

# Fiscal Year 2021-2022 Budget Message

## Re-Thinking High Performance



MAY 18, 2021

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CLEVELAND COUNTY, NORTH CAROLINA  
BRIAN C. EPLEY

# RE-THINKING HIGH PERFORMANCE

## INTRODUCTION

May 18, 2021

The Honorable Members  
Cleveland County Board of Commissioners

Dear County Commissioners,

The previous twelve months have required our organization to operate in an unprecedented time. This time has been dominated with long periods of total uncertainty. The global pandemic caused by COVID-19 came directly on the heels of the most aggressive and robust operational and capital plan that our organization had ever experienced. Throughout 2019 and early in the 2020 year, I often talked about the county working in a “comfortably uncomfortable” environment. This meant focusing on capitalizing on the vibrant pre-COVID-19 economy and Cleveland County’s strong financial position to establish a pace and momentum that would deliver transformational change to Cleveland County citizens and present extraordinary progress on the Commissioner’s Strategic Plan.

The County leadership team deserves so much credit for the progress made during the last year amongst these challenging circumstances. Their resiliency demonstrated their dedication to Cleveland County Government’s purpose – ***Making Our Community Better***. The financial planning process for FY 22 presents an opportunity to turn hard-earned lessons from the pandemic into an enduring exercise in linking strategy to corporate values. The team often discussed the necessity to rethink and reframe our strategies based on the values that act as our corporate compass. This approach and intentionality to rethinking has ultimately become a conditioned behavior that highlights continuous improvement and refinement found in the FY 22 recommended budget.



Community financial constraints created by COVID-19 macroeconomics, national fiscal policy, and the potential citizen economic impact of Cleveland County’s real property reappraisal have required a more intense scrutiny of allocated resources. Doing this demonstrates the value of taxpayer dollars - and the requirement for County government to maximize the use of limited resources. The FY 22 budget is a foundationally drafted zero based budget. This type of budget avoids the inefficiencies of budget inertia, which are often a product of incremental budgeting.

# RE-THINKING HIGH PERFORMANCE

Though moderately unintentional at first, the team's nimbleness and openness to change is now one of our core strengths and demonstrates organizational learning.

The FY 22 budget is framed through the lens of **Re-Thinking High Performance**. **ReThink** is the final phase of the ReAct/ReBuild/ReThink crisis management plan that was implemented in 2020. We believe this model can create energy far beyond the 2020 crisis of COVID-19. **Re-Thinking** is about developing a different point of view or perspective. **High performance** is about policy research and implementation, process re-design, data driven decision making, measurement and follow up, and lessons learned during the crisis like agility and fluidity. Each of these make us better.

The recommended FY 22 budget is balanced with a general fund tax rate of 54.75 cents – which is accompanied by a 14-cent public school tax rate. Collectively these represent a 3.25 cent tax rate reduction, which is below revenue neutral. This budget does not include any funding associated with the American Rescue Plan. These one-time dollars are still lacking federal compliance guidance. Staff plans to present funding options at a later date when allowable costs are clearer.

The budget includes allocating 1.75 cents of the 54.75 cent tax rate for future public safety capital. This will be a reoccurring investment.

This budget recognizes our most valued asset- Cleveland County's human capital. It is my desire to maintain competitive wages for our employees. In the budget, I am very pleased to include continuation of the performance bonus program. This year, full-time employees will have the ability to earn up to 3.0%. Also included in the budget is the potential for a mid-year CPI adjustment.

Over the next six months, we will continue to manage the organization through controlled spending while we measure the recovery and impact of COVID-19 vaccinations and the lifting of regulatory restrictions.

Our Board of Commissioners community vision is driving performance. Department leaders and employees identify with our corporate purpose. There is collaborative momentum with strategies that are well positioned to adapt over time in an evolving and complex landscape. Because of this, I am convinced that the future of Cleveland County is bright.

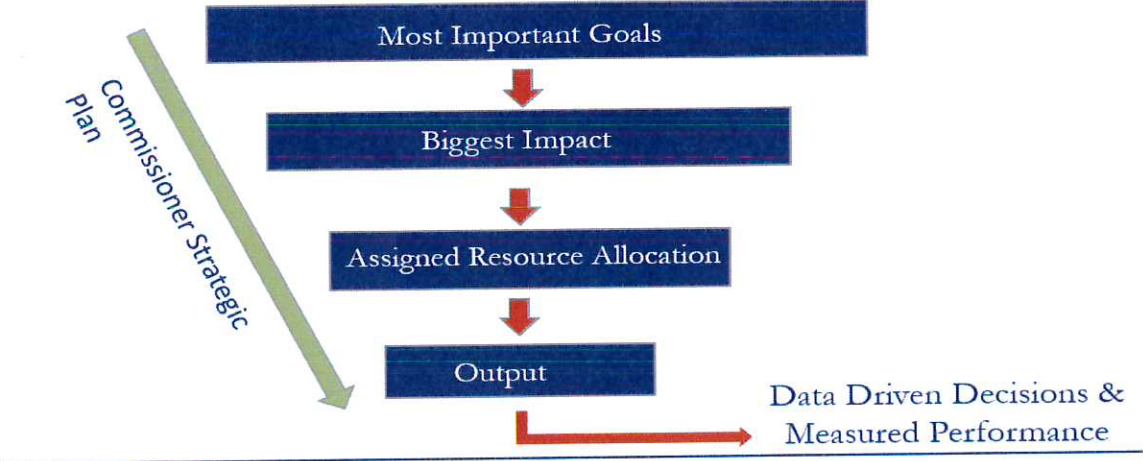


# RE-THINKING HIGH PERFORMANCE

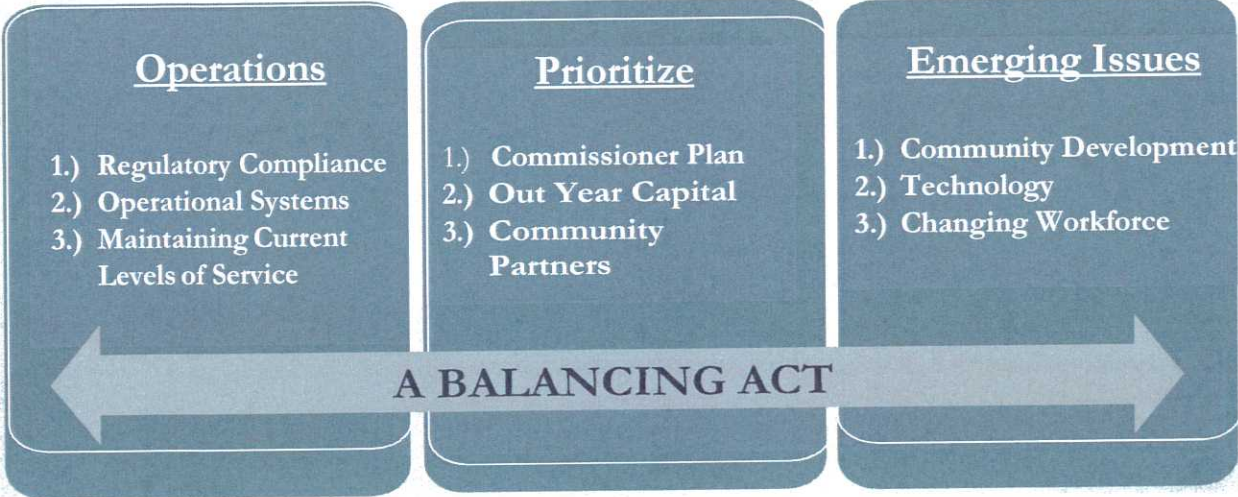
## FISCAL PLAN

The County's Balanced Budget Plan is a foundation that is to be built based on Board of Commissioner's direction. The foundation focuses on continuing to anticipate emerging issues and identifying available resources that can deliver tangible results. It is shaped by priority driven budgeting with a clear focus on strategic priorities that were developed through Board of Commissioners and community dialogue.

### Resource Allocation Process



The plan acknowledges the need to maintain day to day county operations while prioritizing the Commissioner's strategic plan and evaluating and understanding new issues on the horizon that are not part of current services or the current strategic plan.



