

Fiscal Year 2021 Budget Message

RESILENCY THROUGH CRISIS



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MAY 19, 2020

CLEVELAND COUNTY, NORTH CAROLINA
BRIAN C. EPLEY

REACT / REBUILD / RETHINK

INTRODUCTION

May 19, 2020

The Honorable Members
Cleveland County Board of Commissioners

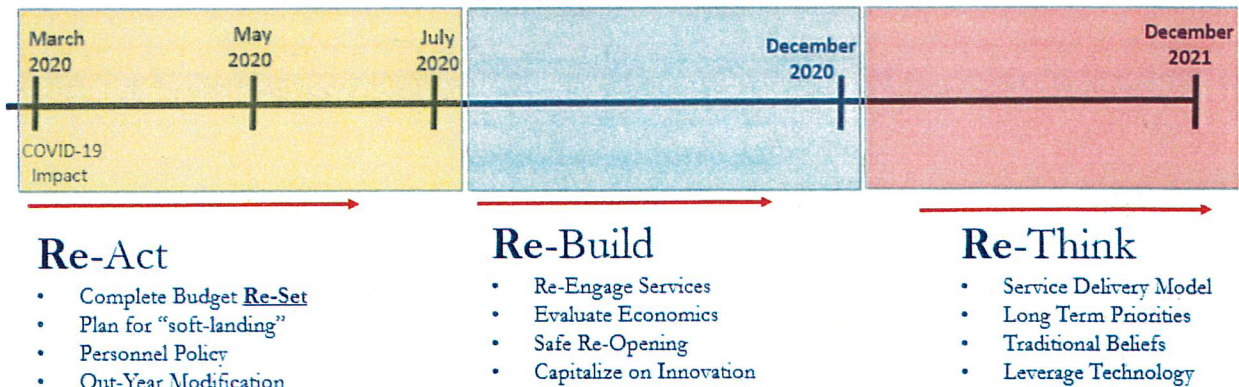
Dear County Commissioners,

The annual budget process brings together the unique combination of long-range financial planning and short-term deliverables. Due to the global pandemic caused by COVID-19, our budget team has been required to dramatically modify our original budget projections and priorities. These revised projections have, in turn, required the budget team to modify many of our preliminary assumptions and positions.

The basic framework for developing this budget recommendation shifted significantly between the Board of County Commissioners budget retreat in January and this final phase. This change is a result of the impact of the unprecedented coronavirus (COVID-19). Governments, organizations, and individuals across the globe have reacted quickly to abrupt changes in the health standards required to protect the life and health of people. The measures required to maintain such standards have resulted in extraordinary, unpredictable economic fluctuations and increased pressures on local government human services and public safety functions to help protect citizen health, wellness, and safety. Preparing a budget in such a climate presents many challenges. The fiscal landscape, while unprecedented, requires strategic approaches to ensure adequate resources are available to address critical life and safety issues while funding statutory mandates and requirements by county governments.

Throughout fiscal year 2020, I often talked about the county working in a “comfortably uncomfortable” environment. This meant focusing on capitalizing on the vibrant economy and Cleveland County’s strong financial position to establish a pace and momentum that delivers transformational change to County government and unprecedented Commissioner Strategic Plan results in an evolving landscape.

The 2021 fiscal year budget was framed with a focus on **Resiliency Through Crisis**. The execution and modeling plan relies on the foundation of a three (3) phase re-entry strategy.



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The rapid onset of COVID-19 in the midst of the annual budget development process means that a process that typically builds over six (6) months has been re-set and adjusted over a six (6) week period. As we begin to recount our revenue portfolio, we are starting with projections that amount to a revenue shortfall of over \$1.8 million. For context, this represents slightly over 1.5 percent of the County's total revenue budget.

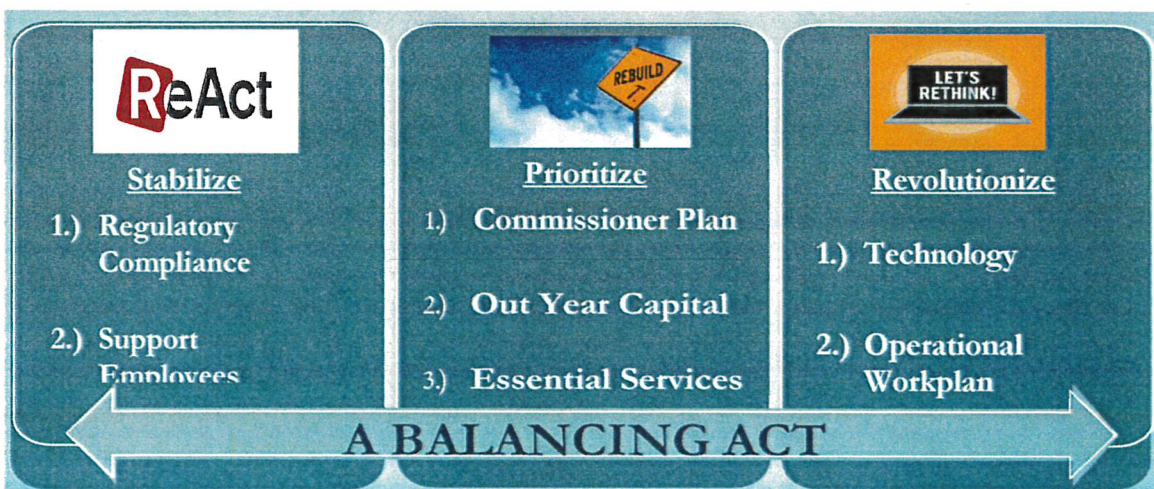
In March, our organization implemented swift financial strategies to help influence a "soft-landing" for the 2020 fiscal year by freezing positions, controlling budget spending levels for the current year, and delaying all capital. We will not receive data on economic revenues for the end of the 3rd and 4th quarter until late May or June 2020 and will not have significant revenue trending information until January of 2021. During that same period, we will have a better sense of property tax collection levels.

Over the next six months, we will manage the organization through increased spending controls while also preparing for the potential worst-case scenario in the event that revenues and COVID-19 related expenditures are worse than expected. The recommended budget does not include any mandatory across-the-board base budget "cuts". At the beginning of the next fiscal year, frozen positions will be temporarily transferred into a reserve to offset potential budget shortfalls. To achieve a balanced budget, an operational fund balance reduction of \$1.13 million is included. This budget also recognizes our most valued asset, Cleveland County's human capital. It is my desire to shield full-time employees from furloughs and layoffs. In the budget, I am very pleased to include a planned performance bonus of up to 2.5% for full-time employees.

