Districts” – Funding fire protection in the non-fire service tax districts through a countywide fire tax, while the existing five fire service tax districts fully fund their local fire service, in addition to the countywide fire services tax.
- “One Fire Tax District with Exclusions” – Funding fire protection through a single fire service tax district, excluding Monroe and Weddington.

During a work session on April 18, 2016, the Board of County Commissioners heard a presentation reviewing the recommended funding options from the Fire Stakeholders Group and provided estimated impacts on various tax rates.

At the conclusion of the work session, the BOCC requested analysis of an additional option, creating a single fire services tax district from the original fee districts.

During the April 25th, 2016 work session, the BOCC received revised analysis and the information regarding the additional funding model. Following a lengthy discussion, the BOCC voted to move forward with the



“Countywide Rate Hybrid” model for inclusion in the adopted FY 2017 Operating and Capital Budget.

During the request process, several fire departments requested funding for land acquisition, design, and construction of new stations or significant remodels and additions to existing stations. The current plan does not include funding for these projects. However, during the next several budget cycles, a long-term sustainable plan will be developed to address these needs.

**Addendum to the County Manager’s Proposed FY 2017 Operating and Capital Budget:**

The County Manager’s original funding recommendation included an overhaul to the structure of funding fire protection and suppression in Union County.

During the Board of County Commissioner’s meeting on May 16, 2016, the Board provided tentative approval in a 5-0 vote to the Manager’s *Proposed FY 2017 Operating and Capital Budget*, with one notable exception.

The Board directed, as part of its tentative approval, that the fire funding structure remain as in prior years and that, excluding emergency needs, fire funding would be frozen to the FY 2016 levels.

**What are emergency needs?** Emergency needs for the purposes of fire funding were determined based on the budget meetings with the individual Fire Departments. Funding necessary to maintain current service levels, maintain emergency preparedness, and ensure continued ratings was included in the proposed funding.

On June 1st, 2016, in accordance with North Carolina General Statute §159-11, an addendum was presented to the Board of County Commissioners and this addendum completed the County Manager’s *Proposed FY 2017 Operating and Capital Budget*.

This addendum served to provide the final components of the *Proposed FY 2017 Operating and Capital Budget*. The addendum incorporated direction from the Board of County Commissioners through its May 16, 2016 meeting.

**Tax Rate Recommendations:**

The County Manager’s *Proposed FY 2017 Operating and Capital Budget* included initial tax rate recommendations concerning the rates for County operations, Emergency Medical Services, and Fire Services, however, excluded from that recommendation was the Schools tax.

In the addendum, there were no tax rate increases from FY 2016 recommended for any of the countywide tax rates (as of June 1<sup>st</sup>, 2016).

	FY 2016 Adopted	FY 2017 Proposed
General County Tax	0.2882	0.2882
Schools Tax	0.4572	0.4572
Emergency Medical Services Tax	0.0263	0.0263
County-Wide Fire Tax	0.0048	0.0048

The two significant changes in the tax rate recommendations from the original County Manager’s *Proposed FY 2017 Operating and Capital Budget* are the inclusion of the Schools Tax Rate and revision to the County-Wide Fire Tax.

As these were the changes to the original proposed budget, the addendum provided revisions and recommendations related to these areas. Otherwise the remainder of the County Manager’s *Proposed FY 2017 Operating and Capital Budget* remains as proposed and tentatively approved by the Board of County Commissioners on May 16, 2016.

With the adoption of FY 2017 Operating and Capital Budget, the fire funding model for the County remained unchanged from prior years. This is discussed in detail on the following pages.

