

Transylvania County Agenda Memo

Agenda Item: IX-A

Meeting Date: 6/14/2021

From: Jonathan Griffin, Finance Director
Date: May 24, 2021
Subject: Report on Actual Financial Activity through Q3 FY 2021
Department: Finance
Contact Information: Jonathan Griffin 828-884-1931
Attachment: YTD Financial Report for Significant Funds
Purpose: To update the Commissioners on year to date fiscal performance for the County for FY 2021.

Background:

This information is organized by major funds, some funds are not detailed in this narrative because their portion of the County's financial position would be considered immaterial.

General Fund Revenues by Functional Area

Ad valorem property tax collections through the end of March are healthy, with net collections approximately 97% of budget. These figures differ slightly from the monthly collection reports the Board has received from the tax office because they also take into account the collections of motor vehicle taxes transmitted to the County by NCDMV.

Local option sales taxes distributions received so far this year are approximately 19% over the prior year and on budget for the remainder of the year. We expect this will exceed revised budget figures because the summer month figures tend to reflect the tourism season. Staff believe the strength of these revenues are predominantly reflective of a shift in retail habits to significant online sales with delivery to Transylvania County.

The County received its first disbursement of Medicaid Hold Harmless for FY 2021 – a disbursement of \$954,000, significantly above the budgeted figure of \$637,500. Some organizations had advised counties to count on no payments of medicaid holdharmless in FY 2021 during the pandemic, and that would have required a significant (and now we know) unnecessary, reduction in expenditures.

Occupancy taxes, levied by the County at a rate of 5% of gross sales, are at 98.8% of budget. These are strictly pass-through for the County general fund, recorded as revenues when collected and as expenses when “passed” on to the Tourism Development Authority. However, for the purposes of understanding what drives increased sales tax revenues, this is an important piece of the puzzle – hotel stays and short term rentals are also subject to North Carolina’s sales and use tax laws, so increased tourist stays will generate extra sales tax.

The Register of Deeds continues to generate significant revenues driven by real estate transactions, up a stunning 66 percent over the prior year and with revenues well over budget. Real property transfer taxes (the excise tax) is 128.1% of budget as of March 31st, 2021.

Similar to the occupancy tax discussion above, a percentage of Register of Deeds revenues are required to be remitted to the State of North Carolina general fund, so there is some expense-side adjustment that we will need to resolve.

The Office of the Sheriff generates revenues from issuing conceal carry permits, issuing documents on behalf of the Courts or other law enforcement agencies and finally housing inmates for other jurisdictions either pre or post-trial.

Revenues are significantly below prior year and the long term trend, driven by a low average daily population at the jail. Revenues from the state misdemeanor program are 28.4% of budget (\$72,000 received out of an estimate of \$253,500) and inmate housing for other counties is at 11.2% (\$11,000 out of an estimate of \$100,000.) Earlier in the fiscal year, revenues from increased SRO billings and civil process fees had covered this gap but the low jail population has widened this gap.

The EMS Department generates revenue on a fee by fee basis for each ambulance trip provided. These revenues are recorded as they come in, instead of being accrued as trips are provided, because of significant uncertainty about if and when insurance companies will pay for claims made on behalf of citizens who needed ambulance services. FY 2020’s decision to outsource EMS billing to a third party has generated significant positive results even in the event of lower average trips.

Other Public Safety relates primarily to fees at the Animal Shelter and grant revenues to Emergency Management. At this point, the largest difference between the current year and the prior year is persistently low fees collected at the Animal Shelter and timing issues related to receipt of the Homeland Security Grant Program (HSGP) which was \$120,000 received in the 4th quarter.

Public Health and the Department of Social Services are both higher than the prior year at the equivalent time period. This is attributable to intergovernmental revenue grants

from the State of North Carolina, both of which are allocating revenues to and from the various CARES Act sources to reimburse the County for various expenditures.

New Adventure Learning Center's revenues are higher for two primary reasons in the current fiscal year – one, a market rate adjustment implemented in the current year and two some restricted operational grants passed through to eligible child care centers by NCDHHS.

Public Transportation's revenues are lower primarily in the third quarter compared to the prior year because this would be the timeframe when the State would normally begin paying out the ROAP program (Rural Operating Assistance Program) to offset the day to day costs of running a public transit system in a rural area. Given the changes in gas tax collections during the pandemic, the State suspended these payments out of the Highway Trust Fund.