# RE-THINKING HIGH PERFORMANCE

## REVENUE PORTFOLIO

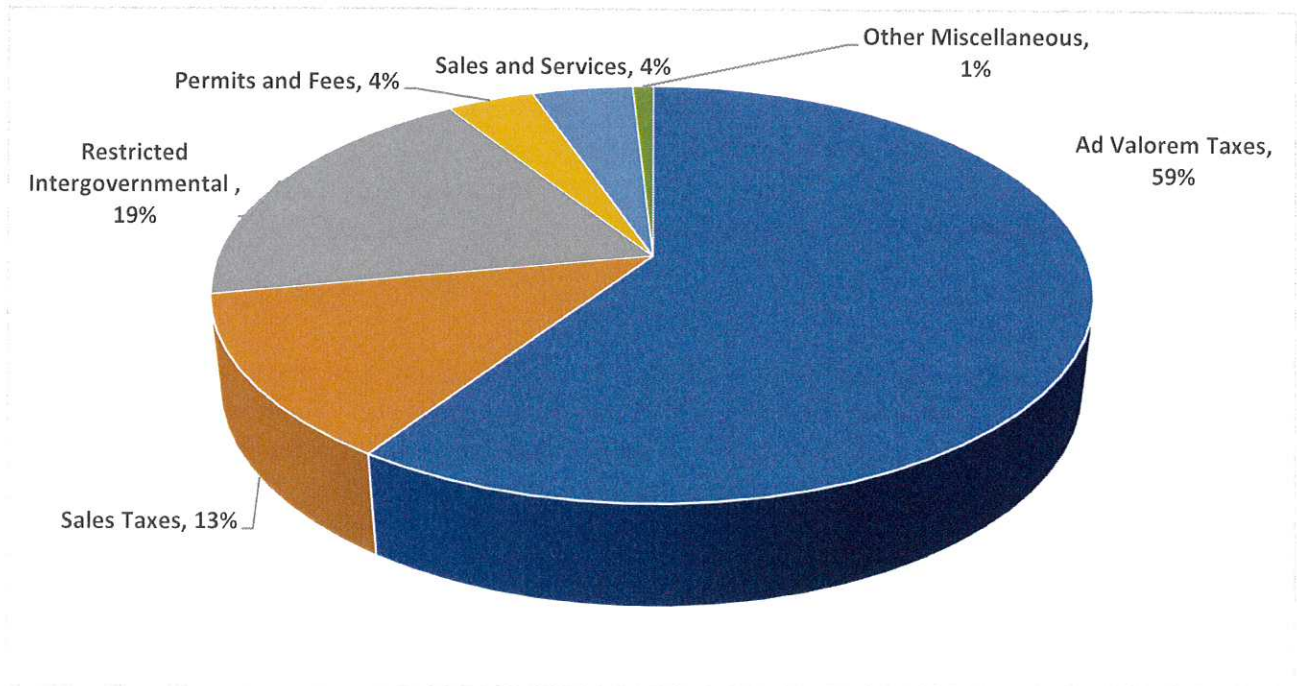
Cleveland County has used strategic planning for many years to develop policy and financial decision-making. The FY 2021-2022 Strategic Plan is comprised of five (5) focus areas and then further defined with specific goals and objectives under each one.

- 1.) Economic Development
- 2.) Community Education
- 3.) Public Safety
- 4.) Community Wellness
- 5.) Fiscal Sustainability

The County's financial planning projections for the upcoming fiscal year begin with economic recovery forecasts that were required to be reduced during FY 2020-2021. The County's FY 21 overall estimated revenues are expected to perform at more than budgeted amounts – specifically due to surging sales tax collection.

The Post-COVID budget modeling effort began with a careful review of the most recent revenue estimates expected to be received in FY 22. This exercise primarily included sales and use tax, occupancy tax, permitting and investment income revenues.

Total revenue in the General Fund is budgeted at \$120,556,672 – which is a 3% or \$3.62 million increase from the prior fiscal year.



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## Property Tax Administration

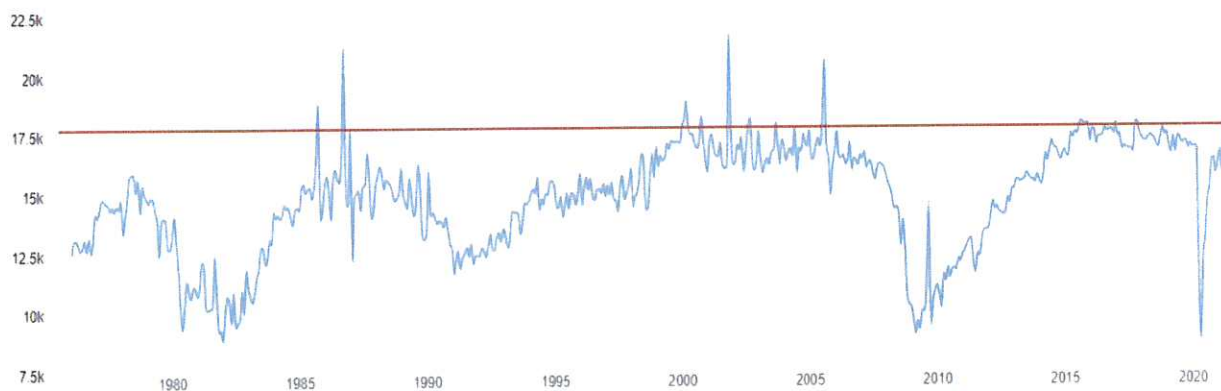
As noted, revenue in the 2020-2021 fiscal year is expected to come in higher than the budgeted level. As of April 2021, collections were at 98.1% of budget or approximately \$52,800,077.

The 2022 fiscal year property tax base will be adjusted based on a January 1, 2021 real property reappraisal. The last County wide reappraisal was conducted in 2016 and resulted in a net value decrease of 3.6% - which equated to two (2) cents or \$1.6MM in revenue. The Tax Administrators office began working on the current reappraisal during the 2018 tax year. The total projected tax base for the upcoming budget is \$10.334 billion. This is a projected increase of approximately \$825,000,000 in value when compared to the previous year. Essentially, all of the property value growth is due to the real property reappraisal process. Personal property and state boards only experienced a moderate increase of four percent (4%) and motor vehicles declined two and half percent (-2.5%). This budget includes a collection rate of 97.5% which translates to a projected net new revenue amount of approximately \$2.3MM when calculated using a 54.75-cent tax rate.

One area of potential risk in next year's budget is motor vehicle tax base decline. Due to the inherent escalated depreciation schedule of registered motor vehicles (RMV) and the lack of new vehicle production that limited purchases during the pandemic, we are closely monitoring this revenue stream. The RMV value for Cleveland County is anticipated to be \$800MM.

United States New Vehicle Sales: Autos and light trucks, (Ths. Units, SAAR)

U.S. Bureau of Economic Analysis (BEA)



Industrial manufacturers make up approximately 21.41% of the County's total labor force and account for more than \$407,836,000 in annual wages. This industry also represents a significant portion of Cleveland County's tax base – specific to personal property machinery and equipment. This concentration risk was something that the budget team has monitored closely over the past twelve months due to supply chain challenges and regulatory shutdowns. The proposed budget contains a more optimistic and sustainable outlook related to industrial manufacturing. According to the Institute of Supply Chain Management, as you can see below, the industry is currently in an expansion period which serves our labor force and tax base well.

# RE-THINKING HIGH PERFORMANCE

Institute for Supply Management (ISM) - PMI

1D 5D 1M 3M 6M YTD 1Y 3Y 5Y 10Y MAX



## Sales Tax & Other NCDOR Collected Revenues

Sales tax continues to be the County's second largest revenue source. Included in this year's budget is sales tax revenue of \$12,000,000. This is an increase of approximately three percent (3%) compared to pre-covid budgeted revenue estimates.

Between 2014 and 2018, Cleveland County experienced substantial growth in sales tax due to legislation distribution changes as well as a more robust local economy. This same time period also experienced several economic development industry expansions. Industry expansions provide a "one time" sales tax revenue boost during construction.

Sales tax in Cleveland County is distributed through the Ad Valorem Method. For several years, Cleveland County Government experienced an un-intended consequence of successful economic development recruitment, specifically in municipalities, which was, an erosion of the sales tax distribution percentage. This did equate to a decline in sales tax revenue for the County's general fund, in prior years, which has since recovered (see **Exhibit A**). Even Pre-COVID and aside from municipal growth, of the major state wide sales tax articles (39,40 & 42), there is a very clear and identifiable trend. Articles 40 & 42 (per capita) have seen a steady increase while Article 39 (point-of-sale) experienced a short term and terminal decline. This could have been related to local sales tax increasing over the past few years by construction projects like NTE, Clearwater, and Greenheck (see **Exhibit B**).

