

**CATAWBA COUNTY, NORTH CAROLINA**  
**May 16, 2011**

Ladies and Gentlemen:

I hereby submit my recommended Catawba County Fiscal Year 2011/12 budget in the amount of **\$196,721,138**. As a result of revaluation, the budget lowers the property tax to a revenue neutral rate of \$0.53 per \$100 of valuation. The budget is balanced and prepared in accordance with the Local Government Budget and Fiscal Control Act and meets the Board of Commissioners' goal of maintaining services and momentum as much as possible without a property tax increase.

As the local economy continues to recover slowly and local and state revenues remain tenuous, the County further tightens its belt. Over the last four years, County reductions total \$10.5 million and have impacted 100 positions – 9 percent of the workforce. For the third year in a row, reductions are made to County spending, impacting 34 positions, helping to reduce the County budget 2.86 percent. This is accomplished in the recommended budget through the following actions:

*Over the last four years, County reductions total \$10.5 million and have impacted 100 positions- 9 percent of the workforce.*

- Expenses in County departments are reduced \$1.75 million.
- 29 positions are eliminated from the budget, and 5 positions are reduced in hours.
- No new County programs are recommended.
- Most outside agencies are reduced 5 percent.
- Funding for future water and sewer projects is reduced by \$1.55 million.
- \$1.55 million in funds for future school construction projects are diverted to maintain public school and community college operating funds.

The budget continues to place a high priority on the critical areas of education, public safety and economic development, as directed by the Board of Commissioners' goals.

- Current expense funding to the three school systems and Catawba Valley Community College (CVCC) is maintained at the same per pupil level.
- Public safety departments overall were reduced less than other county departments in an effort to maintain public safety service levels as much as possible. Funding is included for one new position, a Narcotics Investigator and two Road Patrol Deputies, which could be hired at midyear, subject to response times. Funds are set aside for an expansion of EMS, again based on response times.
- Economic development is supported by funding for the Economic Development Commission (EDC), the Chamber's Visitor Information Center, the Chamber's Edison Project to promote small business, and a partnership with Conover, Hickory, Maiden and Catawba for a multi-jurisdictional business park.

- Recognizing this is a good time to build because of lower construction costs and to borrow funds because of low interest rates, the budget invests in needed infrastructure - expansion of the Justice Center, a badly needed Sherrills Ford branch library and Animal Shelter, and school/community college construction.

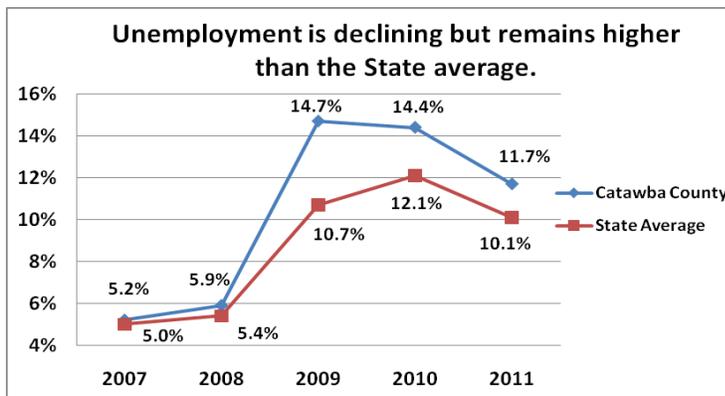
Not all County services will remain the same, however. As reductions in staff and spending continue, the impact will be felt by citizens. This year Park and Library hours were reduced, and those reductions continue. Other service reductions citizens will experience include:

- One-stop voting limited to only the Newton site for the May 2012 primary.
- Wait times to pay tax bills in person may be increased as a result of freezing a vacant Tax Collection Clerk position. Citizens continue to be encouraged to pay tax bills online or by mail, instead of standing in line at the Tax Office.
- Wait times to obtain tax maps online may be increased as a result of eliminating an Office Support position in mapping.
- Preservation and publication on the internet of older records maintained by the Register of Deeds may be delayed.
- Return visits for counseling services through Family N.E.T. may be extended.
- Building Inspectors will no longer be able to guarantee next day service.

As always, our focus remains on providing high quality customer service, provided in a professional manner and as quickly as possible.

## OUR LOCAL ECONOMY

We are beginning to see some signs of economic improvement locally. The latest unemployment number for Catawba County is 11.7, percent down from 14.4 percent this time last year (chart compares March number annually). North Carolina has been hit harder by this



recession than in past recessions during which our state has tended to fare better than others. Catawba County and the Hickory Metropolitan Statistical Area (MSA) have been particularly hard hit. In February 2010, Catawba County's unemployment reached a high of 15.2 percent compared to a statewide rate of 12.1 percent. Despite improvement, this rate

remains one of the highest in the state, with only 23 counties having a higher rate and is higher than the statewide rate of 9.7 percent. Overall, North Carolina's economy is projected to continue to experience slow growth but is not projected to return to prerecession levels for another 18 months.

## Investments in our local economy pay dividends

The County's investment in funding the Economic Development Corporation (EDC) continues to benefit our local economy. The EDC was actively involved in several significant projects during

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the past several years. Between 2008 and 2011, 2,502 new jobs were created or announced, and will be filled over the next five years. Economic development projects during this same time resulted in the

announcement of \$1.1 billion of new investment. Some highlights of these investments include:

- Apple, Inc. is in the process of building a \$1 billion data center which will create 50 new direct jobs and could create 250 more jobs for people providing services to the plant and as many as 3,000 related jobs for the region surrounding the site. To date Apple has added almost \$384 million in real and personal property to the County's tax base.
- Pierre Foods, Inc. will maintain its operations in Claremont, retaining 717 current employees, creating 500 new jobs, and making \$16.8 million in new investment. With 1217 employees, Pierre Foods will be one of the top five private employers in the County.
- Fairmont Designs, a manufacturer of home, hospitality and health care industry furnishings, will create 200 jobs and make a total new investment of \$1.5 million in the community.
- Sarstedt, Inc., a manufacturer of medical supplies, will expand its distribution warehouse in Newton by 50,000 square feet, and invest \$14.2 million in the community. This expansion will create 20 new jobs which pay above the average hourly County wage.
- Turbocoating Corp., USA, will lease a 60,000 square foot facility in Catawba Industrial Commons for 10 years, and invest a minimum of \$13 million in machinery and equipment. It will create at least 80 jobs paying an average wage of over \$50,000 per year.
- Poppelmann Plastics expanded their existing Claremont facility, investing between \$5 and \$8 million on occupancy, upfit, and equipment. While no new employees were added with this expansion, the company committed to maintain all of its existing jobs through at least 2016.

*To date Apple has added almost \$384 million in real and personal property to the County's tax base.*

The EDC offers support to the County's existing industries by serving as a clearinghouse for business information and provides a number of ways to communicate with and reach out to companies. The Existing Industries visitation program includes face-to-face visitation to over 100 companies each year and the Existing Industry Helpweb, located on the EDC website, allows existing industries to contact the EDC 24/7 with problems or questions. Additionally, the EDC produces a monthly email newsletter for existing industries, the Industry Pulse Newsletter,

which provides information on relevant topics including general tax information, opportunities for training and seminars.

Other investments that promote the County and stimulate the local economy include continued support of the Convention and Visitors Bureau, the Chamber of Commerce Visitor Information Center, and the seventh year of the Greater Hickory Golf Classic, which has an economic impact of about \$35 million annually in our county. Funds are included for the County's share of the 2005 expansion of the Hickory Metro Convention Center, which brings money to our local economy through the promotion of conventions and conferences. The budget continues to reserve a portion of the ¼ cent sales tax revenue toward economic development, which is dedicated in the coming year to support a multi-jurisdictional park with Conover, Hickory, Maiden, and Catawba. The budget provides funds toward the operational costs of the control tower at the Hickory Regional Airport, matching the contribution from Burke County. Finally, the budget provides support to the Chamber of Commerce's new Edison Project, designed to identify and foster new small businesses. All of these investments help to meet the Board of Commissioners' goal of remaining aggressive in recruiting most favored industries to the area.

