

Message from the County Manager

May 15, 2017

To the Catawba County Board of Commissioners and Citizens:

I am pleased to present to you the recommended Catawba County budget for Fiscal Year 2017/18 in the amount of \$259,225,614, which maintains a property tax rate of \$0.575 per \$100 of valuation and reflects a 1.9 percent increase in the total budget without CVMC debt accounted for. The General Fund budget is \$195,271,953 of this total, a 2 percent increase over the current year. The budget is balanced and prepared in accordance with the Local Government Budget and Fiscal Control Act and Generally Accepted Accounting Principles, and is aligned with the priorities of and direction given by the Board of Commissioners.

Catawba County's economy continues to grow, as reflected in strong retail sales activity, increasing building permit activity, business investment, and the County's 4.4 percent unemployment rate (as of March 2017). Thanks to this growth, the budget projects increases in both property tax revenue (\$2.7 million) and sales tax revenue (\$3.5 million), which will allow for needed investments to further grow the local economy and deliver quality services to citizens. Despite these positive signs, the County's population remains relatively stagnant, while the number of school aged children continues to decline and the average age of its citizenry increases. If these trends continue, projections indicate Catawba County will face a significant workforce shortage by 2035. Recognizing this trend as a call to action to enhance and promote the County's quality of life in order to attract working-age families and grow the economy, the Board of Commissioners (BOC) are leading a strategic planning process with 10 major focus areas, many of which are reflected in the recommended budget:

- Education
- Water and Sewer Infrastructure
- Economic Development
- Healthy and Safe Community
- Housing
- Internet Connectivity
- Parks and Environment
- Arts and Culture
- Branding and Marketing
- Operational Excellence

BUSINESS LED ECONOMIC DEVELOPMENT & EDUCATION INITIATIVE: K-64

In recognition of the fundamental importance of K-12 education and the need for lifelong learning and skills development, Catawba County in collaboration with the business community, three public school systems, Catawba Valley Community College (CVCC), the Economic Development Corporation (EDC), and Chamber of Commerce, recently created a formal partnership around a joint educational – economic development initiative named K-64, which aims to prepare students of all ages with the skills needed to compete in the global economy, focusing on six priority areas: 1-to-world technology, character development, tech-savvy educators, work-based learning, employer engagement, and career adaptability. The initiative builds on what's already working in Catawba County by implementing and expanding model programs throughout the local education systems in collaboration with local employers and community partners. K-64 is governed by a 12-member board of directors comprised of both private and public sector representatives and

managed by CVCC. Catawba County has committed \$1.3 million for each of the next two years in investment capital for the K-64 initiative, and these funds will be used to leverage additional public and private resources.

Additionally, the budget invests in current expense, annual capital, and construction needs of schools and CVCC as follows:

- \$42.4M in Current Expense funding for public school systems and CVCC:
 - > Public Schools - 3 percent or \$47 per pupil increase (which will partially alleviate pressure on local current expense budgets caused by statutory restrictions on K-3 class size expected to go into effect in August 2018); and
 - > CVCC – 4.4 percent or \$178,596 increase, largely driven by increased operating costs for the new Workforce Solutions Center scheduled to open in Spring 2018.
- \$5.34 million to fund annual school capital projects (a \$248,717 decrease from the current year):
 - > Catawba County Schools – \$3.28 million for projects including HVAC improvements, window and piping replacements, athletic facility improvements, plaster repair, painting, awnings, paving, and replacement of two activity buses, (plus \$2.555 million in roofing needs and other annual capital requests added into schools construction funding);
 - > Hickory Public Schools – \$980,324 (a \$100,348 increase from the current year) to fund HVAC improvements, district-wide communications equipment, paving, exterior renovations to Southwest Elementary School, and replacement of an activity bus;
 - > Newton-Conover City Schools - \$771,373 (a \$153,296 increase over the current year) including stadium lighting replacement, HVAC improvements, and ADA improvements; and
 - > CVCC - \$300,000 to fund ADA improvements, paving, maintenance van replacement, and general renovations.
- \$12.885 million in new school construction projects supported by \$7.63 million in debt financing:
 - > Catawba County Schools – \$5.255 million for new kitchen/cafeterias and renovations at Claremont and Clyde Campbell Elementary Schools, to address system-wide roofing projects, and to provide planning funds for construction projects scheduled in Fiscal Year 2018/19;
 - > Hickory Public Schools - \$1.13 million for renovations to Oakwood and Jenkins Elementary Schools;
 - > Newton-Conover City Schools - \$3 million for a new kitchen/cafeteria at Newton-Conover High School; and
 - > CVCC - \$3.5 million in equipment, primarily for the new Workforce Solutions Center.

WATER & SEWER INFRASTRUCTURE

Water and sewer infrastructure is critical to economic development, providing a pathway to lead quality growth and spurring additional residential development. As a result, the budget invests a total of \$8.45 million in the following water and sewer projects:

- Balls Creek Water (Highway 16) – \$3.55 million is included for a loan project in partnership with the City of Newton to provide water on NC Highway 16 between Coley Fish Pond Road and Buffalo Shoals Road. This project, approved by the BOC in March 2017, also provides water to unserved portions of Balls Creek Road and Buffalo Shoals Road, improving system efficiency by connecting dead-end waterlines within Newton’s water system on each road. While funds are included in the budget, the project coincides with North Carolina Department of Transportation’s (NCDOT) construction of Highway 16. Therefore, the loan will not be activated until NCDOT has completed construction, in approximately 2 to 3 years.
- Duke Energy Water – \$2.5 million is budgeted and will be fully reimbursed by Duke Energy to provide water service to unserved properties affected by Duke’s coal ash basins at Marshall Steam Station. (Recent NC legislation mandates Duke Energy provide a permanent water solution to properties located within one-half mile of the coal ash basins. Duke is wholly responsible for determining where the lines will be located but has contracted with the County for construction of those lines, which ultimately will connect into the County’s water system.)
- Highway 150 Sewer Phase II & III – \$1.1 million is budgeted to provide sewer to the final stretch of NC Highway 150 from Marshall Steam Station to the county line. The project will make sewer service available to several existing businesses and enhance marketability of surrounding property by providing needed capacity for future development.
- Future Projects Set-Aside -- \$1.3 million is budgeted to be set aside towards future projects.

ECONOMIC DEVELOPMENT

Recognizing the need to stimulate economic growth by making community investments to attract potential businesses (which in turn attract a quality workforce), the budget reserves \$152,007 of increased property tax from designated new businesses toward investment in future economic development, such as the County’s share of the joint venture with the City of Hickory in Business Park 1764. Additionally, the budget includes \$45,000 to fund a second speculative building in cooperation with the City of Claremont. (The first spec building was sold earlier this year to DAE Systems resulting in \$7.255 million in investment and 53 new jobs.) Thanks to the efforts of the EDC, \$200 million in increased investment and 490 jobs have been announced this year, expected to manifest over the next 5 years. As a result, \$462,377 is included in the budget for increased incentive payments, funded by property tax revenue generated by tax base expansion.

GENERAL CAPITAL PROJECTS

The budget includes just under \$17 million in general capital projects, roughly \$11.4 million more than the current year budget. This increase is driven by the long-planned 320-bed expansion of

the Catawba County Detention Facility in Newton. The uptick in building in the region puts inflation pressure on pricing. While the following projects are planned and budgeted, implementation and scope may need to be adjusted to account for construction cost increases.

- Jail Expansion Project –The Board of Commissioners approved a design contract for a 320-bed expansion of the Catawba County Detention Facility in April 2017, and that work is underway. The existing facility is running at or above capacity most days. Since the last jail expansion was completed in 2007, the County has been setting aside funds for the future jail expansion by reserving Federal and local bed rental revenue earned from renting excess capacity, when available. In Fiscal Year 2015/16, the Board of Commissioners designated 1.5 cents on the property tax rate for future debt and operating costs associated with the expanded jail. Through Fiscal Year 2016/17, \$8.7 million had been reserved toward the anticipated \$23.1 million project. The Fiscal Year 2017/18 Budget appropriates the remaining \$14.4 million to the project, funded by:
 - > \$13.3 million in new debt issuance,
 - > \$299,000 in previously earned Federal and local bed rental revenue,
 - > \$796,357 from the 1.5 cents property tax dedication not needed for debt next year.
 - > An additional \$750,000 is budgeted in General Fund debt service to make the first ½ year’s debt service payment.
- Government/Justice Center Campus Improvements – \$1 million is set aside for improvements to the Government Center Complex. With completion of the Justice Public Safety Center (JPSC) expansion, it is anticipated that additional funds will be needed to make site improvements to areas disrupted by construction, to renovate existing vacated space in the Government Center and original Justice Center for other uses, and to improve traffic flow on the campus.
- Facilities St. Stephens Library HVAC replacement – \$250,000 is included to replace the 25-year old HVAC system that is energy inefficient and is experiencing mechanical and air circulation issues. Replacement of the unit should decrease ongoing electricity expenses at the branch by at least 25 percent.
- Parks Improvements – \$220,000 is included (with a total of \$850,000 planned over 5 years) for improvements at existing County parks, identified as a priority in the recently adopted Parks Master Plan. Of the \$220,000, roughly \$100,000 is planned to purchase equipment to allow staff to develop trails. In the coming year, Parks will focus on improvements at Riverbend Park, including replacing restroom fixtures and paving.
- Parks Mountain Creek Park – \$125,000 is included for the final year of a 4-year commitment by the developer of the Village at Sherrills Ford to donate a total of \$500,000 towards Mountain Creek Park. This funding will be combined with \$4.73 million in debt financing (anticipated in FY2019/20), \$500,000 in property tax revenue, and the balance in previously set aside funds to support development of the park anticipated to cost around \$6 million.
- Parks Riverbend Park – \$100,000 is included towards the purchase of the Bean property (located adjacent to the existing park), which the County is acquiring for \$400,000 paid in installments over a 3-year period. In Fiscal Year 2016/17, the County paid \$100,000 towards the purchase. In the current year, staff applied for a \$414,109 PARTF grant to

fund the total purchase cost and to reimburse the General Fund for transactional costs incurred to date.

- Library Technology & Facility Upgrades – \$100,000 is included with \$550,000 planned over five years to implement technology and facility upgrades recommended in the Library Strategic Plan. These upgrades are aimed at meeting community technology needs and making the libraries more inviting and user-friendly for the public.
- Ongoing Projects – \$861,643 is included for ongoing projects as follows:
 - > Technology Server and Desktop Applications – \$308,000 is included annually for Microsoft server and desktop application licensing.
 - > Technology Infrastructure Upgrades – \$300,000 is included annually for ongoing infrastructure upgrades, based on a comprehensive multi-year hardware and software replacement schedule for elements of the County’s core computer network.
 - > Permit & Inspections Software Replacement – \$100,000 is set aside from building permit revenue toward future upgrade or replacement of the permit and inspections software system. The current software has been in use for six years. As upgrade or replacement is expected to be needed in the next three to five years and cost upwards of \$800,000. This set-aside will be recurring in coming years to save towards this expense.
 - > General Renovations – The budget allocates \$100,000 in funding for general renovations to address visible wear and tear on County facilities (carpet, furnishings, etc.) as they age.
 - > Technology Oblique Photography – \$53,643 is included for the second year of a 3-year contract to update multi-directional, high quality aerial photography used for public safety, tax, planning, and economic development purposes. This project is funded in partnership with other local municipalities, which have contributed towards its cost.