Through the first nine periods of FY 21, the county wide (include municipal sales) Article 39 (point of sale) revenue is \$7.5MM. When adjusted for annual sales, this would be over \$10MM or an increase of \$400k. Articles 40 & 42 are also performing at all-time highs, which is indicative of state wide economic vibrancy. These revenues have been positively impacted by legislative changes targeted at online sales collections. Through the first nine periods of FY 21, the county wide collections exceed \$8MM (for Article 40&42?).

# RE-THINKING HIGH PERFORMANCE

Exhibit A

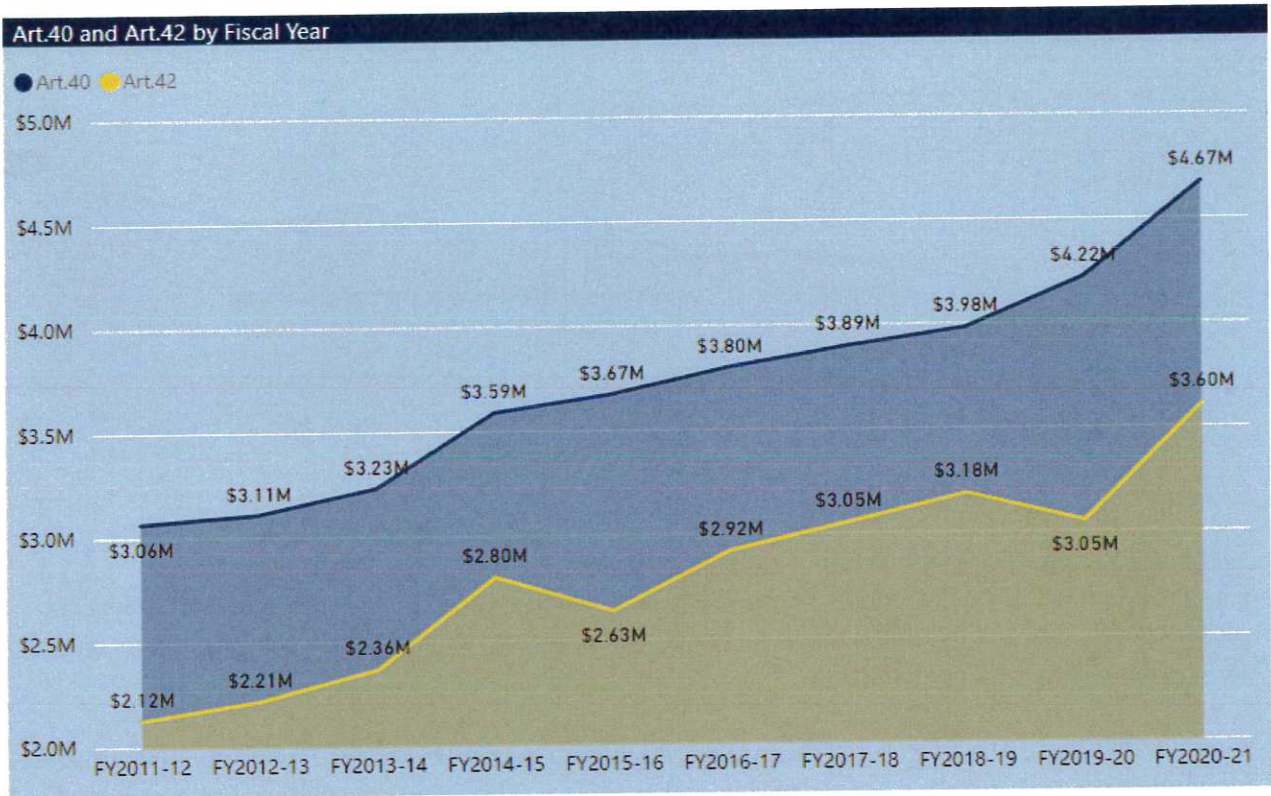
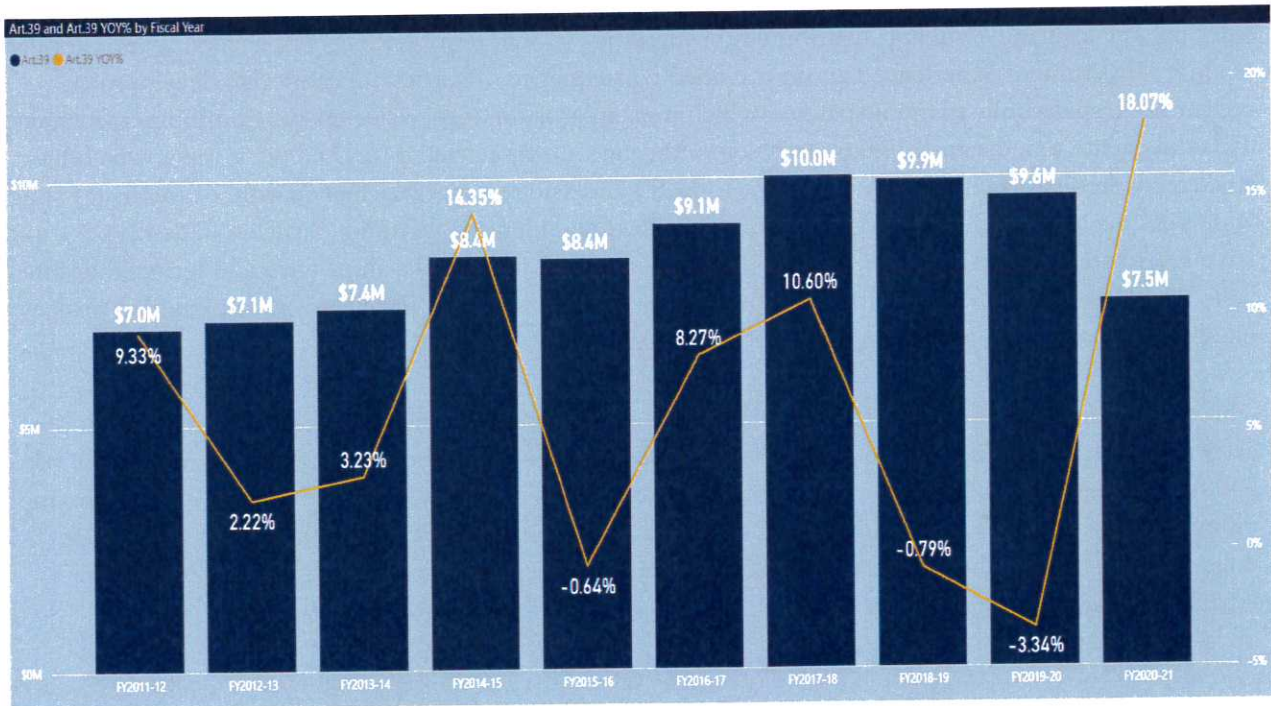


Exhibit B





# RE-THINKING HIGH PERFORMANCE

Cleveland County's portion of these county wide collections for FY 21 is 77.41%.

(AD VALOREM)	\$	72,723,694.00	77.41093%
BELWOOD	\$	27,919.00	0.02972%
BOILING SPRINGS	\$	1,126,148.00	1.19873%
CASAR	\$	6,801.00	0.00724%
EARL	\$	19,088.00	0.02032%
FALLSTON	\$	21,663.00	0.02306%
GROVER	\$	154,972.00	0.16496%
KINGS MOUNTAIN *	\$	7,087,979.00	7.54482%
KINGSTOWN	\$	89,212.00	0.09496%
LATTIMORE	\$	38,250.00	0.04072%
LAWNDALE	\$	75,196.00	0.08004%
MOORESBORO	\$	-	0.00000%
PATTERSON SPRINGS	\$	32,821.00	0.03494%
POLKVILLE	\$	14,210.00	0.01513%
SHELBY	\$	12,497,859.00	13.30338%
WACO	\$	29,172.00	0.03105%
<b>TOTAL</b>	\$	<b>93,944,984.00</b>	<b>100.00000%</b>

Other revenues impacted by distribution percentages from the North Carolina Department of Revenue are:

- Scrap Tire Disposal
- White Goods
- Beer & Wine
- Telecommunications

## Occupancy Tax

Budgeted occupancy tax represents the six percent revenue share that the County receives from our hospitality partners. Over recent years, we have seen a substantial growth in this revenue area. There are many drivers behind this increase, including, construction of the bypass, travel/tourism growth, and additional hotel beds in the community. For the 2018-2019 fiscal year, the County received slightly over \$430,000. During 2019-2020 that amount fell to \$375,000 – primarily due to the fourth quarter shut down. To date through eight periods of 2020-2021, the County has received approximately \$11,000 less than this time last year. The forecast for 2021-2022 will be budgeted at a flat roll over amount.