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Fire Department	Countywide Fire Tax	Localized Fire Tax Rate	Fire Fee	FY 2016 Appropriation	FY 2017 Additional Funding	FD Rev	Countywide Fire Tax Revenue	Localized Fire Tax or Fee Revenue	Sales Tax	Station Subsidy	Fund Balance
Allens Crossroads	0.0048	-	100.00	\$ 147,290	10,000	(10,100)	(19,400)	(106,190)	-	(21,600)	-
Bakers	0.0048	-	86.78	566,200	1,800	-	-	(546,400)	-	(21,600)	-
Beaver Lane	0.0048	-	100.00	441,400	40,000	(38,000)	(172,400)	(249,400)	-	(21,600)	-
Fairview	0.0048	-	100.00	260,565	-	(38,000)	(29,925)	(171,040)	-	(21,600)	-
Griffith Road	0.0048	-	71.91	106,040	-	(33,940)	-	(50,500)	-	(21,600)	-
Hemby Bridge	0.0048	0.0485	-	1,430,154	273,315	-	-	(1,185,342)	(244,812)	-	(273,315)
Jackson	0.0048	-	63.34	135,039	-	(28,920)	-	(84,519)	-	(21,600)	-
Lanes Creek	0.0048	-	100.00	290,120	-	-	(152,392)	(116,128)	-	(21,600)	-
New Salem	0.0048	-	89.00	311,152	10,000	(26,773)	-	(225,979)	-	(68,400)	-
Providence (WC)	0.0048	-	100.00	39,275	-	-	(24,165)	(15,110)	-	-	-
Sandy Ridge	0.0048	-	100.00	180,331	-	(300)	(4,691)	(153,740)	-	(21,600)	-
Springs	0.0048	0.0437	-	599,508	118,087	(20,000)	-	(496,831)	(108,728)	-	(92,036)
Stack Road	0.0048	-	100.00	231,250	33,600	(28,200)	(86,131)	(128,919)	-	(21,600)	-
Stallings	0.0048	0.0503	-	1,316,928	114,783	-	-	(1,124,314)	(192,614)	-	(114,783)
Unionville	0.0048	-	100.00	518,620	-	(115)	(129,935)	(351,370)	-	(37,200)	-
Waxhaw	0.0048	0.0357	-	900,416	158,081	-	-	(737,687)	(162,729)	-	(158,081)
Wesley Chapel	0.0048	0.0293	-	1,776,258	216,256	(37,000)	-	(1,453,992)	(285,266)	-	(216,256)
Wingate	0.0048	-	100.00	299,211	1,160	(21,600)	(72,971)	(184,200)	-	(21,600)	-
Countywide Radio	0.0048	-	-	181,000	610	-	(130,724)	-	-	-	(50,886)
<b>Total</b>				<b>\$ 9,730,757</b>	<b>977,692</b>	<b>(282,948)</b>	<b>(822,734)</b>	<b>(7,381,661)</b>	<b>(994,149)</b>	<b>(321,600)</b>	<b>(905,357)</b>

\*Collections Costs will be funded through prior years revenue.

### Revised Fire Funding:

During the May 16, 2016, Board of County Commissioners meeting, the BOCC directed staff to revise the fire funding and methodology. The revision was to return to the funding method as in prior years, and freeze the funding at the FY 2016 levels, with the exception, based on the County Manager's assessment, of emergency items.

In addition to the "emergency" items, each of the tax districts was provided their fund balances from prior years to provide for one-time expenses and capital. The fund balance funding is one-time in nature and should not be used to fund operations or ongoing expenses.

The Countywide Fire Tax was approved to remain at .0048.

The following emergency items are approved:

- \$10,000 for an emergency generator for Allens Crossroads;
- \$1,800 for increased Taxes on New Station at Bakers;
- \$40,000 for additional staffing to make up for lost volunteers at Beaver Lane;
- \$10,000 to provide incentive pay for volunteers at New Salem to ensure needed staffing levels;
- \$26,051 to true up personnel cost at Springs;
- \$33,600 to provide full-year cost of additional staffing inadvertently excluded in prior years at Stack Road;
- \$1,160 to provide maintenance on the VHF radio system and communications at Wingate; and
- \$610 to support Countywide Radio Program.





The following table provides the adopted fee and tax rates, and their related year over year changes. In the districts that are increasing or decreasing, this is due to changes in other revenues and sales tax revenues, or reflective of the “emergency funding” provided within the district.

<b>Fire Fee Based Funding</b>			
<b>Fire Department</b>	<b>FY 2016 Fees/Tax</b>	<b>FY 2017 Fees/Tax</b>	<b>Fee/Tax Inc (Dec)</b>
Allens Crossroads	100.00	100.00	-
Bakers	86.49	86.78	0.29
Beaver Lane	100.00	100.00	-
Fairview	100.00	100.00	-
Griffith Road	62.01	71.91	9.90
Hemby Bridge	0.0512	0.0485	(0.0027)
Jackson	63.34	63.34	-
Lanes Creek	100.00	100.00	-
New Salem	85.60	89.00	3.40
Providence (WC)	100.00	100.00	-
Sandy Ridge	100.00	100.00	-
Springs	0.0474	0.0437	(0.0037)
Stack Road	100.00	100.00	-
Stallings	0.0509	0.0503	(0.0006)
Unionville	100.00	100.00	-
Waxhaw	0.0380	0.0357	(0.0023)
Wesley Chapel	0.0282	0.0293	0.0011
Wingate	100.00	100.00	-
Countywide Radio	0.0048	0.0048	-

*\*Excludes Countwide Fire Tax of .0048 except For Countywide Radio*

**Fire Services Contracts**

As part of the discussion during the FY 2016 budget process, the Board directed staff to prepare and work with the Fire Departments to come to an agreement concerning a fire services contract. These contracts will replace the outdated current contracts. As of the writing of this document, this process was still ongoing.