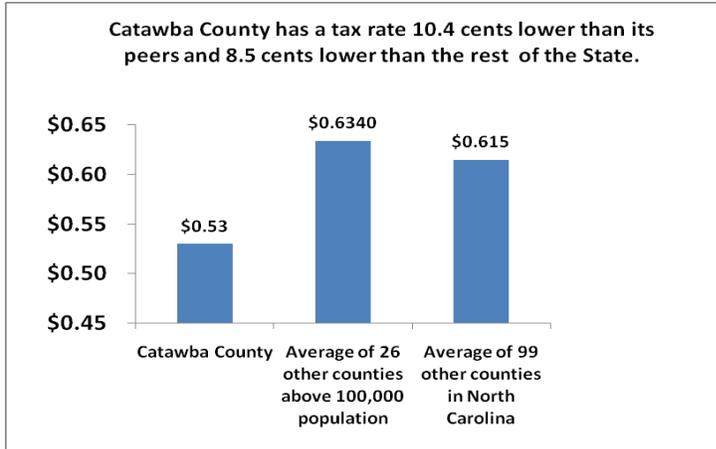
County spending to provide services to citizens also benefits the local economy, through \$13 million contracted to the private and non-profit sectors. Contracts are reviewed annually and savings next year were achieved through new or renegotiated contracts for inmate food services, Emergency Medical Services (EMS) billing, medical director contract, and banking services.

## **REVENUE HIGHLIGHTS**

### **Property Tax**

The projected tax base for Fiscal Year 2011/12 is \$15.5 billion and includes real property, personal property, and vehicles. State law mandates that local governments revalue property at least every eight years. Catawba County decided in 1999 to reappraise every four years, in order to lessen the potential impact of dramatic value changes and avoid the loss of revenue from public utility appeals allowed under State law. Unlike many local governments that have decided to postpone revaluations due to the economy, Catawba County decided to proceed with its normal schedule of reappraisal, even if it meant lower values and less revenue for the County. The scheduled revaluation became effective on January 1, 2011.

State law requires local governments to publish a revenue neutral property tax rate. North Carolina General Statute 159-11(e) defines the revenue-neutral rate as "the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced by the current tax rate if no revaluation had occurred, adjusted by a growth factor equal to the average annual percentage change in values and anticipated appeals". The budget reduces the property tax rate to a revenue neutral rate of \$.53 per \$100 of valuation. Assuming other counties maintain their current tax rates, Catawba County will have the 8<sup>th</sup> lowest tax rate of the 27 urban counties -- those with a population over 100,000 -- and the 33rd

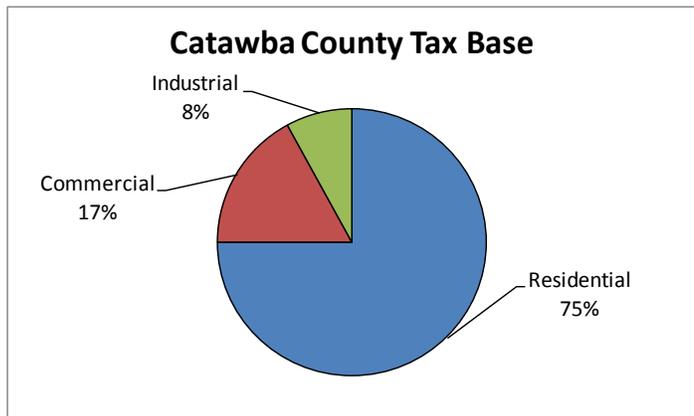


lowest of all 100 counties in North Carolina. The 53 cent property tax rate is only one-third of the \$1.50 rate allowed by the North Carolina Constitution.

The County's property tax base is approximately 75 percent residential, 17 percent commercial, and 8 percent industrial. Overall, the Catawba County experienced a relatively flat appreciation rate of around 1 percent

when compared with current tax values established in 2007. Revaluation resulted in the following change in property tax values compared to 2007 values:

- Average residential values increased only 3 percent from 2007 values;
- Average commercial property decreased 3 percent from 2007 values; and
- Average industrial property decreased 5 percent from 2007 values.



The revaluation is projected to result in a change to real property value of only \$130 million after the completion of informal appeals, but the Board of Equalization and Review continues in session to hear property value appeals. Personal property is projected to grow by \$218 million or 15.6 percent thanks primarily to investments made by Apple, Inc. Motor vehicle values have declined an average of 5 percent each of the past three years. While there have been some signs of recovery in the past several months, lost motor vehicle value was again seen in April 2011 and, to be conservative, we are projecting to lose another 2.4 percent next year. This would be a total motor vehicle value loss of \$191 million since 2007.

The State mandate for a revaluation is to be as close to 100 percent of market value as possible. Annually, the NC Department of Revenue uses a random sampling of actual real estate sales that took place during the 2010 year, and compares these sales to the County's 2011 Revaluation assessments. The State concluded that Catawba County's sales ratio is 100 percent, which means that, in the State's opinion, local assessments, on average, are representative of what property sold for in 2010.

Although the real property collection rate has fallen slightly over the last several years, collections in the current fiscal year have tracked closely to last fiscal year, and prior year

collections remain strong thanks in large part to concerted efforts by the Tax Department. Through April, the County had collected 98.45 percent of the Fiscal Year 2009/10 levy.

### **Sales Tax**

Catawba County receives 2 ¼ cents of the total State sales tax rate of 8 cents. The County shares proceeds from the first two cents with the municipalities on a per capita basis. The remaining ¼ cent, approved by voters in a November 2007 referendum, is dedicated to a Justice Center/Public Safety expansion, water and sewer infrastructure, public school operations, and economic development.

*Catawba County receives only 2 ¼ cents of the total State sales tax rate of 8 cents.*

After two years of declining revenue, sales tax revenue has begun to grow again. To date, sales tax collections are a little over one percent higher than the same time last year. The North Carolina Association of County Commissioners (NCACC) is advising counties to plan for three to four percent growth. We have chosen to budget very conservatively with only two percent growth.

### **Building Permits and Real Estate Excise Tax**

Building permits have declined 25.4 percent since 2008. Inspections declined 43.2 percent and plans reviewed declined 28.5 percent during this same period. Building permit revenue declined from a high of \$2.6 million per year to just under \$1 million or 64 percent. Next year, building permit revenue is projected to remain relatively flat. The County's policy for Building Services is that it will pay for itself through permit revenue. Due to declining building permit revenues, 14 Building Services positions and 1 Permit Center position have been eliminated over the past three years. Related to the reduction in permitting is work load in the Planning Department and Environmental Health and, as a result, the budget eliminates a Planning Technician position and an Environmental Health Specialist position.

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Real estate excise tax revenue has decreased 40 percent over the past three years as a result of the economy. This revenue is projected to decrease an additional 6 percent next fiscal year. Accordingly, funding for preservation efforts is reduced in the Register of Deeds Office, including eliminating a position in January 2012.

### **Fees**

Annually the County reviews fees to ensure consistency with the fee philosophy established by the Board of Commissioners, which is specific to each service provided. Some fees, such as building permits and landfill user fees, recover 100 percent of the cost to provide the service. Others fees seek to influence behavior, such as pet adoption fees to encourage responsible

ownership or the lack of membership fees to encourage reading and library use. Still other fees seek to share the cost of providing the service with the citizens that use the service, such as EMS fees. The following describes some of the more noteworthy fee changes established with the budget.

### ***Emergency Services***

A study by Emergency Services in the current year revealed that, while our rates for emergency ambulance services are only 1-2 percent above the Medicare reimbursement rate, nationwide the industry standard is 25-30 percent above this rate. It is important for fees to remain above the allowable Medicare rate to ensure the County is able to receive the maximum reimbursement. The budget recommends five fee changes, which align the department's fee philosophy of recovering 50 percent of the cost for emergency ambulance service, but maintaining a reasonable rate compared to other counties. These changes raise Catawba County's fees to 10 percent above the Medicare rate, still 15-20 percent lower than the national standard. Specific fees impacted include Advance Life Support (ALS) Emergency and ALS2 (more critical patients), Basic Life Support Emergency, Specialty Care Transport, and Mileage.