## Inspection Fees

Inspection fee revenues increased in preceding years due to pent up demand after the recession. We anticipate activity to continue in the coming years with prospective housing projects and continued economic development activity. The budget has a measured estimate of \$225,000. The operational subsidy percentage for the building inspection department is 42% which is flat from last year.

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## Investment Income

Investment income is a barometer of strategic use of un-allocated resources. Staff are constantly in evaluation of 60, 90, & 120-day cash flow needs in order to maximize the investment portfolio. As a result of strategic management and increasing rates, investment income has grown approximately **1000%** since 2014 (\$84,000 - \$1,000,000).

As to interest rates, we have seen an aggressive downshift in the yield curve with interest rates at all-time lows. This will lower our interest income as our money market rates continue down. Money market rates in March of 2019 were in the 2.4% range. In February of 2020, they were in the 1.5% range and now they are well below 1.0%.

We have kept the portfolio on the shorter side as we do anticipate some inflation although this is being monitored. Federal Chairman Powell has been saying that rates will not be raised until at least into 2022. Most forecasts are looking at Q3 or Q4 2022 for a rate raise. Our portfolio for most of 2020 and until recently had 1% and over still in it. We had a longer timeline to work with which really helped on interest earnings. When rates start to come up, whenever that may be, we have maturities positioned every month and will be ready to take advantage, faster and more efficient.

Due to the natural unpredictability and potential volatility of investment-based income, we have not been reliant on it as a budget balancing tool. The 2022 fiscal year budget reflects a responsible investment income budgeted amount of \$350,000 – reduction of \$300,000 from the previous year.

## Federal Revenues

Federal revenues are predominantly located in the health and human services portion of the budget and are often based from prescribed expenditure reimbursement rates. The federal revenue that is budgeted as part of the 2022 fiscal year budget is approximately \$27.8MM. Due to the reimbursement nature of DHHS funding and matching requirements, the prime structural component of DHHS funding is the County's contribution requirement. For the 2022 fiscal year, that amount is \$580,000 lower than the previous year at approximately \$9.7MM. This reduction is following a \$1.9MM decrease in local funding from 2020 to 2021. Cumulatively local funding for DHHS has decreased approximately 2.5MM over the past two budgets with no reduction in services or client related interactions.

## Comprehensive Revenue Compared to Peer Counties

Lastly, as part of the revenue portfolio, I have included a high-level picture look of Cleveland County compared to several of our peer counties. These type of analytical forecasting ratios are critical to a comprehensive outlook of the County's financial position and particularly its' revenue source dependency. The County's lack of reliance on property tax revenue (actual amounts 54.34%) removes pressure from the tax rate to act as a budget balancing contingency and allows for other revenue sources to facilitate cost burdens of new services and expected cost outcomes. The lack of dependency on sales tax revenue allows the county to remain recession ready by not over relying on vibrant economic environments to balance the budget.

# RE-THINKING HIGH PERFORMANCE

	<u>Operating Ratio</u>	<u>Revenues</u> <u>Per Capita</u>	<u>Surplus</u> <u>(Deficit) per</u> <u>Capita</u>	<u>Property Tax</u> <u>Dependency</u>	<u>Sales Tax</u> <u>Dependency</u>
Cleveland	100.75%	1,151.62	9.64	54.34%	13.32%
Lincoln	105.16%	1,305.29	64.07	55.15%	21.85%
Gaston	99.54%	942.90	51.19	75.28%	14.67%
Rutherford	106.27%	981.72	21.09	65.80%	10.77%
Burke	96.87%	894.20	(17.62)	58.41%	9.46%
Moore	106.60%	1,071.25	81.86	57.98%	19.24%
Nash	102.20%	997.63	29.53	53.91%	16.98%
Henderson	100.47%	1,136.19	(106.76)	60.21%	18.11%

**Operating Ratio-** Ratio of Total Revenue to Total Expenditures

**Revenues per capita-** Ratio of Total Revenue to Population

**Surplus per Capita-** Revenue minus total expenditures to population (operating/population)

**Total Property Tax Dependency-** Ratio of Total Tax Revenue to Total Revenue

**Total Sales Tax Dependency-** Ratio of Total Sales Tax Revenue to Total Revenue

## EXPENDITURE PORTFOLIO

### Budgeted Expense & Commissioner Goals:

#### Human Capital

There is and has been a looming government workforce crisis and it is not on the radar for many organizations. Like the housing market, the great recession created a supply and demand shortage for local government talent. Tenured employees were hesitant to retire, preventing the natural escalation of the generation behind them and further preventing the hiring of newer incoming talents. Many college and university curriculums have removed local government policy and administration pathways. As a general rule, local government has been resistant to the necessary recruitment techniques required to attract a millennial and generation Z work force. Further, the historic norm of lower salary/wage earnings that are supplanted by end of career benefit packages have also made recruitment more difficult. Lastly, many of the services we provide require specialized training and advanced degrees to perform the critical services.

That concern is documented in the latest annual survey from the Center for State and Local Government Excellence (SLGE). For the second year in a row, members of the International Public Management Association for Human Resources and the National Association of State Personnel Executives ranked recruiting and retaining qualified personnel as their most important workforce issue.

Over the next five (5) years there simply will not be enough incoming talent to fill the ranks of those who are retiring or transitioning to other markets – this is true at all levels, but especially in leadership and

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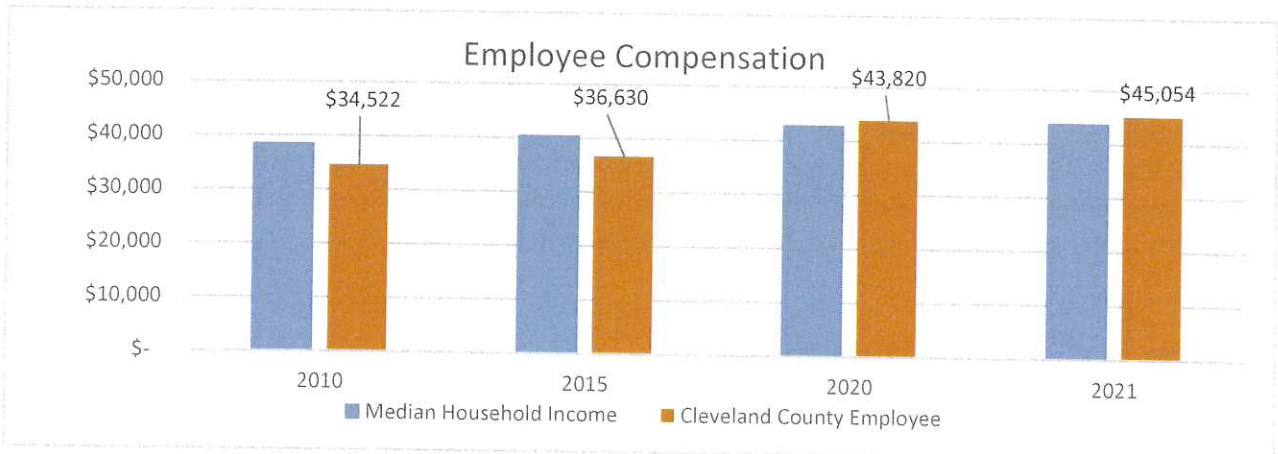
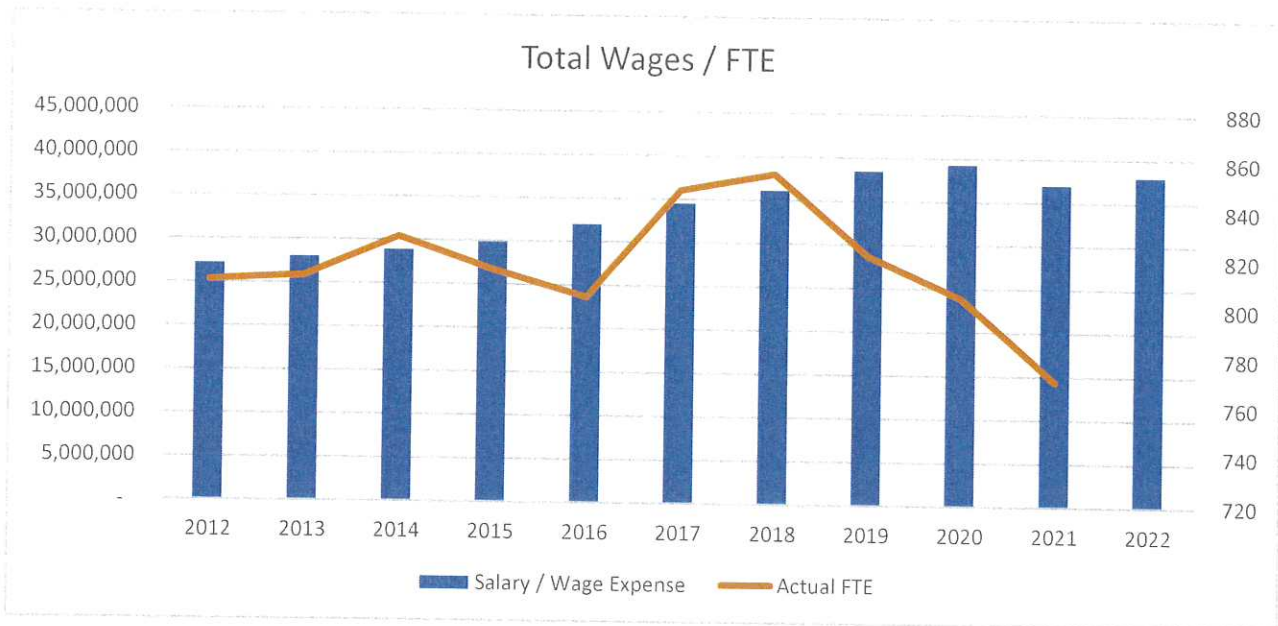
executive roles. North Carolina cities and counties will continue to face challenges finding qualified candidates, particularly for specialized, highly skilled jobs such as positions in executive management, finance, IT, skilled trades, public health and public safety.