Miscellaneous Revenues represents donations, smaller non-governmental grants, property and liability insurance settlements and investment revenues. There are three primary factors explaining the variances between FY 2020 and FY 2021:

The primary variance between first quarters here is that the County's revenues from investment of idle funds has now approached zero over the first three quarters of FY 2021. There are simply not that many reasonable investment options available for idle funds for the County with the low interest rate environment. The secondary variance is that we were seeing the bulk of the payments from insurance settlements for the hail damage to County buildings last year, and the total on those payments was almost \$300,000. Thirdly, the franchise and alcohol taxes have been strong this year but have three month lag times, so there will be considerable revenues to come as they represent only two of four payments for FY 2021.

General Fund Revenues by Functional Area

County Administration, which consolidates the Board of County Commissioners, Administration, Human Resources, Information Technology, Finance, and Central Services, is effectively on budget for the remainder of the fiscal year. The primary difference between the Q3 of FY 2021 and the prior year is the land acquisition for the Gallimore Road park parcels which happened in this period last fiscal year.

The Board of Elections expenditures are lower than the prior fiscal year as the prior year included more primary elections. This is generally expected and is highly cyclical.

The Register of Deeds' expense budget is 17% above the equivalent prior year period, driven mostly by remittances of real estate taxes. These expenditures are set by statute and not under the Register of Deeds' direct control.

Public Facilities (Maintenance and Housekeeping) is 26% under budget, mostly driven by lag times imposed by the capital project freeze implemented early in April 2020. While we reauthorized projects in January, many are still in the design and scope phase and have not begun work.

The Office of the Sheriff's expenditures is 2% below the prior year, mostly driven by lapsed salaries due to vacant positions and lower operational expenses – some key elements of the patrol division such as vehicle fuel or the detention center like inmate food are close to only 50% of their annual budget. Capital outlay in the Sheriff's office in the revised 2021 budget is not significantly below the 2020 budget, once you have accounted for mid year vehicle additions driven by insurance payouts.

Emergency Management (a consolidation of Emergency Management, Fire Marshal, Emergency Medical Services, the Animal Shelter and 911 Communications) Actual expenditures are lower than Q3 of 2020 due primarily to the VHF radio system upgrade project wrapping up – where most of the \$1.2 million dollar project's expenditures occurred in FY 2020, only the tail end of this project has occurred in FY 2021.

Volunteer Fire Departments and Rescue Squad expenditures in the general fund are lower relative to FY 2021 because of the issue with Balsam Grove's department falling out of compliance with the County's service contract and then refusing to sign the promissory note to allow the County to convert its annual appropriation into a forgivable loan for the duration.

Agriculture and Economic Development (a consolidation of Planning and Community Development, Cooperative Extension, Soil and Water Conservation and remittances to the Tourism Development Authority) is significantly above prior year driven entirely by the payments made from the County general fund to the Tourism Development Authority's accounts to record the distribution of occupancy taxes.

Public Health and Social Services have higher expenditures in the current year than in the prior year, almost entirely driven by COVID-19 related payments (the outlays for running vaccination clinics in Public Health, the special benefit payments in social services). Most of these expenditures are non-recurring, due to the nature of the pandemic pass-through monies.

New Adventure Learning Center, Public Transportation, Parks and Recreation and the Transylvania County Library all see lower operating expenditures related to lapsed salaries, closures, and restricted grants moving expenditures elsewhere in the County budget.

Juvenile Crime Prevention Council is up over the prior year because of an expanded level of base funding from NCDPS and timing from prior year. In FY 2020, it took longer to

authorize the annual projects so the payments in July and August were lower than they were in FY 2021.

Debt Service and **Education's** variances are also related to timing on payments made and different classifications of payments. In particular in Education, the lower amount paid out compared to FY 2020 is the change in method of funding capital projects for Transylvania County Schools. After two years of major project reimbursements (\$50,000 not being paid out until after TCS has paid invoices), it looks like there is lower spending, but these resources are committed to reimburse Transylvania County Schools so it will end the year with a higher reflected spend.

Expenditures by Type

In addition to examining expenditures by functional area (which delineates responsibility for budget), we can also look at expenditures by type which shows the various ins and outs of how the County expends resources. Generally, we would expect a 'perfect' year would be all expenditures are at precisely 75% of their annual budget, but in nearly all categories this is not the case.

Generally, the proposed plan of expenditures in the original FY 2021 budget was to cut back on soft expenditures throughout the budget, while preserving the County's core investment in its staff and in public education. Analyzing the July 1, 2020 through March 31st, 2021 expenditures shows how that commitment has played out.