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## Focus Area: Revenues, Expenditures, and Capital Funding

In recent years, the focus areas have worked to identify specific areas of policy concern for the Board of County Commissioners. Ranging from Sustainable School Funding to Economic Development, these discussions have served to provide in depth dialogue and policy direction.

As part of the FY 2017 process, staff recommended taking a focus area session and providing a primer of revenue, expenditures, and capital funding. This session provided a high level review of revenue, expenditures, full-time equivalent positions, and the general capital program.

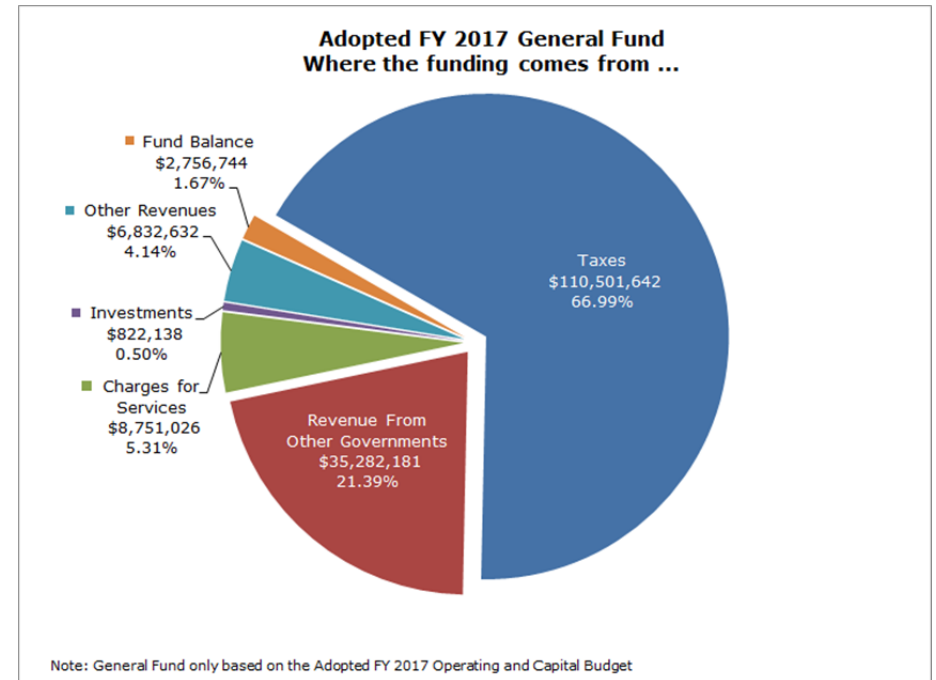
During the April 25, 2016 work session, the BOCC received a presentation from staff that outlined where the County's funding comes from, where it goes, historical staffing levels, and a preview of the recommended capital funding for FY 2017.

## Revenue

The General Fund is the primary operating fund of Union County. As the name would indicate, the General Fund provides for the operations of various County services, ranging from public safety, to cultural activities.

The primary funding source for the General Fund is taxes. In FY 2017 the County anticipates, at the adopted general county operating tax rate of .2782 per \$100 of valuation, receiving approximately \$110.5 million from various tax sources, making up about 67 percent of the total funding. The following breakdown provides a more detailed look:

- \$59,891,837 from Ad Valorem Taxes on property. This includes the taxes collected based on the value of residential property, business and personal property, and state assessed property.
- \$6,169,530 from Ad Valorem Taxes on motor vehicles.
- \$1,485,500 from other Ad Valorem taxes, such as prior years taxes, garnishments, foreclosures, etc.



- \$40,481,775 from local option sales taxes. It is important to note that in 2016, the North Carolina General Assembly adopted a new Article 44 Local Option Sales Tax (G.S. 105-524), which expanded the sales tax base, creating an anticipated \$84.8 million that will be distributed to 79 counties according to allocation percentages (G.S. 105-524 (c)). The County's share of the \$84.8 million, excluding amounts applicable to municipalities, is anticipated to be \$3,058,384. This distribution of additional sales tax revenue must be used for economic development, public education, and/or community colleges. In the Adopted FY 2017 Budget, this amount has been allocated to cover debt service requirements for the Union County Public Schools.
- \$2,473,000 from other taxes such as the property transfer tax, cable TV franchise fees, and gross receipts taxes.

Beyond taxes, the General Fund receives the next highest portion, more than 21 percent, of funding through revenues from other governments. This type of revenue comes from the federal government, the State, and other local governments. Generally, funding from other governments comes as part of a grant program,



contractual relationships, such as the law enforcement contracts, or mandated programs, such as public assistance. The key aspect of this revenue is that the funding received through intergovernmental sources is restricted to a specific use and cannot be reallocated to other governmental functions.