ARTS & CULTURE

The budget substantially maintains current year funding levels for the United Arts Council of Catawba County (\$155,056) and the Catawba County Historical Association (\$125,000). Hickory Public Libraries requested a slight decrease in funding, based on a lower per capita cost and fewer active Catawba County cardholders living outside Hickory limits, and will be funded as requested, at \$217,808.

With the onset of the recent recession, in Fiscal Year 2009/10, County funding for the SALT Block Foundation was increased from \$75,000 to \$100,000, in conjunction with a \$100,000 commitment from the City of Hickory to support the operations and maintenance of the facilities in the face of diminished endowment corpus. With improvements in the overall economy and investment returns, County funding will revert back to \$75,000. The budget also reduces funding to the Newton-Conover Auditorium Authority by \$5,000.

SERVICE LEVEL CHANGES / MAINTENANCE

The budget includes service level changes in Economic Development, Human Services, Public Safety, and Solid Waste in response to demands for services in these areas. The budget also invests in maintaining service levels throughout the organization to keep pace with increasing demands. Overall, the Fiscal Year 2017/18 budget incorporates 4.25 new FTEs of 18.25 total requested. (The BOC added three FTEs over the course of the current year.)

Economic Development & Human Services

As the economy grows and building activity continues to increase, so does demand for environmental health and building inspections. In acknowledgment of these trends, an additional On-site Environmental Health Inspector and Building Services Official were requested and approved by the Board of Commissioners in May. These positions are reflected in the budget, as well as an additional Building Services Official to be added in January 2018, subject to building activity.

With this budget, the County is revising its plan review fee schedule to shift from a flat fee-based model with a fixed fee for each trade (plumbing, electrical, mechanical, etc.) required in the review to one where fees are determined on a sliding scale based on projects' overall construction cost. This methodology, consistent with that used in comparable counties, increases fee equity and facilitates more effective cost recovery for the County. A combination of increased development activity and fee methodology changes has resulted in \$102,000 in additional building permit revenue, maintaining the Commissioners' policy of user fees substantially covering the costs of providing building services.

Public Safety

The budget invests in maintaining service levels in Public Safety in the following ways:

- Community Relations Sergeant over School Resource Officers (SROs) – The Sheriff's Office is contracted to provide SROs to Catawba County Schools' middle and high schools and to CVCC. An SRO is expected to be available at all times, but due to things such as court, training, or sick and vacation leave, each school's dedicated SRO is not always available, which in these instances leads to Road Patrol, Reserve Deputies, or the SRO assigned to the nearest school providing coverage. Additionally, the Sheriff is using existing SROs and Road Patrol to provide a presence at elementary schools. The Community Relations Sergeant will be in charge of maintaining SRO coverage at the schools, addressing span of control issues (as the current Lieutenant supervises 12 staff, along with volunteers and interns), and freeing the Captain and Lieutenant responsible for crime prevention and other community relations services to focus on those duties.
- Increased hours for Veterans' Services Technician – The Veterans' Services Office is staffed by a full-time Veterans' Services Officer and a 30-hour per week Veterans' Services Technician. This staffing level results in roughly 192 hours per year that the Veterans' Services Office is closed due to lack of staffing when the full-time employee is away from the office for training, meetings, or vacation and sick leave. The budget increases the Technician position to full-time to ensure the office is open whenever County Government is open.

- It is anticipated that the Centers of Medicare and Medicaid Services will reclassify EMS agencies from suppliers of transport to providers of health care. This classification change may lead to a change in the current reimbursement model from a “fee for transport” model to a “fee for services” model that reimburses providers regardless of whether transport occurs. With the opportunity to shape a new reimbursement model, it is important that fees be based on the actual cost of providing service. Accordingly, the budget adjusts fees from 110 percent of Medicare allowable rates to 135 percent, to be consistent with industry, where the standard is 130 to 150 percent above the Medicare allowable rates.

There will be no impact to patients covered by Medicare or Medicaid (approximately 68% of EMS patients), as both Medicare’s and Medicaid’s allowable reimbursable rate will remain the same. For patients with commercial insurance, the magnitude of impact will vary based on whether they have met their deductibles. Patients who live in Catawba County and have Blue Cross Blue Shield (BCBS) coverage will not have experience any impact because the County has an agreement with BCBS to charge Medicare rates. Self-pay patients will experience a larger bill. However, the collection rate for self-pay patients has historically been very low.

Solid Waste

During the recession, solid waste disposal decreased dramatically. As a result, an equipment operator position responsible for managing incoming waste at the Landfill was eliminated. Solid Waste tonnages have increased steadily over the past few years and have returned to pre-recession levels. The budget includes an additional equipment operator to help manage the increased waste and potentially to assist the County and partnering municipalities in conducting site preparation work for economic development locations.

The budget also includes a new Grounds Attendant position to assist the County in addressing citizen concerns and to comply with State requirements to clean up loose trash surrounding the Landfill or blown from trucks delivering waste to the Landfill. This service has been performed by temporary help for the past two years, but maintaining this help has become increasingly difficult.

As the County continues to plan for the future sustainability of its solid waste management operation, near-term investment in landfill build-out will be necessary, with significant capital and closure / post-closure expense on the horizon. The landfill cell actively accepting waste is at approximately 86% of capacity and is forecast to reach full capacity in 2022, requiring the County to begin setting aside funds towards design and construction of the next cell (estimated to cost \$10+ million). Opening future cells drives the need to set aside additional closure / post closure funding, while at the same time supporting operations and funding equipment replacement. Catawba County has contracts in place with the municipalities that establish rates for the County’s acceptance of municipal waste at the landfill. These contracts are due to be renewed in July 2018, at which time the tipping fees will need to be adjusted to adequately cover future expenses.

OPERATIONS

The budget also includes increases in operating expenses in a variety of areas as follows:

- Jail operations are increased \$267,000, offset by \$175,000 of Federal bed rental revenue, due to increasing inmate population that remains at or above capacity most days as follows:
 - > Costs related to basic care and housing of inmates such as medical and food services are increased \$142,000.
 - > An additional \$100,000 is included to relieve overcrowding (when needed) by housing inmates in other detention facilities.
 - > Part-time wages are increased by \$25,000 to supplement full-time staff and relieve pressure on full-time staff to perform required operations such as completing rounds at least twice per hour.
- In addition to the Catawba County Detention Center in Newton, the County continues to own half of the Burke Catawba District Confinement Facility (BCDCF). The contract to operate the facility is increasing \$50,000. Inmate population at the BCDCF is also at maximum capacity, resulting in increased operating costs for the care of prisoners. Further, staff compensation costs are increasing due to the implementation of a Burke County pay study to keep Detention Officers' salaries competitive, the addition of 2 percent performance pay, and a projected 10 percent increase in health insurance premiums.
- Construction of the Justice Public Safety Center is scheduled to conclude in Summer 2017. The Fiscal Year 2017/18 Budget includes \$520,000 in funds to annualize the long-planned cost of additional positions, utilities, and other operating expenses needed for the facility.
- An additional \$226,000 is included to increase the number of annual ambulance replacements from three to four and to fund increased per unit ambulance replacement costs. This cost is offset by \$200,000 in additional ambulance revenue.
- While the total funding appropriation for Partners Behavioral Health Management (Partners BHM) has not changed, the County has granted Partners BHM increased flexibility to allow for pursuit of the behavioral / physical health hub concept. To accommodate this service within existing dollars, Partners will be reducing funding previously dedicated to LifeSkills over the next year while assisting clients with transitioning to other local providers.
- While the County has been proactive in controlling its health insurance costs through wellness efforts and has been successful in slowing the rate of growth in its health claims, current premiums are no longer sufficient to cover anticipated expenses. The budget includes a \$763,000 increase in the County's contribution towards employee health insurance. Employees on both health plans will now contribute to the cost of employee-only health premiums, with a \$7 per biweekly increase for employees on the Core plan and a new \$10 per biweekly charge for the HSA. Other plan design changes include small increases in patient deductibles and out-of-pocket maximums, both of which vary based upon plan choice (Core or Health Savings Account) and coverage level (employee only, employee-spouse, employee-dependent, or family), as well as a change in co-pays for the Health Savings Account from 90/10 to 80/20. Collectively, these changes aim to slow

down cost increases and bring County benefit offerings more in-line with other employer-provided benefits packages.

- The budget includes \$1.15 million in local funds to support 3 percent performance pay for employees who meet performance expectations (with additional earning potential for high performers) and a 0.25 percent State-required increase in the employer share of retirement rates, increasing the non-sworn employer contribution rate from 7.33 percent to 7.58 percent.
- The budget is balanced with \$5.9 million in General Fund fund balance, a \$2.6 million decrease from Fiscal Year 2016/17 due primarily to the periodic expense of a 27th payroll in the current year going away for Fiscal Year 2017/18.

FIRE PROTECTION SERVICE DISTRICTS

A tax increase is recommended for two Fire Protection Service Districts as follows:

- Hickory's rate increased from \$0.09 to \$0.12 for a \$131,390 increase in revenue for capital set-aside funding to purchase fire apparatus and rescue equipment in accordance with its 10-year capital investment plan. Based on spending for Fire, roughly \$0.12 of Hickory's municipal tax rate is dedicated to fire protection. The City provides a high level of service in the rural area, similar to that provided within the municipality. The budget also appropriates \$6,152 of the district's fund balance to upgrade current self-contained breathing apparatus (SCBA) units to National Fire Protection Association (NFPA) standards.
- Claremont's rate increased from \$0.08 to \$0.09 for a \$40,850 increase in revenue. The rate increase, in conjunction with \$54,268 of the district's fund balance, will fund the replacement of 27 SCBA units nearing end of life and debt service for an engine. In future years, the additional revenue will be dedicated to replacement of personal protective equipment, medical response expansion, and staffing.

Additionally, district fund balances are appropriated for five other districts for equipment replacement.

I encourage you to explore the remainder of the budget to learn more about the budget and Catawba County services.

Sincerely,

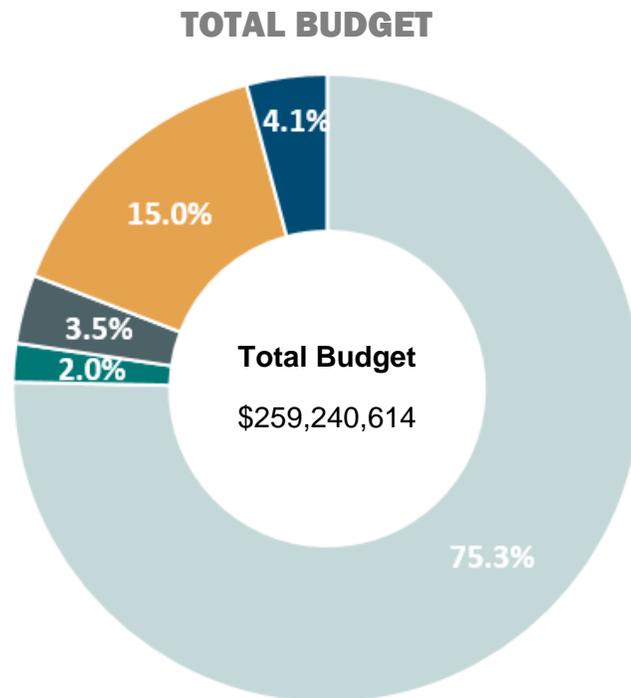
A handwritten signature in black ink that reads "Mick W. Berry". The signature is written in a cursive, flowing style.

