

AMY H. CANNON
County Manager

JAMES E. LAWSON
Deputy County Manager



MELISSA C. CARDINALI
Assistant County Manager

W. TRACY JACKSON
Assistant County Manager

OFFICE OF THE COUNTY MANAGER

May 26, 2015

TO THE CUMBERLAND COUNTY BOARD OF COMMISSIONERS:

In accordance with the North Carolina Local Government Budget and Fiscal Control Act, I am pleased to present for your consideration, the Fiscal Year (FY) 2016 Recommended Budget for Cumberland County. The budget is balanced, identifies revenue and expenditure estimates for FY2016, and attempts to maintain the County's core value of providing excellent customer service within a constrained revenue environment.

The recommended budget provides \$526,124,454 in total expenditures across all funds, with a General Fund total of \$319,144,611. The General Fund budget represents an increase of \$4,524,473, or 1.44% compared to the current year's adopted budget. The proposed tax rate to support the FY2016 budget remains constant at 74 cents per \$100 of assessed valuation. The value of one penny on the tax rate is \$2,268,591.

Current Year Revenue Considerations

Projections indicate real and personal property collections will exceed the current year budget by \$1,703,544, with an estimated collection rate of 99.07%. Our Tax Department has achieved a real and personal property collection percentage above 99% for the last seven years, which is indicative of their tenacious and dedicated collection efforts. The statewide Tax and Tag

Together initiative for motor vehicle tax collections went live in September 2013. We estimate we will realize an increase of \$1,430,160 in motor vehicle taxes over the current year budgeted amount.

Fortunately, our sales tax collections have rebounded from the prior year, when our retail sales activity weakened due to federal budget issues, sequestration, and the federal government shutdown. Current year collections are projected to exceed the budgeted amount by \$1,459,576 or 3.99%.

Budget Development Considerations

Over the last several years, Cumberland County, our state and nation have faced unprecedented economic challenges. The increased demand for services and rising operational expenses significantly outweigh our available revenue, which has not returned to pre-recession levels.

A key consideration in this budget is financial sustainability, which must be balanced with our core value of providing excellent customer service. Financial sustainability continues to pose a real challenge for the foreseeable future as the County faces uncertainties in our local revenues, potential actions by the General Assembly, fluctuations in military personnel and other federal spending reductions.

Although this budget has a one year focus, all new budget initiatives must be viewed from a broader perspective. All decisions have some impact on the County's future and the goal of matching recurring expenditures with recurring revenue should continue to be a guiding principle. Honoring the fiscal policies adopted by the Board is another key element in maintaining financial stability.

This recommended budget seeks to maintain the goals and objectives in the County's strategic plan and also maintain a solid base of core services. Included in this recommended budget are new positions that address the increasing demand for services and are necessary to continue our goal of providing excellent customer service.

Four key funding priorities were identified, all of which coincide with the strategic plan's goals and objectives.

- Investment in our Workforce
- Customer Service
- Infrastructure Repairs and Maintenance
- Technology

REVENUE ASSUMPTIONS

The two largest sources of revenue supporting the General Fund are local property taxes and sales taxes. These revenue sources constitute 66% of total revenue in the General Fund.

- ❖ Ad Valorem Taxes: Current year ad valorem taxes for FY2016 are budgeted at \$167,875,711, an increase of \$3,274,843 (1.99%) over the FY2015 adopted budget. This is based on a countywide valuation for real and personal property of \$20,991,042,579, with a collection rate of 98.64% and a tax rate of 74 cents. Motor vehicle collections are anticipated to reach \$15,771,299 under the Tax and Tag Together initiative.
- ❖ Sales Taxes: Sales taxes are budgeted at \$39,702,971, an increase of \$2,186,910 (5.83%) compared to the current year's budget. This reflects an increase of \$690,334 (1.7%) over the current year projected receipts.

Fund Balance Appropriated

The fund balance appropriated of \$7,894,602 for recurring expenditures is within the policy previously adopted by the Board, which limits the appropriation to no more than 3% of recurring expenditures. In addition, our policy sets forth a minimum unassigned fund balance goal of 10%.