Personnel costs, contracted services, operating expenses are all less than their budget, sometimes significantly below budget and below the prior year.

Education expenses are up over the prior year, reflecting a difference between accounting methods and higher operating expenditures offsetting the more variable capital payments to Transylvania County Schools.

Other Human Service Programs is up due to the addition of a second grant to the Children's Center of Transylvania County from NCDPS. The County is required to act as a pass-through entity because of the small size and staffing of the Children's Center. Previously they have only managed one \$60,000 NCDPS grant per year, but now have two so these expenditures are comparatively higher.

By the third quarter, the following major statistics are representative of the General Fund's performance in terms of expenditures. Many major categories of General Fund spending are below the 75% benchmark you would expect after the third quarter of the fiscal year.

Overall, both revenues and expenditures are significantly higher through the end of the third quarter compared to the immediate prior fiscal year:

2020 Revenues through 3/31/2020:	\$50,755,919
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2021 Revenues through 3/31/2021:	\$53,458,003
2020 Expenditures through 3/31/2020:	\$42,626,134
2021 Expenditures through 3/31/2021:	\$41,292,216
2020 Surplus/(Deficit) through 3/31/2020:	\$8,129,785
2021 Surplus/(Deficit) through 3/31/2021:	\$12,165,787

In many ways, these surpluses are to be expected in the General Fund because of how various aspects of governmental accounting rules and the Fiscal Control Act impact County finances. Even though we might reasonably expect that certain high-turnover positions will be vacant during the year, such as in Social Services or in the Office of the Sheriff, we must still budget the full salary and benefits and collect appropriate revenues to offset that cost even if it does not occur (property tax and occupancy tax decisions can be made only once per year, sales tax decisions based on referendum results, etc.). Similarly, certain revenues collected for long term capital planning purposes appear as revenues on our financial statements but do not have an equivalent expense because the County has not adopted a formal capital improvement plan and that restricts how we can account for how those expenditures will eventually occur.

In the packet, there is a chart reconciling the incoming revenues and outgoing expenditures, and when adjusting for factors such as transfers to other funds for Education Capital, current encumbrances, changes in long term liabilities, the actual surplus in the General Fund is approximately \$244,717.

Other Major Financial Items

Solid Waste Fund

Revenues from the Solid Waste Fund, which levies fees exclusively through use of Solid Waste Facilities, lags the prior year slightly, by less than \$10,000 in actual realized revenue.

However, expenditures in the Solid Waste fund are significantly higher – with slight increases in personnel costs (FY 2020 had more vacant positions on average than FY 2021 has so far) and operating expenditures. Key pressure points in operating expenditures are the cost of disposing of leachate and engineering services to monitor the landfill for legal and environmental compliance.

Overall, as in prior reports, the operating revenues of Solid Waste, both by function (landfill facility versus convenience sites) and in the aggregate, are not covering the annual operating costs of the Transylvania County Solid Waste Department.

Fire District Special Revenue Fund(s)

The County operates eight distinct fire service districts to meet needs for fire protection services across both the incorporated and unincorporated areas of Transylvania County. For the current fiscal year and the prior fiscal year, at Board direction, County staff built a single rate across the eight districts. For FY 2021, this rate was set at six cents per one hundred dollars of value (\$.06), and the expenditures were set at levels that most departments were split between the Fire District Funds and the General Fund.

There are two primary factors driving the difference between revenues and expenditures in the Fire District Funds; 1) that the rates are set in Sylvan Valley II and Lake Toxaway to build fund balance with revenues higher than expenditures, and 2) that no payments have been made to Balsam Grove Fire Department.

Self Insurance Fund

The County pays Blue Cross Blue Shield directly for health insurance claims filed on behalf of County employees and their families under the self insurance model. Medical and pharmaceutical claims paid represent over 70% of the annual budget for the County's self insurance plan. Rather than report on all of the ins and outs of this major component of the County's finances, this report sticks to the most important variable cost – the medical/pharmaceutical claims that are paid out weekly to BCBS.

Compared to FY 2020, the performance is significantly better, with \$2.7 million paid out over the prior fiscal year compared to only \$2.5 in the current fiscal year. This gap of \$172,000 represents a seven percent decrease in actual claims paid from the prior year.

Retiree Health Fund

The primary driver of expenditures in the Retiree Health Fund is similar to the Self Insurance Fund, claims paid to BCBS by the County on behalf of a very small pool of retirees. Last fiscal year, the resources of this fund were significantly stretched, but this year it is significantly lower.