Mick W. Berry

County Manager

FISCAL YEAR 2017/18 BUDGET HIGHLIGHTS

The County's total Fiscal Year 2017/18 Budget is \$259,240,614. The County manages these funds using accounts—called funds—to track expenditures and revenue sources. The easiest way for most people to think about funds is to compare them to bank accounts. Money comes into a fund from a variety of sources and is then used to provide services to the public. Catawba County has 36 funds with the largest being the General Fund. The General Fund is the primary operating fund composing \$195,286,953 or 75.3 percent of the budget. These funds are summarized in the budget into the following fund types:



GENERAL FUND

Includes most County departments and services. It is often referred to as the operating Fund.

OTHER GENERAL FUND-LIKE FUNDS

Includes Self-Insurance, Reappraisal and Register of Deeds Automation Funds. These funds are largely funded by and/or tied to General Fund activities.

SPECIAL REVENUE FUNDS

Includes funds that restricted for specific uses and have dedicated revenue sources including: E-911, Sheriff's Narcotics, Fire Protection Service Districts, Rescue Squads, Library Endowment, Parks/Historic Preservation Trust, Community Development, and Hospital Reserve Funds.

CAPITAL PROJECT FUNDS

Includes General Capital, Schools' Capital, Schools' Construction, Water & Sewer, and Solid Waste Capital Funds. Expenses in these funds are budgeted in projects, which--unlike other expenses that lapse at the end of each fiscal year--remain authorized until the projects are completed or the projects are closed.

ENTERPRISE FUNDS

Includes Solid Waste and Water & Sewer Operating Funds.

Revenues

Catawba County has multiple revenue sources that are summarized in the following categories in the budget.

PROPERTY TAX

Includes revenues from taxes based on the assessed value of real and personal property owned. General Fund reflects the county-wide 57.5 cents per 100 of assessed valuation. Fire Service Protection District property taxes are budgeted in Special Revenue Funds.

SALES TAX

County consumers pay a sales tax rate of 2.25%. This revenue is budgeted primarily in the General Fund but also in Schools' Capital based on statutory requirements and Water & Sewer based on designations by the Board of Commissioners for use of the ¼ cent sales tax.

OTHER TAXES

Includes privilege licenses, real estate excise tax, tire and white goods disposal taxes, and ABC per taxes.

INTERGOVERNMENTAL FUNDS

Funds received from the State and Federal governments, generally restricted for specific uses, and heavily concentrated in Human Services.

PERMITS & FEES

Includes building permits, ambulance fees, and certified copies in the General Fund and Landfill user fees in the Solid Waste Management Fund.

MISCELLANEOUS

Includes ABC profits, cable TV franchise, interest on investments, and donations.

FUND BALANCE

Reflects the use of County savings.

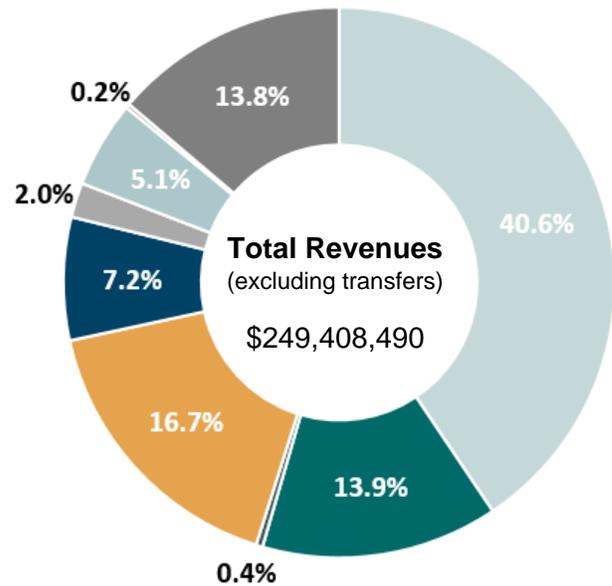
FINES & FORFEITURES

Fees collected by the Courts and entirely distributed to schools.

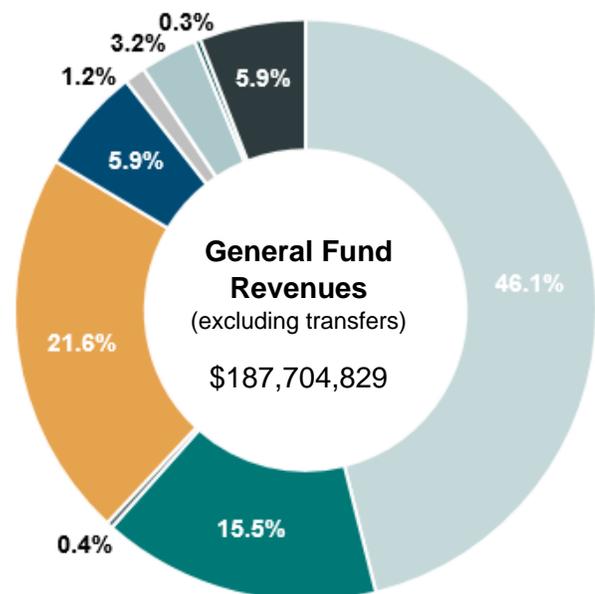
OTHER SOURCES

Includes debt proceeds, special contingency, and insurance premiums.

TOTAL REVENUES



GENERAL FUND REVENUES



Revenue Summary

| | Actual 2015/16 | Current 2016/17 | Requested 2017/18 | Adopted 2017/18 | % Change |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|--------------|
| GENERAL FUND | | | | | |
| Property Tax | \$92,265,078 | \$90,859,429 | \$93,253,140 | \$93,604,203 | 3.0% |
| Sales Tax | \$27,916,854 | \$26,143,664 | \$28,931,351 | \$29,039,068 | 11.1% |
| Other Taxes | \$610,875 | \$593,950 | \$723,410 | \$658,550 | 10.9% |
| Federal | \$12,875,827 | \$14,997,119 | \$14,937,411 | \$15,112,411 | 0.8% |
| State | \$8,257,981 | \$8,024,307 | \$7,890,475 | \$7,890,475 | -1.7% |
| Federal & State | \$10,634,925 | \$11,672,132 | \$11,645,930 | \$11,645,930 | -0.2% |
| Local | \$5,187,223 | \$6,185,761 | \$6,068,542 | \$5,938,000 | -4.0% |
| Permits & Fees | \$11,999,918 | \$10,312,082 | \$10,992,248 | \$11,005,916 | 6.7% |
| Miscellaneous | \$6,530,943 | \$1,963,079 | \$2,048,939 | \$2,186,059 | 11.4% |
| Fund Balance | \$0 | \$8,535,222 | \$8,159,187 | \$5,996,066 | -29.7% |
| Transfers Between Funds | \$613,511 | \$608,217 | \$550,000 | \$550,000 | -9.6% |
| Fines & Forfeitures | \$484,237 | \$600,500 | \$581,350 | \$597,325 | -0.5% |
| Other Sources | (\$109,926) | \$9,285,040 | \$11,062,950 | \$11,062,950 | 19.1% |
| | \$177,267,446 | \$189,780,502 | \$196,844,933 | \$195,286,953 | 2.9% |
| OTHER GENERAL FUND TYPES | | | | | |
| Local | \$196,000 | \$235,000 | \$253,000 | \$253,000 | 7.7% |
| Permits & Fees | \$14,569 | \$12,500 | \$18,000 | \$18,000 | 44.0% |
| Miscellaneous | \$175,418 | \$77,126 | \$89,049 | \$82,880 | 7.5% |
| Fund Balance | \$0 | \$223,557 | \$263,243 | \$263,594 | 17.9% |
| Transfers Between Funds | \$2,095,829 | \$2,118,572 | \$2,225,700 | \$2,210,700 | 4.3% |
| Other Sources | \$1,779,051 | \$1,829,000 | \$2,273,000 | \$2,309,500 | 26.3% |
| | \$4,260,867 | \$4,495,755 | \$5,121,992 | \$5,137,674 | 14.3% |
| SPECIAL REVENUE FUNDS | | | | | |
| Prior Year Tax | \$1,050,525 | \$1,067,200 | \$1,100,300 | \$994,609 | -6.8% |
| Fire Protection Service District | \$5,548,696 | \$6,384,421 | \$6,656,235 | \$6,656,235 | 4.3% |
| Federal | \$62,136 | \$0 | \$0 | \$0 | 0.0% |
| State | \$441,504 | \$1,358,595 | \$589,422 | \$589,422 | -56.6% |
| Local | \$8,925 | \$0 | \$0 | \$0 | 0.0% |
| Miscellaneous | \$128,245 | \$27,067 | \$51,500 | \$58,500 | 116.1% |
| Fund Balance | \$0 | \$775,475 | \$871,666 | \$864,775 | 11.5% |
| Other Sources | \$0 | \$5,000 | \$5,000 | \$5,000 | 0.0% |
| Transfers Between Funds | \$7,053 | \$55,941 | \$23,654 | \$23,654 | -57.7% |
| | \$7,247,084 | \$9,673,699 | \$9,297,777 | \$9,192,195 | -5.0% |
| CAPITAL PROJECT FUNDS | | | | | |
| Sales Tax | \$5,857,178 | \$4,335,292 | \$4,842,809 | \$4,806,809 | 10.9% |
| Federal | \$552,651 | \$450,000 | \$233,662 | \$234,000 | -48.0% |
| State | \$120,825 | \$928,950 | \$0 | \$0 | -100.0% |
| Local | \$149,187 | \$325,000 | \$48,995 | \$65,000 | -80.0% |
| Miscellaneous | \$1,142,543 | \$141,461 | \$137,928 | \$2,666,630 | 100.0% |
| Fund Balance | \$0 | \$53,369 | \$19,372,803 | \$3,133,101 | 100.0% |
| Transfers Between Funds | \$10,320,066 | \$9,732,425 | \$8,792,819 | \$7,047,770 | -27.6% |
| Other Sources | \$570,000 | \$22,070,600 | \$24,365,810 | \$20,965,809 | -5.0% |
| | \$18,712,450 | \$38,037,097 | \$57,794,826 | \$38,919,119 | 2.3% |

| | Actual 2015/16 | Current 2016/17 | Requested 2017/18 | Adopted 2017/18 | % Change |
|-------------------------|----------------------|----------------------|----------------------|----------------------|--------------|
| ENTERPRISE FUNDS | | | | | |
| Sales Tax | \$0 | \$713,472 | \$803,907 | \$803,907 | 100.0% |
| Other Taxes | \$327,044 | \$287,000 | \$287,000 | \$297,000 | 3.5% |
| State | \$29,408 | \$14,000 | \$14,000 | \$14,000 | 0.0% |
| Local | \$3,000 | \$3,000 | \$3,000 | \$3,000 | 0.0% |
| Permits & Fees | \$7,044,128 | \$6,567,798 | \$7,041,445 | \$6,991,783 | 6.5% |
| Miscellaneous | \$464,412 | \$66,900 | \$67,080 | \$67,080 | 0.3% |
| Fund Balance | \$0 | \$1,562,511 | \$2,675,010 | \$2,477,903 | 58.6% |
| Transfers Between Funds | \$1,617,050 | \$1,600,000 | \$0 | \$0 | -100.0% |
| Other Sources | \$54,235 | \$0 | \$50,000 | \$50,000 | 0.0% |
| | \$9,539,277 | \$10,814,681 | \$10,941,442 | \$10,704,673 | -1.0% |
| TOTAL | \$217,027,124 | \$252,801,734 | \$280,000,970 | \$259,240,614 | 2.5% |

Expenditures

The budget uses Functions to break down expenditures. Functions are categories within funds that are descriptive of the departments and services budgeted within them. The charts reflect the amount of the total budget and General Fund budget dedicated to each function.