Cleveland County strives to be an employer of choice. On average, employees receive a benefit package that represents 25-35% of their total annual salary.

<b>EMPLOYEE COMPENSATION PACKAGE</b>	
<b>2021-22 Compensation and Benefits Summary</b>	
<b>Direct Compensation</b>	<b>County Pays</b>
Base Salary	\$46,679.00
Longevity (10 plus years of service)	\$700.19
<b>Payroll Taxes</b>	
Social Security and Medicare	\$3,570.94
Worker's Compensation	\$1,000.00
Unemployment	\$2,800.74
<b>Health and Wellness Benefits</b>	
Medical	\$12,000.00
Dental	\$180.00
Health Savings Contribution (HSA)	\$1,100.00
YMCA	\$120.00
<b>Retirement and Savings Benefits</b>	
Local Retirement	\$5,321.41
401K	\$2,333.95
<b>Other Benefits</b>	
Vacation Days Earned	\$3,231.36
Sick Days Earned	\$2,154.24
Petty Leave Earned	\$314.16
Holidays Earned	\$3,231.36
<b>Total Compensation and Benefits</b>	<b>\$84,737.35</b>

The total budgeted salary and wage expense for FY 22 is \$37,980,719 which equates to an average wage of \$45,054. As with all parts of our budget, the Board of Commissioners and our organization have adopted a mindset of LEAN performance. This means doing more with less – recognizing that in order to compete for and retain a high talent work force that our wages must be competitive. From a budget balancing perspective, I am thankful that the Board has reinvested savings that were manufactured through FTE reduction and reinvested those resources into the County's existing pay plan. This is a visionary approach to ensure long term sustainability of service delivery to our citizens. Included in the 2022 fiscal year budget is full implementation of the 2021 pay market study at an investment level of \$2.1MM.

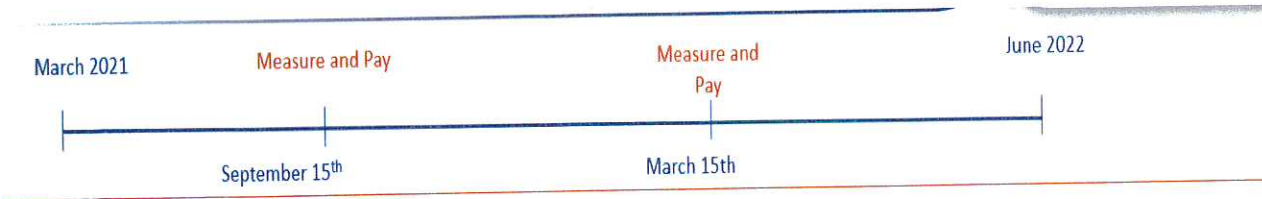
# RE-THINKING HIGH PERFORMANCE



The FY 22 budget will also include year two of our performance-based pay program. The model is very similar to the previous year and allows a collective organizational wide performance model. If accomplished, this model creates fiscal savings for the organization that is then re-invested through a performance bonus to the employees – the target for 2022 is three percent (3%). The bonus would be liquidated twice during the year on September 15<sup>th</sup> and March 15<sup>th</sup>. We are also planning a compensatory raise, based on CPI, that would be effective on January 1<sup>st</sup>, 2022 **if** market conditions allow.

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The mechanics of the performance bonus model is as follows:



- Talent Retention.....> 91%.....1/2%
  - FTE Head Count.....< 775.....1/2%
  - Customer Service.....> 92%.....1/2%
  - Health Plan Costs.....> 5%.....1/2%
  - Health Driven Activities.....> 60%.....1/2%
  - Electronic Time Keeping.....> 85%.....1/2%
  - TOTAL.....3.0%
- Each Accomplished Metric Earns 1/2 %
  - Still Paid Twice Per Year (half of total)

The upcoming fiscal year will also be the County’s first year operating with approved state substantial equivalency. Substantial equivalency is the process of converting State defined staffing classifications into a local classification. This is a developing trend across the State and recognizes that County government is much nimbler and more effective when we are adaptable to local needs.

## Focus Area – Fiscal Sustainability

I began serving Cleveland County as Finance Director in 2014. At that time, the County’s fund balance was 14.6% - which was lagging when compared to similarly situated counties in North Carolina. It has been a continued goal of the County Commissioners to increase the County’s fund balance to between 18-20%. Due to intentional budget management, service re-design, and expenditure re-engineering, the FY 20 year ended with a fund balance of 18.28%. Projections for the FY 21 year-end are still in process, however we are confident that effective navigation of the County’s crisis management plan will provide the platform to close the year by adding to fund balance. During the FY 21 budget, a strategic fund balance drawdown of \$1.3MM was required to balance. Included in the 2022 fiscal year budget is year 1 of 3 fund balance payback.

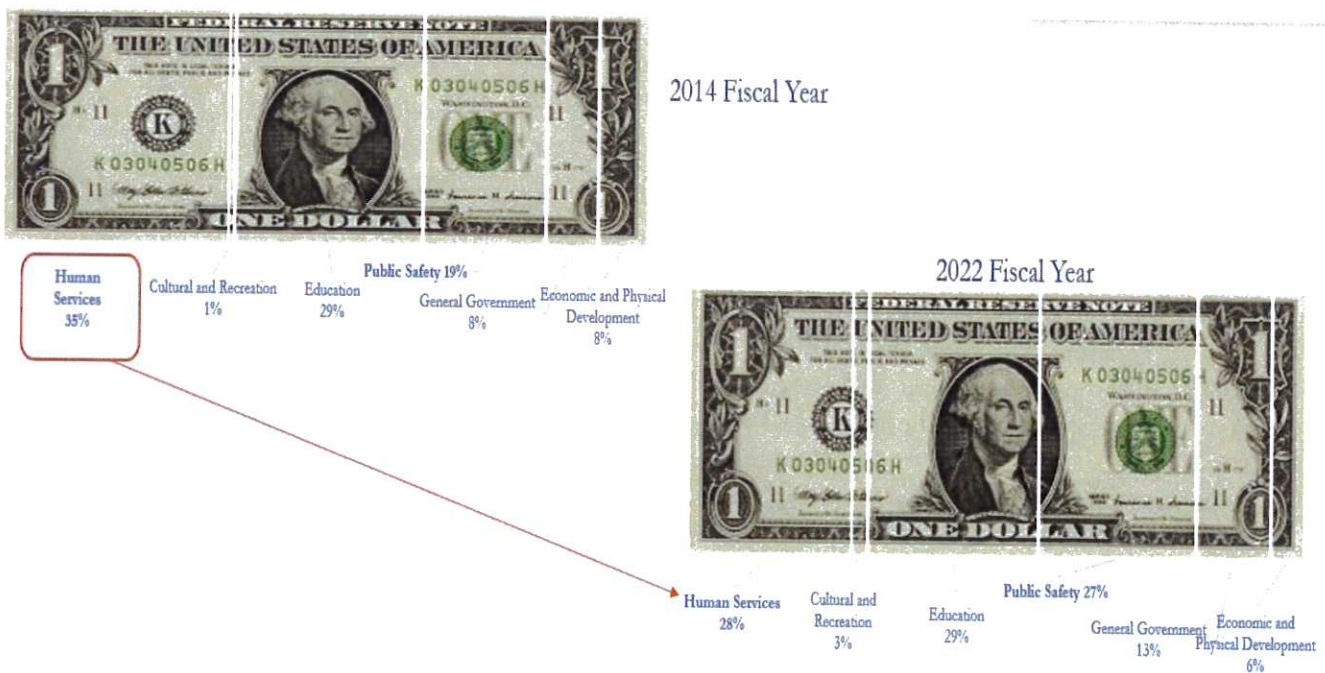
Cleveland County Government is committed to the fundamental principles of a High Performing Organization (HPO). One of the essential functions of an HPO is continuous self-reflection and **re-thinking** of all activities and programs. One of our continued focuses is maintaining an innovative mind set of entrepreneurship in public service. Through our **re-thinking** initiative we have been critical of