Financial Impact: None

Strategic Plan Goal & Strategy: 6E

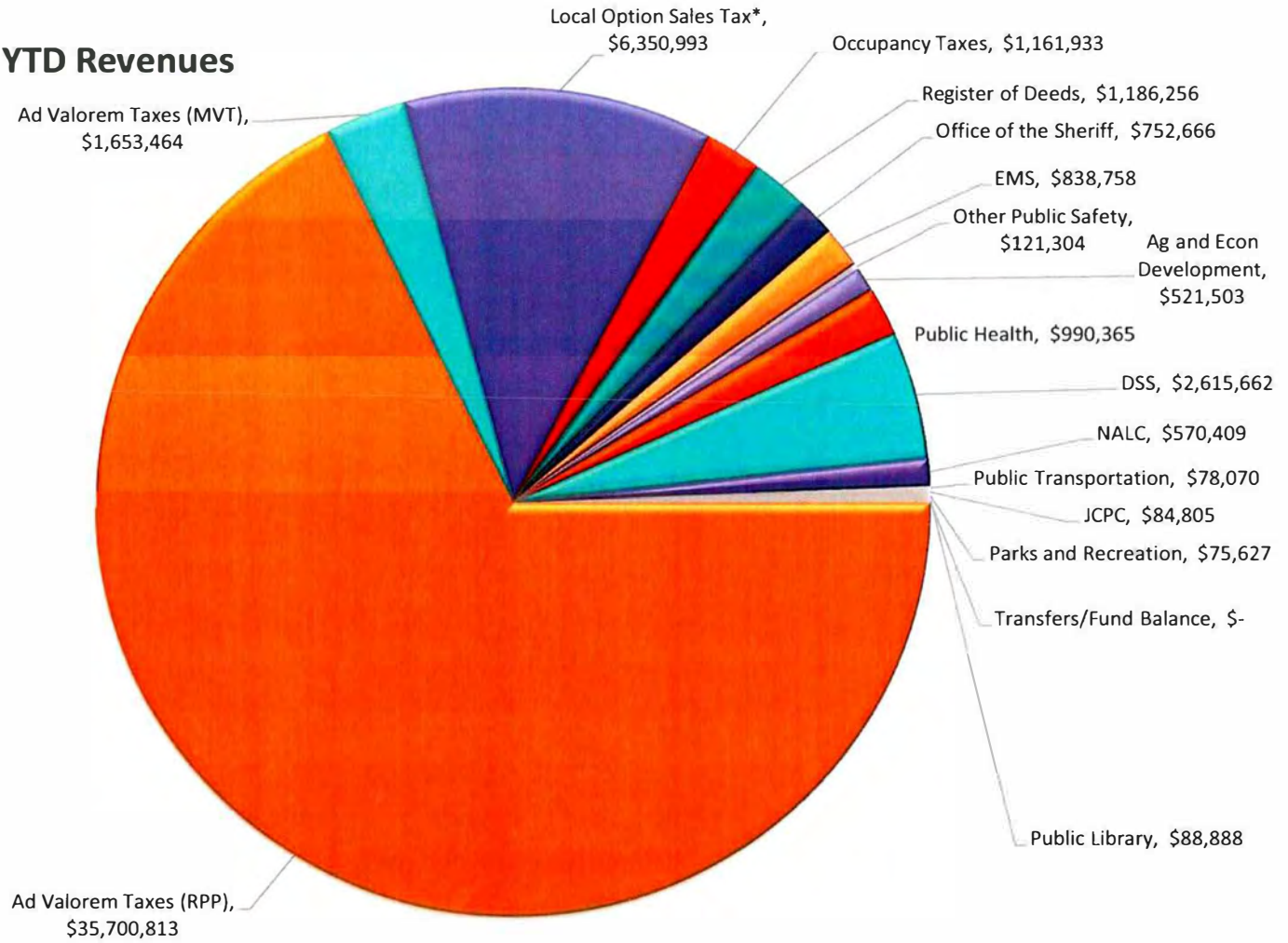
Recommendation(s): Receive report

General Fund - Quarterly Revenues by Function

	2021	2020	2021	PY Change		
	Rev. Budget	Q3 Actuals	Q3 Actual	(\$1,000)	%	
Ad Valorem Taxes (RPP)	\$ 35,815,015	\$ 35,244,212	\$ 35,700,813	457	1%	✓
Ad Valorem Taxes (MVT)	\$ 2,138,259	\$ 1,375,947	\$ 1,653,464	278	20%	✓
Local Option Sales Tax*	\$ 8,893,963	\$ 5,355,993	\$ 6,350,993	995	19%	✓
Occupancy Taxes	\$ 1,176,463	\$ 708,365	\$ 1,161,933	454	64%	✓
Register of Deeds	\$ 983,986	\$ 714,357	\$ 1,186,256	472	66%	✓
Office of the Sheriff	\$ 1,262,554	\$ 861,229	\$ 752,666	(109)	-13%	⚠
EMS	\$ 1,400,000	\$ 675,481	\$ 838,758	163	24%	✓
Other Public Safety	\$ 448,141	\$ 144,231	\$ 121,304	(23)	-16%	⚠
Ag and Econ Development	\$ 551,500	\$ 387,181	\$ 521,503	134	35%	✓
Public Health	\$ 1,814,207	\$ 868,366	\$ 990,365	122	14%	✓
DSS	\$ 3,479,276	\$ 2,454,826	\$ 2,615,662	161	7%	✓
NALC	\$ 721,100	\$ 469,508	\$ 570,409	101	21%	✓
Public Transportation	\$ 489,339	\$ 245,558	\$ 78,070	(167)	-68%	✗
JCPC	\$ 158,609	\$ 84,417	\$ 84,805	0	0%	⚠
Parks and Recreation	\$ 74,050	\$ 56,451	\$ 75,627	19	34%	✓
Public Library	\$ 129,083	\$ 93,759	\$ 88,888	(5)	-5%	⚠
Transfers/Fund Balance	\$ 4,555,936	\$ -	\$ -	-	0%	✓
Miscellaneous Revenues	\$ 1,411,724	\$ 1,016,038	\$ 666,486	(350)	-34%	⚠
Total GF Revenues	65,503,205	50,755,919	53,458,003			

*Sales taxes are recorded by the County according to the three-month lag time created by NCDOR. 3/31 totals represent only 6 FY 2021 distributions of sales tax.