GENERAL GOVERNMENT

Provides administrative support for County government. Includes direct public services such as Board of Elections, Register of Deeds, and Tax as well as County Administration including the Board of Commissioners, County Manager, Human Resources, and Finance.



PUBLIC SAFETY

Work to provide a safe, secure community and provide emergency medical transportation. Includes the Sheriff's Department, Emergency Services, E-911 Communications Center, and other Public Safety activities.



ECONOMIC & PHYSICAL DEVELOPMENT

Internal departments and external agencies focused on economic and physical development. Includes Technology, Planning, Parks, and Development, Utilities and Engineering, and other Economic Development. Total budget includes Solid Waste and Water and Sewer Funds.



ENVIRONMENTAL QUALITY

Includes Cooperative Extension Services, Soil and Water Conservation, and Forestry.



HUMAN SERVICES

The Human Services' budget includes Social Services, Public Health, Partners Behavioral Health, and the Medical Examiner.



EDUCATION

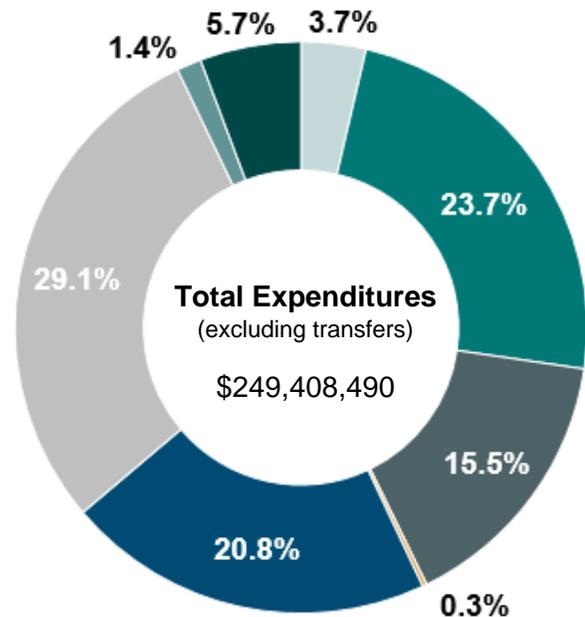
The three public school systems: Catawba County Schools, Hickory Public Schools, and Newton-Conover City Schools and Catawba Valley Community College (CVCC).



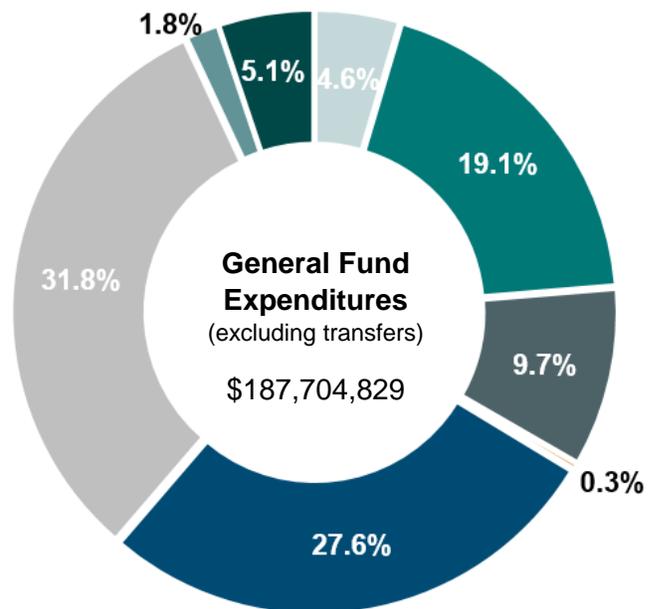
CULTURE

Includes the County Library system and outside organizations such as the Historical Museum, Catawba County Council for the Arts, Salt Bock, Newton-Conover Auditorium, and the Patrick Beaver Memorial Library.

TOTAL EXPENDITURES



GENERAL FUND EXPENDITURES



OTHER

Includes the Self-insurance fund and CVMC debt.

Expenditure Summary

| | Actual 2015/16 | Current 2016/17 | Requested 2017/18 | Adopted 2017/18 | % Change |
|---|----------------------|----------------------|----------------------|----------------------|--------------|
| GENERAL FUND | | | | | |
| General Government | \$7,215,190 | \$8,592,590 | \$8,767,318 | \$8,571,657 | -0.2% |
| Transfers to Other Funds | \$11,368,300 | \$11,682,505 | \$9,167,173 | \$7,582,124 | -35.1% |
| Public Safety | \$27,353,941 | \$30,654,273 | \$32,847,116 | \$31,721,186 | 3.5% |
| Environmental Quality | \$573,411 | \$619,598 | \$687,053 | \$632,524 | 2.1% |
| Economic & Physical Development | \$15,208,132 | \$17,012,099 | \$18,268,174 | \$18,115,226 | 6.5% |
| Human Services | \$46,314,642 | \$51,570,882 | \$51,954,695 | \$51,844,844 | 0.5% |
| Schools Current Expense | \$40,723,510 | \$41,612,704 | \$43,830,570 | \$44,015,516 | 5.8% |
| Libraries & Culture | \$3,513,589 | \$3,194,811 | \$3,477,644 | \$3,375,867 | 5.7% |
| Debt Service | \$14,029,614 | \$24,841,040 | \$27,845,190 | \$29,428,009 | 18.5% |
| | \$166,300,329 | \$189,780,502 | \$196,844,933 | \$195,286,953 | 2.9% |
| OTHER GENERAL FUND TYPES | | | | | |
| Self Insurance Fund | \$4,949,643 | \$4,003,000 | \$4,569,700 | \$4,591,200 | 14.7% |
| Reappraisal Fund | \$371,338 | \$415,629 | \$463,243 | \$463,594 | 11.5% |
| Register of Deeds Automation & Preservation | \$110,102 | \$77,126 | \$89,049 | \$82,880 | 7.5% |
| Capital Reserve Fund | \$0 | \$58,217 | \$0 | \$0 | -100.0% |
| | \$5,431,083 | \$4,553,972 | \$5,121,992 | \$5,137,674 | 12.8% |
| SPECIAL REVENUE FUNDS | | | | | |
| Emergency Telephone System Fund | \$589,620 | \$1,415,420 | \$641,923 | \$642,032 | -54.6% |
| Narcotics Seized Fund | \$76,000 | \$9,668 | \$10,000 | \$10,000 | 3.4% |
| State Unauthorized Substance Fund | \$0 | \$31,508 | \$30,000 | \$30,000 | -4.8% |
| Hospital Reserve Fund | \$500,000 | \$500,000 | \$500,000 | \$500,000 | 0.0% |
| Rescue Squads Fund | \$1,017,597 | \$1,067,200 | \$1,100,300 | \$994,609 | -6.8% |
| Library Endowment Fund | \$0 | \$10,000 | \$0 | \$0 | -100.0% |
| Gretchen Peed Scholarship Fund | \$1,250 | \$1,500 | \$1,500 | \$1,500 | 0.0% |
| Parks/Historic Preservation Trust Fund | \$49,000 | \$5,000 | \$5,000 | \$5,000 | 0.0% |
| Community Development Fund | \$100,246 | \$0 | \$0 | \$0 | 0.0% |
| Fire Protection Service District Funds | \$5,447,925 | \$6,575,186 | \$7,009,054 | \$7,009,054 | 6.6% |
| | \$7,781,638 | \$9,615,482 | \$9,297,777 | \$9,192,195 | -4.4% |
| CAPITAL PROJECT FUNDS | | | | | |
| General Capital Projects | \$16,097,154 | \$5,186,753 | \$18,653,110 | \$16,970,507 | 100.0% |
| Schools' Capital Fund | \$6,761,742 | \$5,584,228 | \$18,499,029 | \$5,335,511 | -4.5% |
| Schools' Construction Fund | \$3,353,098 | \$25,426,683 | \$10,562,819 | \$7,630,000 | -70.0% |
| Hospital Construction Fund | \$0 | \$24,433 | \$0 | \$0 | -100.0% |
| Water & Sewer Capital Fund | \$1,485,867 | \$15,000 | \$8,204,868 | \$7,283,101 | 100.0% |
| Solid Waste Capital | \$701,259 | \$1,800,000 | \$1,875,000 | \$1,700,000 | -5.6% |
| | \$28,399,120 | \$38,037,097 | \$57,794,826 | \$38,919,119 | 2.3% |
| ENTERPRISE FUND | | | | | |
| Water and Sewer | \$794,023 | \$3,034,472 | \$2,495,271 | \$2,495,330 | -17.8% |
| Solid Waste | \$7,145,097 | \$7,780,209 | \$8,446,171 | \$8,209,343 | 5.5% |
| | \$7,939,120 | \$10,814,681 | \$10,941,442 | \$10,704,673 | -1.0% |
| TOTAL | \$215,851,290 | \$252,801,734 | \$280,000,970 | \$259,240,614 | 2.5% |

Note: General Fund increase is only 2 percent and total budget is only 1.9 percent when CVMC debt (pass-through only) is excluded.

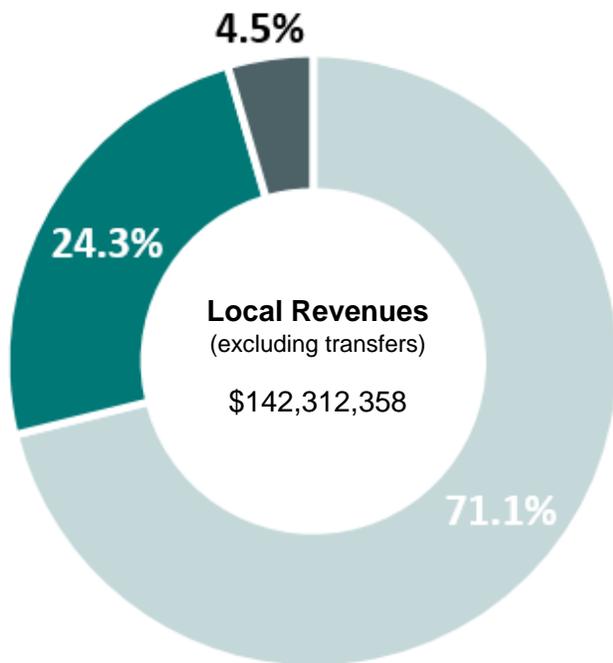
Local Funds

The County receives significant revenue from sources other than County, particularly in Human Services where County governments are often ordered by the State to carry out certain programs. These revenues are typically restricted to programs for which they are received and can't be used for other purposes. Because large amounts of restricted funds are received from the State, the term "County Share" has been created to identify how much County tax revenue is spent on programs. Because of this unique relationship between the State and the County, it is often possible for a department to add personnel or a new program without significantly increasing the amount of County tax revenue needed to support the service.