Other services that the County provides are partially funded through Charges for Services. These charges make up about 5 percent of the total or \$8.8 million. Charges for services are items such as permitting fees, inspection fees, library fees and recreation program fees, or other services that are pay as you use. This distinction becomes clearer based on the service areas that receive charges for services, such as follows:

- \$3,419,359 in Human Services
- \$2,774,300 in Growth Management
- \$1,206,000 in Register of Deeds
- \$666,547 in Community Services
- \$613,650 in the Sheriff's Office
- \$71,169 in all the other General Fund Service Areas

Beyond this level of funding, the remainder of the funding, as shown previously comes through Investment Income, Other Revenues, including rents and sale assets, and Fund Balance. These combine to make more than 6 percent of the total funding or about \$10.4 million.

The County uses other funds for specific activities. These other activities are funded through specific taxes or restricted revenues. These include the following:

- Schools Budgetary Fund supported through Ad Valorem Taxes and Interest Earnings.
- Schools Radios Budgetary Fund supported by contract with UCPS, \$167,000 annually.
- Fire Budgetary Fund and Fire District Funds supported through fire taxes and allocated sales taxes.
- EMS Budgetary Fund supported through Ad Valorem Taxes, Medicaid Service Charges, and other revenues.
- Water and Wastewater Operating Fund is 98.85 percent funded through user charges.
  - 1.15 percent funded through investment income and other revenues.

- Solid Waste Operating Fund is 91.59 percent funded through user charges.
  - 7.40 percent funded through scrap tire disposal tax, white goods disposal tax, and solid waste disposal tax.
  - Remaining 1.01 percent funded through investment income.
- Internal Service Funds are supported primarily through internal service fund charges based on usage. The County's internal service funds are the Information Technology Fund, Facilities Management Fund, Fleet Management Fund, Workers' Compensation Fund, Health Benefits Funds, Dental Benefits Fund, and the Property and Casualty Fund.
- Pension Trust Funds are also supported primarily through internal service fund charges based on usage. The County has two pension trust funds: the Retiree Healthcare Benefit (RHCB, OPEB) Fund and the Separation Allowance (OPEB) Fund.
- Other funds are supported through revenues for various purposes and include the Emergency Telephone System Fund and the Automation Enhancement Fund.

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## Expenditures

The revenue provides a source of funding to pay for the services provided to the residents of Union County. To better understand the cost of providing service, it is useful to review where the funding goes.

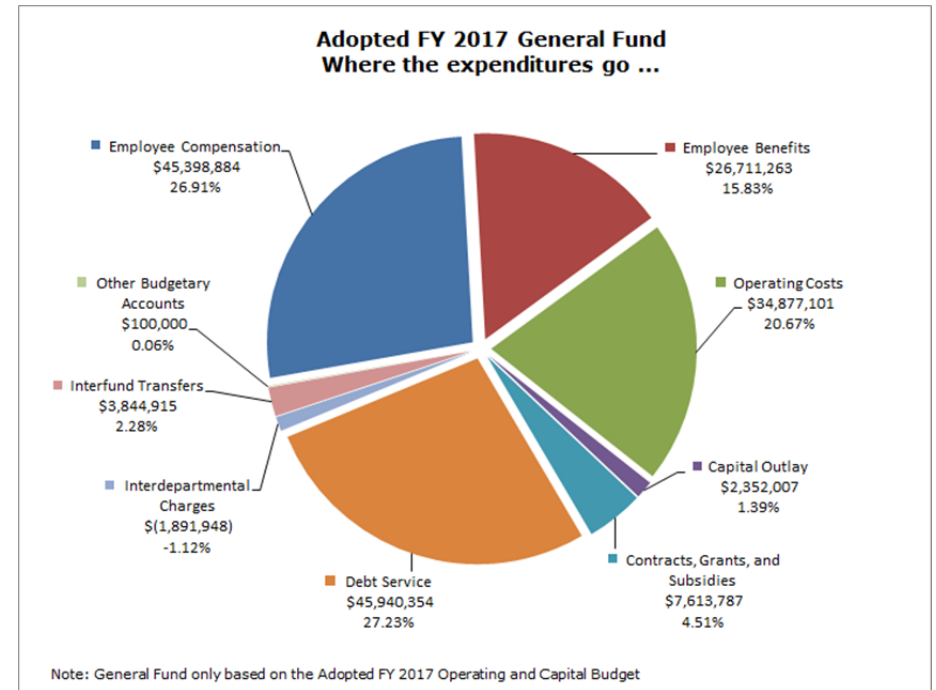
The largest expense in the General Fund for FY 2017, amounting to almost 28 percent of the total is the \$45.9 million used to fund Debt Service. The annual debt service is 93 percent or about \$42.7 million related to Union County Public Schools debt service, the remaining \$3.2 million or 7 percent is related to South Piedmont Community College facilities and other County facilities such as the Judicial Center (courts) and the Agricultural Center.