General Fund - YTD Revenues

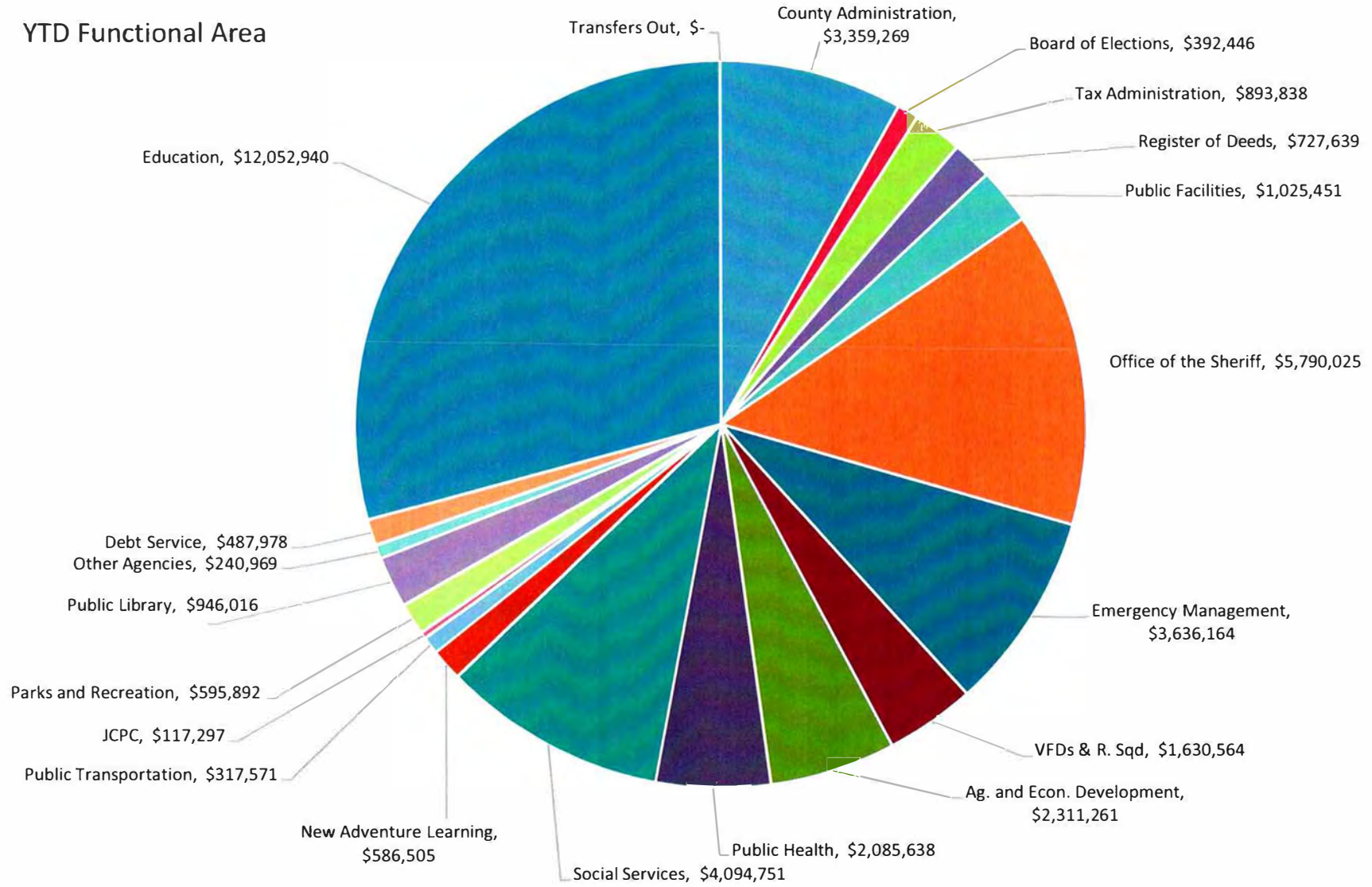


- Ad Valorem Taxes (RPP) Ad Valorem Taxes (MVT) Local Option Sales Tax* Occupancy Taxes Register of Deeds
- Office of the Sheriff EMS Other Public Safety Ag and Econ Development Public Health
- DSS NALC Public Transportation JCPC Parks and Recreation
- Public Library Transfers/Fund Balance

General Fund - Quarterly Expenditures by Function

	2021	2020	2021	PY Change		
	Budget	Q3 Actuals	Q3 Actual	(\$1,000)	%	
County Administration	\$ 5,473,204	\$ 3,678,593	\$ 3,359,269	(319)	-9%	✓
Board of Elections	\$ 604,510	\$ 446,295	\$ 392,446	(54)	-12%	✓
Tax Administration	\$ 1,337,761	\$ 897,857	\$ 893,838	(4)	0%	✓
Register of Deeds	\$ 794,448	\$ 620,133	\$ 727,639	108	17%	🟡
Public Facilities	\$ 1,941,444	\$ 1,381,730	\$ 1,025,451	(356)	-26%	✓
Office of the Sheriff	\$ 8,493,129	\$ 5,924,444	\$ 5,790,025	(134)	-2%	✓