Other services such as Building Services generate sufficient revenue to support itself and by Statute, excess revenue can't be used to support other services. Similarly, Solid Waste, as an Enterprise Fund, supports itself without County tax revenue.

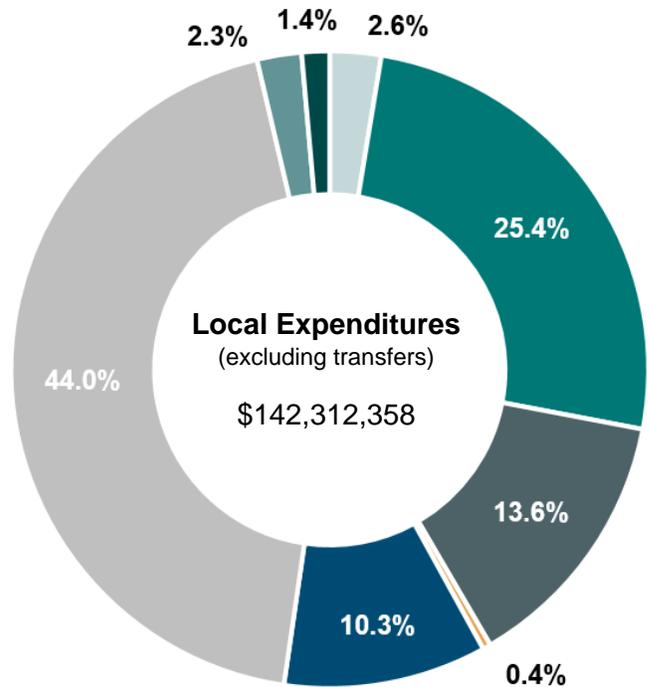
Many services provided by the County don't generate revenues at all, or the amount generated isn't sufficient to cover the cost of delivering the service such as Education, Public Safety, General Government Administration, and Libraries. The term Local Funds is used to refer to the portion of the budget supported by property tax, sales tax, and related fund balance dollars. When only local funds are considered, Education is clearly the largest portion of the County budget followed by Public Safety.

LOCAL REVENUES



■ Property Tax ■ Sales Tax ■ Fund Balance

LOCAL EXPENDITURES



■ General Government ■ Public Safety
 ■ Economic & Physical Development ■ Environmental Quality
 ■ Human Services ■ Education
 ■ Libraries and Culture ■ Other

Major Changes in the Fiscal Year 2017/18 Budget

REVENUE

Property Tax

Due to tax base growth and conservative budgeting in prior years, property tax revenue increased \$2.67 million budget to budget.

Sales Tax

Sales tax revenues increased \$3.46 million budget to budget due to growth and conservative budgeting the prior year.

General Fund Fund Balance

Fund balance appropriated in the General Fund decreased \$2.5 million based on the absence of a once in 11 years 27th payroll that occurred in the current year and strong projected revenue growth.

EXPENSE



GENERAL GOVERNMENT

Tax

Expenses are included with offsetting revenue to fund a contract with an outside legal firm to provide mortgage-style foreclosures on tax delinquent properties approved in Fiscal Year 2016/17.

Board of Elections

Expenses for Board of Elections vary from year to year depending on the number of elections conducted. In Fiscal Year 2016/17, only one election was conducted compared to three in Fiscal Year 2017/18. Two of the scheduled elections are municipal and will be offset by revenue from the municipalities.



PUBLIC SAFETY

Sheriff

A Community Relations Sergeant position in charge of supervising School Resource Officers is added. Funds are included to address increased expenses driven by jail overcrowding and costs for Bailiffs funded for a portion of Fiscal Year 2016/17 are annualized with the opening of the Justice Public Safety Center (JPSC).

Emergency Services

Funds are included to replace an additional ambulance (for a total of 4), offset by increased ambulance revenue.

Communications Center

Costs for three Telecommunicators funded for a portion of Fiscal Year 2016/17 are annualized with the opening of the JPSC.

Other Public Safety

Increased funding is provided to Repay to allow a replacement for the long-term Director of Pretrial Services and the Court Improvement Facilitator to be hired in July prior to the Director's scheduled retirement in December due to the importance of these jail diversion efforts.



ECONOMIC & PHYSICAL DEVELOPMENT

Technology

Funds are included as planned for increased costs of audio visual equipment and maintenance contracts associated with the opening of the JPSC.

Other Economic

Increased funding is included for economic development incentive contracts subject to required business investments and jobs added.

Utilities & Engineering

Funds are added for two new Building Services Officials: one was authorized in May 2017 and the other will be added at mid-year subject to building activity. The budget begins setting aside funds for future permitting software replacement. These costs are supported by increased building permit revenue.

Facilities

Funds are included to annualize utility and maintenance costs, including an additional Maintenance Mechanic for the JPSC.



HUMAN SERVICES

Public Health

The budget includes funding for an additional Environmental Health Inspector authorized in May 2017 for onsite waste water.



Education

The budget commits \$1.3 million towards the K-64 initiative, the first of a two year commitment. Current Expense funding for public schools is increased by \$47 or 3 percent per pupil from \$1,540 to \$1,587. CVCC current expense is increased by 4.4 percent driven by the opening of the Workforce Solutions Center in Spring 2018.



Library

Funding to the Library is increased for part-time wages, software services, and utilities driven by service expansions in previous years and strategic plan investments.

Other Culture

Funding to the Newton-Conover Auditorium Authority and the SALT Block is reduced, realigning County support closer to pre-recession levels.



Self-Insurance

Expenses are increased, offset by revenue, for the employee portion of health and dental expenses budgeted in the self-insurance fund.

Reappraisal

Expenses are increased due to periodic expenses necessary to prepare for the next revaluation scheduled in 2019.

E-911

Funding is decreased due to capital expenses budgeted in Fiscal Year 2016/17 for the JPSC and a back-up center at Hickory Police Department.

Fire Service Protection District

Fire taxes are increased for Hickory and Claremont, bringing the rural rates in line with those of the cities providing the services. Additionally, eight districts requested fund balance for equipment replacement.

General Capital Projects

A 320-bed expansion of the jail is planned at a projected cost of \$23 million. The County has set aside \$8.7 million to date in bed rental revenue and dedicated property tax. The budget appropriates an additional \$14.4 million, \$13.3 million of which is anticipated to be debt financed.

Schools Construction

The budget authorizes \$12.885 million in school construction projects, \$5.255 million of which is funded from previously authorized projects that Catawba County Schools has decided not to pursue.

Water & Sewer Capital

The budget authorizes \$8.45 million (\$1.17 million of which is funded by closed projects) in water and sewer projects aimed at stimulating economic development.

Water & Sewer Operating

The Water & Sewer Operating fund decreased. In Fiscal Year 2016/17, water and sewer capital projects were funded from remaining balances in previously completed projects. As a result, all dedicated revenue to water & sewer was budgeted in operating and exceeded the expenses. The difference was budgeted as contingency to balance the fund.

Solid Waste Capital

Funding to the capital fund decreased due to fewer projects.

Solid Waste Management

The budget increased to fund increased operating expenses at the Landfill due to tonnages and increased Recycling activity. The budget also includes two new positions: a Grounds Attendant to deal with debris on the road leading to the Landfill as required by the State and a Landfill Equipment Operator to assist with increased waste disposal tonnages.

LONG-TERM FINANCIAL PLANNING

Catawba County's economy continues to grow as reflected in strong retail sales activity, increasing building permit activity, business investment, and the County's 4.4 percent unemployment rate (as of March 2017), the County is taking deliberate steps to accelerate and reinforce this economic growth. Over the course of the past year, the Board of Commissioners led a strategic planning process aimed at enhancing and promoting the County's quality of life in order to attract working-age families and to grow the economy. In the coming years, the County will continue to focus on anticipating future service pressures and delivering responsive services to the community.

The Fiscal Year 2017/18 budget invests in services and infrastructure related to many of the 10 major focus areas of the strategic plan as well as general service needs. The budget message describes these investments in greater detail, but highlights of investment include:

- *Education:* \$1.3 million dedicated for each of the next two years to K-64, 3 percent per pupil current expense increase for the three public school systems, and a 4.4 percent increase in funding to CVCC. Additionally, the budget funds \$5.34 million in schools' annual capital needs and plans for up to \$34.7 million in projects in the last two years of a four-year construction funding cycle approved in Fiscal Year 2015/16.
- *Water & Sewer Infrastructure:* \$8.45 million in water and sewer projects in Fiscal Year 2017/18 with an additional \$17.1 million planned over the next four years.
- *Economic Development:* The budget reserves \$152,007 of projected increased property tax from tax base growth toward a future economic development set-aside fund and funds a second spec building in cooperation with the City of Claremont.
- *Parks:* The 5-year capital improvement plan includes plans to develop Mountain Creek Park through a combination of County funds, donations, grants, and debt financing and to make improvements to existing parks.
- *Public Safety:* The County has reserved bed rental revenue since its last jail expansion in 2007 and dedicated 1.5 cents property tax since Fiscal Year 2015/16 toward the cost of future jail expansion. A 320-bed expansion is scheduled to begin in the coming year with anticipated total costs of \$23.1 million, \$14.4 million of which will be debt financed with the rest coming from reserved revenue. The budget includes a new Community Relations Sergeant position in charge of School Resource Officers and increased hours for a Veterans Services Technician. Funds are reserved for providing "Right Care, Right Place, Right Time" public safety services. Costs for the JPSC expansion scheduled for completion in Summer of 2017 are annualized.
- *Solid Waste:* The addition of a Grounds Attendant to address loose trash surrounding the Landfill and an Operator at the Landfill due to increasing tonnages. The budget also continues to plan for the next landfill cell expected to begin accepting waste in 2022 and estimated to cost over \$10 million.

The County is able to make these investments within available revenues, maintaining the property tax rate of \$0.575 for every \$100 of valuation until the next revaluation cycle in 2019, thanks to a strong tradition of fiscal stewardship and conservative budgeting. Comprehensive long-range plans have been developed for critical service areas such as school construction, jail expansion, water and sewer infrastructure, parks, libraries, and solid waste.

The following pages provide 4-year revenue and expenditure projections that reflect the County's long-range plans.