Beyond debt, employee compensation makes up about 27.5 percent of the total funding, or about \$45.4 million. Of that funding the majority or about 68.0 percent is comprised of the Sheriff's Office at 33.10 percent and Human Services at about 34.9 percent. The remainder or 32.0 percent is made up of the other service areas in the General Fund.

Employee benefits, which include payroll taxes, health benefits, and retirement benefits, among others, make up about 16.2 percent of the total expenditures. Much like the compensation, the majority of this funding goes to two specific service areas. The Sheriff's Office at 33.6 percent or \$9.0 million and Human Services at 36.8 percent or \$9.8 million, make up more than 70 percent of the total. The remaining 29.6 percent is made up of other service areas.

The total cost for employees with benefits represents about 43.7 percent of the total expenditures. While at first glance the percentage appears significant, however for an organization that is primarily staff driven, less than half of the expenditures go to personnel. It is not uncommon for similar organizations to be more than 60 percent in staffing costs.

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Operating costs, which includes supplies, service contracts, internal services, professional services, and other expenditures make up about 21.1 percent or \$34.9 million. About 52 percent of the total operating expenses, or \$18.1, million are in Human Services, with 17 percent or about \$5.9 million in the Sheriff's Office. The remaining 31 percent funds the operating costs in the other General Fund service areas.

Contracts and subsidies, which includes the funding for the outside agencies, South Piedmont Community College, Monroe-Union County Economic Development, incentive grants, Cardinal Innovations, and other community partners, make up about 4.6 percent or \$7.6 million.

Interfund transfers, in this case represent the PayGo funding for capital projects. The specific detail of the \$3.8 million will be discussed later in this section.

About 1.4 percent or \$2.4 million is used for capital outlay, including \$1.5 million to replace vehicles, building repairs, and other equipment at the Sheriff's



Office. The remaining funding, about \$876,000 for capital outlay, provides for vehicles and capital purchases throughout other General Fund service areas.

There is also \$100,000 for contingency to fund unforeseen operating needs throughout the year.

### Full-Time Equivalents

As mentioned earlier, employee costs are one of the largest drivers of expenses in the organization. Union County has been very judicious in managing the additional staff preferring to add to front line service personnel and public safety.

This commitment to public safety is reflected in the 26 percent growth in Sheriff's Office FTE from FY 2008, a growth of about 62 FTE. During this same period, the non-law enforcement staffing grew by 0.65 FTE, or about 0.08 percent.

### General Fund Capital Funding

The funding for General Capital projects in FY 2017 is to come from PayGo funding. As the following table indicates, the majority of the adopted FY 2017 funding for capital is for SPCC at 47.6 percent or \$1.83 million and a new tax system for the Tax office at \$1.2 million or 31.2 percent. These two groups make up almost 79 percent of the funding. The remaining projects are primarily replacement and renewal projects.

A portion of the funding for capital, \$2,756,744 is one-time funding from the General Fund's fund balance, while the remaining \$1,088,171 is funded through current revenues.

This capital funding strategy, the use of current revenues mixed with fund balance allows the County to provide for its capital needs without increased debt burden on the residents. This strategy is consistent throughout the Adopted FY 2017 Operating and Capital Budget.

### General Fund Capital

Ag Center Display Sign	\$ 100,000
Emergency Mgmt. Facility Study	(80,000)
Library Carpet Replacement	360,000
Parks Paving Project	104,500
Sheriff's Office Space Analysis	80,000
Tax Office Software	1,200,000
SPCC Technology (2yrs)	868,315
SPCC HVAC and Security	150,000
SPCC Resurfacing Parking Lot	467,100
SPCC Parking @ OCH	345,000
Facilities Renewal	125,000
Community Services Renewal	125,000
<b>Total FY 2017 Capital</b>	<b>\$ 3,844,915</b>

### Focus Area: Solid Waste Business Plan

The last focus area, the Solid Waste Business Plan, was presented at the May 9, Board of County Commissioners' work session.

### Focus Areas Summary

These specific focus areas were part of the public budget dialogue and were specific items addressed during the budget development process. The direction given during this process has been included in the *Adopted FY 2017 Operating and Capital Budget*.