Expenditure Highlights

The practice of using the prior year's adopted budget, less any one-time expenditures, was the starting point for development of the FY2016 budget, which is referred to as the base budget. Departments then submitted supplemental one-time or recurring requests that exceed their target base budget. The General Fund base budget for FY2016 is \$307,403,228 and departments requested a total of \$21,388,500 in supplemental funding. The supplemental budget includes requests for 113 new positions, 41 vehicles, capital outlay of \$641,229 and \$821,466 in maintenance and renovation.

Due to the limited revenue growth projected in the upcoming fiscal year, management had to make some difficult decisions in balancing this recommended budget. Our focus in allocating funding was first, to address increased service demands to continue our mission of providing quality services while being fiscally responsible; and second, to allocate funding that supports the Board of Commissioners' strategic plan. The four key funding priorities, which align with our core values and strategic goals and objectives, were funded as follows:

FUNDING PRIORITIES

Investment in our Workforce: *This funding priority enhances the Board's goal of retaining motivated, professional and well-trained personnel who offer excellent customer service with PRIDE.*

Our employees, who are committed to achieving the County's mission of providing quality customer service in the most efficient manner, are the County's greatest resource; and funding has been provided for a cost-of-living increase, which accomplishes a top priority established by the Board. Continued emphasis on employee wellness strategies further demonstrates our recognition that our workforce is our greatest asset.

- ❖ **Cost-of-Living Increase:** Funding in the amount of \$2,311,701 has been allocated to provide a 3% cost-of-living increase for our employees. County employees have not received a cost-of-living adjustment since the 2% increase implemented in fiscal year 2013.

- ❖ **Employee Wellness Initiatives:** Providing comprehensive and creative wellness services is a strategic investment that may result in better performing workers and lower absenteeism and health care costs. Wellness services improve the well-being, job satisfaction and retention rates of employees. Our focus is to offer creative activities that combine nutrition, physical activity, stress reduction and a focus on positive lifestyle changes. We have developed an employee garden, walking and running groups; and we are currently organizing team sports opportunities and a full array of nutrition classes. The welfare of our employees has a direct impact on the County's success. Our investment in the health and nutrition of our workforce may serve as a catalyst for positive lifestyle changes throughout the community.

Customer Service: *This funding priority addresses the Board's core value of serving our county citizens with professionalism, respect, integrity with accountability, diversity and excellent customer service (PRIDE).*

- ❖ **Homelessness:** Another top priority identified by the Board during our strategic planning process is homelessness. This item was also included as an initiative by the Fayetteville City Council, and as such, will be addressed appropriately as a community issue. To begin that coordinated approach, a joint meeting on homelessness was held May 14, 2015, to define homelessness and identify some short and long-term goals.

The results of that joint discussion revealed a need for designating an individual to facilitate coordination of our many homeless resources and developing an intake process to identify the homeless, their individual needs and the appropriate resource referral. Ultimately, establishing an intake center with coordinated case management should be considered in the long term.

The recommended budget includes an appropriation of \$100,000 to partner with the City in developing a systematic approach in reaching this underserved population in our community.

❖ **New Positions:** Thirteen new positions are recommended in areas where we have experienced difficulty in providing timely services to our citizens. These positions have been recommended as a result of two important factors:

- Departments accepting the charge to develop strategic and creative solutions to customer service gaps without additional personnel
- Increased demand that cannot be appropriately managed without additional personnel

During the development of the prior year's budget, it became clear that streamlining our operations to create a leaner, more efficient and effective organization would be critical to long-term financial stability. Department heads were encouraged to view our economic challenges as an opportunity to review their processes and identify efficiencies and cost-saving measures. Several departments accepted this charge and identified measures to enhance customer service delivery or create operational efficiencies, and ultimately reduced their requests for new positions.