I believe that we have positioned this organization to successfully navigate short to mid-term volatility while remaining a full-service local government.

FISCAL PLAN

The County's Balanced Budget Plan is a basic foundation that is to be built upon 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. The plan acknowledges the need to maintain the levels of service while we follow through implementation of the three-phase re-entry strategy and understand new issues on the horizon that are not part of current services or the current strategic plan.



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PRE-COVID/POST COVID BUDGET COMPARISON:

A.) Pre-COVID

Budget Flexibility:

Tax Base Growth.....	\$ 1,700,000
DHHS Reduction (ERIP).....	\$ 1,200,000
Re-Engineering (year 6).....	\$ 345,000
Additional Available Dollars	\$ 3,245,000

Employee Compensation.....	\$ 900,000
Employee Wellness.....	\$ 450,000
Community College.....	\$ 150,000
3 New FTE – Detention.....	\$ 145,000
LGERS Increase.....	\$ 415,000
Public Safety Capital.....	\$ 610,000
Shell Building III.....	\$ 338,000
Total Allocation	\$ 3,007,000

Available for Prioritization \$ 238,000

B.) Post-COVID

Budget Flexibility:

Tax Base Growth.....	\$ 1,700,000
DHHS Reduction (ERIP).....	\$ 1,535,541
Re-Engineering (year 6).....	\$ 145,000
Strategic Fund Balance Drawdown.....	\$ 1,126,459
Available Dollars	\$ 4,507,000

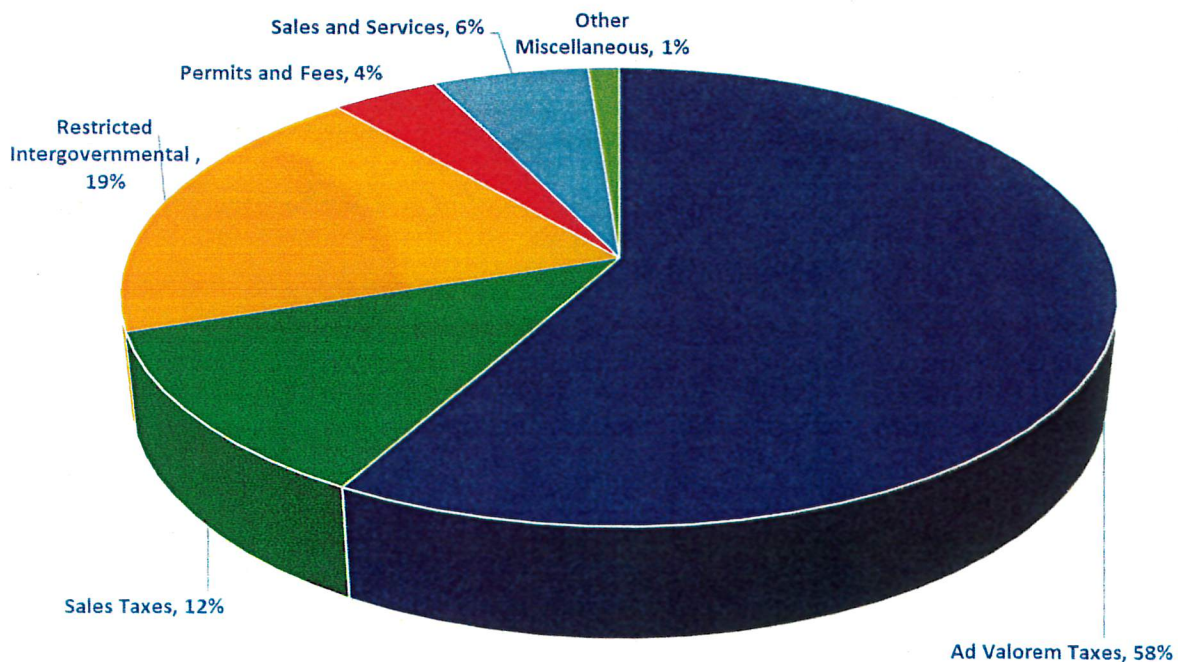
Revenue Loss.....	\$ 2,000,000
Employee Wellness.....	\$ 500,000
3 New FTE – Detention.....	\$ 145,000
LGERS Increase.....	\$ 415,000
Public Safety Capital.....	\$ 610,000
Shell Building III.....	\$ 338,000
Operational Cost Changes.....	\$ 500,000
Total Allocation	\$ 4,507,000

REVENUE PORTFOLIO

Cleveland County has used strategic planning for many years to develop policy and financial decision-making to achieve the community desires and values. The 2020-2021 fiscal year's Strategic Plan is comprised of five (5) focus areas and then further defined with specific goals and objectives.

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

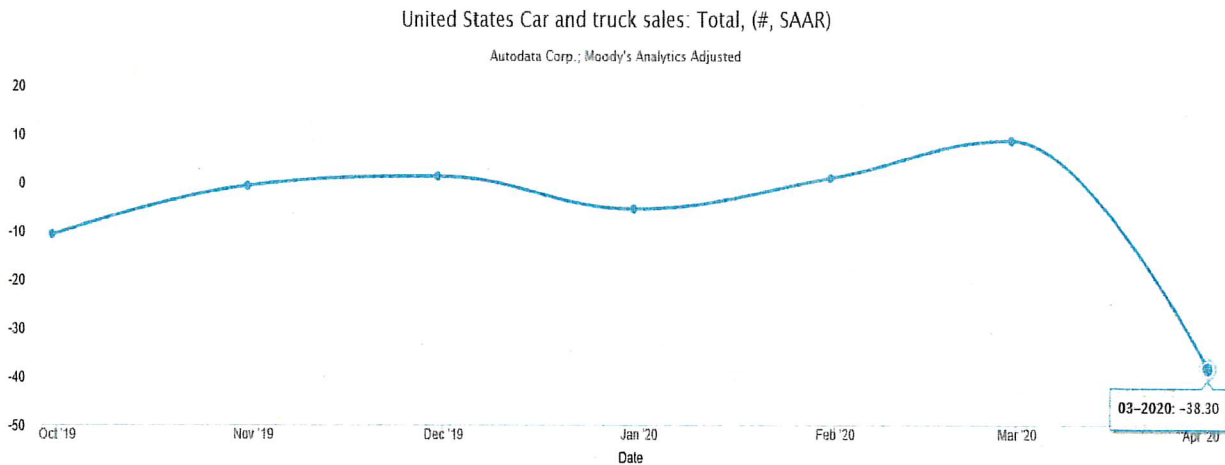
The County's financial planning projections utilize all of the techniques identified in the Introduction. The Post-COVID budget modeling effort began with a careful review of the most recent estimate of the revenues expected to be received FY20. The County's FY20 overall estimated revenues are expected to perform at less than budgeted amounts – specifically due to a stagnant 4th quarter. Uncertainties remain high in the County's revenue projections that have been impacted by the Governors stay-at-home order. There are, however, several other key data indicators which drive our budgeted revenues. Total revenue in the General Fund is budgeted at \$116,936,518 – which is a mere \$83,633 or .1% increase from the prior fiscal year. See below for detailed descriptions:



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Property Tax Administration

Revenue in the 2019-2020 fiscal year is expected to come in slightly lower than the budgeted level – primarily due to a collection percentage drop (COVID impact), while the forecasted 2020-2021 fiscal year amount is 3.08% greater. The total projected tax base for the upcoming budget is \$9.508 billion. This is a projected increase of approximately \$300,000,000 in value when compared to the previous year. Essentially, all of the property value growth is due to the development of Clearwater Paper, a paper company in Shelby, North Carolina. We have modified our tax collection rate for the 2020-2021 budget. This budget includes a collection rate of 97.5% compared to 98% in the previous year which translates to a projected net new revenue amount of approximately \$1,700,000 when calculated using a 57-cent tax rate and a 97.5% tax collection 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 purchases during the pandemic, we are closely monitoring this revenue stream. The RMV value for Cleveland County is anticipated to be \$815MM.



Sales Tax & Other NCDOR Collected Revenues

Sales tax continues to be the County's second largest revenue. Included in the 2020-2021 fiscal year budget is sales tax revenue of \$9,987,500. Due to the COVID-19 recession, this represents an approximate twenty-percent (-20%) decline. This budgeted revenue number is equivalent to the 2015 fiscal year.

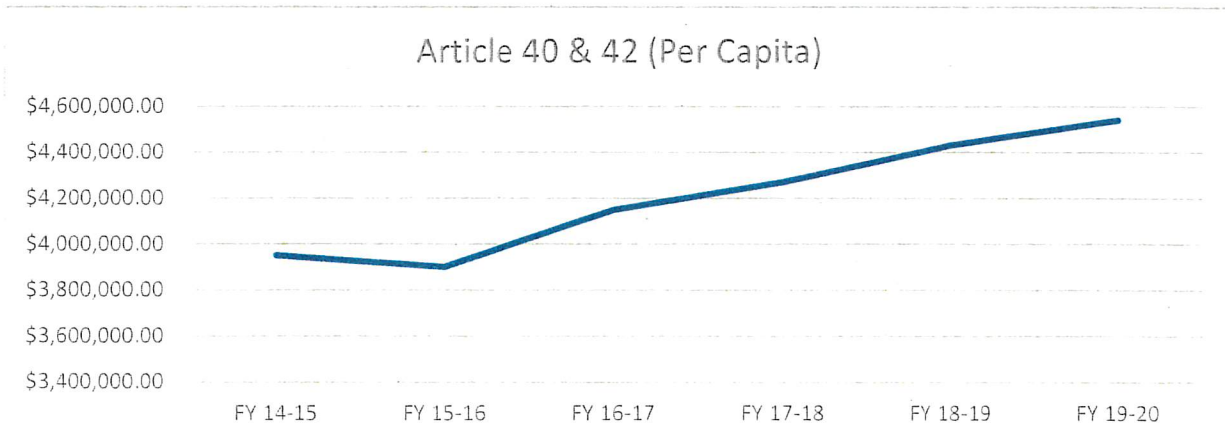
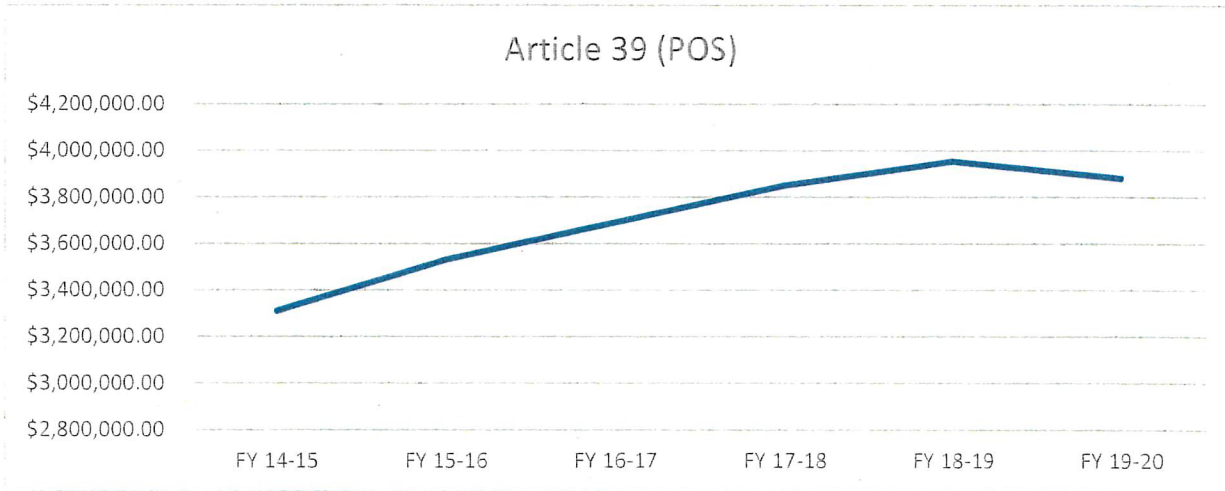
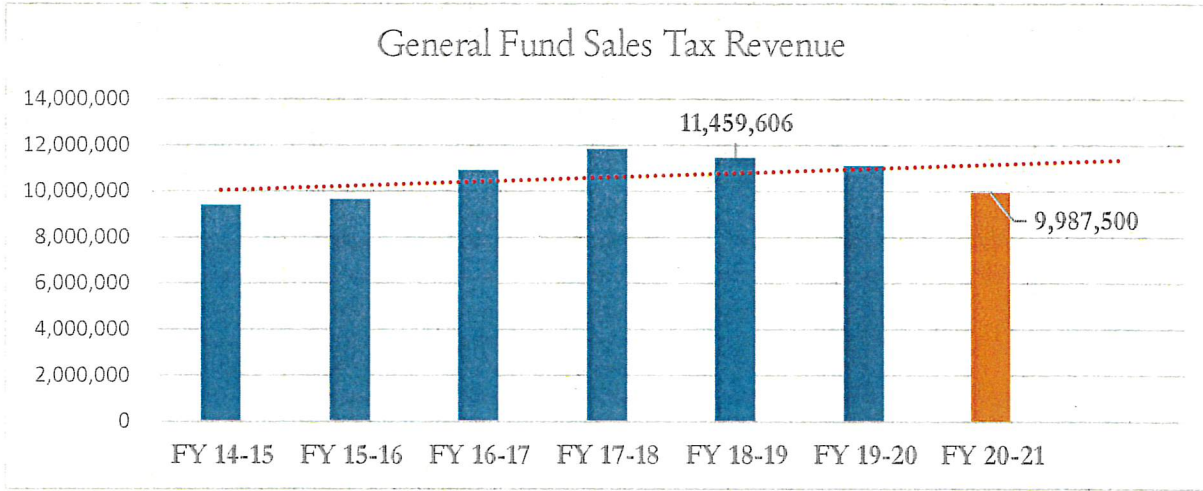
Between 2014 and 2018, Cleveland County experienced substantial growth in sales tax due to legislation distribution changes as well as a more robust local economy. This same time period has also experienced several economic development industry expansions. Industry expansions provide a "one time" sales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