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General Fund Financial Projection								
Category	FY 2015 Actual	FY 2016 Revised Budget	FY 2017 Adopted	FY 2018 Projected	FY 2019 Projected	FY 2020 Projected	FY 2021 Projected	FY 2022 Projected
<i>Sources</i>								
Ad Valorem Taxes*	\$ (70,812,421)	(67,814,063)	(67,546,867)	(70,054,732)	(71,016,334)	(71,996,224)	(72,994,912)	(74,012,925)
Local Option Sales Tax	(32,108,083)	(34,518,523)	(40,481,775)	(42,870,156)	(45,401,397)	(48,084,149)	(50,927,592)	(53,941,467)
Other Taxes	(2,433,979)	(2,458,900)	(2,473,000)	(2,527,978)	(2,585,085)	(2,644,432)	(2,706,136)	(2,770,320)
Unrestricted Intergovernmental Rev.	(82,050)	(79,200)	(96,806)	(97,249)	(97,695)	(98,143)	(98,593)	(99,045)
Restricted Intergovernmental Rev.	(11,549,677)	(11,119,162)	(11,966,544)	(12,168,798)	(12,383,348)	(12,610,943)	(12,852,376)	(13,108,487)
Federal Grants	(15,832,246)	(13,958,768)	(14,623,748)	(14,655,391)	(14,688,461)	(14,723,021)	(14,759,139)	(14,796,886)
State Grants	(4,102,589)	(8,746,434)	(8,595,083)	(8,595,083)	(8,595,083)	(8,595,083)	(8,595,083)	(8,595,083)
Non-Enterprise Charges for Services	(9,407,835)	(8,820,171)	(8,751,026)	(9,094,755)	(9,458,040)	(9,842,232)	(10,248,786)	(10,679,268)
Restricted Debt Proceeds**	-	-	-	-	-	-	-	-
Investment Income	(140,529)	(602,400)	(822,138)	(830,359)	(838,663)	(847,050)	(855,520)	(864,075)
Other Revenue***	(7,273,116)	(6,738,328)	(6,832,630)	(6,832,630)	(6,832,630)	(6,832,630)	(6,832,630)	(6,832,630)
Interfund Transfers***	-	-	-	-	-	-	-	-
<b>Total Sources</b>	<b>\$ (153,742,525)</b>	<b>(154,855,949)</b>	<b>(162,189,617)</b>	<b>(167,727,132)</b>	<b>(171,896,736)</b>	<b>(176,273,907)</b>	<b>(180,870,767)</b>	<b>(185,700,187)</b>
<i>Uses</i>								
Employee Compensation	\$ 37,889,016	41,787,700	45,398,884	47,658,588	50,031,277	52,522,601	55,138,490	57,885,175
Employee Benefits	21,785,058	24,072,040	26,711,264	28,619,731	30,688,068	32,931,556	35,367,123	38,013,542
Operating Costs	30,331,207	35,856,318	34,877,098	35,851,108	36,864,520	37,919,433	39,018,081	40,162,845
Capital Outlay	1,433,946	2,312,244	2,352,007	2,491,146	2,640,258	2,800,086	2,971,428	3,155,146
Contracts, Grants, and Subsidies*	5,478,338	6,281,790	7,613,787	7,800,803	7,993,619	8,192,456	8,397,545	8,609,126
Debt Service**	48,336,997	47,302,278	45,940,354	44,913,359	43,533,947	40,434,706	35,193,894	33,998,845
Interdepartmental Charges	(1,691,290)	(1,984,232)	(1,891,948)	(1,940,635)	(1,990,813)	(2,042,530)	(2,095,840)	(2,150,796)
Interfund Transfer***	13,097,887	250,000	3,844,915	1,941,230	730,200	2,335,000	350,000	350,000
Contingency	-	406,800	100,000	100,000	100,000	100,000	100,000	100,000
<b>Total Uses</b>	<b>\$ 156,661,159</b>	<b>156,284,938</b>	<b>164,946,361</b>	<b>167,435,330</b>	<b>170,591,077</b>	<b>175,193,307</b>	<b>174,440,721</b>	<b>180,123,883</b>
<b>Use/(Addition) to Fund Balance</b>	<b>\$ 2,918,634</b>	<b>1,428,989</b>	<b>2,756,744</b>	<b>(291,802)</b>	<b>(1,305,659)</b>	<b>(1,080,600)</b>	<b>(6,430,046)</b>	<b>(5,576,304)</b>
Sensitivity (+/-) 3%	1.86%	0.91%	1.67%	-0.17%	-0.77%	-0.62%	-3.69%	-3.10%

\*History Adjusted for UCPS,VFDs,& EMS/ \*\*Adjusted for DebtProceeds\*\*\*Adjusted for 1x Revenue & Related Transfers

## General Fund Financial Projection

The General Fund is the chief operating fund of the County. The majority of County services are funded through the General Fund. The primary funding sources for the General Fund are Ad Valorem Taxes (Property Taxes), Local Option Sales Taxes, and funding from other governments, such as the State and federal government. Other sources of funding include charges for services, donations, rental income, and other miscellaneous sources.