Emergency Management	\$ 5,739,307	\$ 4,359,184	\$ 3,636,164	(723)	-17%	✓
VFDs & R. Sqd	\$ 1,843,507	\$ 1,751,501	\$ 1,630,564	(121)	-7%	🟡
Ag. and Econ. Development	\$ 2,882,555	\$ 1,984,543	\$ 2,311,261	327	16%	✗
Public Health	\$ 3,622,672	\$ 2,065,105	\$ 2,085,638	21	1%	🟢
Social Services	\$ 6,001,121	\$ 3,882,879	\$ 4,094,751	212	5%	🟡
New Adventure Learning	\$ 870,035	\$ 594,237	\$ 586,505	(8)	-1%	✓
Public Transportation	\$ 633,400	\$ 346,217	\$ 317,571	(29)	-8%	✓
JCPC	\$ 158,609	\$ 63,947	\$ 117,297	53	83%	✓
Parks and Recreation	\$ 978,811	\$ 738,485	\$ 595,892	(143)	-19%	✓
Public Library	\$ 1,441,087	\$ 997,731	\$ 946,016	(52)	-5%	✓
Other Agencies	\$ 249,111	\$ 133,277	\$ 240,969	108	81%	✓
Debt Service	\$ 6,635,729	\$ 401,612	\$ 487,978	86	22%	✓
Education	\$ 15,112,615	\$ 12,358,362	\$ 12,052,940	(305)	-2%	✓
Transfers Out	\$ 690,150	\$ -	\$ -	-		✓
Total GF Expenses	65,503,205	42,626,134	41,292,216	(1,334)	-3.13%	

