



County Manager's Budget Message:

FY2018-2019

Compliance:

Please find attached the Montgomery County Budget Ordinance and Fee Schedule prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act and General Statute 153A-82. The proposed budget is balanced with a property tax rate of sixty-two (62) cents per one hundred (100) dollars of property value, which reflects the same property tax rate as the current year budget.

Year in Review:

As the current fiscal year nears its conclusion, the Montgomery County Administration is pleased with the performance of our local government during the year. Collectively, the staff of the County strived to provide efficient, effective, and timely services to the residents of the County. In addition, we made progress on the Board of Commissioners' guiding initiatives to develop and grow the County through improvements in the areas of education, legislative support, transportation, and public infrastructure.

Education:

The progress made this year on education has, somewhat belatedly, been met with a growing sense of approval and anticipation from the general public. The Board of Education and the Community College Trustees continue to refine the programming details for the new Central High School and the shared CTE facility to be constructed between the College and the new high school, but the enthusiasm for the new facilities and widespread recognition of the possibilities for providing relevant, first-rate, career ready skills to our students has grown steadily more prevalent and positive. As part of the overall educational initiative, this current year was the first for the Early College program at the College. The results have been overwhelmingly positive, not only from the student centered perspective but also from a financial perspective. College enrollment has increased substantially, which is only the beginning of their growth potential once the Central High School opens in August 2020.

Legislative Support:

Politically, the new legislative district realignments across the State have Montgomery County represented in its entirety by Ken Goodman. While appreciative of the fine work performed by our former Representative Justin Burr, the new alignment is advantageous for the County.

Representative Goodman is a strong supporter of the County and is now a senior member of the House-currently serving his fourth term. Ken had previously pledged his support for one of the Board of Commissioners' primary goals: bringing industrial-capacity natural gas to Montgomery County. Without natural gas, the County has been consistently eliminated by State site developers from consideration for industrial manufacturing expansion or relocation projects. Addressing this job creation obstacle, by bringing pipeline quality gas to Montgomery County, will certainly better position the County for growth.

Likewise, Representative Goodman has voiced his support for another issue of upmost importance to the Board and the County: intervention by the State and the Division of Environmental Quality (DEQ) to reverse the inter-basin transfer (IBT) certificate issued to Union County in 2017. The certificate allows Union County, whose water customers are projected to practice fewer water conservation measures, to withdraw 23 million gallons of water a day from Montgomery County and Lake Tillery. The withdrawal has the very real potential to negatively impact the livelihood of residents and to devalue lake properties. More importantly, the issuance of this IBT certificate increases the likelihood of future withdrawals to feed urban sprawl. The financial and environmental impacts for Montgomery County, and future generations of Montgomery County residents, could be devastating!

As it now stands, the State of North Carolina and the DEQ allowed Union County to purposefully exclude the people of Montgomery County from the scoping process required for issuance of the IBT and acted with complicity in the development of engineering reports to support the Lake Tillery withdrawal over other less environmental impactful alternatives. Representative Goodman has heard the call from the Board of County Commissioners to lead an effort to move DEQ from a politically influenced agency to one charged with reasonable and sustainable environmental protection. For almost two years, the Board has single handedly led this effort of awareness. The IBT certificate fight currently is mired in the legal process, but regardless of the outcome of this single permit, there must be a change in the overall governmental permitting process.

Transportation Accessibility:

The third Commissioner initiative for growth and development in Montgomery County is transportation accessibility. This past year was noted for visible improvements to the major east/west corridor in the County, Hwy 24/27. Connecting Interstate I-73/74 with the urban development from Charlotte, this corridor will increase residential growth and property values (combined, of course, with progress on the other key initiatives of quality education, adequate infrastructure, and public safety). Progression on the four-lane expansion of Hwy 24/27 will be completed by the spring of 2020. In addition to moving transitory traffic more efficiently through the County, the Troy Bypass will also be the primary route for most of the students attending the new Central High.

Right of way acquisition for the remaining two-lane section of the Hwy 24/27 in the County, from Lake Tillery to Troy, is under procurement. Across the river, the Lake Tillery to Albemarle section is already funded and construction is scheduled to start in 2019, with completion in

2023. Once these last two sections are completed, Montgomery County will have four-lane accessibility to the rapidly expanding populations and amenities of Mecklenburg and Cabarrus County areas. From there, Montgomery County will focus its efforts eastward for improved connectivity to Sanford, US Hwy 1, and Fayetteville.