The General Fund Financial Projection is based on an analysis of historical trends, current trends and realities, and known cost drivers.

The "Revised FY 2016" reflects the amended budget through March 31, 2016.

During the development of the projections, staff made a number of assumptions concerning the growth of revenues and expenditures.

Assumptions, based on analysis, form the basis for the projection. With this in mind, following are several of the significant assumptions made concerning the General Fund:

- The County will continue to provide similar levels of services, countywide, that are currently provided. This assumption is made throughout the projection period.
- The economic conditions remain similar to current levels; periods of sustained economic growth or sustained economic downturn will impact the projections. Given the uncertainty surrounding these possibilities, the projections are based on known factors.
- Generally, expenditures are projected to maintain an inflationary pace, growing about two percent annually. This varies on certain line-items that have specific known, or estimable growth, but otherwise holds relatively true for most expenditure line items.



- Revenues have been projected given recent history and collection patterns. There are several notable exceptions to this:
  - State and federal intergovernmental revenue is projected to remain flat through the projection period. This is done based on the recent history of limited to no growth in these programs, including a number of unfunded mandates. Projecting the revenue without growth is a highly conservative approach; however in this case, staff believes this is an appropriate method.
  - Ad Valorem Taxes are estimated in accordance with North Carolina General Statutes and the prescribed revaluation rules. The Adopted FY 2016 estimated revenue is based on the adopted tax rates.
  - Employee compensation is anticipated to grow at roughly three percent annually. This projection makes no assumption concerning future pay for performance or additional staffing, but instead uses a proxy growth assumption for employee compensation that reflects normal growth.
- The projections include the third year of the compensation increases to the Sheriff's Deputies to bring them more in line with the market.
- Employee benefits, specifically health benefits costs, are assumed to grow at eight percent through the projection window. This is reflective of the current market trends and anticipated future medical inflation. Other benefit costs have been adjusted to reflect inflation or growth in employee compensation as mentioned above.
- Debt service assumptions are based on current agreements and costs and do not reflect additional refundings or restructurings. In addition, any assumption of new debt is estimated based on the prevailing market conditions at the time of this report.

Beyond these assumptions, projecting expenditures and revenue is more art than science. Given the information available, staff has made an educated projection. These projections should be used as indicators or general direction. The decisions made going forward, both by the Board of County Commissioners, State and federal governments, and the County's other partners will have a direct impact on the projected outcomes.

### Projection Summary

As the table indicates, in FY 2018 there is projected to be a deficit; however, additional analysis of the historical trends indicates that on a projection basis, that a surplus or deficit within three percent of the expenditure total is essentially within balance. In this case, based on the current set of assumptions, all the years shown are within the tolerance levels, except FY 2021 and FY 2022 lying outside the tolerance, however FY 2021 and FY 2022 reflect surpluses.

The Adopted FY 2017 Operating and Capital Budget, based on the projection, is sustainable.

General Fund Revenue and Expenditures				
	Revenue	Expenditures	Revenue Over/(Under) Expenditures	Variance Sensitivity +/- 3%
FY 2015	\$ 153,742,525	156,661,159	(2,918,634)	-
FY 2016	154,855,949	156,284,938	(1,428,989)	-
FY 2017	162,189,617	164,946,361	(2,756,744)	-1.67%
FY 2018	167,727,132	167,435,330	291,802	0.17%
FY 2019	171,896,736	170,591,077	1,305,659	0.77%
FY 2020	176,273,907	175,193,307	1,080,600	0.62%
FY 2021	180,870,767	174,440,721	6,430,046	3.69%
FY 2022	185,700,187	180,123,883	5,576,304	3.10%