- **Emergency Services:** The FY2016 budget includes \$174,778 for four new positions in Emergency Services. These positions are necessary to meet the federal and state standard that mandates 90% of calls shall be answered within 10 seconds or less. Two years ago the Emergency Services Director embarked on a complete review of departmental operations to address our 2013 average of 69.4% of calls being answered within 10 seconds.

This review included employee surveys and the creation of employee focus groups to facilitate feedback directly from the line staff. Human Resources was engaged to provide an outside, unbiased perspective to the process. Based upon staff input, several key changes were implemented:

- increased cross training
- development of regular staff meetings for performance feedback
- sharing of call review and quality control data
- restructured and improved coordination of new employee training, which reduced training from 12 weeks to 4.5 weeks
- developed protocol for shift trainers to provide constant monitoring and quality control

The end result of this two-year efficiency review effort was an improvement in our call answering standard from 69.4% to 88%, but further improvement may only be achieved through additional personnel. Communication centers that consistently achieve the 90% standard with similar call volumes have higher staffing levels.

- **Child Support:** Funding, which represents our 34% match of \$50,831, is included for three new Child Support positions in the collections area. Several years ago additional positions were added in the Paternity Establishment Unit, and in July 2011 funds were approved to pay for paternity testing. Both actions have improved our paternity establishments by over 8% for the children we serve.

Knowing that funding has been limited, the department head conducted an internal analysis of key staffing issues and performance statistics. To improve customer service, call center staff received additional training to triage customer issues or questions, which relieves case workers from taking or returning calls. Since the paternity section has been successful in increasing their performance, consideration was given to transferring some employees to the Collection Division. Our state child support representative advised against this alternative since the Paternity Establishment Unit would be negatively impacted and further stated that based upon her operational review, increased collections could only be achieved through additional staff.

It is important to note that enhanced child support collections, which provide more income for families, are reinvested in our economy and reduce dependency upon other human services programs.

- **Sheriff:** The recommended budget includes funding in the amount of \$231,053 for four of the seven new detective positions requested in the areas of human trafficking, property and financial crimes, youth services and for cold case investigations in the homicide unit.

The Sheriff's Office provided specific case load information for all of the detective divisions. The data indicates an increase in the number of cases and a decrease in the percent of cases closed on an annual basis. In many areas, the percentage closed has declined due to the nature and complexity of the cases. As an example, cases in the youth division are not typical cases from prior years. Youth cases are more heinous and complex, often involving sexually explicit material, social media issues, weapons and mental health components, which further complicate the investigation. An increased emphasis has been placed on a cooperative effort of law enforcement agencies in our community to combat human trafficking. These cases are also complex and require a significant amount of time to appropriately investigate.

- **Health Department:** The recommended budget includes County funding in the amount of \$113,188 for a medical lab technologist and an environmental health specialist.

An additional lab technologist position is requested based upon the increased volume of lab tests, which is attributed to the increased emphasis we placed on our Sexually Transmitted Disease Clinic two years ago. Resources were added as a result of a state review and our state ranking in this area. Additional providers and extended evening hours have generated more lab testing in this clinic.

The Environmental Health Section has requested an additional food inspector due to a 25% increase in the number of food establishments. These establishments include restaurants, school cafeterias, child care center, residential centers, hospitals, special food events, etc. This position is needed to maintain timely compliance with the state mandated inspection intervals.

Infrastructure Repairs and Maintenance: *This funding priority continues the Board’s goal of providing adequate infrastructure and specifically addresses the objective of ensuring that facilities are well-maintained.*

Last year we established a goal of developing a plan to proactively fund and maintain our facilities. An evaluation of parking lots, roof systems and building envelopes has been completed. The following provides a summary of the key areas and the related multi-year funding plan.