With visible progress being made on our transportation priorities, residential development has increased along Lake Tillery. To accommodate residential growth of any significant amount, however, improvements must be made to existing, and non-existent, public utility systems. The Board of Commissioners has prioritized regionalized utility systems and has solicited partnerships with the Towns to enhance and expand both infrastructure and site development. During this current year, the County received grants to further the planning and development process for these essential projects.

Public Infrastructure:

Working off a premise that residential growth in the County will lead to job creation and eventually to a manufacturing and processing base, public utility systems must be planned out both for the short term and the long term. Public systems are expensive, to say the least, and must be maintained by the customer base. As such, the areas with the most potential for growth have to be identified and prioritized. The lake areas have the most potential for residential expansion: from the obvious amenities of the lake and the national forest and the closer proximity to the Charlotte area. Areas conducive for commercial and industrial development exist along the expanded Hwy 24/27 east/west corridor of travel, as well as along with the north/south interstate I-73/74.

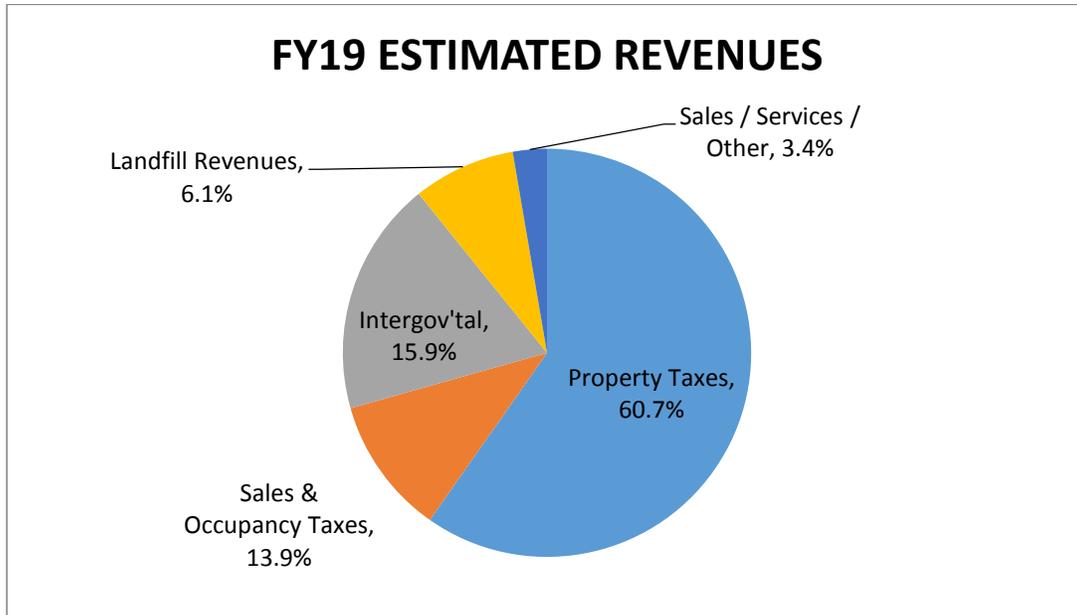
The Board's preference for commercial and industrial development has always been for such expansion to occur within the municipal boundaries. The vitality of our towns is largely dependent on the tax base from industry and the reliance of said industry upon public utilities. Industrial consumption makes residential utility services affordable. The Board of Commissioners desires to assist our Towns with the planning, procurement, and development of strategic sites which will be needed as the maturation model from residential growth to manufacturing base develops across the County.

As stated, it was overall another progressive year for the County and we are optimistic for the year ahead. The FY18-19 budget reflects the continued emphases on the Board's initiatives to build the foundations for prosperity in Montgomery County.

Revenue Projections FY2019:

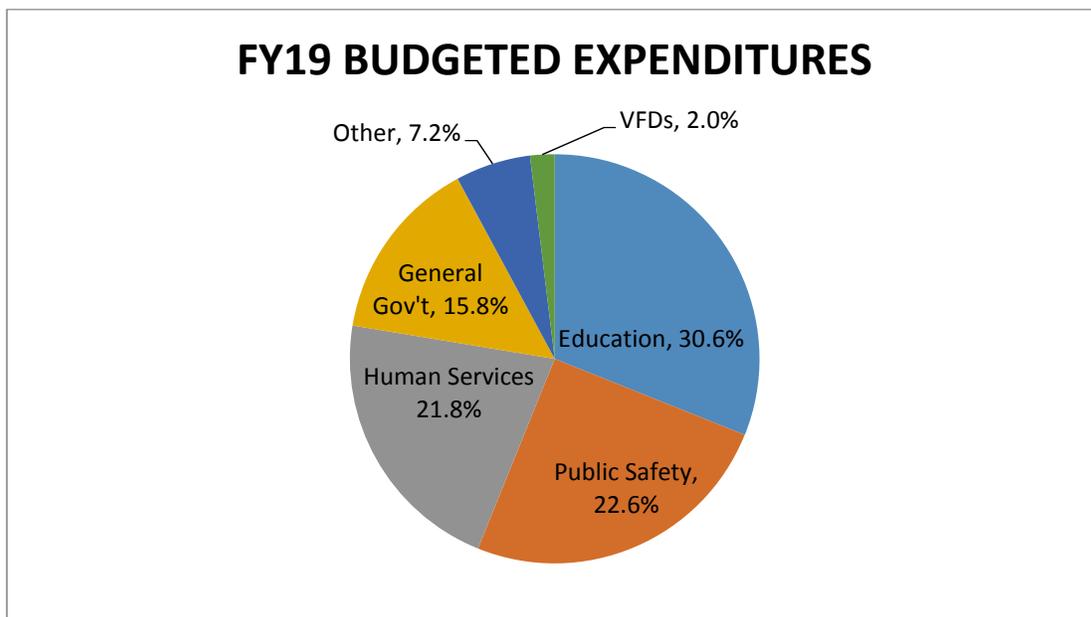
While ad valorem growth is moderate, around two percent, tax collection percentages remain strong, as do sales tax receipts, and other major revenue sources are stabilized. Department leaders are committed to serving the needs of our residents and have done well to control costs in the face of sluggish growth. Of particular note, the County Finance Director has done an extraordinary job, all within the restrictive limits imposed by the State of North Carolina, of investing, monitoring, and redistributing reserve fund balances to yield a healthy interest income. The two largest recurring budgetary increases for the upcoming year, expenditure

increases for employee salaries and EMS contract services, can both be covered with the current level of investment income return. The County appreciates all of the fiscal improvement practices and initiatives that have been implemented by Mr. Crepps.



Funding Categories and Percentages:

Education is the largest single expenditure for the Montgomery County Government. During the current year, the Board approved an additional \$5 million capital allocation to the Central High School/shared CTE facility project in order to forego value-engineering detrimental to the functionality and durability of the new facilities. In total for the FY19 year, approximately 31% of the budget, or \$9.5 million dollars, is expended on education.



By contrast, in 2011 approximately 20% or \$6 million dollars was appropriated for education. Funding for Public Safety has also steadily increased over the same period. Total expenditures in that category have risen by over 15% in the last eight years.

Fund Balance:

The County has a fiscal policy in regards to monetary reserves. Our policy exceeds the minimum balances enforced by the Local Government Commission (division of the NC Treasurer's Office for the State of North Carolina). The County's reserve expectation is 20%. With the subtraction of \$10 million over the last two years to get the new Central High School and shared CTE facility project off the ground, the County fund reserves were reduced but due to sound fiscal management from the Board of Commissioners and County departmental leaders, the County's estimated fund balance remains healthy at \$13 million (approximately 40%).

This reserve will be necessary, as it was with the education project, to plan and execute other Commissioner priorities. Commissioners have an obligation to provide and maintain adequate facilities for the public. During the upcoming year, visible progress should be seen both in improvements in public facilities, as well as in the area of economic development planning.

County Facilities and Economic Development:

The proposed budget includes funding increases for site development and County facilities. If approved, the balance in these capital accounts will be \$1.2 and \$1.9 million dollars, respectively. The balances are the result of the compilation of several years of smaller allocations. While the funds needed to bring County owned public buildings up to-date, as well as the funds needed to plan, procure, and develop commercial/industrial sites, certainly exceed the balances on-hand, the limited resources of the County required the Board to use a methodical, systematic approach to make headway.

The Board foresaw the need for major funding but was not desirous of installment financing. The County's approach to facilities and economic development projects is a pay-go model in which smaller allocations are allowed to accumulate over years and annualized reserves are consolidated in order to address priority needs.

While the desire is certainly strong to expedite development quickly, the Board has maintained a stronger desire to keep the County on a solid fiscal platform. In 2009, the County had a 0% fund balance and the subsequent budget cuts in such areas as facility maintenance only compounded the issue and costs associated with maintaining public structures.