### ***Sheriff***

A new \$50 fee for service of civil process for out of state cases is proposed. All civil processes are currently charged \$15 per paper per person served, which is the in-state rate set by State law. The actual cost of this service is estimated at \$55.10, so a fee of \$50 is included in the budget when the Sheriff's Department is required to serve papers from an out of state case. This fee is consistent with fees in surrounding counties, and is estimated to generate at least \$35,000 in additional revenue for public safety efforts in the upcoming year, borne by out-of-state clients.

### ***Utilities and Engineering***

The County's fee philosophy is to recover 100 percent of the cost of Building Services, but it is also important to ensure that fees are fair and equitable when compared to surrounding counties. Utilities and Engineering staff discovered some substantial differences resulting in the following building permit fee changes:

- Residential – One and two family dwellings decrease 25 percent.
- Residential – Other (multi-family, hotels, assisted living facilities, etc.) increase 12 percent.
- Assembly (family life centers, theaters, nightclubs, restaurants, etc.) increase 13 percent.
- Factory/Industrial – (low and moderate hazard) increase 21 percent.
- Storage Low and Moderate Hazard – (Warehouse, mini-storage, auto repair) increase 43 percent.

Landfill operational costs are projected to increase due to the rising price of fuel, as well as new, more stringent air quality standards. To align with the Solid Waste division's fee

philosophy of generating sufficient revenues without the need for any local tax dollars, to operate the landfill, build reserve for future needs and encourage protection and preservation of the environment, the division has increased Construction and Demolition Waste by \$1.50 per ton, bringing the fee to \$21 per ton. This remains lower than the average rate charged by surrounding counties.

### **Potential State Budget Reductions**

As the State continues to suffer from lost revenue, the Governor and, to a much lesser degree, the House of Representatives proposed shifting State financial responsibilities to counties as a way to balance the State budget. Catawba County remains vigilant in its efforts to fight such proposals, and remains adamant that the State needs to take responsibility for its own fiscal problems, as Catawba County has done, and not pass the burden on to local governments. Some of the more troubling proposals include:

- Loss of \$630,000 in Social Services funding from areas such as Adult Protective Services, Child Welfare, Day Care, Smart Start, Family NET, and the Juvenile Crime Prevention Council.
- Loss of \$115,000 in Public Health funding for Health Aid to Counties, Medicaid Provider rates, and Environmental Health
- Loss of up to \$250,000 in bed rental revenue and decreased jail capacity as a result of shifting responsibility to local jails for housing misdemeanants serving up to 180 days.
- Loss of State aid to Libraries of \$15,000.
- The Governor's budget proposed shifting responsibility for worker's compensation for school systems and CVCC, bus replacement, and tort claims, resulting in increased local costs of about \$3.6 million in addition to \$1.3 million already lost in public school building funds. While the House budget does not include these cost shifts, the Senate is just beginning its budget deliberations.
- The Governor also proposed taking 68 percent of local lottery funds, resulting in a loss of over \$500,000 that the County relies on to make debt service payments for current and future school construction projects. The House budget will maintain these funds which have been promised to counties and which have been planned or committed for school construction.

The Senate is now completing its budget, which hopefully will be favorable to counties.

### **Fund Balance**

All local governments maintain a fund balance to provide cash flow, because property tax, the primary funding source for local government, does not become due until January 1<sup>st</sup> each year. Fund balance provides a safety net for unanticipated expenses and helps cover operational needs in the event of revenue losses. The North Carolina Local Government Commission (LGC) recommends that local governments maintain a minimum of 8 percent fund balance. If a local government's fund balance falls to this level or lower, a letter is written by the LGC to the local governing body, advising it of serious financial concerns and a high likelihood of experiencing cash flow difficulties. This only represents a single month of operating expenses. Catawba

County maintains a minimum of 16 percent fund balance as directed by the Board of Commissioners. Thanks to our conservative approach to budgeting, the County currently has a fund balance of 21.8 percent. This fund balance, coupled with reductions in spending and staff, is allowing the County to mitigate the impact of revenue losses and keep essential services going. The budget plans to spend \$1.2 million in fund balance, a \$3 million reduction from what will be spent in the current year.

The Governor recently targeted local government fund balances as supposed evidence that counties could afford the cost shifts proposed in her budget. This assertion shows a clear misunderstanding of the purpose of fund balance and the need to maintain a healthy fund balance to meet financial responsibilities. Having sufficient reserve funds allows the County to be flexible and react to fiscal emergencies and opportunities for economic development which result in more jobs for citizens. A prime example is the recruitment of Apple to Maiden in 2009. Without sufficient fund balance the County would not have been able to make economic development investments to recruit this \$1 billion investment. The Governor's logic also ignores what bond rating agencies acknowledge one of the reasons North Carolina cities and counties tend to have higher bond ratings than their peers in other states is because they have the capacity to make debt service obligations due to sufficient cash reserves on hand. Catawba County has an Aa1 credit rating by Moody's and AA by Standard and Poor, and fund balance reserves are a major component of the rating. Having favorable credit ratings leads to lower interest costs for taxpayers.

## **EXPENSE HIGHLIGHTS**

County operations decreased by 3.48 percent, for a total of 6 percent over the past four years. The total budget decreased by \$5.8 million.

## **EDUCATION**

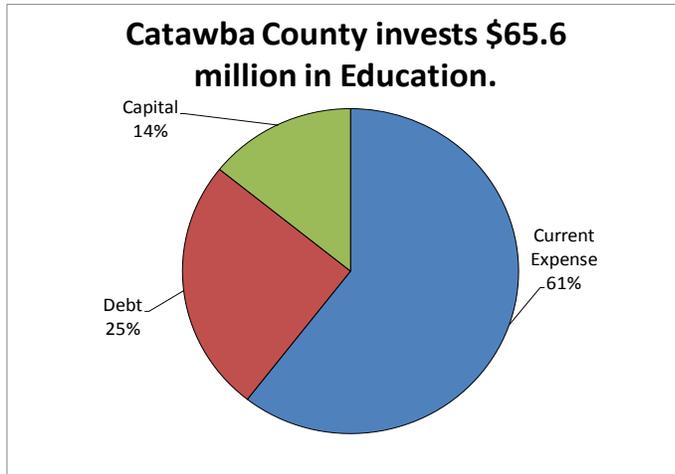
### ***Current Expense***

Education continues to represent the largest portion of the local budget, with 49 cents of every property and sales tax dollar allocated for the instructional costs and capital needs of the three public school systems and CVCC.

The State has certified enrollment numbers of 24,516 students for next year, an overall decrease of 38 students. State certified student enrollment numbers for Catawba

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County Schools increased by 28, Hickory Public Schools decreased by 96, and Newton-Conover City Schools increased by 30.

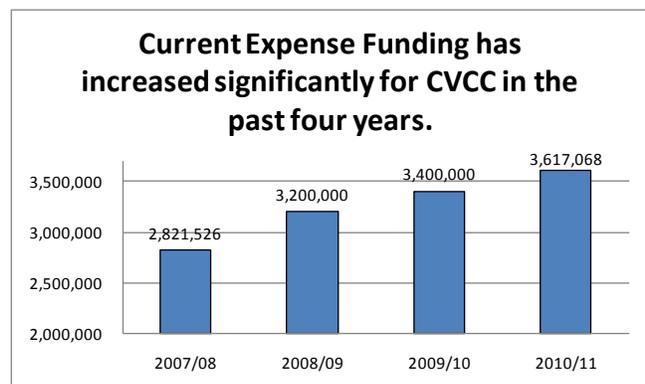


Funding the cost of school operations is clearly the responsibility of the State, but the General Assembly historically has not adequately funded public schools. The State has made substantial reductions each of the past two years to school funding, and it appears State funding will again be dramatically reduced in the upcoming year. Despite reductions in funding for most county departments and outside agencies, the budget maintains the current rate of per pupil funding to each school system of \$1,433. Total local current expense

funding exceeds \$35.1 million, and pays for local teaching positions, teacher supplements, utilities, technology and other operating expenses. In order to maintain funding to schools, one cent of the property tax rate (\$1.55 million) previously used for school debt is diverted to current expense. Continuing the \$1,433 per pupil rate should maintain the County's ranking of 46<sup>th</sup> highest, compared to per pupil funding provided by other counties, as well as protect classroom teachers from losing the 2 percent performance supplement funded by the County several years ago.