**General Fund Allocation of Current Property Taxes**

Service Area	General County Operating Tax	Adopted FY 2017	Current Ad Valorem Taxes	Non-Current Ad Valorem Taxes	Local Option Sales Taxes	Other Taxes	Intergovernmental Revenue	Non-Enterprise Charges for Service	Investment Income	Other Revenue
Administrative Services	0.69	\$ 1,635,540	(1,635,190)	-	-	-	-	(350)	-	-
Board of Elections	0.53	1,260,190	(1,259,990)	-	-	-	(100)	(100)	-	-
Community Partners	0.63	9,004,668	(1,490,834)	-	-	-	(1,243,798)	(25,133)	-	(6,244,903)
Community Services	3.30	8,935,491	(7,829,899)	-	-	-	(193,581)	(666,547)	-	(245,464)
Emergency Services	2.56	6,196,472	(6,074,925)	-	-	-	(76,060)	(45,487)	-	-
General County Administration	0.36	14,769,977	(855,500)	(1,485,500)	(157,331)	(2,473,000)	(6,019,664)	(100)	(822,138)	(2,956,744)
Growth Management	0.11	3,032,190	(257,890)	-	-	-	-	(2,774,300)	-	-
Human Services	8.31	44,596,135	(19,726,949)	-	-	-	(21,307,644)	(3,419,359)	-	(142,183)
Public Works	(0.15)	(351,265)	351,265	-	-	-	-	-	-	-
Register of Deeds	0.00	1,212,282	(6,202)	-	-	-	-	(1,206,000)	-	(80)
Sheriff's Office	11.48	31,458,439	(27,275,253)	-	-	-	(3,569,536)	(613,650)	-	-
UCPS Debt Service & Facilities Charges	-	43,196,242	-	-	(40,324,444)	-	(2,871,798)	-	-	-
<b>Total</b>	<b>27.82</b>	<b>\$ 164,946,361</b>	<b>(66,061,367)</b>	<b>(1,485,500)</b>	<b>(40,481,775)</b>	<b>(2,473,000)</b>	<b>(35,282,181)</b>	<b>(8,751,026)</b>	<b>(822,138)</b>	<b>(9,589,374)</b>

**General Fund Revenue Allocation**

The purpose of the table above and the corresponding analysis, is to understand the exactly how each of the services are funded. This analysis is particularly focused on the use or allocation of property taxes to a specific function or service area.

The table above is generally referred to as the "Net Takers" table because it demonstrates, on an allocated basis, how much each service area costs in terms of Ad Valorem Tax. The "General County Operating Tax" column effectively provides insight into the tax impact of each service area, in several cases where that tax impact is negative, the service area provides additional funds in support of the total General Fund and does not cost the tax payer or require Ad Valorem Tax support.

Before analysis can occur, it is important to understand what the General Fund is used for. Without belaboring the discussion of fund accounting, the General Fund is the principal operating fund which provides for the accounting of the most basic governmental services. Because of this, the General Fund has no specific nature, like a utility fund that focuses on utility operations, or the 911

communications fund that focuses on specific operations and revenues.

It should be noted that the table above is the allocation analysis for the General Fund only and excludes the Schools Tax and the funding for UCPS Current Expense and Capital Outlay, as well as the Fire Departments and EMS, and the associated tax revenues.

As the table above indicates, the majority of the revenue in the General Fund, about 65.5 percent, comes through the Ad Valorem Taxes and the Local Option Sales Taxes.

Ad Valorem Taxes, commonly referred to as "property taxes" are the largest revenue source in the county, making up 41.0 percent of the total revenue.

Local option sales taxes are allocated to fund the Union County Public Schools debt service. Totaling just over \$40.5 million, sales taxes make up about 24.5 percent of the total General Fund revenue.





The remaining 34.5 percent of the revenue comes through the following:

- Other Taxes – Revenue derived from franchise taxes, transfer taxes, gross receipts, and other non-Ad Valorem taxes, comprises 1.5 percent of total revenues.
- Inter-governmental Revenues – Revenues derived through grants, mandated services, and agreements with other units of government. These funds are generally restricted in nature and can only be used for the programs they were intended for. This funding makes up 21.4 percent of the total.
- Non-Enterprise Charges for Services – Charges for Services are comprised of the various fees charges for specific services and are used to partially offset the cost of providing the service. For example, this would include Parks and Recreation fees, Library fees, and Inspection fees. Charges for Services make up about 5.3 percent of the total General Fund revenue.
- Investment Income – Revenue derived from the investment of the General Fund, fund balance. Investments are governed by the North Carolina General Statutes. This revenue, which comprises less than one percent of the total, and is largely dependent on market conditions and the cash balances in the General Fund.
- Other Revenue – Other revenue are various funding sources that do not specifically fit the other categories. The largest portion of the other sources, is revenue derived from the lease of the hospital. This lease provides about \$6.2 million annually. This sources also includes fund balance appropriated in the amount of \$2,756,744. The total Other Revenue makes up about 5.8 percent of the total revenue.

As the table indicates, consistent with the Board of County Commissioner's priorities, 41 percent or 11.48 cents of the General County Operating Tax goes to fund the cost of the Sheriff's Office, with about \$27.3 million coming through Ad Valorem Taxes.

The second largest service area, Human Services, receives 8.31 cents of the General County Operating Tax, about \$19.7 million. The remaining 8.03 cents is used for the remaining operations in the other services areas.

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