



FISCAL YEAR 2018

BUDGET PREPARATION MANUAL

Prepared by:

County Manager's Office

September 6, 2016

This page left blank intentionally.

Introduction and Background

This budget preparation manual is designed to provide guidance to departments and agencies in preparing and submitting their annual Operating Budget and Capital Improvements Program requests to the Finance Department and County Manager.

- FY 2018 should be fairly similar, but hopefully better than FY 2017, if the local, state, and national economies maintain their current position. We are seeing improvements in our local economy; however, we have also committed to several capital projects that may impact our capacity to sustain the current property tax rate in the future.
- The County's unemployment rate was 4.5% in April 2017 (seasonally adjusted), dramatically down from the 14.9% we experienced at the height of the recession.
- We continue to see an increase in sales tax revenues in the current fiscal year, and believe that trend will continue during FY 18. New residential construction permits also continue to show an upward trend, and we are anticipating this movement to continue. This increase in construction will impact building, electrical, plumbing, and mechanical permits; septic tank permits; well permits; property transfer filings in the Register of Deeds Office; property tax base growth; and retail sales growth. All of these are major sources of revenue in the County's General Fund. This upward trend will also impact the Water & Sewer Fund and the Water & Sewer Capital Projects Fund where we anticipate slight increases in revenue from water and sewer tap fees and capacity development fees.
- We are also anticipating an increase in healthcare cost in FY 2018. In preliminary discussions with our medical insurance broker, it appears that little can be done to avoid these projected increases. As a result, the county commissioners will have some tough decisions concerning how to best address these increases.
- There continues to be the possibility that the Fair Labor Standards Laws will be amended to increase the monetary threshold for exempt employees. As a result, some departments that currently have exempt employees may have to change their status to non-exempt, which may impact overtime projections.

Instructions

This manual contains six (6) primary sections: the Budget Preparation and Adoption Calendar; the Capital Improvements Program (CIP); the Operating Budget; Performance Measures and Goals; Revenues; and Expenditures. Each section contains specific instructions for you to follow, so please read each one closely.

1) Budget Preparation and Adoption Calendar

The Budget Calendar is set out below.

It is critical that all deadlines be met so that we can complete our budget preparation within the statutory timeframe.

Lincoln County Fiscal Year 2018 Budget Calendar

| <u>Date:</u> | <u>Item or Action to be Completed:</u> |
|--------------------------|---|
| September 14, 2016 | Budget Calendar to Department Managers |
| October 5, 2016 | Preparation Manual to Department Managers |
| November 18, 2016 | Goals and Objectives Due to County Manager Office |
| November 18, 2016 | CIP Due to County Manager Office |
| November 18, 2016 | Employee Verification and New Employee Request to the County Managers Office |
| December 15, 2016 | Board of Commissioners Budget Planning Retreat and Health Insurance Update/ Projections for FY 18 |
| January 5-6, 2017 | HR to meet with Managers to confirm current employee information and new employee requests |
| January 11, 2017 | HR to submit final Employee salary information and new requests to Manager |
| January 12, 2017 | Department & Agency Manager deadline to submit (Operating Budget) Revenues and Expenditures to Finance Departments/ Agencies enter all budget data into MUNIS (except Lincoln County Schools and outside agencies) |
| January 12, 2017 | Deadline for submitting Outside Agency requests to Finance (except Lincoln County Schools) |
| January 25, 2017 | Finance enters all outside requests into Munis and confirms Department Requests (Expenditures and Revenues) |
| January 26, 2017 | BOC and BOE budget planning retreat |
| February 1, 2017 | Finance to submit all expenditure and revenue requests to County Manager |
| February 13, 2017 | CM and FD hold meeting with Public Utilities |
| February 14-21, 2017 | CM and FD hold meetings with departments and outside agencies |