Sales tax in Cleveland County is distributed through the Ad Valorem Method. One un-intended consequence of un-precedented economic development, specifically in municipalities, is lost sales tax revenue for Cleveland County (see Exhibit A). It is worth noting, that 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. The two (2) per capita articles (40 & 42) have seen a steady increase while the point of

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sale article (39) has seen a predictable decline. This could suggest that local sales tax has been inflated over the past few years by local construction projects like NTE, Clearwater, and Greenheck.

Exhibit A



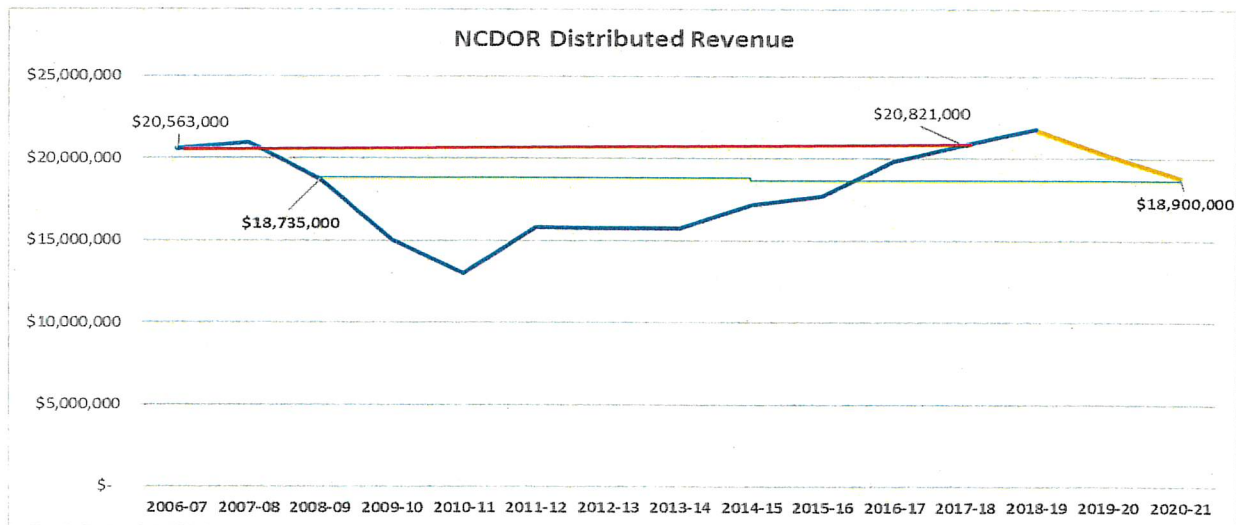
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Not only are sales and use taxes distributed by the North Carolina Department of Revenue. Other revenue also impacted by the economic crisis (COVID):

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

These revenues have cumulatively been budgeted lower for the 2020-2021 fiscal year at \$18.9 MM. The total NCDOR budgeted revenue number is equivalent to the 2009 fiscal year as referenced in Exhibit B:

Exhibit B



Occupancy Tax

Over the past five (5) years, budgeted occupancy tax revenue has reflected very strong growth that occurred in travel and tourism. This was a combination of a strong economy and more county visitation. However, like sales tax, occupancy tax numbers have been inflated by major construction projects such as the Hwy 74 bypass as well as major industrial project. Since 2015 occupancy tax revenues have increased 40%. Industry experts are expecting less travel as a result of COVID-19. The 2020-2021 fiscal year budgeted revenue projection for occupancy tax is \$300,000- a decrease of 20%.

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. Included in the 2020-2021 budget is a fee adjustment for building inspections to better align with local and regional market rates.

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	Previous	Recommended
• Mobile Home Inspection Fees	\$150	\$300
• Trade Permits	\$ 50	\$ 75
• Commercial Multiplier	.002	.003

In the 2020-2021 fiscal year, the inspection fee increase is projected to off-set any volume decline and revenue is projected to remain flat. The budget has a measured estimate of \$190,000. The operational subsidy percentage for the building inspection department is 52%.

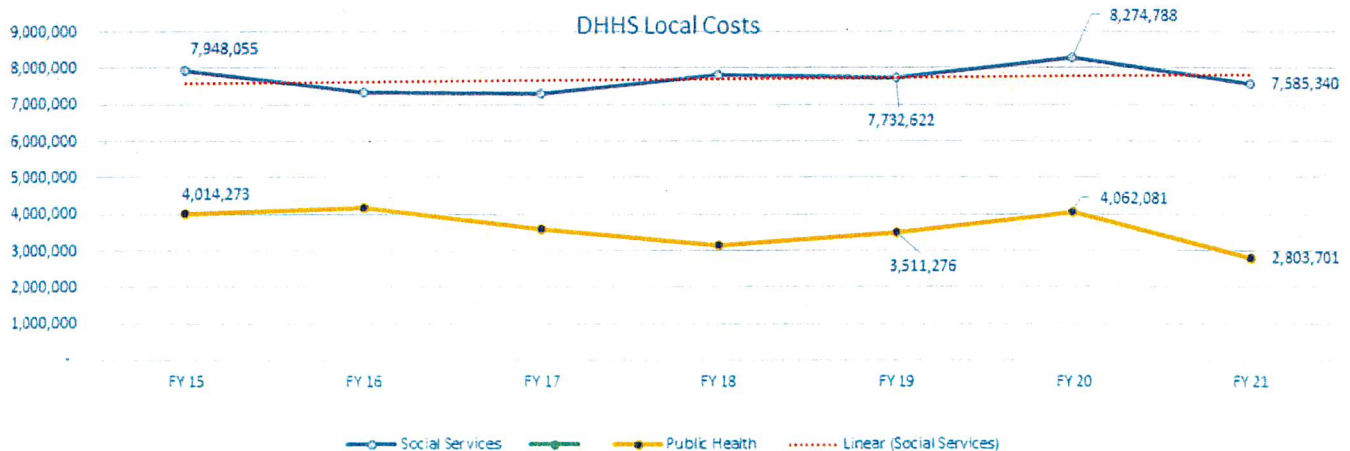
Investment Income

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).