Included in the allocation for public schools are funds for programs jointly operated by the three school systems – the Adolescent and Children in Treatment (ACT) Program, Hickory Career & Arts Magnet (HCAM) core academy, the Conover School for exceptional children, Community Schools, the school bus garage, and Challenger High School.

The State continues to reduce funding to community colleges with an additional 10 percent reduction anticipated next year. The Governor's budget proposed elimination of funding for the Manufacturing Solutions Center and the Appalachian State Center, while the House budget restores funding for the ASU Center and reduces the Manufacturing Solutions Center by 10 percent. Student population continues to be at an all time high as the college tries to meet the needs of retraining displaced workers and youth transitioning from high school to higher education. In order to help address these needs and further the goal of improving the County's ranking in community college funding to within the top 15 counties in the state, funding to CVCC was not reduced, and continues at the level of \$3,617,068 next year. In Fiscal Year 2010/11, the County moved from 18<sup>th</sup> to 15<sup>th</sup> in funding out of 58 community



colleges. Barring any major changes in funding for other community colleges, next year's allocation should maintain the County's ranking.

### ***Schools Annual Capital***

Local dollars pay annual capital needs of the three school systems and CVCC. Projects next year are largely focused on energy saving, roofing, and safety. The County has benefited the last two years from changes in the State lottery allocation formula. Next year, these funds will be used to fund one-time needs of the three school systems. School capital projects in the annual capital outlay budget total \$4,992,000 as follows:

#### **Catawba County Schools**

- Webb Murray Elementary Computers Technology (\$110,000) – A construction project to add classrooms to this school is currently underway funded by Federal Qualified School Construction Bonds known as QSCBs. At the time, funds were borrowed for the addition, QSCBs could not be used to finance needed technology so this request was not included in the project.
- Resurfacing Tennis Courts (\$125,000) – Funds are included to resurface tennis courts at Fred T. Foard and Bandys High Schools. The courts at both schools have large cracks in the surface, creating a safety hazard.
- HVAC Equipment Refurbish (\$75,000) – Lottery funds will be used to replace a chiller at St. Stephens High School that is experiencing problems.
- System-wide Roofing (\$230,000) – Lottery funds will be used to replace 16 to 20 year old roofs on the Claremont and Oxford Elementary School campuses.
- Bleacher Replacement (\$1.9 million) – Local funds are included to address bleacher replacement needs at St. Stephens, Bandys, Bunker Hill, and Fred T. Foard High Schools. All are in poor condition and present safety concerns. It is hoped that, by funding all together. The school system will be able to complete the projects for less money than originally requested.
- HVAC Hydronic Piping Replacement (\$385,000) – Funds are provided to replace the water piping attached to the HVAC systems at St. Stephens High School and Mt. View Elementary School, which have become extremely thin and are experiencing leaks.

#### **Hickory Public Schools**

- Replace Energy Management at schools (\$140,000) – These software systems that control the heating and air systems at the schools are 18-20 years old and no longer efficient. Replacement will save energy costs.
- Replace Air Conditioning Units at Hickory Career & Arts Magnet School (HCAM) (\$400,000) – Lottery funds will be used to replace rooftop air conditioning units that are 30 years old, experiencing problems with costly repairs, and are not energy efficient.
- Purchase a new Yellow Bus for HCAM (\$85,000) – Buses for this program are picking up students throughout the County and, as a result, some students are being picked up by 5:30 in the morning and some do not return home until around 5:30 in the evening. A

bus needs to be added to reduce transportation time. Counties are responsible for buying new yellow buses and the State is responsible for replacements.

- Replace ramps at Mobile Units (\$50,000) – These funds will be used to replace wooden ramps at Jenkins, Viewmont, and Oakwood Elementary Schools, which are splintering, with metal ramps.
- Replace Boiler at Jenkins Elementary School (\$65,000) - This boiler is original to the school and the oldest in the system.

#### **Newton-Conover City Schools**

- Roofing (\$325,000) – Lottery funds will be used to replace the roof at Conover School which is in poor shape and experiencing leaks.
- Upgrade Middle School to Elementary School (\$300,000) – This is the final year of a 3-year set-aside to convert the current middle school to an elementary school, once the new Newton-Conover Middle School under construction is occupied.
- Paving (\$150,000) – The parking lots at Newton Conover High School and the North Ashe Complex (which includes School Administration, the ACT program, the Math and Science High School, and the Newton-Conover Auditorium Authority) is cracking and beginning to break apart.
- Gym at Newton Conover Middle School Brick Repair (\$60,000) – The brick veneer on the outside of the gym is corroding and in need of reinforcement. Lottery funds will be used to pay for \$20,000 of this project.
- Activity Bus Replacement \$92,000 – Funds are included to replace a bus that is experiencing mechanical problems.

The Capital Outlay Budget includes \$52 per pupil, a total allocation of \$1,274,832, for small capital and repair needs costing less than \$12,500. The individual school systems decide how these funds will be spent throughout the year. In addition, the County funds half of the cost of a construction project manager for Catawba County Schools and a shared construction project manager for Hickory Public Schools, Newton-Conover City Schools, and CVCC. These positions provide support in monitoring current construction projects to keep them within budget, ensuring compliance with building code requirements, processing change orders, and working with the schools to ensure that the projects meet their needs. The project managers also assist the schools with developing annual capital and 8-year plan requests.

Capital projects totaling \$500,000 are included for CVCC to help the college make needed upgrades to its campus. Projects include funding for general renovations, an upgrade to the energy management system, HVAC replacements for the administrative and engineering buildings and replacement of a 17 year old maintenance truck.

#### ***Schools Construction and Debt***

The budget continues debt commitments for public school and community college construction projects, with over \$16.5 million budgeted for debt service payments next year. As debt is retired, the dollars committed to school debt are reserved for future school building projects. Even with the diversion of one cent for current expense from construction, new construction

projects totaling \$68.9 million are planned over the 2012 to 2015 period without a tax increase. If the State takes local lottery proceeds or other local revenues, some projects may need to be delayed. Two projects began in the current year:

- Webb Murray Elementary (\$6.3 million) – An 18 classroom expansion, new administrative area including entrance and lobby, parking, new entrance including student drop off and pick-up, furnishings for new classrooms and administrative area, expansion of media center, and renovation of classrooms.
- Hickory High Renovations (\$1.9 million) - Final phase of major renovation project to retrofit and update this 1970s school including new heating and cooling, plumbing, flooring, windows, etc.

Below is a list of projects planned for next year:

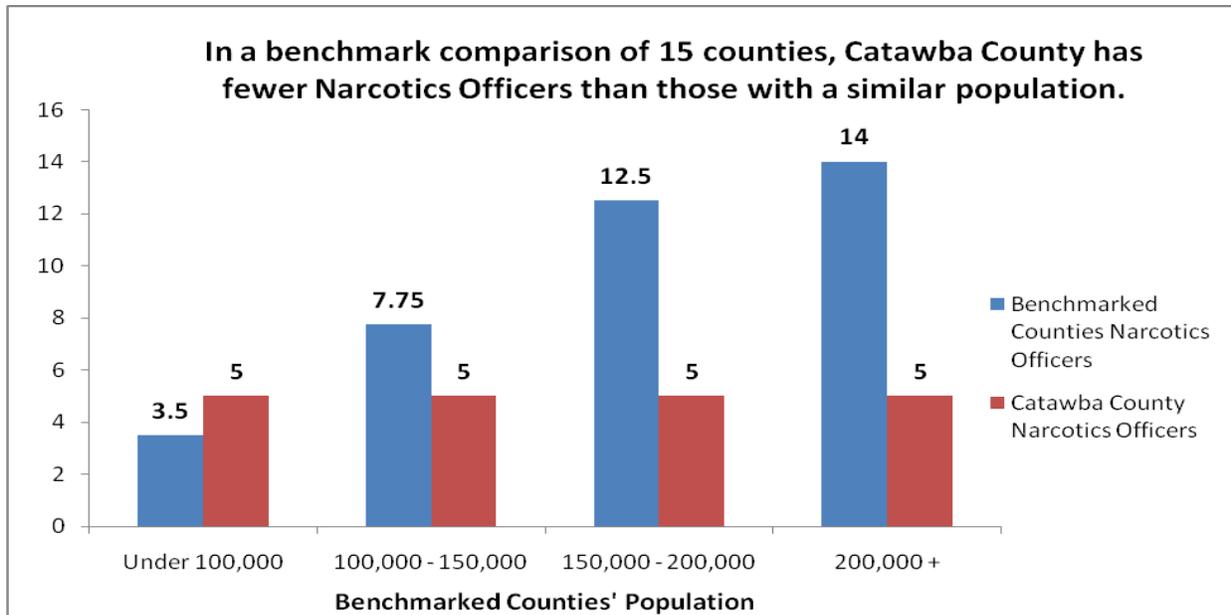
- Hickory Career and Arts Magnet (HCAM) (\$1.5 million) - Renovations to the College Park building to support program needs in Criminal Justice, Drama, Culinary, Graphic Design and Photography, and Administration of the new magnet school will begin this summer.
- CVCC Campus Renovations (\$1.5 million)– General renovations to the Testing Center and Business Complex (\$1.5 million) are included. General classroom renovations at the Main Building and East Campus (\$2 million) and paving of parking lots at West Wing, East Campus and the Paap building (\$1.5 million) are planned over the next four years.