GENERAL FUND					
PROJECTS	FY2016	FY2017	FY2018	FY2019+	TOTAL PROJECT EXPENDITURES
Parking Lot Repair/Resurfacing	\$ 739,500	\$ 274,500	\$ 339,000	\$ 910,000	\$ 2,263,000
Roof Repair/Replacement	1,134,854	559,849	1,140,202	2,055,230	4,890,135
Building Exterior Improvements	1,738,440	420,480	168,240	236,880	2,564,040
TOTAL GENERAL FUND	\$3,612,794	\$1,254,829	\$1,647,442	\$3,202,110	\$ 9,717,175

CROWN COMPLEX					
PROJECTS	FY2016	FY2017	FY2018	FY2019+	TOTAL PROJECT EXPENDITURES
Parking Lot Repair/Resurfacing	\$ 491,500	\$ 88,500	\$ 461,000	\$ 560,500	\$ 1,601,500
Roof Repair/Replacement	1,665,360	11,550	11,550	23,100	1,711,560
Building Exterior Improvements	14,300	314,400	11,000	1,494,000	1,833,700
TOTAL CROWN COMPLEX	\$ 2,171,160	\$ 414,450	\$ 483,550	\$ 2,077,600	\$ 5,146,760

As you can see from the assessment, the costs to appropriately address our infrastructure maintenance needs are significant. The General Fund amount for FY2016 is \$3.6 million, which would deplete most of our natural revenue growth.

Due to limited funds over several years and an aggressive building program, maintenance was delayed for many years. From the period of 2000 to 2014, the County entered into nine building replacement or renovation projects, which added approximately \$7.6 million in debt service and \$7.8 million in operating costs.

Due to the significant costs to catch up and proactively fund an ongoing maintenance program, management recommends an installment financing to fund the first three years of the assessment, which totals \$9,584,225. The recommended budget includes the projected debt service payment for FY2016. We believe protecting our investment in our facilities is critical; and further, financing these projects will assist the County in aggressively addressing these needs. Based upon the significant funds needed for repairs and maintenance of our facilities, it is recommended we focus on funding these repairs and that new or expanded building projects be delayed and programmed within our Capital Improvement Plan.

The recommended budget also includes \$198,000 to replace Detention Center boilers and \$330,000 to replace camera systems in the Detention Center and Courthouse.

Funding in the amount of \$601,716 is recommended for minor building repairs and maintenance.

The most significant projects in scope and amount are:

Boiler/chiller/various facilities	\$255,400
Exterior cleaning of buildings and windows	\$180,000
LEC carpet replacement	\$ 60,000
LEC generator issues	\$ 15,000
Demolition of Wells House	\$ 50,000
Animal Control repairs to isolation room	\$ 12,000

Technology: *This funding priority seeks to address the Board’s objectives to advance the County’s automation capabilities and to optimize service delivery through innovation, automation and technology to enhance current services and create new service opportunities.*

The County has made significant progress in advancing our automation and technology capabilities. Just as our buildings require funds for repair and maintenance, our technology infrastructure requires an annual funding to protect and enhance our technology backbone.

- ❖ Funds in the amount of \$312,540 are budgeted for upgrades and replacement of networking equipment, including \$8,000 for Veterans Services document imaging and \$22,340 for new GIS software.
- ❖ In addition, the recommended budget includes \$33,000 for replacement of Health Department computers and \$56,000 for replacement of computers in the library that provide public access.
- ❖ Funds in the amount of \$480,000 are recommended to complete the final phase of our Voice Over Internet Protocol (VOIP) solution. County Information Services (I.S.) began

this multi-year project in 2009 to create one uniform phone system, replacing several hybrid systems. This VOIP solution allows video conferencing, leverages existing network cables, enhances service mobility and reduces annual operating costs.

OTHER MAJOR MULTI-YEAR TECHNOLOGY IMPROVEMENTS

❖ **Document Imaging System:** In 2013, County I.S. and the initial business partners, Social Services and Child Support, began a collaborative process to acquire an enterprise content management (ECM) system. Together, they selected Laserfiche as the foundation for our ECM system and implementation began in April. The initial rollout for Social Services and Child Support will be complete by December. Funds have been included in this budget to add Veterans Services to this initial phase. Our ECM system will create green efficiencies by reducing paper, increase communication within and between departments, increase operational efficiencies and assist in records retention.