The County has appreciated this over whelming surge in investment income and that source has played a significant role in building the County's fund balance to 18.2%; however, 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 2020-2021 fiscal year budget reflects a responsible investment income budgeted amount of \$650,000 – flat from the prior year budget, and a 35% decrease from actual expected amounts.

Federal Revenues

Federal revenues are predominantly located in the health and human services portion of the budget and are often based off of prescribed expenditure reimbursement rates. The federal revenue that is budgeted as part of the 2020-2021 fiscal year budget is approximately \$28MM. Due to the reimbursement nature of DHHS funding and matching requirements, the prime structural component of DHHS funding is the County's contribution requirement – which for the 2021 fiscal year is \$1.9MM lower at approximately \$10.3MM.



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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.

	<u>Operating Ratio</u>	<u>Revenues Per Capita</u>	<u>Surplus (Deficit) per Capita</u>	<u>Property Tax Dependency</u>	<u>Sales Tax 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

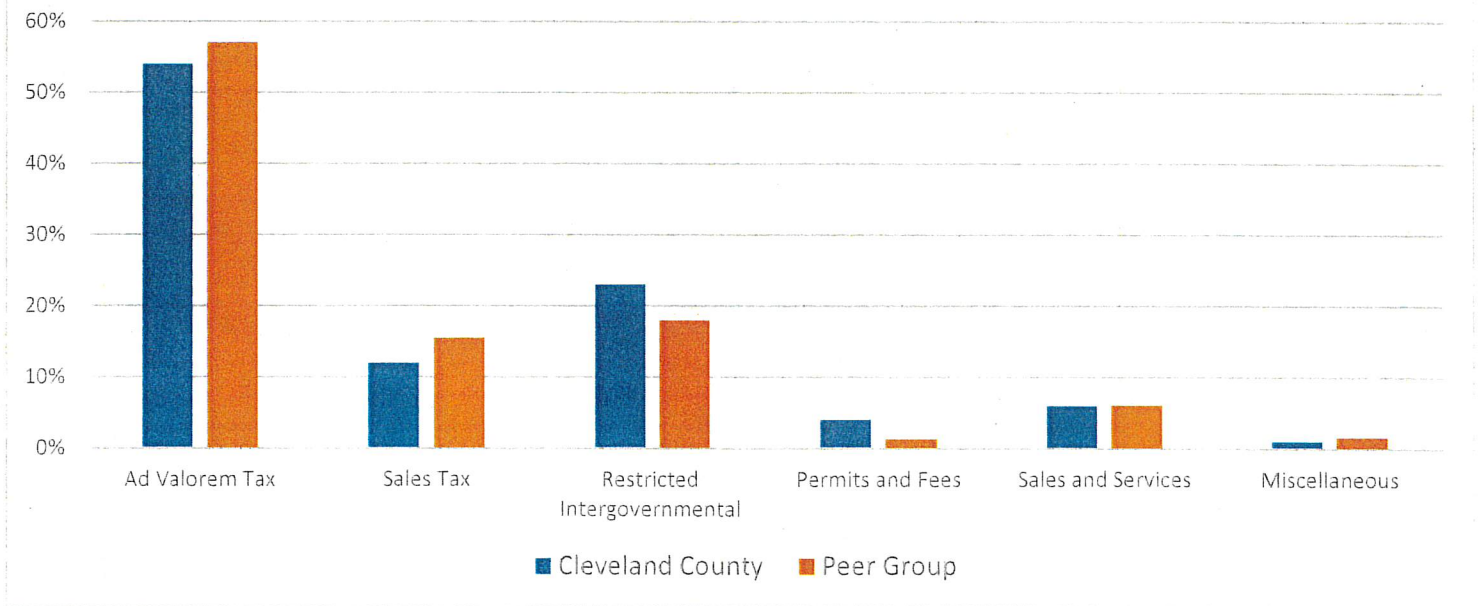
Revenues per capita- Ratio of Total Revenue to Population

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- Ration of Total Sales Tax Revenue to Total Revenue

Revenue by Source - Peer Group Comparison



EXPENDITURE PORTFOLIO

Budgeted Expense & Commissioner Goals:

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%. 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, FY 19 ended with a fund balance of 18.2%. Projections for the FY20 year end are still proving to be a challenge, however, we are optimistic that the "soft landing" strategy will preserve the Board's goal of 18%. Included in the FY20/21 budget is a strategic fund balance draw down of \$1.3MM to balance the budget.

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 rethinking of all activities and programs. One of our continued focuses is maintaining an innovative mind set of entrepreneurship in public service. Through our rethinking initiative we have been critical of 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 2020-2021 budget is approximately \$116.9MM. Since that period, we have:

1. Increased staff salaries on average more than 22%
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
7. Strategic Land Acquisition
8. Doran Property Clean-Up
9. Open Public Shooting Complex
10. Added 40+ public safety employees

Budget re-engineering continues to be a cornerstone of Cleveland County's budget development. These strategies have created cost savings or cost avoidance of over \$15MM over the past five years. These savings

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have created the capacity for much of the accomplishments above. Several key re-engineering strategies are part of the 2020-2021 budget, including:

- a. Revenue Maximization
- b. Phase II of Early Retirement Incentive Program (ERIP)
- c. Energy Optimization Program

The chart below is a look at several of the revenue maximization strategies that are included in this years budget.