With the funds on-hand, the County plans to start renovations on the basement of the Courthouse this year, as well as mechanical system replacements in the Health/DSS facility. The goal for the historic courthouse is to renovate in phases, thus keeping the facility operational during the process. The occupants of the ground level floor will be relocated to the former First Bank building on Main Street in Troy. Once the ground floor interior is gutted and mechanical systems are updated, the square footage will be utilized as convertible spaces in

order to provide work spaces for upper floor levels departments. In turn, the upper floors departments will be moved to the ground floor while their work areas are renovated and mechanical systems updated. During the last phase of renovation, the ground floor will be reconverted to accommodate the personnel and departments initially shifted to the First Bank building. Among his other duties as Director of Infrastructure and Development, Chris Hildreth will manage this highly involved and orchestrated project.

With the economic development funds, the County wishes to pursue its stated objectives of utility regionalization and commercial/industrial site development. For site development, the County has particular interest, as mentioned previously, for pad-ready areas within townships and visible from either the Interstate or from improved sections of Hwy 24/27. The County wishes to start the process with strategic planning based upon the residential growth-to-industrial growth expansion model. Key to the process will be working with stakeholders in designated areas of fundamental services so that the improved transportation network in the County will allow the public as a whole to access and utilize core services in a centralized area. Fundamental services for residential growth in Montgomery County include areas such as healthcare, shopping, education, and dining.

County Employees:

As noted last year, the County had planned for a small pay increase in FY2019 to offset higher employee insurance premiums which became effective January 1, 2018. For a majority of employees, the proposed pay increase will be \$1,000 per year. For those employees earning over \$50,000 the increase will be 2%. The County's pay ranges (scope and skill classification) will remain unchanged. A handful of long serving employees have reached the upper end of their grade ranges; these employees will receive a one-time \$500 bonus during the first payroll of the new fiscal year.

The County has worked steadily over the past several years on equity in pay and adjusting pay scales for the purpose of recruitment and retention of quality employees. The alignment is based on the aforementioned scope/skill pay chart and, as one would expect in a low-wealth County, most employees are at the low end of their respective position pay ranges. With the proposed salary increase, however, this should no longer be the case.

The pay grade ranges themselves are not being adjusted to coincide with the salary increases. Consequently, employees hired after July 1, 2018 potentially will be earning less than existing employees. Some department leaders have expressed concern about this to County Administration, citing gratitude for the Board's efforts over the past several years to bring equity to pay and positions across County government. Consequently, County administration is giving department leaders the latitude to either hire at the bottom of the scale (for those employees with no previous experience) and increase the employee's pay after 1 year of service (to match employees on staff prior to July 1st) or to maintain the uniform equity and hire at the higher rate (without an increase after one year). The Department of Social Services wishes to mimic the State Health and Human Service model and give a one year pay increase after the requisite employee evaluations. As a contrast, the Sheriff, for example, wishes to

promote an across the board expectation and compensation model and to not implement a one year “work against” pay reduction. Regardless of the method employed, the County will, in the end, continue its equitable pay policy and will continue to reward years of dedicated service through the longevity bonus program.

Public Utilities:

The public utility system will continue to operate as an enterprise fund for the next fiscal year and will not receive or contribute any funds to the County’s general fund budget. There will be no increases in charges to County customers, either rural residential, rural commercial, or bulk buyers.

The utility system has several critical infrastructure projects planned for the coming year: including a continuation of the Fairway Shores line replacement project, pump station rehabilitations, and the chemical feed system rehabilitation. Grant fund applications have been submitted for all the planned projects and all received some varying degree of State assistance.

Additional, the department will be partnering with the Towns of Mt. Gilead and Candor to study the feasibility of a system merger (regionalization). The County was awarded a feasibility grant of \$100,000 for the study.

Summary:

County government strives to perform its three-prong mission: (1) provide core governmental services to residents in a professional, efficient, and serving manner; (2) to position the County for economic growth by utilizing existing assets and by developing the infrastructure components (labor force, water, sewer, gas, connectivity) necessary for growth; and (3) to partner with municipalities to develop and implement cohesive, supportive, and tactical strategies for enriching the lives of Montgomery County residents.

As County Manager, I am proud to work with very capable and dedicated leaders. These leaders are not limited to the Board of Commissioners, but also extend to the department, office, and unit supervisors within County government. Holistically, I feel County residents should be very proud of their elected leaders and the employees who serve them in County government.

Signed,

Matthew Montgomery Woodard
County Manager