4-Year Revenue Summary Projection

| | Adopted 2017/18 | Projected 2018/19 | Projected 2019/20 | Projected 2020/21 |
|----------------------------------|----------------------|----------------------|----------------------|----------------------|
| GENERAL FUND | | | | |
| Property Tax | \$93,604,203 | \$95,944,308 | \$100,509,830 | \$105,243,662 |
| Sales Tax | \$29,039,068 | \$30,491,021 | \$32,015,572 | \$33,616,351 |
| Other Taxes | \$658,550 | \$675,014 | \$691,889 | \$709,186 |
| Federal | \$15,112,411 | \$15,490,221 | \$15,908,602 | \$16,368,567 |
| State | \$7,890,475 | \$8,087,737 | \$8,472,430 | \$8,775,491 |
| Federal & State | \$11,645,930 | \$11,937,078 | \$12,235,505 | \$12,541,393 |
| Local | \$5,938,000 | \$6,086,450 | \$6,311,611 | \$6,615,401 |
| Permits & Fees | \$11,005,916 | \$11,336,093 | \$11,676,176 | \$12,026,461 |
| Miscellaneous | \$2,186,059 | \$2,240,710 | \$2,296,728 | \$2,354,146 |
| Fund Balance | \$5,996,066 | \$6,250,175 | \$5,781,370 | \$5,451,432 |
| Transfers Between Funds | \$550,000 | \$3,543,405 | \$1,125,007 | \$582,588 |
| Fines & Forfeitures | \$597,325 | \$615,245 | \$633,702 | \$652,713 |
| Other Sources | \$11,062,950 | \$8,824,984 | \$7,921,345 | \$7,798,772 |
| | \$195,286,953 | \$201,522,441 | \$205,579,767 | \$212,736,163 |
| OTHER GENERAL FUND TYPES | | | | |
| Local | \$253,000 | \$259,325 | \$265,808 | \$272,453 |
| Permits & Fees | \$18,000 | \$18,540 | \$19,096 | \$19,669 |
| Miscellaneous | \$82,880 | \$84,952 | \$87,076 | \$89,253 |
| Fund Balance | \$263,594 | \$313,814 | \$364,941 | \$416,987 |
| Transfers Between Funds | \$2,210,700 | \$2,210,700 | \$2,210,700 | \$2,210,700 |
| Other Sources | \$2,309,500 | \$2,378,785 | \$2,450,149 | \$2,523,653 |
| | \$5,137,674 | \$5,266,116 | \$5,397,770 | \$5,532,715 |
| SPECIAL REVENUE FUNDS | | | | |
| Prior Year-Property Tax | \$994,609 | \$994,609 | \$994,609 | \$994,609 |
| Fire Protection Service District | \$6,656,235 | \$6,822,641 | \$6,993,207 | \$7,168,037 |
| Federal | \$0 | \$0 | \$0 | \$0 |
| State | \$589,422 | \$589,422 | \$589,422 | \$589,422 |
| Local | \$0 | \$0 | \$0 | \$0 |
| Miscellaneous | \$58,500 | \$58,500 | \$58,500 | \$58,500 |
| Fund Balance | \$864,775 | \$877,414 | \$865,040 | \$851,254 |
| Other Sources | \$5,000 | \$5,000 | \$5,000 | \$5,000 |
| Transfers Between Funds | \$23,654 | \$0 | \$0 | \$0 |
| | \$9,192,195 | \$9,347,586 | \$9,505,778 | \$9,666,822 |
| CAPITAL PROJECT FUNDS | | | | |
| Sales Tax | \$4,806,809 | \$5,047,149 | \$5,339,702 | \$5,606,687 |
| Federal | \$234,000 | \$0 | \$0 | \$0 |
| State | \$0 | \$250,000 | \$0 | \$250,000 |
| Local | \$65,000 | \$0 | \$0 | \$0 |
| Miscellaneous | \$2,666,630 | \$41,630 | \$28,702 | \$45,163 |
| Fund Balance | \$3,133,101 | \$5,595,370 | \$1,666,469 | \$2,344,931 |
| Transfers Between Funds | \$7,047,770 | \$5,654,777 | \$4,840,499 | \$3,927,878 |
| Other Sources | \$20,965,809 | \$15,560,405 | \$5,308,182 | \$32,588 |
| | \$38,919,119 | \$32,149,331 | \$17,183,554 | \$12,207,247 |

| | Adopted 2017/18 | Projected 2018/19 | Projected 2019/20 | Projected 2020/21 |
|-------------------------|----------------------|----------------------|----------------------|----------------------|
| ENTERPRISE FUNDS | | | | |
| Sales Tax | \$803,907 | \$832,044 | \$861,166 | \$891,307 |
| Other Taxes | \$297,000 | \$297,620 | \$298,246 | \$298,878 |
| State | \$14,000 | \$14,000 | \$14,000 | \$14,000 |
| Local | \$3,000 | \$3,000 | \$3,000 | \$3,000 |
| Permits & Fees | \$6,991,783 | \$7,052,724 | \$7,114,274 | \$7,176,440 |
| Miscellaneous | \$67,080 | \$67,080 | \$92,080 | \$92,080 |
| Fund Balance | \$2,477,903 | \$2,410,690 | \$2,430,445 | \$1,870,426 |
| Transfers Between Funds | \$0 | \$0 | \$0 | \$0 |
| Other Sources | \$50,000 | \$50,000 | \$50,000 | \$50,000 |
| | \$10,704,673 | \$10,727,158 | \$10,863,211 | \$10,396,131 |
| TOTAL | \$259,240,614 | \$259,012,632 | \$248,530,080 | \$250,539,078 |

4-Year Expense Summary Projection

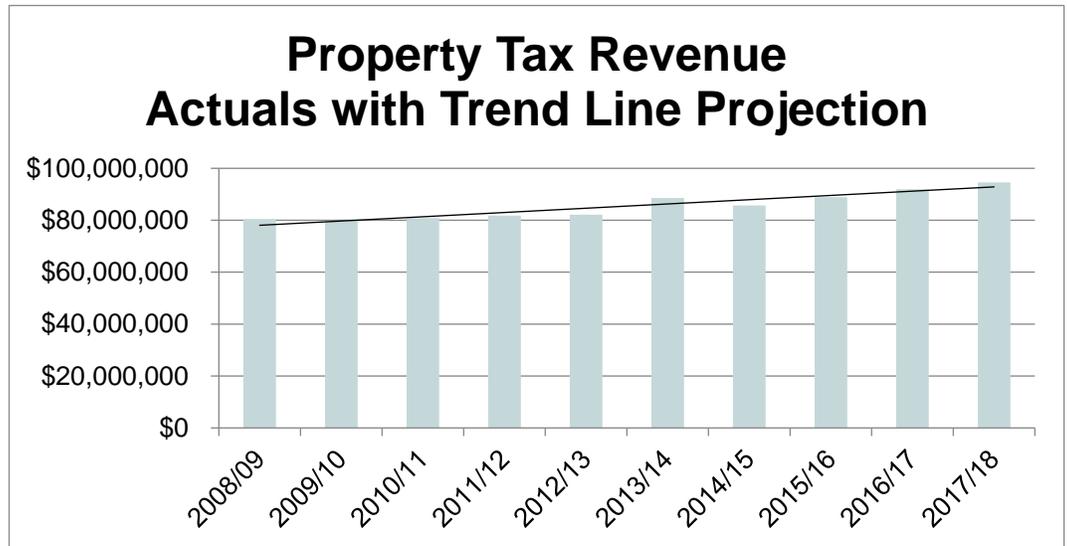
| | Adopted 2017/18 | Projected 2018/19 | Projected 2019/20 | Projected 2020/21 |
|---|----------------------|----------------------|----------------------|----------------------|
| GENERAL FUND | | | | |
| General Government | \$8,571,657 | \$8,785,948 | \$9,005,597 | \$9,230,737 |
| Transfers to Other Funds | \$7,582,124 | \$5,877,067 | \$6,074,669 | \$5,924,225 |
| Public Safety | \$31,721,186 | \$33,505,904 | \$36,151,052 | \$40,815,778 |
| Environmental Quality | \$632,524 | \$648,337 | \$664,545 | \$681,159 |
| Economic & Physical Development | \$18,115,226 | \$18,568,107 | \$19,032,310 | \$19,508,118 |
| Human Services | \$51,844,844 | \$53,140,965 | \$54,469,489 | \$55,831,226 |
| Schools Current Expense | \$44,015,516 | \$45,115,904 | \$46,243,802 | \$47,399,897 |
| Libraries & Culture | \$3,375,867 | \$3,460,264 | \$3,546,771 | \$3,635,440 |
| Debt Service | \$29,428,009 | \$32,419,945 | \$30,391,532 | \$29,709,583 |
| | \$195,286,953 | \$201,522,441 | \$205,579,767 | \$212,736,163 |
| OTHER GENERAL FUND TYPES | | | | |
| Self Insurance Fund | \$4,591,200 | \$4,705,980 | \$4,823,630 | \$4,944,221 |
| Reappraisal Fund | \$463,594 | \$475,184 | \$487,064 | \$499,241 |
| Register of Deeds Automation & Preservation | \$82,880 | \$84,952 | \$87,076 | \$89,253 |
| | \$5,137,674 | \$5,266,116 | \$5,397,770 | \$5,532,715 |
| SPECIAL REVENUE FUNDS | | | | |
| Emergency Telephone System Fund | \$642,032 | \$654,873 | \$667,970 | \$681,329 |
| Narcotics Seized Fund | \$10,000 | \$10,000 | \$10,000 | \$10,000 |
| State Unauthorized Substance Fund | \$30,000 | \$30,000 | \$30,000 | \$30,000 |
| Hospital Reserve | \$500,000 | \$500,000 | \$500,000 | \$500,000 |
| Rescue Squads Fund | \$994,609 | \$1,014,501 | \$1,034,791 | \$1,055,487 |
| Gretchen Peed Scholarship Fund | \$1,500 | \$1,500 | \$1,500 | \$1,500 |
| Parks/Historic Preservation Trust Fund | \$5,000 | \$5,000 | \$5,000 | \$5,000 |
| Fire Protection Service District Funds | \$7,009,054 | \$7,131,712 | \$7,256,517 | \$7,383,506 |
| | \$9,192,195 | \$9,347,586 | \$9,505,778 | \$9,666,822 |
| CAPITAL PROJECT FUNDS | | | | |
| General Capital Projects | \$16,970,507 | \$1,826,455 | \$6,240,143 | \$1,886,270 |
| Schools' Capital Fund | \$5,335,511 | \$5,575,851 | \$5,868,404 | \$6,135,389 |
| Schools' Construction Fund | \$7,630,000 | \$15,560,405 | \$575,007 | \$32,588 |
| Water & Sewer Capital Fund | \$7,283,101 | \$7,286,620 | \$3,400,000 | \$3,803,000 |
| Solid Waste Capital | \$1,700,000 | \$1,900,000 | \$1,100,000 | \$350,000 |
| | \$38,919,119 | \$32,149,331 | \$17,183,554 | \$12,207,247 |
| ENTERPRISE FUND | | | | |
| Water & Sewer | \$2,495,330 | \$2,756,487 | \$2,661,244 | \$2,650,599 |
| Solid Waste | \$8,209,343 | \$7,970,671 | \$8,201,967 | \$7,745,532 |
| | \$10,704,673 | \$10,727,158 | \$10,863,211 | \$10,396,131 |
| TOTAL | \$259,240,614 | \$259,012,632 | \$248,530,080 | \$250,539,078 |

REVENUE TRENDS

MAJOR REVENUE SOURCES (ACTUALS & TRENDS)

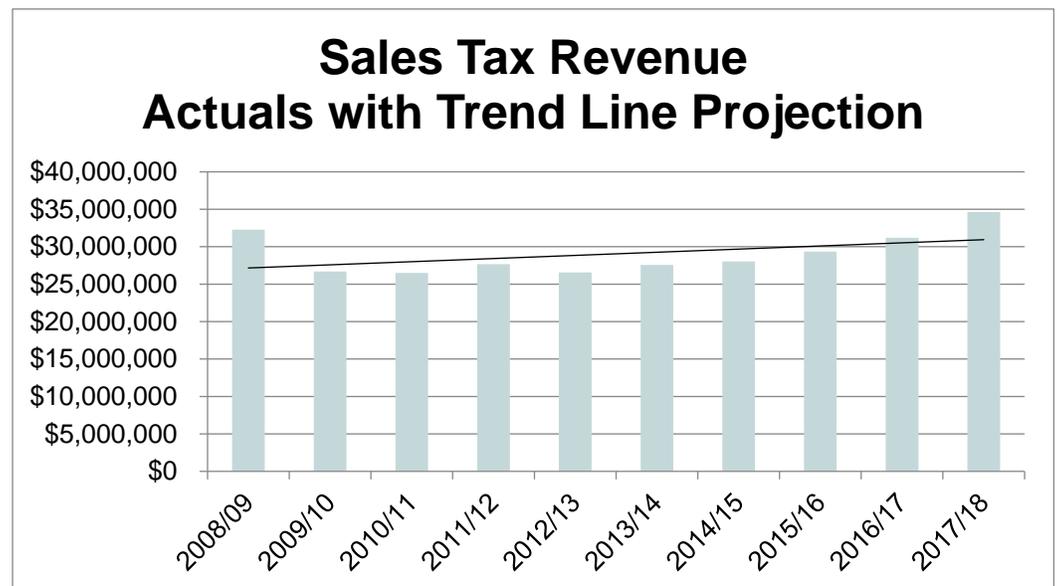
Property Tax

A tax levied by the Board of Commissioners against real and personal property. Once every four years, the County Tax Assessor must revalue the real property in the County. The County tax rate is \$0.575 per \$100 of valuation. Fiscal Year 2017/18 budgeted property tax is \$94,600,000.