# RE-THINKING HIGH PERFORMANCE

projects, services, and business relationships that needed strengthened and those that needed abolished. Our team of department leaders and budget managers have exceeded expectations over the past 4 budgets. In 2014, the County had an overall General Fund Budget of \$113.5MM and the total appropriation for the 2022 fiscal year budget is approximately \$120.5MM. Since that period, we have:

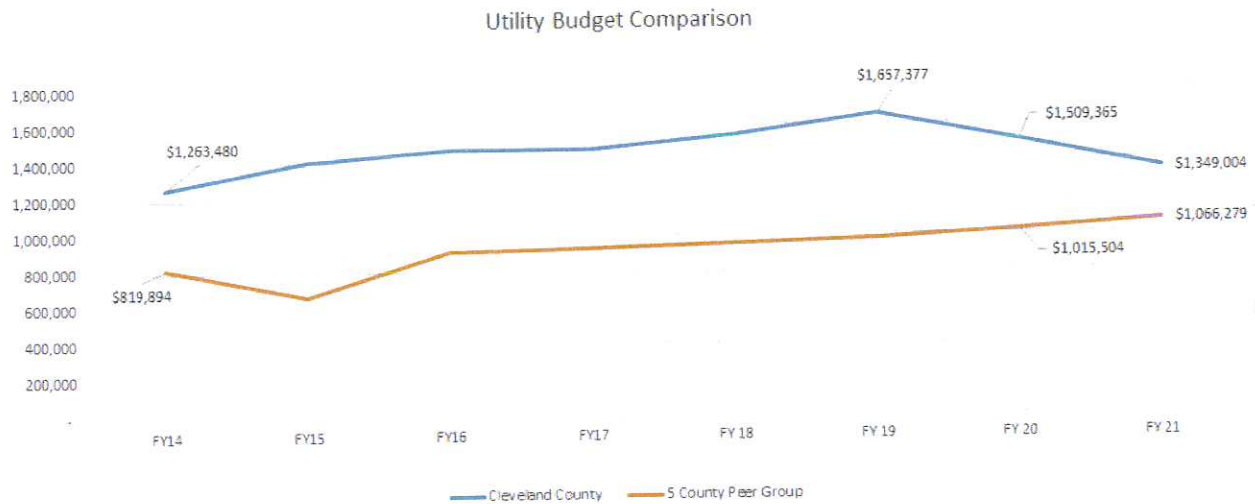
1. Increased staff salaries on average > 27%
  - a. This included a \$2.1MM human capital investment during 2021 & introduction to performance-based pay.
2. Improved all aspects of the employee health plan
3. Created employee tuition reimbursement plans
4. Developed a 20-year Master Facility Plan
5. System-Wide Enterprise Resource Planning (ERP Technology)
6. Increased public school funding (prior to FY 22)
7. Strategic Land Acquisition
8. Doran Property Clean-Up
9. Opened & Expanded the Public Shooting Complex
10. Added 40+ public safety employees

Budget re-engineering continues to be a cornerstone of Cleveland County's budget development. Re-engineering is a cultural investment and buy in by County employees is critical to adopt LEAN principles. These principles encourage us to focus on continuous improvement, refinement, and eliminating waste. This principle-based approach starts with identifying priorities and consideration of only what is actually needed. This allows for internal reprioritization of existing County resources. See exhibit below:



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The County is entering the third year of an energy optimization program that is, centrally targeted intelligent commissioning and consumption reduction. Over the past two budget cycles, this intentional investment has created annual savings of over \$300,00 and a reduction of 18%.



These collective re-engineering strategies have created cost savings or cost avoidance of over \$15MM over the past five years. These savings have created the capacity for much of the accomplishments above. Several key strategies that continue to be a part of the 2022 fiscal year budget include:

- a. Revenue Maximization
- b. Early Retirement Incentive Program (ERIP)
- c. Energy Optimization Program
- d. Position Justification
- e. In source / Outsource Framework

## Health & Human Services

The overall appropriation of local funding for the Department of Social Services will be \$7,224,767 – this represents approximately 34.7% of the total \$20,782,217 budget and is comparable with our LGC peer counties. This represents a decrease from the prior year of \$360,574 and a decrease in four of the last five years. This comes independent and does not reflect any decrease in service delivery. These key changes have been navigated by the County's Social Services Director, Ms. Katie Swanson and her leadership team – Mr. Greg Grier, Ms. Ali Wilson and new business officer Sherry Vess. This team has created a culture of high performance focused on doing more with less and continues to implement evidence-based policies that are proving to be transformational to the department.



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Historically, Cleveland County DSS employed 220 FTEs which equated to 25% of the County workforce. The department has been continually performing at a high level with an FTE headcount below 200. The team believes this is sustainable. Although there is no targeted “count”, the leadership team remains focused on the most critical goals of service delivery while balancing key metrics as well as peer comparisons for human capital investments.

The overall appropriation of local funding for the Public Health Department will be \$2,492,545. This represents a decrease from the prior year of \$221,640. The Public Health Department continues to lead the charge on improving the County health ranking and educating citizens on the importance of community wellness. The Public Health Department has approximately 115 FTEs.

## Capital Planning and Debt Service

In the upcoming budget year, we will continue to examine opportunities to gain efficiencies and implement the County’s master facility plan. A continued top priority is co-location of social services and public health. Social services currently continues to operate in a sub-standard and end of life building (1965). It is important to note that the co-location is very different than operational consolidation. Co-location is a simple calculation that creates capital cost avoidance while maximizing on a shared client population but doesn’t require major changes to service delivery that have proven to be unfruitful across the state. The total expected cost of the re-location is \$3.25MM. This cost was approved through installment financing as part of the Commissioner’s \$36.6MM debt refunding during 2021. See below for financing expectations:

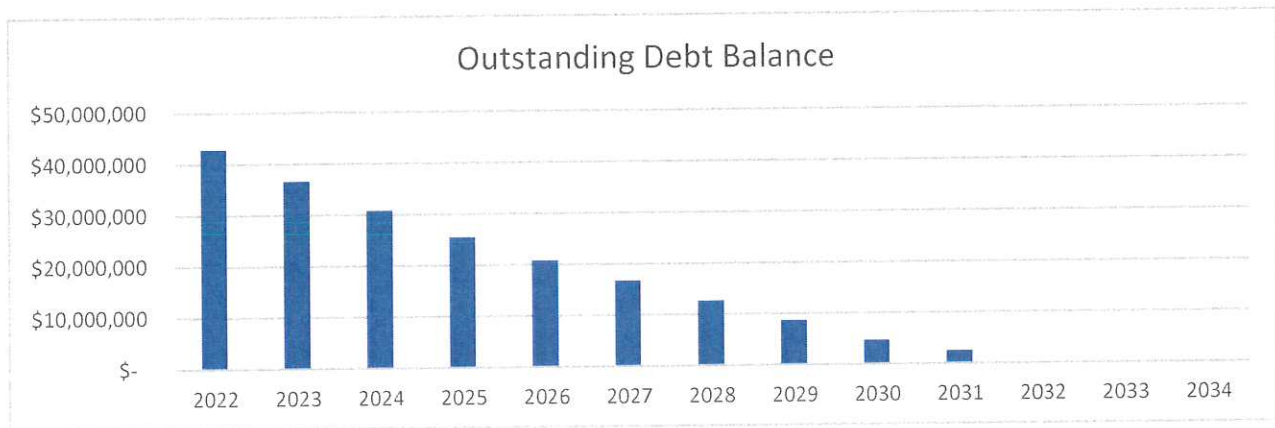
<b>Total Construction Cost</b>	<b>\$ 3,250,000</b>
<b>DSS State Funding</b>	<b>(\$1,200,000)</b>
<b>Total County Funding</b>	<b>\$ 2,050,000</b>
<b>Yearly Estimated Savings</b>	
	<b>Amount</b>
Utilities	\$ 236,703
Property/Liability Insurance	\$ 151,331
Building Depreciation	\$ 392,895
Interest Expense	\$ 236,557
<b>Total Annual Cost Savings</b>	<b>\$1,017,486</b>
<b>RETURN ON INVESTMENT</b>	<b>2.0 YEARS</b>