❖ **Financial/Human Resources (HR)/Employee Benefits Software Conversion:** Since 2013, County I.S. has led a strategic process to select an Enterprise Resource Planning (ERP) system to replace our Financial/HR/Benefits software. On May 14, 2015, we kicked off the beginning steps of our implementation to Munis. Once the Finance and HR departments are completely transitioned, all other County departments will be added to the ERP solution.

Our ERP system will advance the County's green initiative by reducing reliance on paper, create efficiencies within and between departments through automated work flows, eliminate duplicate entries of the same information, fully automate timesheets and approvals, and will enable employee and vendor self-service.

❖ **Enterprise Solutions Division:** Our I.S. director has restructured the department to add a new division within the existing budget allocation. This Enterprise Solutions Division will thoroughly review, document and analyze our business processes related to the ERP and ECM systems to identify opportunities for systems efficiencies.

OTHER ITEMS INCLUDED IN RECOMMENDED BUDGET

- ❖ **Education:** The recommended budget includes \$911,446 in additional current expense funding for the Board of Education in conjunction with the school funding agreement approved by the Board of Commissioners in FY2014. In addition, an increase of \$456,588 in current expense funding for Fayetteville Technical Community College was requested and is included in the recommended budget.

- ❖ **Vehicles:** The Sheriff's Office requested \$1,367,551 for replacement of 20 vehicles and 9 additional vehicles. The recommended budget includes \$965,045 for replacement of 20 vehicles and \$186,104 for four vehicles associated with new positions. One passenger van for the Detention Center is also recommended.

Funds in the total amount of \$71,544 are included to purchase two hybrid vehicles for Tax Administration and one hybrid vehicle for Social Services. These address the County's strategic goal of energy-efficiency initiatives.

The recommended budget includes \$46,640 for a replacement truck each in Landscaping and Animal Control.

OTHER FY2016 CONSIDERATIONS

The Department of Social Services (DSS) requested 65 new positions with an estimated County match of over \$1 million. These positions were requested to assist with NC FAST system issues and recertifications, the Medicaid application backlog, the Affordable Care Act annual enrollment process and to eliminate mandatory overtime.

As you may recall, funding for 42 time-limited and 3 temporary positions has been in place for over 18 months to assist with the issues previously mentioned. In addition, 17 new positions were added to the Child Protective Services Division during the month of March due to additional state funding based upon case load data.

Of the 65 positions requested, 45 permanent positions would replace the time-limited slots. The remaining 20 positions would augment several other areas including Medicaid, Adult Protective Services, DSS financial and information technology division and administration, with the addition of a new assistant director position and public information officer.

Based upon the financial uncertainties related to sales tax and property revaluation, continued sustainability of this significant County match is questionable. Therefore, the recommended budget does not include funding for these 65 positions. However, the recommended budget does continue funding 25 time-limited positions, which is the average number filled of the 45 total time-limited positions.

To fully assess the request for 65 new positions, a multi-step review process is recommended.

- First, it is recommended that the N.C. Department of Health and Human Services (NC DHHS) conduct a review of caseload data and application processing times compared to staffing levels and make a recommendation on staffing needs. DHHS has conducted these staffing reviews in several counties, including Wake, based upon data captured in the state system.
- Second, I recommend that consideration be given to other alternative strategies to reduce the backlog and mandatory overtime.
- Additionally, before funding is allocated for these positions, it is recommended that the business processes be reviewed and analyzed by the Enterprise Solutions Division to determine if operational efficiencies are available. Some of this will be addressed in conjunction with the ERP (Munis) and ECM (Laserfiche) systems.

- If additional positions are considered as financially sustainable, I recommend a multi-year phase-out of the time-limited slots and phase-in of any new full-time positions approved.
- In addition, during FY2016, the County Finance Committee should be briefed on the results from the recommendations above.

Solid Waste Enterprise Fund

The FY2016 Recommended Budget includes the appropriation of funding for several significant landfill projects. Funding in the amount of \$8,010,000 is appropriated to fund the construction of landfill cells 9 and 10, and conversely \$4,575,000 is recommended for partial closure of landfill cells 1 through 4.