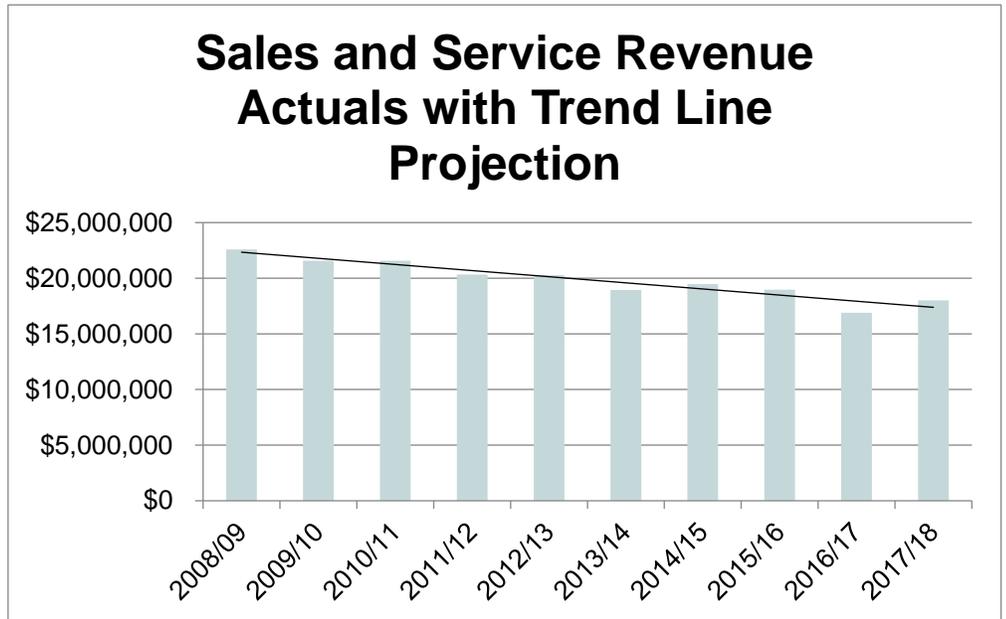
Sales Tax

Sales tax is levied by the County, collected by the State, and then returned to the County. Sales Tax revenue is directly related to an economy's growth or decline. Sales Tax estimates conservatively include a 2 percent increase for Fiscal Year 2017/18 compared to Fiscal Year 2015/16 receipts.



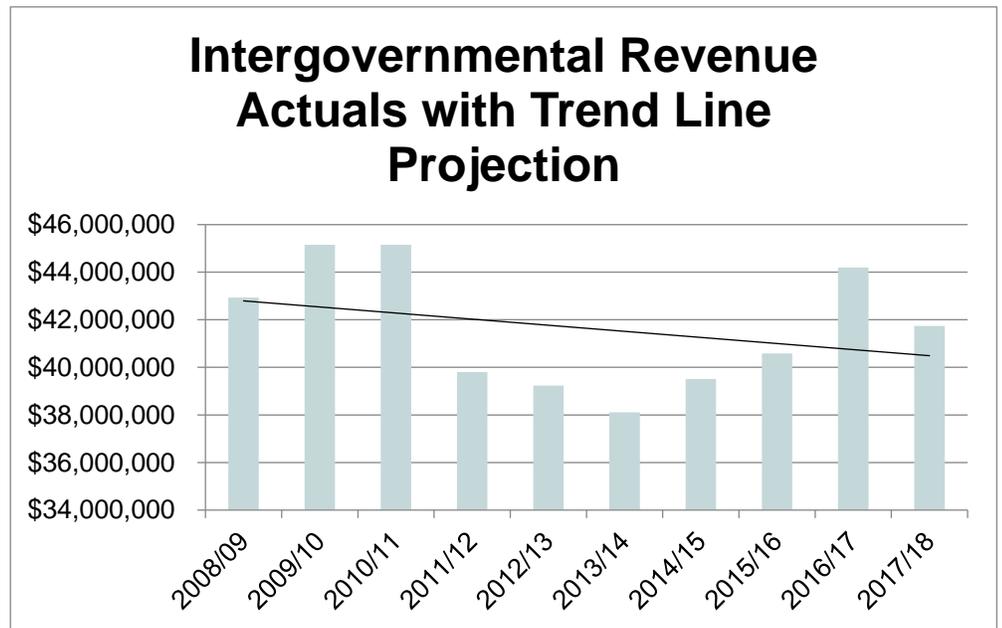
Sales & Service

Revenue from sales and service includes funds received from Medicaid reimbursement, user fees, and assessments to municipalities for items such as elections, GIS, or planning studies. The largest revenues in this category include Ambulance Charges (\$5,400,000), Landfill User Fees (\$4,412,000), Building Permits (\$1,975,000), Recording of Legal Instruments (\$507,700), and Environmental Health Fees (\$280,000).



Inter-Governmental

Revenues received from the State and Federal government. Most of these revenues are tied to programs that the State or Federal Agency has ordered the County to implement, such as human service programs. Some of the largest revenues in this category include 911 Reimbursement (\$507,500), Cable TV Reimbursement (\$608,000), WIC Grant (\$762,000), Work First Grant (\$1,853,800), and Medicaid Administration (\$3,077,000).



FUND BALANCE

The County uses four basic fund types: General, Special Revenue, Capital, and Enterprise. Each of these fund types has its own specific legal and accounting requirements. Appropriations lapse at year end in the General, Special Revenue, and Enterprise Funds, for which annual budgets have been legally adopted. The Capital Projects Funds budgets are adopted on a project ordinance basis, spanning more than one year. Appropriations are carried over in these funds until the project is completed. Each fund also has its own fund balance. Fund balance represents monies that remain unspent after all budgeted expenditures have been made. These unspent monies serve as a working capital reserve to pay expenditures in the early part of the fiscal year before taxes are collected. The fund balances are also available for appropriation or may be saved for major capital expenditures. The Chief Financial Officer estimates fund balances for the current year and upcoming fiscal year based on expected revenue and expenditure occurrences throughout the year.

General Fund

The General Fund is the principal fund used to account for the provision of governmental services. This fund summarizes the financial transactions of functional services, based on departmental operations, except for those transactions that must be accounted for separately in other funds. General Fund (and like Funds) Fund Balance at the end of Fiscal Year 2016 was \$58,420,831. The Fiscal Year 2017/18 budget appropriates \$5,981,066 in fund balance to help finance County operations and schools' annual capital projects. Additionally, \$263,243 in fund balance is appropriated in the General Fund-Like Funds. This is a \$2.5 million reduction from the amount budgeted in Fiscal Year 2016/17 and is sustainable while remaining above the minimum County goal of 16 percent and the Local Government Commission recommendation of 8 percent.

| General Fund (and like Funds) | Act. 6/30/2016 | Est. 06/30/17 | Appropriated | |
|---|-------------------|-------------------|------------------|-------------------|
| | | | FY 2017/18 | Est. 06/30/18 |
| General Fund (110) | 58,420,831 | 56,500,000 | \$5,996,066 | 54,500,000 |
| Self Insurance Fund (115) | 1,620,450 | 600,000 | 200,000 | 400,000 |
| Reappraisal Fund (140) | 173,324 | 160,000 | 63,243 | 96,757 |
| Register of Deeds Automation and Preservation (160) | 49,685 | 50,000 | 0 | 50,000 |
| Total | 60,264,290 | 57,310,000 | 6,259,309 | 55,046,757 |

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for special purposes.

| Special Revenue Fund Types | Act. 6/30/2016 | Est. 06/30/17 | Appropriated | |
|---------------------------------|------------------|------------------|----------------|------------------|
| | | | FY 2017/18 | Est. 06/30/18 |
| Emergency Telephone (202) | 170,607 | 200,000 | 52,501 | 147,499 |
| Narcotics (205) | 12,212 | 20,000 | 10,000 | 10,000 |
| Rescue Squads (240) | 311,848 | 244,000 | 0 | 244,000 |
| Library Endowment (250) | 192,428 | 176,000 | 0 | 176,000 |
| Gretchen Peed Scholarship (260) | 52,740 | 52,000 | 0 | 52,000 |
| Parks Preservation (270) | 1,099 | 1,400 | 0 | 1,400 |
| Community Development (280) | 0 | 0 | 0 | 0 |
| Fire Districts (352-369) | 1,370,246 | 1,350,000 | 352,819 | 997,181 |
| Total | 2,111,180 | 2,043,400 | 415,320 | 1,628,080 |

Capital Projects Funds

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The County maintains a separate Schools' Capital Projects und, General Capital Projects Fund, Hospital Construction and Operations Fund, Water and Sewer Construction Fund, and Capital Projects Reserve Fund for accounting and budgeting purposes.

| Capital Projects Fund Types | Act. 6/30/2016 | Est. 06/30/17 | Appropriated | |
|---|-------------------|-------------------|----------------|-------------------|
| | | | FY 2017/18 | Est. 06/30/18 |
| General Capital Projects (410) | 31,587,882 | 16,000,000 | 0 | 16,000,000 |
| Schools' Capital Projects (420) | 6,768,694 | 4,500,000 | 0 | 4,500,000 |
| Schools' Construction (423) | 6,831,093 | 24,000,000 | 0 | 24,000,000 |
| Hospital Construction & Reserve (430 & 235) | 5,071,514 | 4,650,000 | 450,000 | 4,200,000 |
| Total | 50,259,183 | 49,150,000 | 450,000 | 48,700,000 |

Enterprise Funds

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing service to the general public on continuing basis be financed or recovered primarily through user charges. The County has two enterprise funds, the Solid Waste Management Fund and the Water and Sewer Fund. A combined \$5,609,271 in fund balance is appropriated for capital projects and operations in both the Water and Sewer Fund and Solid Waste Fund.

| Enterprise Fund Types | Act. 6/30/2016 | Est. 06/30/17 | Appropriated | |
|---------------------------|-------------------|-------------------|------------------|-------------------|
| | | | FY 2017/18 | Est. 06/30/18 |
| Water & Sewer (515 & 475) | 22,197,629 | 23,000,000 | 3,845,465 | 19,154,535 |
| Solid Waste (525 & 485) | 4,746,441 | 3,500,000 | 1,763,806 | 1,736,194 |
| Total | 26,944,070 | 26,500,000 | 5,609,271 | 20,890,729 |

PERSONNEL SUMMARY

The Fiscal Year 2017/18 Budget includes a total of 1,080.65 authorized full-time equivalents (FTEs) in all funds. An FTE simply converts the hours worked by a position into a percentage of a full year's number of hours (2,080/year). Some FTEs may be filled with more than one person (multiple positions) and the work that is accomplished may equal more than 2,080 hours (reserve positions in the Sheriff's Office and EMS, respite position in Social Services). If so, the FTE may be 1.25 or 2,600 hours worked.