## **PUBLIC SAFETY**

The County continues to place Public Safety as a high priority, and accordingly, fewer reductions were made to these functions. The second largest portion of local funds--22 cents of every property tax and sales tax dollar—is spent on public safety.

### **Sheriff's Department**

The budget invests in law enforcement by funding one additional Narcotics Investigator. The Sheriff also decided to transfer one Criminal Investigator previously assigned to the Lake Norman Regional Patrol to Narcotics. These Investigators will assist the department following up on drug tips. A comparison of other jurisdictions indicates that our Sheriff's Department has fewer Narcotics Investigators than similarly sized counties. Sheriff Reid believes 90-95 percent of crime is related to drugs in some way. This is based not only on drug sales and possession of drugs but on person and property crimes stemming from either drug use or theft to obtain money for drug purchases. The Sheriff's Department will continue to participate in a regional agreement with Alexander County, Burke County, Caldwell County, the City of Hickory, and state and federal agencies to assist each other in narcotics investigations.



Call volume and response times are rising. The average emergency response time last year was 10 minutes and 35 seconds. Sheriff Reid recently reassigned two Lieutenants, one each from Crime Prevention and the Jail, to Road Patrol. These Lieutenants, combined with two existing Road Patrol Lieutenants that worked primarily from the office, were assigned to platoons, resulting in a net gain of one officer per shift. As of midyear, the response time appears to have improved by roughly two minutes. These emergency response times and calls are averaged by our software system, so response times are based on total responders, not just the first unit on the scene. The Sheriff's Department will work with County Management to conduct an analysis of road patrol calls and response times compared to that of other counties. The results will be used to aid in decision making about additional road patrol. Funding for two additional Road Patrol Deputies will be available starting in January 2012, subject to call volume and response time analysis.

Domestic Violence Orders (DVOs) increased 9.7 percent last year and have increased 81.7 percent since 2007. The budget maintains one Domestic Violence Order (DVO) Investigator position previously grant funded. Another investigator and deputy continue to be supported by grant funding (scheduled to end July 2012) and assigned to a Domestic Violence Unit. The two investigators are handling approximately 350 domestic violence related cases per year and will begin investigating 250 child abuse cases per year in order to improve investigations and provide more specialized services to these victims.

The budget replaces 17 law enforcement vehicles and three new vehicles for the additional Narcotics Investigator and Road Patrol deputies. The vehicles being replaced all have high mileage, which creates concerns over their reliability and safety for use in emergency operations.

Despite these investments, the Sheriff's Department budget remained essentially flat, primarily due to historic under spending in various areas. The department was able to save almost \$58,000 as a result of rebidding the inmate food service contract. Savings to overtime and part-time wages were generated by using School Resource Officers to assist with Lake Patrol and Court when school is out.

### **Jail**

With the 2007 jail expansion, the County looked ahead and planned for future jail needs by building core infrastructure such as a kitchen, sally port, and video visitation large enough to accommodate future bed expansion. The ownership of half of the Burke-Catawba District Confinement Facility (BCDCF) continues to pay dividends by enabling us to build and staff fewer beds at the Newton jail. The County earns revenue toward the operational cost of this facility by renting up to 20 beds daily to Burke County. Unfortunately, the inmate population continues to rise approximately 3 percent annually. As a result, it is anticipated the County could again reach its capacity in the Catawba County Detention Center and the BCDCF by Fiscal Year 2015/16. A 128-bed expansion is planned for that year at the County's Detention Facility, with

*Catawba County is renting beds to the federal government and Burke County, and banking the proceeds to help fund future expansion and reduce costs to taxpayers. To date, \$800,000 has been accumulated, with another \$425,000 planned in Fiscal Year 2011/12.*

operations beginning the following year. In the meantime, Catawba County is renting beds to the federal government and Burke County, and banking the proceeds to help fund future expansion and reduce costs to taxpayers. To date, \$800,000 has been accumulated, with another \$425,000

planned in Fiscal Year 2011/12. Bed capacity could be reached sooner if the State does shift misdemeanants serving sentences up to 180 days to local jails, and this shift would also impact the County's ability to rent beds to the federal government and accumulate revenue toward future jail needs.

To alleviate jail space needs, the budget continues funding for

- Electronic House Arrest (EHA). The Sheriff plans to expand EHA next year to pretrial defendants for whom judges want additional assurance beyond bond that the defendants will appear in court if released while awaiting trial.
- Pretrial Services, which interviews inmates and assists with getting non-violent inmates released either through disposition of cases or bond modifications. These efforts saved the County 4,673 inmate bed days last year at a projected savings of over \$210,000.

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- Justice System Coordination efforts are focused on getting people through the judicial system as quickly as possible, working to assure priority courtroom use through pleas and other methods, and improving technology in courtrooms.
- Sentencing Services benefits the County by connecting offenders with help for problems that contribute to the re-occurrence of crime and returns the defendant to gainful employment. The program estimates that efforts last year saved taxpayers \$377,356 compared to the cost to house an inmate in a state facility.

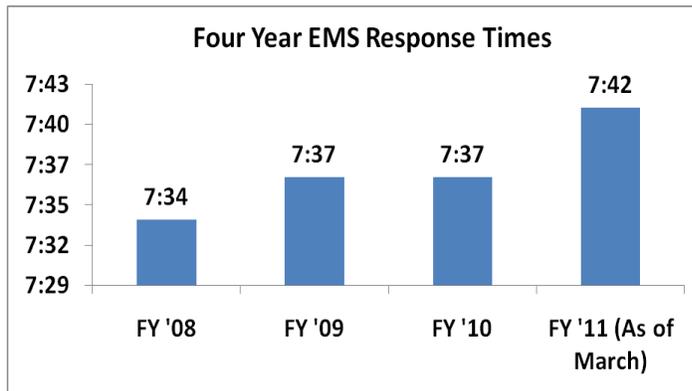
### Emergency Services

Emergency Services was held to a 2 percent reduction. These reductions come from the following areas:

- Eliminating a first year initiative to provide automated external defibrillators (AED's) to public safety agencies within the County. Eleven requests have been filled to date, meeting the most pressing needs.
- Forgoing the replacement of one cardiac monitor due to our excellent equipment maintenance program.
- General reductions including combining contracted positions and reductions based on spending levels for the past three to five years.

### Emergency Medical Services (EMS)

Funding for the upcoming year should allow Emergency Medical Services (EMS) to maintain the Board of Commissioners' goal of 8 minute average response time for all emergency calls.



Average EMS response times through March of Fiscal Year 2010/11 are 7 minutes and 42 seconds, which is a one percent increase from the Fiscal Year 2009/10 average. Call volume is projected to increase by three percent in the coming year, so response times and call volume will be carefully monitored throughout Fiscal Year 2011/12. To position the County to take quick action if it is necessary, the budget reserves

\$236,000 in a future EMS needs project. Tentatively, these funds would be used to phase in a new crew in the Bandys area, or wherever needed.