Included as an attachment of the budget is an updated formal 5-year Capital Improvement Plan. The plan is intended to identify, with a future orientation, upcoming capital needs. These needs are conceived from our Facility Planning and Long-Term Operational Strategies. They are then aligned with proper funding resources. This type of policy direction and support from the Board of Commissioners is greatly appreciated by staff and recognized as true fiscal sustainability.

# RE-THINKING HIGH PERFORMANCE

As recently as 2017, Cleveland County received a bond rating upgrade from S&P/Moody's and is now AA+. This ranks in the top 15% of all counties in the State. This has proven critically important as we have remained aggressive in Economic Development with Shell Building financing and with Master Facility Plan Improvements.

Debt service management is another vital part of long-term planning and sustainability. As of June 30, 2021, the County will have approximately \$49,090,285 in outstanding debt obligations. Of this \$49M, due to strategic management and innovative planning, the County General Fund is only responsible for 42% of that amount. This debt percentage represents approximately 2.91 cents of the County's tax rate. The remaining 58% of the debt obligations is serviced from other Federal, State, and Local funding sources such as Lottery Funds. At this time, over 90% of the County's debt will be completely liquidated over the next 10 years.



## Focus Area – Economic Development

Cleveland County Commissioners continue to see the importance of Economic Development and the recruitment of industry. Workforce development continues to be the primary focus for long range success. In the upcoming fiscal year, the Board of Commissioners will continue to partner with Cleveland County Schools and Cleveland Community College to promote dual tract with a focus on modern manufacturing.

Cleveland Community College will be opening the new advanced manufacturing center during the upcoming budget year. This new community asset will provide critical job training infrastructure that will continue to promote a business-friendly environment that makes Cleveland County an attractive place for industry expansion and location. Included in the FY 22 budget is an additional \$400,000 in funding to support the community college. Of that, \$150,000 will be operational and \$250,000 will be allotted for capital projects.

The County has budgeted \$164,500 to the Cleveland County Economic Development Partnership. Over the past several years, the county has increased funding for Economic Development by investing and moving forward with projects such as Shell Buildings. This year's budget is equal to the FY 21 funding allocation.

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In 2020, the County was awarded an innovation grant from the NC Golden Leaf Foundation in the amount of \$250,000 for a workforce development program called “Accelerate Cleveland”. This job training program focuses on skills gaps, specific to industrial manufacturing, and is targeted at the underemployed, unemployed, and most recent high school graduates. The 2022 fiscal year budget anticipates re-engaging with this innovative workforce program.

The Board of Commissioners have also placed a high priority on assisting the agricultural community in their efforts. Included in this budget is the continued support for the small business incentive program, increased funding of Cooperative Extension, and the continuation of grant support for our local farmers.

## Focus Area – Community Education / Customer Service

The Foothills Public Shooting Complex continues to see increases in the number of visitors. This facility is positioned to provide a long-term regional travel/tourism draw for Cleveland County. The Complex hosted several tournaments during this past year and has plans of expanding those efforts. The 2022 fiscal year will be the inaugural year of the expanded skeet/trap range. This range includes an additional 85 acres dedicated to shotgun shooting sports. The expansion is currently set to be complete in June, 2021.

Cleveland County is excited to have received another Management Fellow Grant through the North Carolina Association of County Commissioners that funds one-half of a position. This is the second time that the County has received this opportunity. This fellow will participate in variety of performance management projects including the development of a *Citizen’s Academy*. We are focused on creating this program during the 2022 fiscal year.

During FY 18 the Board of Commissioners began a community cleanup initiative that was aimed at reducing litter in Cleveland County. The program was highly successful and will be continued in the current budget. It has included the involvement of local partners and a marketing campaign that engages the local school system. The 2022 fiscal year budget includes a budget appropriation of \$25,000 to provide resources for this project.

The importance of the County’s trail systems to the community has never more been more obvious. The County has seen a tremendous influx of tourism focused on visiting many of our natural resources. These outdoor experiences are the perfect evolution to a post-covid tourism environment. Included in the 2022 budget is \$61,000 for trail operations.

The Board of Commissioners continues to support the outstanding efforts of our Animal Services department. During the past year, Cleveland County Animal Services made great strides in executing on a long-term strategic plan aimed at lowering the number of unwanted animals in Cleveland County and a goal of a “No Kill” animal shelter. Under the new structural umbrella and central administration leadership model, the total number of annual euthanized animals has continued to decrease. The Animal Services

# RE-THINKING HIGH PERFORMANCE

Community Advisory Board was created in 2020. This board will ensure this momentum is continued with an ordinance review/re-write.

Included in the 2022 budget is funding for the 3rd consecutive year to provide full intake vaccinations, spay/neuter, and micro-chipping for all animals that are cared for by Cleveland County Animal Services. We have also included in the budget, the appropriate allocations to maintain low-cost adoptions and several free adoption clinics throughout the year.

This Board continues to make a commitment to citizen engagement and transparency. Live streaming of commissioner meetings is a newly added service that will continue in the 2022 budget. This requires technological infrastructure and staffing costs.

## Focus Area – Community Wellness

The community wellness focus area has never been more critical than over the past year. With over 11,000 positive COVID-19 cases and more than 200 deaths, the health and wellness of the community has been a center piece of the operational plan. I am thankful for the Commissioner’s support of our public health, emergency management and vaccination administration teams. These local heroes have consistently answered the call to an inherently self-sacrificing call to action. More specifically, I am grateful for the leadership of our Emergency Preparedness Coordinator Jordan Beason.

During the 2018 work session, the Cleveland County Board of Commissioners updated their strategic plan to add Community Wellness as a fifth (5) focus area. Community Wellness is an inclusive focus area that is based on improving:

- 1.) County Health Rankings
- 2.) Social Determinants of Health
- 3.) Access to Physical Activity and Health Promotions

The Commissioners have identified several key initiatives specific to promoting and improving community wellness including an intentional focus on actively engaging in the fight against the opioid epidemic, increasing County wide recycling, and continued momentum of the “Partnering for Community Prosperity” project.

Included in the 2022 budget is an additional appropriation of \$50,000 from Atrium Health to assist in continued funding telemedicine services. We have seen dramatic improvements in community health over the past four years with the implementation of telemedicine coupled with a total of 20 school nurse’s county-wide. Cleveland County Schools provides funding for approximately 40% of the cost of school nurses in Cleveland County.

# RE-THINKING HIGH PERFORMANCE

## Focus Area – Public Safety

The total public safety budget for Cleveland County in the 2021-2022 budget is \$27,287,458 and includes the Sheriff's Department, Detention, EMS, Emergency Management, and E-911 communications. The County Commissioners commitment to public safety investment is most evident when analyzed over time. In 2015, this budget was \$19,608,050 – the increase of \$7,679,408 (39%) has been more than any other function of County government and has supplanted in matching the funding levels of other similarly situated North Carolina Counties. Public safety capital replacement is a major component of the 2022 budget. This includes mandatory system wide radio replacement and 800 mhz software upgrades totaling in excess of \$600,000.

The Cleveland County Sheriff's Department reflects a total annual appropriation of \$17,557,085, which represents 14.5% of the County's General Fund. This reflects salaries, operations and capital for the Sheriff's Department, Detention Facilities, and School Resource Officers.