Summary of Personnel Changes

New and increased FTEs included with the Fiscal Year 2017/18 Budget are as follows:

| Position | Total FTEs | Funding Source |
|------------------------------------|-------------|--------------------------------|
| Sheriff's Office | | |
| Community Relations Sergeant | 1 | General Fund |
| Utilities & Engineering | | |
| Building Services Official III | 1 | General Fund/ Building Permits |
| Grounds Attendant | 1 | Solid Waste Fund |
| Landfill Operator | 1 | Solid Waste Fund |
| Emergency Services | | |
| Veterans' Services Technician | 0.25 | General Fund |
| Total Recommended FTEs | 4.25 | |

Positions added by Board of Commissioners' action during Fiscal Year 2016/17 are as follows:

| Position | Total FTEs | Funding Source |
|---|------------|---|
| Sheriff's Office | | |
| Deputy for Social Services | 1 | General Fund/ Social Services Reinvesting |
| Public Health | | |
| Environmental Health Specialist | 1 | General Fund |
| Utilities & Engineering | | |
| Building Services Official | 1 | General Fund/ Building Permits |
| Total Adopted FTEs in FY 2016/17 | 3 | |

Full Time Equivalents by Department

| | Actual 2015/16 | Current 2016/17 | Requested 2017/18 | Adopted 2017/18 |
|---------------------------------|-------------------|--------------------|----------------------|--------------------|
| General Government | | | | |
| County Manager | | | | |
| Permanent | 7.00 | 7.00 | 7.00 | 7.00 |
| Hourly | 0.00 | 0.10 | 0.10 | 0.10 |
| Legal Services | | | | |
| Permanent | 3.00 | 3.00 | 3.00 | 3.00 |
| Hourly | 0.00 | 0.08 | 0.08 | 0.08 |
| Budget & Management | | | | |
| Permanent | 3.00 | 3.00 | 3.00 | 3.00 |
| Hourly | 0.00 | 0.00 | 0.00 | 0.00 |
| Board of Elections | | | | |
| Permanent | 4.00 | 4.00 | 4.00 | 4.00 |
| Hourly | 0.00 | 0.50 | 0.50 | 0.50 |
| Tax Administration | | | | |
| Permanent | 21.00 | 21.00 | 21.00 | 21.00 |
| Hourly | 0.00 | 0.00 | 0.00 | 0.00 |
| Human Resources | | | | |
| Permanent | 11.00 | 11.00 | 11.00 | 11.00 |
| Hourly | 0.25 | 0.25 | 0.25 | 0.25 |
| Register of Deeds | | | | |
| Permanent | 10.00 | 10.00 | 10.00 | 10.00 |
| Hourly | 0.00 | 0.43 | 0.43 | 0.43 |
| Finance | | | | |
| Permanent | 15.30 | 15.00 | 16.00 | 15.00 |
| Hourly | 0.60 | 0.60 | 1.00 | 1.00 |
| Total General Government | | | | |
| Permanent | 74.30 | 74.00 | 75.00 | 74.00 |
| Hourly | 0.85 | 1.96 | 2.36 | 2.36 |
| Public Safety | | | | |
| Sheriff's Office | | | | |
| Permanent | 192.00 | 196.00 | 199.00 | 198.00 |
| Hourly | 7.91 | 10.93 | 11.68 | 11.68 |
| Emergency Services | | | | |
| Permanent | 112.50 | 114.75 | 123.00 | 115.00 |
| Hourly | 10.15 | 9.88 | 9.13 | 9.13 |
| Communications Center | | | | |
| Permanent | 29.00 | 32.00 | 32.00 | 32.00 |
| Hourly | 2.30 | 2.30 | 2.30 | 2.30 |
| Total Public Safety | | | | |
| Permanent | 333.50 | 342.75 | 354.00 | 345.00 |
| Hourly | 20.36 | 23.11 | 23.11 | 23.11 |

| | Actual 2015/16 | Current 2016/17 | Requested 2017/18 | Adopted 2017/18 |
|--|-------------------|--------------------|----------------------|--------------------|
| Environmental Quality | | | | |
| Cooperative Extension | | | | |
| Permanent | 1.00 | 1.00 | 1.00 | 1.00 |
| Hourly | 0.00 | 0.00 | 0.00 | 0.00 |
| Soil & Water Conservation | | | | |
| Permanent | 2.50 | 2.60 | 2.60 | 2.60 |
| Hourly | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Environmental Quality | | | | |
| Permanent | 3.50 | 3.60 | 3.60 | 3.60 |
| Hourly | 0.00 | 0.00 | 0.00 | 0.00 |
| Economic & Physical Development | | | | |
| Technology | | | | |
| Permanent | 26.00 | 27.00 | 27.00 | 27.00 |
| Hourly | 0.50 | 0.50 | 0.50 | 0.50 |
| Planning, Parks, & Development | | | | |
| Permanent | 10.00 | 10.00 | 10.00 | 10.00 |
| Hourly | 2.25 | 2.25 | 2.25 | 2.25 |
| Utilities & Engineering | | | | |
| Permanent | 22.15 | 27.15 | 29.40 | 29.40 |
| Hourly | 0.00 | 0.00 | 0.00 | 0.00 |
| Facilities | | | | |
| Permanent | 16.00 | 17.00 | 17.00 | 17.00 |
| Hourly | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Economic & Physical Quality | | | | |
| Permanent | 74.15 | 81.15 | 83.40 | 83.40 |
| Hourly | 2.75 | 2.75 | 2.75 | 2.75 |
| Human Services | | | | |
| Social Services | | | | |
| Permanent | 400.90 | 400.90 | 400.90 | 400.90 |
| Hourly | 7.26 | 3.55 | 7.26 | 7.26 |
| Public Health | | | | |
| Permanent | 125.50 | 100.50 | 102.50 | 101.50 |
| Hourly | 2.00 | 0.25 | 0.25 | 0.25 |
| Total Human Services | | | | |
| Permanent | 526.40 | 501.40 | 503.40 | 502.40 |
| Hourly | 9.26 | 3.80 | 7.51 | 7.51 |
| Culture | | | | |
| Library | | | | |
| Permanent | 33.80 | 34.80 | 34.80 | 34.80 |
| Hourly | 1.58 | 1.58 | 1.75 | 1.75 |
| Total Culture | | | | |
| Permanent | 33.80 | 34.80 | 34.80 | 34.80 |
| Hourly | 1.58 | 1.58 | 1.75 | 1.75 |

| | Actual 2015/16 | Current 2016/17 | Requested 2017/18 | Adopted 2017/18 |
|---------------------------------|-------------------|--------------------|----------------------|--------------------|
| Other Funds | | | | |
| Emergency Telephone System Fund | | | | |
| Permanent | 1.85 | 1.85 | 1.85 | 1.85 |
| Hourly | 0.00 | 0.00 | 0.00 | 0.00 |
| Reappraisal Fund | | | | |
| Permanent | 6.00 | 6.00 | 6.00 | 6.00 |
| Hourly | 0.00 | 0.00 | 0.00 | 0.00 |
| Solid Waste Management | | | | |
| Permanent | 25.85 | 26.85 | 28.60 | 28.60 |
| Hourly | 0.30 | 0.00 | 0.00 | 0.00 |
| Water & Sewer | | | | |
| Permanent | 1.00 | 1.00 | 1.00 | 1.00 |
| Hourly | 0.00 | 0.00 | 0.00 | 0.00 |
| Total Other Funds | | | | |
| Permanent | 34.70 | 35.70 | 37.45 | 37.45 |
| Hourly | 0.30 | 0.00 | 0.00 | 0.00 |
| GRAND TOTAL | | | | |
| Permanent | 1080.35 | 1073.40 | 1091.65 | 1080.65 |
| Hourly | 35.10 | 33.20 | 37.48 | 37.48 |

PERFORMANCE MEASUREMENT SUMMARY

Overview

| Department | Total Outcomes | Achieved | Not Achieved | Success Rate |
|----------------------------------|----------------|------------|--------------|--------------|
| County Manager's Office | 15 | 15 | 0 | 100% |
| Cooperative Extension | 13 | 12 | 1 | 92% |
| Communications Center | 4 | 4 | 0 | 100% |
| Elections | 4 | 4 | 0 | 100% |
| Emergency Services | 21 | 17 | 4 | 81% |
| Facilities | 16 | 15 | 1 | 94% |
| Finance | 20 | 20 | 0 | 100% |
| Human Resources | 20 | 20 | 0 | 100% |
| Library | 68 | 68 | 0 | 100% |
| Planning, Development, and Parks | 14 | 12 | 2 | 86% |
| Public Health | 40 | 31 | 9 | 78% |
| Register of Deeds | 3 | 2 | 1 | 67% |
| Sheriff's Office | 40 | 39 | 1 | 98% |
| Social Services | 54 | 49 | 5 | 91% |
| Soil and Water Conservation | 5 | 5 | 0 | 100% |
| Tax | 13 | 12 | 1 | 92% |
| Technology | 10 | 9 | 1 | 90% |
| Utilities and Engineering | 22 | 15 | 7 | 68% |
| Total | 382 | 349 | 33 | 91% |

Summary

Fiscal Year 2015/16 was another successful year for Catawba County Government. The organization achieved 91 percent (349/382) of its fiscal year outcomes, with seven departments achieving 100 percent. The four Reinventing departments were able to complete an astonishing 97 percent (152/157) of their goals while the remaining departments finished decently with an 88 percent (197/225) success rate.

Highlights include:

- Social Services ensured that 100 percent (146 of 146) of the Able Bodied Work First adults with a means of transportation received intensive employment services. This was a 14 percent increase from last fiscal year.
- The Sheriff's Office reduced the index crime rate by 6 percent to 1,433 for Catawba County Sheriff's Office. This was amongst the lowest in the State.
- Planning, Development, and Parks continued to offer physical fitness and wellness opportunities for citizens and visitors by finishing a portion of the Carolina Thread Trail creating a trail network of over 5 miles in the County.
- Solid Waste collected a record 400,000 pounds of electronic, paint, and household hazardous waste were collected either through the one-day Household Hazardous Waste Collection Event or Landfill.
- Tax collected 98.02 percent, the highest collection rate since Fiscal Year 2006/07.