<u>Department</u>	<u>Description</u>	<u>Current Operational General Fund Support</u>	<u>Annual Fiscal Impact</u>
Social Services	Fed/State Revenue <ul style="list-style-type: none"> • Time Allocation/Coding • Indirect Cost 	39%	\$ 75,000
LeGrand Center	Level % Increase in Room Rental Rates	53%	\$ 40,000
Building Inspections	<ul style="list-style-type: none"> • Mobile Home Inspection Fee(\$150 - \$300) • Trade Permits (\$50 - \$75) • Commercial Multiplier (.002 - .003) 	52%	\$ 60,000
Shooting Complex	\$2 Increase in daily rate (\$10 - \$12)	51%	\$ 45,000
		Total	\$ 220,000

Health & Human Services

The overall appropriation of local funding for the Department of Social Services will be \$7,585,340. This represents a decrease from the prior year of \$689,448 and a decrease in three of the last four years. This reduction in cost comes independent and does not reflect any decrease in service delivery. These key changes have been navigated by the County's new Social Services Director, Katie Swanson. She has created a culture of high performance focused on doing more with less and continuation of NC Fast implementation. When fully staffed prior to 2020, Cleveland County DSS employed approximately 220 FTEs which equates to approximately 25% of the County workforce. Our goal is to manage that number do around 190 FTEs by December 2020. This goal was arrived by a careful study of key metrics as well as peer comparisons and would be accomplished through early retirement and attrition.

The overall appropriation of local funding for the Department of Public Health will be \$2,803,701. This represents a decrease from the prior year of \$1,258,701. 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 130 FTEs.

In FY 21 we will continue to examine possible opportunities to gain efficiencies and implement the County's master facility plan. A continued top priority is evaluating alternatives for housing of Social Services, who

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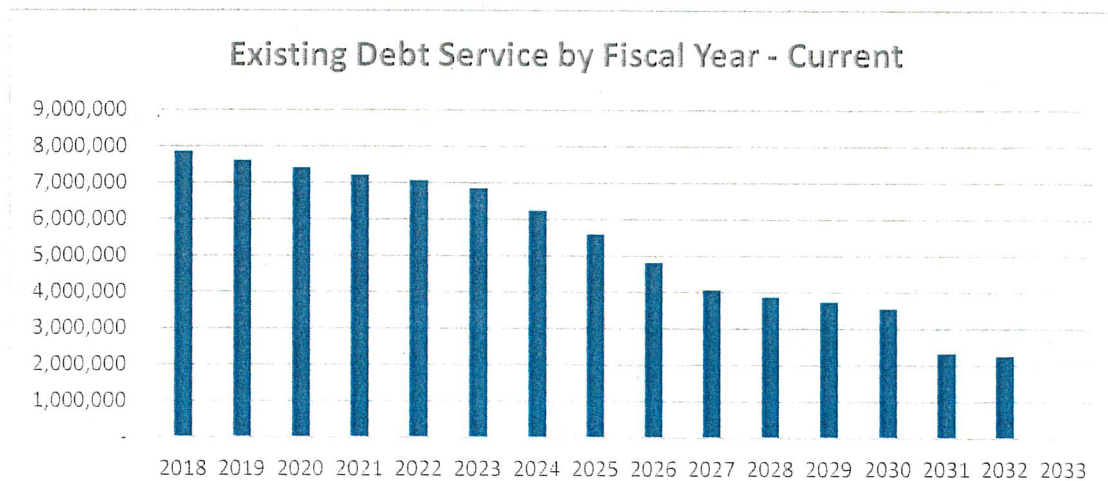
continue to operate in a sub-standard and end of life building (1965). A non-funded priority in the County's 2020-2021 budget is to continue to evaluate the opportunity of re-locating social services and co-locating with public health. All other alternatives are also being evaluated.

Capital Planning and Debt Service

Although all capital is currently frozen, we continue to examine possible opportunities to gain efficiencies and implement the County's master facility plan. A continued top priority is evaluating alternatives for social services, who continue to operate in a sub-standard and end of life building (1965). A non-funded priority in the County's 2020-2021 budget is to continue to evaluate the opportunity of re-locating social services and co-locating with public health. All other alternatives are also being evaluated.

As part of our prudent fiscal planning and preparation around COVID-19, all capital is currently on a six-month freeze and review. Included as an attachment of the budget is an updated formal 5-year CIP plan. The plan is intended to identify with a future orientation, upcoming capital needs (which are conceived from our Facility Planning and Long-Term Operational Strategies) and align those needs with proper funding resources – which for now are very limited. This type of policy direction and support from the Board of Commissioners is greatly appreciated by staff and recognized as true fiscal sustainability. As recently as 2017, Cleveland County received a bond rating upgrade from S&P/Moody's and is now AA+ - which 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 Planning Improvements.

Debt service management is another vital part of long-term planning and sustainability. The County has approximately \$60,000,000 in outstanding debt obligations. Of this \$60M, due to strategic management and innovative planning the County General Fund is only responsible for 37% of that amount. This debt percentage represents approximately 3.29 cents of the County's 57 cent tax rate. The remaining 63% of the debt obligations is serviced from other Federal, State, and Local funding sources such as Lottery Funds. At his time, over 80% of the County's debt will be completely liquidated over the next 10 years.



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Focus Area – Economic Development

Cleveland County Commissioners continue to see the importance of Economic Development and the recruitment of industry. Work force 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.

The County has budgeted \$163,000, a 15% decrease, 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 the Shell Building. This year's budget is equal to the FY19 funding allocation.

The County is a finalist for a Golden Leaf workforce innovation development grant in the amount of \$250,000. Accelerate Cleveland is a job training program targeted at the underemployed and unemployed population. Cleveland County is 1% of the NC Counties and makes up .08% of the total state population- Since 2008 we have recruited 17% of the total capital investment from new and expanding business in NC.

The Board of Commissioners have also placed a high priority on assisting the Agricultural community in their efforts. Included in the 2020-2021 fiscal year budget is the continued support for the small business incentive program, increased funding of NC. Cooperative Extension, and the continuation of grant support.

Focus Area – Community Education / Customer Service

The Foothills Public Shooting Complex continues to see increases in the number of visitors and 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 effort, **if allowable post COVID-19**. The 2020 fiscal year has exceeded expectations for revenue collections (+ \$225,000) and foot traffic (+25,000).

Cleveland County is excited to have received another grant through the North Carolina Association of County Commissioners that funds ½ of a FTE – Management Fellow Grant. 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 the County's inaugural *Citizen's Academy*.

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 2020-2021 budget includes a budget appropriation of \$15,000 to provide resources for this project.

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Cleveland County is home to fifteen (15) municipal governments, which is one of the highest numbers of any County in the State. Each of these municipal partners are vital to providing the highest level of government services to the citizens of Cleveland County. Over the last several years, the County has provided several one-time capital grants to municipalities to help facilitate recreational opportunities across Cleveland County including but not limited to:

City of Kings Mountain.....	\$80,000
City of Shelby.....	\$80,000
Town of Boiling Springs.....	\$80,000
Town of Polkville.....	\$140,000
Town of Lawndale.....	\$ 15,000
Town of Waco.....	\$20,000
Town of Casar.....	\$20,000

The Board of Commissioners recognizes the importance of supporting these local efforts while maintaining a balance with a multitude of other competing interests, social responsibilities and statutory duties. Since 2018, the County has annually allocated \$60,000 on an annual basis, that is disseminated to Cleveland County municipalities through a competitive process – due to the severe resource strain, the program is temporarily suspended for the 2020-2021 budget year.