The FY 22 capital budget in the Sheriff's Office is as follows:

### Sheriff's Office

<u>Requested 2021-22 Budget</u>		<u>Recommended 2021-22 Budget</u>	
24 QTY 2021 FORD EXPLORER	797,476	Vehicle Allotment	730,000
3% HIGHWAY USE TAX	23,925	MDT Allotment	31,200
WRAP DOORS WHITE/LETTER	17,400		
SAFETY EQUIPMENT ON VEHICLE	120,000		
MDT COMPUTERS FOR VEHICLES	31,200		
RIFLE MOUNTING/LOCKING SYS FOR VEHICLES	6,000		
<b>Total</b>	<b>996,001</b>	<b>Total</b>	<b>761,200</b>

This budget includes the first year of payment for an EMS fleet full replacement of nine (9) ambulances. Ambulances were received in FY21. This strategic methodology of full replacement lease is a first for Cleveland County Government and will provide the needed confidence in rolling stock assets. The 2022 capital lease cost is slightly over \$500,000. The FY 22 capital budget in the Sheriff's Office is as follows:

### EMS

<u>Requested 2021-22 Budget</u>		<u>Recommended 2021-22 Budget</u>	
AC System Grover St Base	10,000	Ambulance Contract	526,149
Ambulances	526,149	Director Allocation	20,000
2 Portable Radios/Mobile Radio	15,000		
<b>Total</b>	<b>551,149</b>	<b>Total</b>	<b>546,149</b>

# RE-THINKING HIGH PERFORMANCE

## Operational Highlights

The Cleveland County Register of Deeds (ROD), Betsy Harnage, has completed her third-year processing and administering passport applications with overwhelming success. This is only being done in a few Registers offices across the State and we applaud this office for offering a new service to the citizens of Cleveland County. This service is being offered as a result of the hard work and innovative ideas of the ROD. This new service required very minimal capital improvements to the existing office, and a marginal increase in the operational and part time budget. The office has also began scanning and digitalizing vital records that will be preserved and available electronically and indexed for the citizens of Cleveland County.

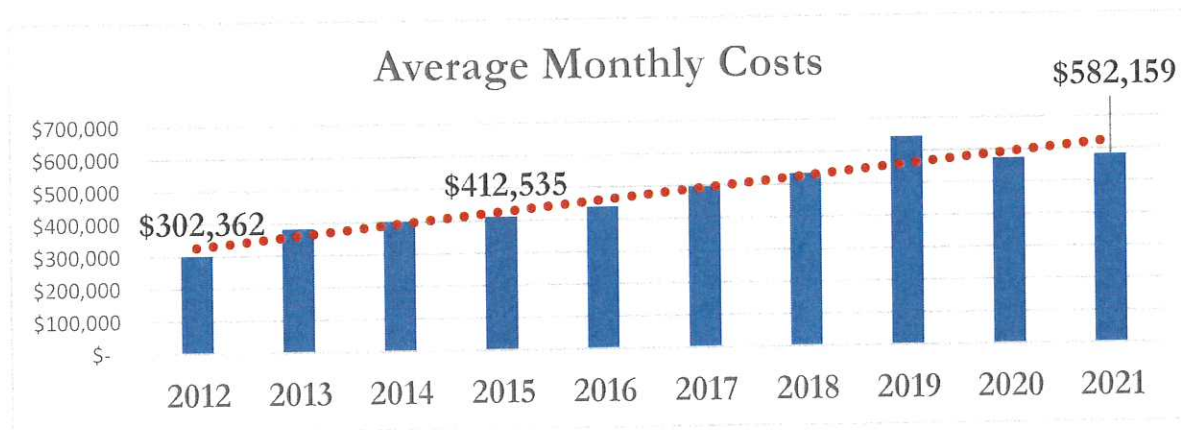
The Human Resources Department continues to work to support an atmosphere that promotes work place engagement, employee wellness, and high performing culture. Included in the 2022 budget is continued funding of \$50,000 to provided effective supervisory training, diversity training, and workplace harassment training.

## County Wellness

Governments across the State are reporting average health care cost increases of 10-15% for Employee Health Insurance. Included in the 2022 budget, Cleveland County is expecting a 2.5% employer increase in health care premiums. Employee healthcare is paid by Cleveland County at 100%. Spouse and dependent coverage will remain flat for the 12<sup>th</sup> consecutive year.

Monthly premiums for employees covered under the plan will increase from \$950 - \$1,000 which has an organizational cost of \$250,000. This increase will be absorbed by the County General Fund. Our team is pleased with this continued momentum of managing our health costs with offsetting investments into our workforce. The FY 22 budget includes continuation of disease management programs, YMCA benefits, and improved long-term disability. The low increase in healthcare premiums compared to governments across the state is indicative of our employee's commitment to wellness and the steps they are taking to be healthier. Below, please find a chart outlining the county's cost savings in monthly claims costs.

## Monthly Employee Wellness Claims Costs



# RE-THINKING HIGH PERFORMANCE

## Recommended Staffing Plan

The County Executive Leadership team will remain committed to two points of emphasis in managing the human capital staffing plan for the upcoming fiscal year.

- A.) Position Justification – A formal and data driven review of each vacant position in the organization as it is vacated. The review includes analyzing the potential for cross departmental sharing, technology savings and attrition.
- B.) Position Re-Classification - This represents an intentional effort to maximize each FTE position within County government. Our team recognizes that business and service delivery expectations change and that our team should look for opportunities to align current resources with the most appropriate need.

## Cleveland County Public Schools

The 2021 county allocation budget totaled \$30,330,849 which, per Commissioner direction, will remain flat for the upcoming 2022 budget. The only mechanical changes are that the appropriation to be sent to the school system will total \$29,580,849 (a reduction of \$750,000) which will be kept in a separate CCS escrow account to be released to the school system at a later date. The recommend tax rate for the school system will be fourteen (14) cents.

## Cleveland County VFD

The County Fire Service Districts tax rate will remain the same with a consistent rate of 8.75 cents per \$100 of property valuation for all County Fire Districts. The tax rate provides all funding, including part time personnel, operations and capital for the 12 fire districts in Cleveland County. The budget team has worked closely with the County Fire Commission to forecast future needs and provide appropriate resources to ensure proper coverage limits for Cleveland County citizens. The total allocation is approximately \$4.4MM.

## Conclusion – Re-Thinking High Performance

We continue to face new challenges in the organization and in the community in 2021 that are very different than ever before. The success and momentum that has been built over the past six years has brought new challenges of sustainability and constant excitement of “what could be” – that simply did not exist ten years ago.

As we are now fourteen months into the global pandemic, we are beginning to recapture much of the optimism and hope that we enjoyed prior to February 2020. No one could have imagined that only months into the 2020 year we would be confronted with an invisible enemy that challenged our normalcy.

# RE-THINKING HIGH PERFORMANCE

I am confident, that as a result of the Board of Commissioner's leadership and the resiliency of the operational staff through 2020-2021 and COVID, Cleveland County Government was able to stand our post and meet the demand that is our purpose – ***Making our Community Better***.

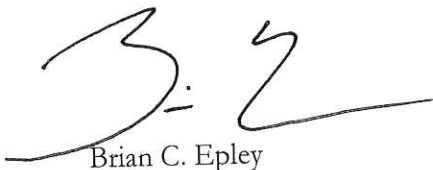
We will continue to work toward completion of the Crisis Management Plan and **ReThink High Performance**:

- The **ReAct** phase of our Crisis Management Plan was critical to the County's long-term success. Stabilizing meant understanding our environment and commitment to **high performance & teamwork** – focused on adaptation and nimbleness. This concluded with no layoffs or furloughs, adding to fund balance, and re-engagement with the County's full CIP plan.
- The **ReBuild** phase included obtaining a comprehensive understanding of the new landscape. The **courage** to admit we are entering a "new normal" and asking hard questions that sought re-engagement and the **integrity** to act.
- Finally, **ReThink** starts with openness to change and allowing **innovation** to prosper, in the hierarchy alignment of ODI (Organization/Department/Individual).

We must stay committed to our purpose. Constant reflection and intent of synchronizing "what" we do with "why" we do it will ensure that Cleveland County Government prospers. We must make sure, as an organization, that the gap between what we do and why we do it remains closely aligned.

Once again, I would like to thank you, our Commissioners for your vision and direction through this process and all the hard work of our Department Heads and staff. With the effective work of our Finance Department and that of each Department, the County is operating with a clear plan of maintaining fiscal strength and stability.

Respectfully submitted,



Brian C. Epley  
County Manager