The budget includes three replacement ambulances and the replacement of a quick response vehicle with a smaller, more fuel efficient model. All units have high mileage. Three of four cardiac monitors will also be replaced.

### **Animal Shelter & Control**

The Catawba County Animal Shelter provides service for the County and the eight municipalities. The current Animal Shelter is over 20 years old and averaging 175-200 animals per day or 2 ½ times its capacity of 78. It was not designed to meet the current capacity of animals being housed or the newest treatment options, resulting in the need to euthanize an increasing number of

*The current Animal Shelter is over 20 years old and is averaging 175-200 animals per day or 2 ½ times its capacity of 78.*

animals, now averaging 18 per day. Working closely with rescue groups and the Humane Society, Shelter staff was able to place 86 animals eligible for adoption in foster homes by mid-year, which is an increase of over 115 percent. Staff have also done an excellent job ensuring the animals being adopted are healthy, with only 5 (1.53 percent) of the 326 animals adopted at mid-year returned due to illness, far exceeding the goal of less than 8 percent. Unfortunately, due mostly to capacity issues and the spread of disease and illnesses, almost 70 percent of the total animal population continues to be euthanized because of inadequate space.

The Shelter does not have a separate entrance for animals being surrendered by owners, so the public and animals use the same entrance. Both of these factors increase the chance of transmitting disease within the general animal population and lead to the need to euthanize animals that might otherwise have been adoptable. The current facility lacks adequate office and storage space for perishable food items and other equipment necessary to operate. There is also no space for officers to meet with citizens in a private area, and no suitable area for citizens who are interested in adopting animals to interact with those animals before making a decision. Because of inefficient design, the Shelter requires constant cleaning by at least two staff members to meet State requirements, and the constant moving of animals in the current Shelter puts staff at increased risk for bites. The budget reserves \$187,500 toward the county's anticipated share of future debt payments for a new Animal Shelter. Municipalities share in the cost of the shelter.

Funds are included to replace two animal control trucks with a van. The van will improve efficiency by allowing Animal Control Officers to pick up multiple animals in extreme weather conditions, rather than having to immediately return to the shelter. The use of these vans is growing quickly among Animal Services programs across the State since they are more efficient and economical than the larger four wheel drive trucks.

### **Veterans**

Improved service levels for veterans are maintained in the budget. Last year at this time, veterans and their families were experiencing average wait times of 2 ½ weeks for assistance with filing benefits. Part-time wages were increased in the current year to hire additional administrative support and to assist with answering phones, taking appointments, typing daily memos to be sent to the State office, answering questions, and scanning files into the Laserfish system. This part-time administrative support position also helps with presentations in the community, which alleviates some of the work load on the Veterans Services Officer so

the division can spend more time helping veterans and addressing their concerns. An Administrative Assistant in the Planning Department was assigned last year to help the Veterans office up to 20 hours per week, and, thanks to the additional staffing, wait time for veterans is now within 5 days.

### ***Rescue***

Rescue Squads continue to respond to calls with a six minute average response time, and maintain a 95 percent call response percentage. The budget provides funding for the six rescue squads in the County for equipment and the First Responder Program. Although funding for the County's six Rescue Squads is reduced by two percent, this reduction holds harmless Medical First Response funding of the rescue squads and should not impact the level of service provided to citizens.

### ***Fire Districts***

All fire districts are maintained at their current tax rate. As with the overall tax rate, the County is required to determine a revenue neutral tax rate for fire districts based on the revaluation of property. These rates, along with the approved rates, are provided in the budget ordinance. In most cases, the revenue neutral rates would have resulted in hundredths of a penny changes to the rate. Two of the fire districts, Longview and Sherrills Ford, have revenue neutral rates that are higher than their current tax rates but are budgeted to remain at their current rate.

Fire Departments set aside money in capital projects to plan ahead for large foreseeable capital investments and minimize the impact on citizens. Specific projects in the budget include:

- Catawba Fire Department plans to set aside \$30,000 for its vehicle replacement program, as well as the future replacement of equipment.
- Conover Fire Department plans to set aside \$157,735 for its vehicle replacement program.

### **Emergency 911 Communications Center**

The Emergency 911 Communications Center is critical to public safety, ensuring that calls are dispatched to the correct emergency responders as quickly as possible. The Emergency 911 Communications Center continues to exceed its outcome of answering 98 percent of calls within 10 seconds and dispatching emergency calls within 75 seconds while receiving almost 83,000 911 calls per year. The national average is between 75 and 110 seconds, and the National Emergency Number Association (NENA) recommends 90 seconds as a dispatch goal, so Catawba County telecommunicators do an excellent job.

### **Justice Center Expansion**

A portion of the ¼ cent sales tax proceeds was dedicated towards the needed expansion of the Justice Center. This project will add more space for courts and court related functions, the first expansion in over 33 years. Technology improvements to the courtrooms are also planned. The facility will include a new 911 Emergency Communications Center and Emergency Operations

Center (EOC), EMS Administration and Emergency Services. Existing space for these critical public safety functions is too small and technologically deficient, and cannot be upgraded to meet the needs.

## **BUILDING SERVICES, CODE COMPLIANCE, & PLANNING**

### **Building Services & Code Compliance**

Building permits have declined substantially. Since 2008, the total annual number of building permits declined 25.4 percent, inspections declined 43.2 percent and plans reviewed declined 28.5 percent.

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In order to remain as self-funded as possible while still providing the service, the budget eliminates 10 positions from Building Services and one position from Code Compliance, resulting in over \$430,000 in savings. This represents a 30 percent reduction from the previous fiscal year. The remaining Building Inspectors will perform 14-16 inspections per day, with supervisory staff performing 7-9 inspections per day. This is above the North Carolina Department of Insurance recommended productivity levels. Thanks to the County's investment in mobile technology productivity is improved by an estimated 1 hour per day, which allows our inspectors to handle more inspections, but inspectors will be at the top of the range for inspection per day, which will diminish the County's ability to ensure next day inspection response.

As a result of reduced building permit activity, Plan Review is relocated from the Hickory Permit Center to the Catawba County Government Center in Newton, and one position is eliminated. This relocation will provide central access for all customers. The Hickory Permit Center will remain open and house two permit specialists so builders have convenient and quick access for permit issuance. Customers will be able to drop off plans at the Hickory Office for transport to the Government Center for review, and Plan Review Officials will be available for meetings with builders in Hickory if it is more convenient than coming to the Government Center.

### **Planning**

The workload of the Planning Department for current planning and zoning activities is down compared to pre-recession levels. As a result, a Planning Technician position is eliminated. Funding for part-time wages was also reduced, which will slow the progress of digitizing old Planning records.

Planning continues to work on long term efforts and completed draft plans for the Highway 321 and 16 Corridors this past year. These plans are currently in the public participation phase and adoption is anticipated in mid to late summer. The department also plans to undertake revisions to the Hwy 150 Corridor Plan during the next fiscal year, with a focus on

examining applicable regulations and land uses along this corridor as it relates to the extension of sewer service.

Funding for the Catawba Lands Conservancy is decreased by \$1,500 from the current year, while funding for the Foothills Conservancy is eliminated. The Catawba Lands Conservancy played a major part in the County receiving a grant from the North Carolina Clean Water Management Trust Fund to purchase the Mountain Creek Tract of land, and has assisted in the closing of the property. For the upcoming year, the Catawba Lands Conservancy will assist in obtaining easements for development of the Carolina Thread Trail by raising awareness and educating property owners pursuant to the Carolina Thread Trail Master Plan.

Due to the substantial reductions experienced by County departments and the fact that services are not mandated, funding for an annual water study conducted by the Western Piedmont Council of Governments (WPCOG) is eliminated.