The importance of the County’s trail systems to the community has never more been more obvious. Community mobility during the Governors Stay-At-Home order has been up 10%. Included in the 2020-2021 budget is \$46,000 for trail operations. Our team also plan to engage our management fellow to help draft and streamline a trail engagement policy during the year.

The Board of Commissioners continue to support the outstanding efforts of our County’s 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 creation of an animal services community advisory board will ensure this momentum is continued with an ordinance review/rewrite and options aimed at a low cost spay neuter public option. Included in the 2020-2021 budget is funding for the 2nd 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.

Focus Area – Community Wellness

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:

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- 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 2020-2021 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.

It is critical to recognize the dramatic emergency room impact of continuing to provide school telehealth services. Since the program was implemented, the unnecessary emergency room visits in the Graham school area were reduced by over 60%. County-wide there was a 29% decrease in unnecessary ER visits. Most recent data specifically for the 2019 year is as follows:

- 4,180 total visits
- 357 patients with no insurance served
- 19% decrease in emergency room visits between the year before and after enrolling in virtual care

Focus Area – Public Safety

The total public safety budget for Cleveland County in the 2020-2021 budget is \$25,443,527 and includes the Sheriff’s Department, Detention Facility, EMS, Emergency Management, and E-911 communications. The County Commissioners commitment to public safety investment is most evident when analyzed over time. In 2014, this budget was \$19,042,123 – the increase of \$6,401,404 (35%) 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 2020-2021 budget. This includes mandatory system wide radio replacement and 800 mhz software upgrades totaling \$610,000.

Included in the 2020-2021 budget is continued momentum for public safety including three (3) new positions at the Detention Facility.

The Cleveland County Sheriff’s Department reflects a total annual appropriation of \$16,300,000, which represents 13.94% of the County’s General Fund. This reflects salaries, operations and capital for the Sheriff’s Department, Detention Facilities, and School Resource Officers.

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Also included in the FY 21 budget is capital funding in the Sheriff's Office and Emergency Medical Services as follows:

Sheriff's Office

<u>Requested 2019-20 Budget</u>		<u>Approved 2019-20 Budget</u>		<u>Requested 2020-21 Budget</u>		<u>Recommended 2020-21 Budget</u>	
20 Explorers + 3% Hwy Use Tax	688,188	Vehicle Allotment	638,360	18 QTY 2020 FORD EXPLORER	601,330	Vehicle Allotment	680,774
Equip/Paint/Lettering	111,500	MDT Allotment	26,640	3% HIGHWAY USE TAX	18,040	MDT Allotment	26,000
20 MDT Computers	26,640			WRAP DOORS WHITE/LETTER	11,250		
Speed Trailer	14,396			SAFETY EQUIPMENT ON VEHICLE	90,000		
Cellebrite (Forensic Extraction Device)	9,000			MDT COMPUTERS FOR VEHICLES	26,000		
Interview Rooms Equipment	29,977			SERT SHIELDS	12,676		
BearCat Tactical Vehicle	181,000						
SERT Shield (rifle rated)	6,378						
Total	1,067,079	Total	665,000	Total	759,295	Total	706,774

Emergency Medical Services

<u>Requested 2020-21 Budget</u>		<u>Approved 2020-21 Budget</u>	
3 Ambulances + 3% Hwy Use Tax	632,034	2 Ambulances Remount	320,000
2 LP15 Cardiac Monitors	73,000	Director Disc.	60,000
Supervisor QRV + 3% Hwy Use Tax	45,000		
2 Lucas CPR Device	35,000		
16 Stryker TrueCPR Feedback Device	24,416		
MDT/IPAD	20,000		
Total	829,450		380,000

Operational Highlights

The Cleveland County Register of Deeds (ROD), Betsy Harnage, has completed her second-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 the Registers 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 Registers 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 2020-2021 budget is continued funding of \$50,000 to provided effective supervisory training, diversity training, and workplace harassment training. During 2018, the Board of Commissioner voted unanimously to fully implement a

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Pay and Classification study that was done earlier that year. The cost to implement was \$2,000,000 and was accomplished without increasing taxes.

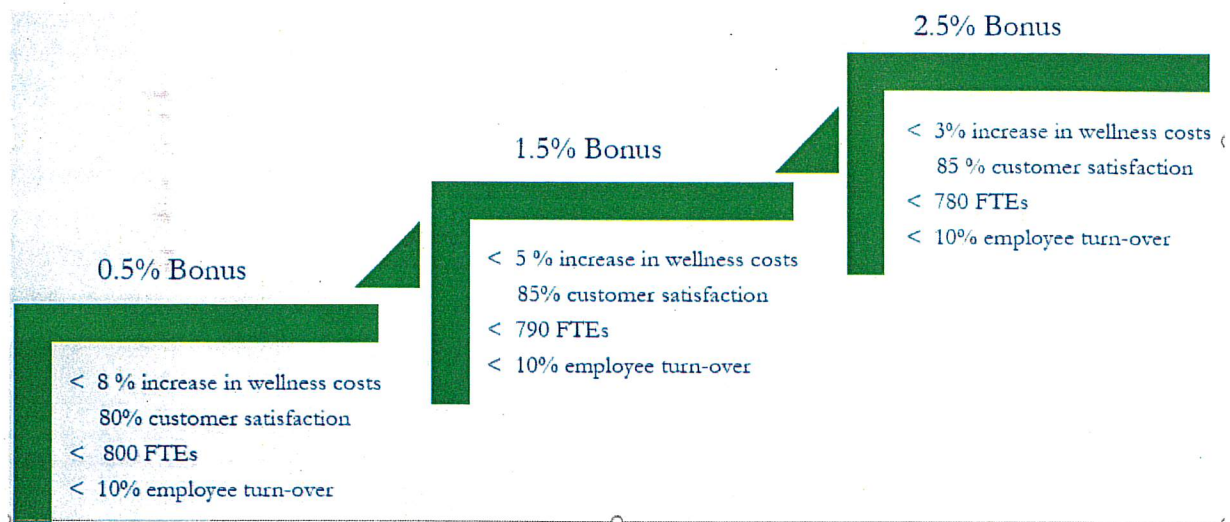
Employee Compensation & Benefits

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.