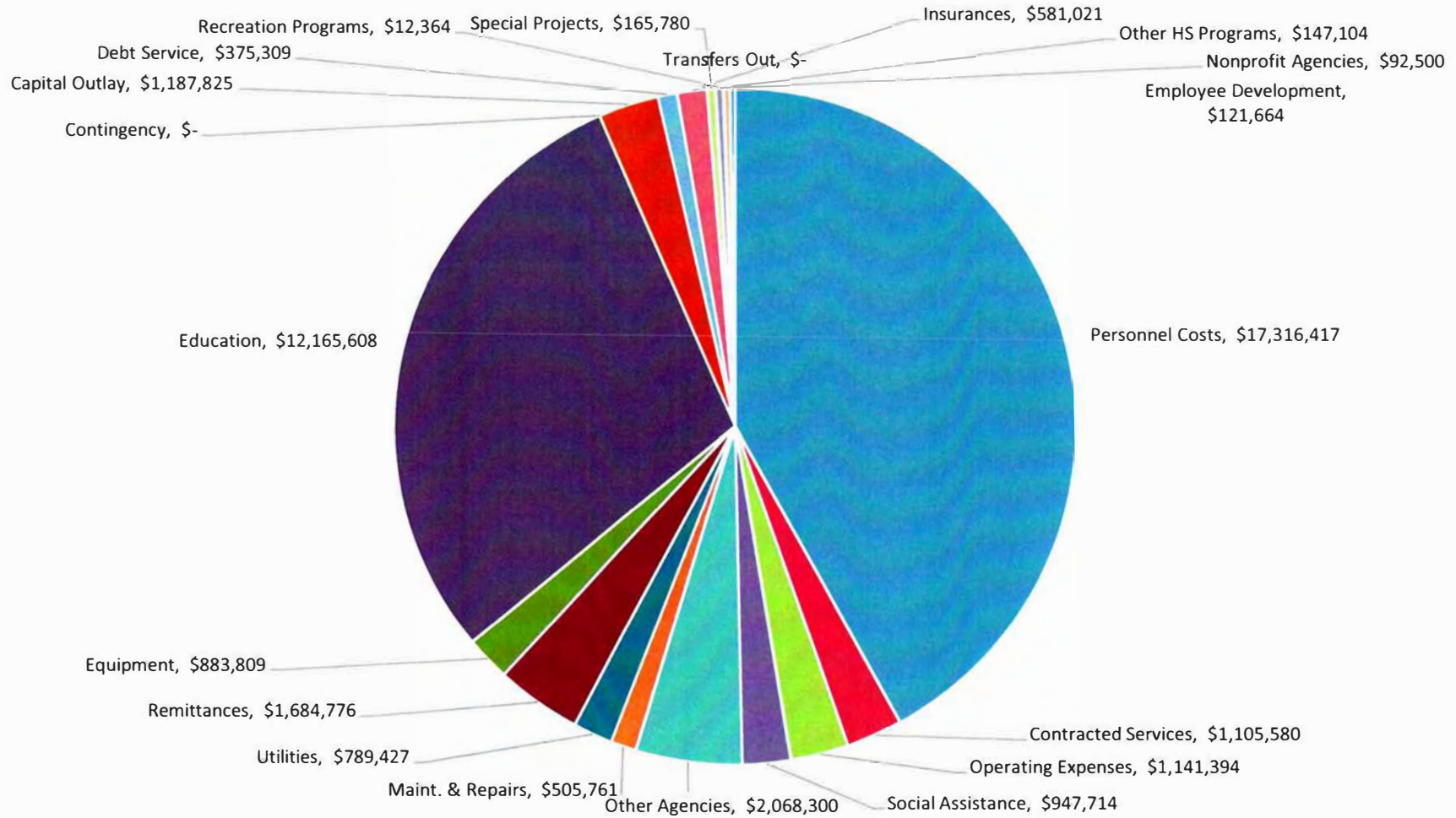
YTD Functional Area



General Fund - Expenditures by Type

	2021 Budget Revised	2020 Q3 Actual	2021 Q3 Actual	% of Budget %	
Personnel Costs	\$ 25,770,581	\$ 17,848,228	\$ 17,316,417	67%	
Contracted Services	\$ 1,609,137	\$ 1,002,431	\$ 1,105,580	69%	
Operating Expenses	\$ 2,228,600	\$ 1,118,562	\$ 1,141,394	51%	
Social Assistance	\$ 1,526,817	\$ 976,115	\$ 947,714	62%	
Other Agencies	\$ 2,340,768	\$ 2,205,027	\$ 2,068,300	88%	
Maint. & Repairs	\$ 785,793	\$ 390,556	\$ 505,761	64%	
Utilities	\$ 1,050,836	\$ 744,850	\$ 789,427	75%	
Remittances	\$ 1,650,582	\$ 1,094,683	\$ 1,684,776	102%	
Equipment	\$ 1,251,813	\$ 891,908	\$ 883,809	71%	
Education	\$ 15,227,544	\$ 12,473,291	\$ 12,165,608	80%	
Contingency	\$ 976,189	\$ -	\$ -	0%	
Capital Outlay	\$ 2,214,138	\$ 2,574,335	\$ 1,187,825	54%	
Debt Service	\$ 6,520,800	\$ 286,683	\$ 375,309	6%	
Insurances	\$ 579,672	\$ 492,854	\$ 581,021	100%	
Special Projects	\$ 379,176	\$ 115,785	\$ 165,780	44%	
Other HS Programs	\$ 182,359	\$ 88,142	\$ 147,104	81%	
Recreation Programs	\$ 34,200	\$ 35,798	\$ 12,364	36%	
Employee Development	\$ 386,550	\$ 205,884	\$ 121,664	31%	
Nonprofit Agencies	\$ 97,500	\$ 81,000	\$ 92,500	95%	
Transfers Out	\$ 690,150		\$ -	0%	
Total GF Expenses	65,503,205	42,626,134	41,292,354		

Expenditures by Type



Reconciliation of General Fund Actual Financials to Budget Ordinance

YTD General Fund Actual Revenues	\$	53,458,003
YTD General Fund Actual Expenditures	\$	41,292,354
Surplus / (Deficit)	\$	12,165,649

Adjusting Factors

1.) Education Capital Transfer	\$	6,200,000
2.) Capital Improvement Plan	\$	2,400,000
3.) Current Encumbrances	\$	1,104,748