| | |
|-------------------|---|
| February 24, 2017 | BOC budget meeting with Public Utilities |
| March 21-24, 2017 | CM hold 2 nd meeting with departments (if needed) |
| March 27-29, 2017 | CM, FM and FD budget meetings with Fire Districts |
| March 30, 2017 | BOC budget retreat (Revenue/Capital/Expenditure) overview |
| April 6-7, 2017 | BOC budget meetings with the County Departments |
| April 15, 2017 | BOC budget meeting with County Departments (If needed) |
| May 1, 2017 | Lincoln County Schools budget request due |
| May 5, 2017 | County Manager and Finance Director balance the proposed budget, prepare narratives, print and distribute to the Board of Commissioners |
| | County Clerk advertises the June 5 th Public Hearing on the Proposed FY18 Budget |
| May 15, 2017 | County Manager and Finance Director presents the proposed budget to the Board of Commissioners |
| May 17, 2017 | Proposed Budget and CIP placed on the County's website |
| May 19, 2017 | Board of Commissioners (Budget Work Session if needed) |
| June 5, 2017 | Public Hearing on the FY18 Budget (BOC may consider adoption) |
| June 19, 2017 | Board of Commissioners considers adoption of the FY18 Budget and Budget Ordinance |

2) Capital Improvements Program

Any fixed asset which is considered major purchases or improvement programs that generally have a life span of ten or more years or improvements that are not normally funded through the operating budget. For example a capital project is a major construction, acquisition, or renovation activities. Projects may also include water distribution projects, wastewater collection projects, drainage projects, building improvements and parks projects. The capital improvement fund is budgeted in a multi-year format however only the current year is formally adopted.

These requests should be submitted by November 18th. You should delete any projects that have been funded in the current fiscal year. Any that were scheduled originally for FY 2017, but were delayed, should be reprogrammed in your FY 2018 request. Any new

projects should be numbered in consecutive order, using the next number after the last one used in the prior year. For example, if you had 10 projects in the FY 2017 CIP request, and the first three were completed, DO NOT number any new projects #1, #2, or #3. They should be #11, #12, and #13. That way, there will be no confusion with previous years' projects.

The requests should be filed using the new. You should update all the existing submittals from last year that you want to submit this year, making sure that the information is current. Make sure that you include a realistic estimation of the ongoing operating expenses that would result from completing this project. You should give a written explanation of the project that would educate someone totally unfamiliar with your operation as to the need for it. This is your opportunity to explain clearly why this is an essential request.

The Purchasing Agent can assist you in getting current pricing information on many of these capital items.

It is critical that you examine possible sources of funding for your projects. That may take the form of grants and low-interest loans.

Again, the CIP requests are due earlier than the operating budget in order to allow the Finance Department and County Manager to work on it while you complete your operating budgets. This will give us more time to enter the projects into the CIP financing schedule, and meet with you to discuss any of the projects as necessary.

****Major Budget Requests****

Separate from the Capital Improvement Program is Capital Expenditures. If you are purchasing assets that last at least two years, and are in excess of \$1000, you will include them as major budget requests. Vehicles, computers, equipment and other assets that depreciate over time will now be considered as part of your operating budget. .

3) Operating Budget

The Operating Budget and supporting documents are due in the Finance Department on January 12th. We will furnish you the goals that the Board of Commissioners want accomplished. Those goals must be included with your operating budget submittals. You are encouraged to pursue additional goals that you previously listed. The BOC goals and questions will be discussed with the departments impacted; however, departments that don't receive any additional goals should focus on the goals and objectives submitted by the department.

On the rest of your operating budget, you need to explain what is covered in each line item, and why it is decreasing or increasing for the next fiscal year. You need to state what assumptions were used in making these projections.

4) Performance Measures

You also should submit performance measures that document whether your programs are meeting stated objectives. Examples of performance measures are available and can be obtained from the UNC School of Government which has conducted a Performance Measurement Project for several years and includes standardized measurements of various county and city services. I encourage you to look at those as well. If you are satisfied with the measures used last year, you can use them again. We want to track the historical performance over several years.

5) Revenues

Submit an estimate for each revenue source that your department receives. Estimate the amounts you believe will be received by the end of the current fiscal year, using the most recent data as the starting point. Give your rationale for that projection. Then, estimate the increase or decrease for the next year, and give the rationale for it. If you are asking for an increase for any fee, you need to submit the date the fee was last amended, and how much that increase or decrease was on a percentage basis. You also need to give the rationale for your request.