With the uncertainty in the national economy, anticipated revenue loss, and increase in mandated operational costs, the 2020-2021 budget does not include a cost of living adjustment effective July 1, 2020. However, we are pleased to include a performance bonus of up to two and a half percent (2.5%) for all full-time employees. This stays consistent with the pay for performance model that has been introduced to our employees over the past two (2) years. The bonus would be liquidated twice during the year on September 15th and March 15th. We are also planning a compensatory raise of one percent (1%) that would be effective on January 1st, 2021 if the following conditions are met.

- FY 19-20 Fiscal Year Audit doesn't include a fund balance draw down below 18%
- Revenue for the 1st and 2nd quarter of FY 21 exceed expectations at a less than 10% decline

The mechanics of the performance bonus model is as follows:



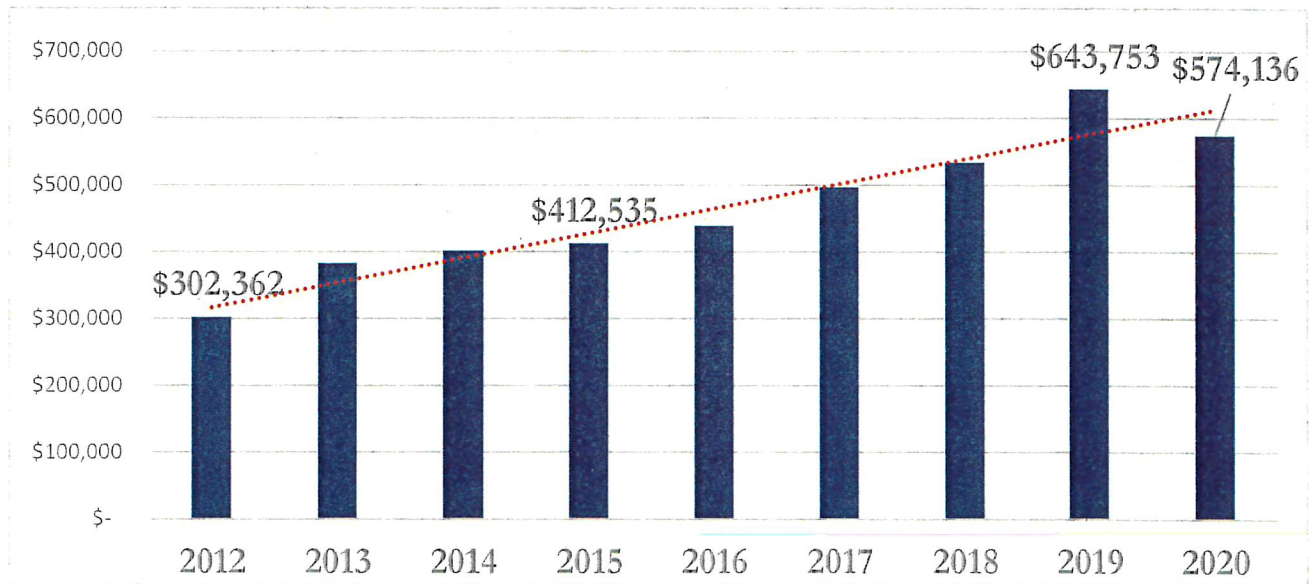
County Wellness

Governments across the State are reporting average health care cost increases of 10-15% for Employee Health Insurance. Included in the 2020-2021 budget, Cleveland County is requesting a 5.5% employer increase in health care premiums. Monthly premiums for employees covered under the plan will be increased from \$900 - \$950 which has an organization cost of \$450,000. This increase will be absorbed by the County General Fund. Our team is pleased with this continued momentum of managing our health costs with

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offsetting investments into our workforce. The 2020-2021 budget also include continuation of the disease management programs, continuation of the YMCA benefits, improved long term disability, and for the eleventh (11) year in a row we have budgeted flat dependent and family rates. The low increase in healthcare premiums compared to governments across the state is indicative of our employees 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



Recommended Staffing Plan

The County administrative leadership team has incorporated three points of emphasis in managing the human capital for the upcoming fiscal year. The recommended budget incorporates Phase II of the Early Retirement Incentive Plan. All non-essential hiring will remain frozen through the 1st quarter of the 2020-2021 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.
- C.) Substantial Equivalency - Substantial equivalency is the process of converting State defined

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staffing classifications into a local classification. This is a developing trend across the State and recognizes that County government is much more nimble and effective when we are adaptable to local needs.

Cleveland County Public Schools

The county allocation budget totals \$30,330,849 with equates to an increase of approximately \$65,000. Capital outlay will be \$2,850,000 which is consistent with the prior year.

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 all 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 are distributed to ensure proper coverage limits for Cleveland County citizens. The total allocation is approximately \$4.1MM.

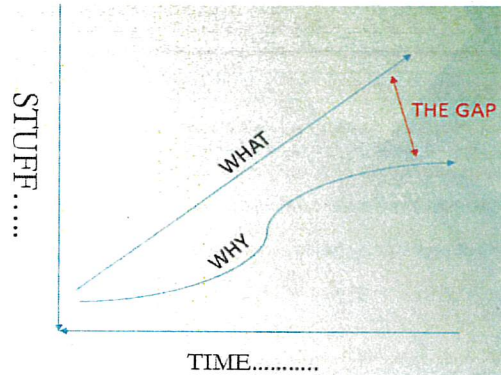
Conclusion – Resiliency through Crisis

We are facing new challenges in the organization and in the community in 2020 that are very different than ever before. The success and momentum that has been built over the past six (6) 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 twenty (20) years into the Twenty-First century, we began the year with much optimism and hope. No one could have imagined that only months into the year we would be confronted with an invisible enemy that challenged our normalcy. In these times of crisis, the Resiliency that we must find comes from our purpose – **To Make our Community Better.**

- The **ReAct** phase of our Crisis Management Plan is critical to the County’s long-term success. The decisions that we make today, will have a tremendous impact on our ability to serve our community as we move forward. Stabilizing means commitment to High Performance & Teamwork – focused around adaptation and nimbleness.
- The **ReBuild** phase will include obtaining a comprehensive understanding of the new landscape. The Courage to admit we are entering a “new normal” and asking hard questions that seeks re-engagement and the Integrity to act.
- Finally, **ReThink** starts with openness to change. Allowing Innovation to prosper, in the hierarchy alignment of ODI (Organization/Department/Individual).

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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 in our servant leader role. We must make sure, as an organization, that the gap between what we do and why we do it remains closely aligned. The road will most certainly be difficult, but I remain encouraged that our team is up for the challenge.



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