Performance measures for a landfill are a combination of cost containment, revenue maximization and landfill life extension. Our landfill staff seeks to balance all of the measures above. This recommended budget allocates significant funding for equipment that will save landfill space by grinding furniture, mattresses and other bulky items, as well as a replacement tub grinder that grinds wood products into usable products such as mulch.

The recommended budget also includes some minor fee adjustments in the Solid Waste Fund. To assist in collection of accounts, a 1.5% interest charge is recommended per month on the outstanding balance. A new fee is established for the sale of bagged compost in response to requests from citizens.

The current household fee of \$48, which supports landfill operations, has not been changed since implementation in 1991. However, operational costs have increased over this same time period, resulting in positions remaining vacant to ensure current year expenses are covered by revenue generated that year. Landfill operations cannot be sustained indefinitely as expenses increase and revenue, at best, remains flat or at 1991 levels.

Based on a review of surrounding counties shown below, our \$48 household fee is extremely low.

Bladen	\$130
Hoke	\$110
Robeson	\$ 90
Lee	\$ 80 (no landfill)
Harnett	\$ 60 (no landfill)

During the course of this fiscal year, it is recommended that we review the landfill fee schedule and look for opportunities to spread the financial responsibility more equitably. For example, the \$48 fee is charged to households, but multifamily units are not assessed the household fee, but have access to our landfill services. These inequities and opportunities should be explored and advanced through the Finance Committee.

NEW INITIATIVE – BUSINESS INTELLIGENCE PARTNERSHIP

This recommended budget was built based upon financial sustainability concerns, balanced with the increasing demand for services within a very constrained revenue environment.

The conclusion of the prior year’s budget outlined the need to define our core functions and services, to continue seeking ways to streamline our service delivery process and to continue emphasizing technology as a means of enhancing customer service. We have several departments that have made progress in this endeavor, but day-to-day operations and responsibilities limit their ability to commit the time and resources necessary for a full analysis.

To advance this philosophy, which supports the strategic plan goals and objectives of advancing the County’s automation and technology capabilities, funds are recommended for two Business Analyst positions under the new Enterprise Solutions Division to create a Business Intelligence Partnership. The Enterprise Solutions Division was created to focus initially on our County business processes and efficiency opportunities related to the ERP and ECM systems. The

addition of these two positions will advance and expand the analysis to all business processes beyond those connected to these systems, to include informational, relationship or staffing changes that will maximize efficiency opportunities. This division will work collaboratively in partnership with all County departments to enhance our service delivery in the most efficient and economical manner. In fact, once fully staffed, this partnership may be engaged with the Department of Social Services and a review of key business processes in Food and Nutrition and Medicaid applications.

The Enterprise Solutions Division will document the business processes to fully understand the flow of transactions, to ultimately identify opportunities to create a more economical or efficient process or eliminate redundancy. Recommendations will then be presented to a Business Intelligence Committee for consideration as an independent third-party oversight body. This committee will be comprised of six members:

- * I.S. Director
- * Assistant County Manager
- * Internal Audit Director
- * Three Department Representatives

Further, recommendations from this Business Intelligence Committee will be reported to the County's Finance committee.

CONCLUSION

The FY2016 Recommended Budget, which is a product of a team effort of Finance and Management staff, is presented for your review and consideration. As stated earlier, financial sustainability continues to pose a real challenge for the foreseeable future. Establishment of the Business Intelligence Partnership and most importantly, embracing the philosophy that supports this critical initiative may be the path to addressing our financial sustainability and our ability to provide excellent customer service.

Finally, I would like to acknowledge the assistance from all County department heads and their capable staffs in preparation of budgets and their presentations as our team met with each department. My special thanks to our budget team, which includes our Deputy and Assistant County Managers, Finance Director, Budget and Accounting Staff, Governmental Affairs Officer and Public Information Department. Each one played a significant part in developing, balancing and compiling budget documents and presentation materials.

Respectfully submitted,



Amy H. Cannon
County Manager