## **LIBRARIES, PARKS, AND CULTURAL PROGRAMS**

### **Libraries**

Libraries are an important resource to our community, particularly in providing computers, internet access, and training for those looking for work in an increasingly digital world. Fostering a love of reading among youth is important to helping children improve educational attainment. Hours of operations were reduced last year, and this reduction is maintained. The budget eliminates two positions in the County Library system as a result of contracting out cataloging services at less cost and maximizing existing staff. Funding is included for a new Sherrills Ford Branch Library from the temporary diversion of ½ cent of the property tax from water and sewer projects.

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The County also continues to provide funding to Patrick Beaver Library, at a 5 percent reduced rate. County and City library staff also continue to partner with each other to provide programming to citizens.

### **Parks**

Through mid-year, over 49,000 people had visited County parks with 2,145 patrons participating in educational programming. Last year, the County's three parks were reduced from six days of operation per week to four days of operation per week. The budget maintains this level of service without further reduction. While Parks are not a mandated service, they provide citizens with valuable educational, recreational, and physical activities.

### **Other Cultural Programs**

The County provides annual funding to the United Arts Council, which is the designated County partner appointed by the North Carolina State Legislature to receive State funds. County funds

are matched with State dollars for cultural projects in Catawba County, including Projects Pool Grants.

Both the Salt Block which houses the Arts and Science Center, the Hickory Museum of Art, the United Arts Council and funded affiliates and the Newton-Conover Auditorium Authority receive County funding toward the upkeep and maintenance of these facilities. Funding was requested but not recommended for the Old Post Office Playhouse, in keeping with the County's policy to fund the Salt Block and Auditorium Authority, rather than funding individual entities.

Annual funding continues for the Historical Museum and to assist with processing applications for the National Register of Historic Homes in the County.

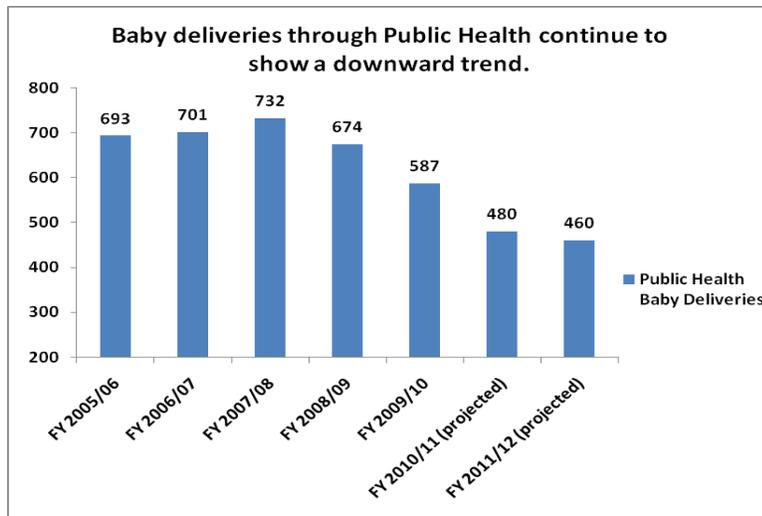
All of these programs will receive 5 percent less next year in County funding.

## HUMAN SERVICES

### Public Health

The budget for Catawba County Public Health decreases 3 percent. This decrease is driven by changes within the Maternal Health program and targeted County reductions.

The Maternal Health program has experienced a steady decline of 32 percent in the number of



deliveries coordinated through Public Health since Fiscal Year 2008/09. State reports also indicate the countywide birthrate has shown a decline of six percent. With this decline in birthrate, local physicians are now accepting larger numbers of Medicaid patients than in previous years, which further contributes to the decline of pregnancies handled through Public Health. Due to this reduced caseload and revenue, Public Health reduced its contract with

Catawba Valley Medical Center (CVMC) for OB/GYN services by 29 percent, and decreased the contract with Catawba Women's Center for sonograms by 43 percent.

Public Health reviewed County funding in all of its programs in the current year, and discovered areas where community support lessened the need for County funding, as well as areas where decreases in workload necessitated a reduction. One area reduced is the number of flu vaccines budgeted each year due to patients receiving free vaccines from the State during flu outbreaks

and more community outlets, such as pharmacies, at which to receive a flu shot. Another area where community support lessens the need for County funding is mammograms. With the department receiving support from both the Susan G. Komen Foundation and the community nonprofit Through Healing Eyes, County funding is reduced, with no reduction in the number of women served or the quality of care. A reduction based on reduced workload comes in Environmental Health, where a vacant position is eliminated due to decreased workload because of the economic downturn and subsequent lack of building.

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The former Child Care Coordination, Maternity Care Coordination, and Prenatal divisions have been combined into Family Care Coordination and located in Pediatric and Obstetrician practices, in order to connect children and pregnant women, who are at high risk for developmental/social issues, with available services. This will allow the department to generate efficiencies through the combination of staff and elimination of vacant positions, saving over \$150,000. This merger better prepares the County to address uncertainty in future State funding as well.

### **Social Services**

Social Service has experienced major challenges in the current year. Federal regulations increased eligibility for Food and Nutritional Services to 200 percent of the federal poverty level, which has resulted in a 16.2 percent increase in caseload. Over the past two years, service demand has increased in other areas as well:

- Food Assistance applications increased 42 percent
- Family Medicaid claims increased 7 percent
- Adult Medicaid consumers increased 5 percent
- Child Protective Services reports increased 8.5 percent
- Medicaid Transportation consumers increased 16 percent
- Adult protective services reports increased 10 percent

The Social Services total budget remains virtually unchanged with roughly a .5 percent reduction from the current fiscal year. Stimulus funding received for Foster Care, Food Assistance, and the Project MOVES program was eliminated in October 2010, and is not expected to be reauthorized. The department reduced 3 percent from its County budget, consisting of cuts to general office line items, more efficient use of County vehicles as opposed to personal vehicles, and vacant position freezes in Family NET, Group Homes, Foster Care, and Child Support.

The upcoming fiscal year will present several challenges, with the department facing reductions from State and Federal sources.

Reductions currently proposed by the State House of Representatives budget target areas such as Adult Protective Services, Child Welfare, Day Care, Smart Start, Family NET, and the Juvenile Crime Prevention Council. All together, these

*Reductions currently proposed by the State House of Representatives budget target areas such as Adult Protective Services, Child Welfare, Day Care, Smart Start, Family NET, and the Juvenile Crime Prevention Council.*

proposed reductions represent a known potential loss of \$630,000 across these programs. The impact of other reductions under deliberation by the State is unknown.

Despite reductions in funding and the dramatic increase in demand for services over the past several years, Social Services continues to help Catawba County citizens become self-sufficient. Citizens are connected to available employment opportunities and supported through coordination of day care, transportation, nutrition, counseling, child support, and medical coverage. Social Services outcomes for Fiscal Year 2011/12 reflect these efforts, with the department increasing its service levels in areas such as helping Work First Participants maintain employment, adult nutrition services, medical transportation, and day care scholarships. These services will continue to be paramount as the economy recovers.

Technology has been employed as an important tool Social Services uses to address reductions in funding and increases in demand. The department has been able to generate significant efficiency gains by automating client paperwork and allowing client information to be automatically populated on multiple forms across the department. Additionally, any other paperwork which consumers must provide the department will be digitized and stored in one digital client case file, rather than multiple paper files. These technology upgrades will save both staff and client time, thereby increasing productivity and the capacity of staff.

This year marked yet another major shift in State-mandated Mental Health reform, requiring service providers to be a CAHBA – Critical Access Behavioral Health Agency. This designation is designed to standardize mental health services, reduce waste, and ultimately provide a mechanism to consolidate services with providers the State can manage. This State move towards standardization results in major costs of roughly \$245,000, such as hiring a part time Psychiatrist, retooling the focus of the Clinical Director, and staffing various State mandated programs that are associated with this effort, and with no additional State funding provided. Social Services made internal staffing adjustments and expense reductions, including eliminating contracts with external psychiatrists as a result.

### ***Mental Health Partners***

On July 1, 2008, Mental Health Services of Catawba County and Burke County formally merged into a multi-county area authority called Mental Health Partners. This merger was a result of State-mandated Mental Health Reform, which was phased in over four years. At the time of the merger, Catawba County was funding mental health services at over \$8 per capita compared to Burke's funding of \$1.69 (since increased to \$2.26). In order to recognize these

differences and ensure Catawba County funds were used to benefit Catawba County citizens, funding was separated into two parts--baseline and contract funding. Baseline funding is guaranteed annually and matches Burke County on a per capita basis. Contract funding is over and above that contributed by Burke County for specific services to Catawba County citizens, and is subject to annual review based on need.