6) Expenditures

Expenditures should be held the same the current operating budget for the portions not including salaries, wages, and fringe benefits since there is little indication that the financial conditions will show dramatic improvement in the next fiscal year. For now, we must assume that revenues will rise slightly, and the necessity to hold overall expenditures to the current budget will be a high priority this fiscal year. If you have mandated expenditures that cannot be reduced, please provide rationale in your justifications.

Please note that individual departments will not calculate the salaries, wages, overtime, or fringe benefits for your employees. Those calculations will be done by the Human Resources Department on a master spreadsheet, so that we can run different scenarios across all budgets. HR will be sending you a list of your employees with their pay rates; once you verify employees, pay rates and complete the overtime estimations (with justification), please forward back to HR. Each department director will need to review for accuracy and discuss with the HR Director, if there are questions or concerns. Once everything is verified, the HR Department will furnish the verified numbers to the Finance Department.

Additionally, you will need to provide information whether you are requesting a reduction or additional part-time or full-time positions, temporary or an upgrade of a current part-time position to a full-time position. This information should include what has changed in the last year that would warrant this additional manpower and the expense associated with it. You also should indicate how much of that additional expense must be borne by the County, and how much by another agency, or State or Federal Government.

Keep in mind health insurance requirements for employees averaging 30 or more hours per week worked.

As you go through the various line items, you should reduce expenditures wherever possible. Travel and training should still be budgeted conservatively, and be prepared to explain the need and/or benefit during upcoming budget discussions. Out-of-state travel/training will continue to be closely scrutinized.

You should have estimated the number of miles that each vehicle will use annually as a part of your vehicle replacement schedule. You should then use that estimation, divided by each vehicle's average miles per gallon, to project the total number of gallons of fuel needed. The number of gallons should then be multiplied by the fuel cost for either gasoline or diesel.

Additional Expenditure Instructions:

- Budget the same amount for **vehicle fuel** as in FY17 (average \$2.95/gallon for regular unleaded and \$3.25/gallon for diesel).
- Budget a 1.5% increase in **energy costs** for utilities such as natural gas, water/sewer and electricity.
- **Telephone costs** should be similar to FY 17 for landlines and cellular, for now, budget the same amount for phone services as in FY17, and we will make adjustments as necessary once we realize VoIP savings. Note: Budget transfers from the telephone line item will be restricted once the FY18 Budget is adopted.
- **Professional Liability Insurance** – Budget the same as in FY17.
- Provide a detailed list of all items included in Dues & Subscriptions, Special Contracted Services (such as maintenance contracts, etc.), and Professional Services.
- Maintenance and Repairs- It appears that the cost of maintenance and repairs to vehicles have decreased during FY 17; as a result, we believe this trend should continue during FY 18. By taking the fleet to one vehicle repair business seems to be having the impact we had hoped it would.
- Attorney Fees- If you are a department that utilizes the services of the County Attorney or outside attorney, please estimate the amount of time you utilize each year. Each hour of use will need to be multiplied by \$200.00. That total should be the amount requested. Please submit this on a separate sheet at the same time you submit your operating budget.

Pay Plan

The Board of Commissioners will consider merit pay or COLA in FY 2017. At this time, no decision has been made whether an increase will be approved. We need to calculate available revenues before that calculation can be made. The BOC will also consider a pay plan study and funding for FY 18.

Conclusion

Both the Finance Department and the Human Resources Department are available to help you with this process, just as they have in previous years. In addition, remember that the current Budget and CIP are on the County's website. The Comprehensive Annual Finance Reports for several years are online also. You also have your monthly finance reports, as well as your most recent budget amendments.

Thank you for all that you and your staff do to maintain the budget in a conservative and fiscally responsible manner throughout the year. This is one of the most important tasks that you perform, and it directly reflects upon Lincoln County and each of your respective departments/agencies. While it true that the budget process is beginning earlier this year, I believe it will allow for additional meetings and review for myself, department managers and the Board of Commissioners.

If you have any questions about the information in this Manual, don't hesitate to contact us to discuss it further. This is a major undertaking, and the better everyone understands the process and the required information, then the better the end product will be.

This page left blank intentionally.