4.) Impounded/Restricted Funds	\$	876,189
5.) Solid Waste Transfer	\$	570,150
6.) Retiree Health Liability Transfer	\$	287,803
7.) LEO Special Pension Fund Transfer	\$	120,000
8.) Restore Emergency Repairs Fund Balance	\$	150,000
9.) FY 2020 FEMA Reimbursement	\$	212,042

Surplus / (Deficit) Adjusted	\$	244,717
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Key Indicators of Other Financial Activity

Solid Waste Fund (Fund 35)

	Q3 2020	Q3 2021	▲	
Revenues	\$ 1,502,109.19	\$ 1,493,287.92	\$	(8,821.27)
Personnel Costs	\$ 849,033.91	\$ 891,932.00	\$	42,898.09
Operating Expenses	\$ 209,662.54	\$ 703,606.70	\$	493,944.16
Capital Outlay	\$ 201,679.17	\$ 24,016.36	\$	(177,662.81)
Profit/(Loss)	\$ 241,733.57	\$ (126,267.14)		

Fire District Special Revenue Fund (Funds 25 through 32)

	Q3 FY 2020	Q3 FY 2021	▲	
Ad Valorem Property Tax	\$ 2,631,102	\$ 2,901,557	\$	(270,456)
Payments to VFD	\$ 2,624,362	\$ 2,698,113	\$	(73,751)
▲ in Fund Balance	\$ 6,740	\$ 203,444	\$	(196,705)

Self Insurance Fund Expenses (23)

Actual Medical/Dental Claims Paid (Cash Basis)

	FY 2020	FY 2021	▲	
July	\$ 321,315.62	\$ 236,562.60	\$	(84,753.02)
August	\$ 372,023.00	\$ 332,578.22	\$	(39,444.78)
September	\$ 271,094.00	\$ 291,692.52	\$	20,598.52
October	\$ 349,092.00	\$ 460,291.12	\$	111,199.12
November	\$ 303,583.00	\$ 258,464.49	\$	(45,118.51)
December	\$ 357,159.00	\$ 206,472.36	\$	(150,686.64)
January	\$ 256,752.60	\$ 219,934.14	\$	(36,818.46)
February	\$ 254,349.69	\$ 301,732.36	\$	47,382.67
March	\$ 249,994.87	\$ 255,313.79	\$	5,318.92
	\$ 2,735,363.78	\$ 2,563,041.60	\$	(172,322.18) -7%

Retiree Health Plan Fund (16)

	FY 2020	FY 2021	▲	
Claims thru 3/31	\$ 164,348.54	\$ 24,352.00	\$	139,996.54 -575%