For Fiscal Year 2011/12, Catawba County's total funding for Mental Health service is decreased 5 percent. Baseline funding of \$359,369, or \$2.26 per capita, is included and will be used for core Mental Health services such as guardianship, law enforcement overtime costs associated with commitments, client emergency assistance, mental health services in the jail, sex offender therapy, gun permit evaluations, and psychiatric support. Services which exceed the baseline funds are subject to contract with Mental Health Partners on a year-to-year basis, based on need and performance. Contracted services distributed through MHP for Fiscal Year 2011/12 total \$479,595 to Catawba Valley Behavioral Healthcare (CVBH) which primarily serves the adult population.

The State continues to push further consolidation of mental health services, and plans are being submitted to eventually merge Mental Health Partners with Pathways and Crossroads LMEs. This would make Catawba County part of an eight-county mental health agency, which raises concern about ensuring that County funds continue to fund programs and services here in Catawba County. As a result, the budget allocates the \$392,396 for Family Net programs directly to Social Services, for the same level of service.

## **WATER & SEWER**

As the County continues to grow, so does the demand for clean drinking water and sewage disposal. To address these needs, 0.5 cent of the property tax rate and \$1.3 million of the ¼ cent sales tax are dedicated to funding strategic water and sewer needs in cooperation with municipalities. This amount is one cent on the property tax rate less than the previous year (\$1,550,000). One half of this reduction (\$775,000) represents a permanent diversion to right-

size the General Fund appropriation to the Water and Sewer Fund with the capacity of the County to undertake new projects. The second half of this revenue (\$775,000) will be a temporary diversion to serve as a

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funding source for the Sherrills Ford Library and Animal Shelter Expansion projects. There are no new water and sewer projects for Fiscal Year 2011/12; however, previously approved projects that will be started or completed include:

- *Highway 150 Sewer Phase I- \$9,660,000:* This project is a part of the Southeastern Catawba County Wastewater Collection System, which will provide a safe and

economical means of wastewater disposal and treatment for Sherrills Ford Elementary School, area property owners, and future economic development. This project will provide sewer service along the Highway 150 corridor from the Highway 16 interchange all the way to Sherrills Ford Elementary School to connect to the existing South Eastern Catawba County Wastewater northern section, and will be served in cooperation with the City of Hickory.

- *Hickory-Catawba Wastewater Treatment Plant Expansion- \$4,000,000:* This project is being completed in conjunction with the City of Hickory, and will expand and upgrade the City's existing treatment plant in Catawba. This expansion is needed to improve wastewater treatment capacity in the Southeastern portion of the County, and for the wastewater lines along the Highway 150 corridor to become active.
- *Southeastern Catawba County (SECC) Water Phase III Storage Tank and Booster Station- \$1,000,000:* This project, in partnership with the City of Hickory, constructs a four million gallon per day water pumping station on North Olivers Cross Road and a one million gallon water storage tank on Anderson Mountain Road. This completes the third and final phase of the Southeastern Catawba County water supply loop, which is designed to provide the 20 year water needs for the southeastern portion of the County.
- *Mt. View Elementary Sewer Preliminary Engineering Report (PER)- \$30,000:* A Preliminary Engineering Report will assess the need and subsequent plan of action for providing sewer service to Mt. View Elementary, a partnership with the City of Hickory.
- *Blackburn Elementary Sewer- \$580,000:* This project will provide municipal sewer service by extending sewer from an existing line located at the intersection of Highway 10 and Hickory-Lincolnton Highway. It will serve Blackburn Elementary School and other properties along the route. This project will be completed in partnership with the City of Newton.
- *Bunker Hill/Oxford Sewer- \$1,600,000:* This project, in partnership with the City of Conover, will provide much needed sewer service to Bunker Hill High, River Bend Middle, and Oxford Elementary schools, to address failing septic systems at both locations.
- *Rocky Ford/Startown Road Water- \$1,080,000:* This project was initially introduced to the County by the City of Newton to enhance its ability to provide water service to industrial property on Highway 10 West. This project will also enhance the fire flow rates to the County's EcoComplex by looping the existing water line on Rocky Ford Road to the existing water line on Startown Road. Approximately 1/3 of Rocky Ford Road has municipal water service and this project will provide water service to the remaining portion.
- *Community Road Water- \$300,000:* This water project, in partnership with the City of Conover, will provide municipal water to properties along the length of Community Road by extending water from an existing line located on Shook Road, east of Conover.
- *Highway 16 North Water- \$370,000:* This project will be performed in cooperation with the Cities of Conover and Hickory, and will be the first phase of a River Bend Road water

loop that will provide a much needed potable drinking water source, enhanced fire protection and supply redundancy in the northeastern portion of the County. This phase will provide water service north along Highway 16 from Shell Hollar Road to St. Peters Church Road, as well as a much needed inter-connect between the Hickory and Conover water systems to help maintain water quality and pressure.

## ECOCOMPLEX

Catawba County's solid waste operations continue to function as an enterprise fund, requiring no tax revenue. The County is in the landfill business so it can control its future and keep disposal costs low for citizens and businesses. County residents and businesses pay the lowest solid waste fees in the area, and the county's stewardship has resulted in extending the life of the Blackburn Landfill for at least another 65 years. One of the ways the County has been able to accomplish this is the establishment of the EcoComplex in 1999. The EcoComplex began due to North Carolina waste reduction mandates set in 1990. These mandates set a trajectory to reduce waste by 33 percent over 20 years. Baseline levels for Catawba County in 1990 were 1.51 tons per person per year. Since indentifying Industrial Ecology as the best methodology for reducing waste and consequently the development of the County EcoComplex, the County has reduced its waste to 1.10 tons per capita, well on the way toward the 2020 goal of 1 ton per person. The EcoComplex is a mix of public and private partnerships with the goal to produce zero-waste by using each other's waste streams as a source of energy or in the making of products, industrial symbiosis [sustainability]. In addition to these shared relationships, the EcoComplex is also focused on making and using "green" energy and on the economic development of Catawba County. Existing EcoComplex components are as follows:

- The Blackburn Resource Recovery Facility (Landfill) currently receives approximately 575 tons of municipal and construction waste daily and employs 19 people.
- The Landfill Gas-to-Energy Facility, consisting of three 1-Megawatt generators, burns methane produced naturally in the landfill, and generates enough electricity to power approximately 1,400 average sized homes. Combined revenue from energy sales and green credit sales is in excess of \$629,000 annually, helping to keep tipping fees low.
- Gregory Wood Products is a high-tech dimensional lumber facility employing 115 people. Its byproducts of wood waste are being used by another business, Pallet One. Other byproducts such as wood shavings, bark, sawdust, and other wood wastes will be used in the County's Bio-Energy Facility.
- Pallet One, Inc. is the largest new pallet manufacturer in the United States and began recycling used pallets in 2008. Employing approximately 29 people at the Catawba County location, Pallet One uses wood slats from Gregory Wood Product's waste stream as a raw material for constructing new wooden pallets.

*Combined revenue from energy sales and green credit sales is in excess of \$629,000 annually helping to keep tipping fees low.*

- Feedstock Crops for use in the Biodiesel Research and Production Facility are planted around the Blackburn Resource Recovery Facility (Landfill) using State-required buffer acreage. Sunflowers are grown in the summer and canola in the fall. Eventually, the Biodiesel Research and Production Facility will produce enough biodiesel to operate the equipment at the landfill with B10 Biodiesel, saving money and natural resources. \$150,000 is included towards the cost of construction and/or millwork equipment for this facility next year. ASU, North Carolina A&T, and UNCC are Research and Development partners with County in all aspects of the Biodiesel Research and Production Facility and processes.
- 1-acre of the EcoComplex [landfill property] is leased to the Hmong Association for use as a horticultural demonstration site and for a soils and agricultural research partnership with North Carolina A&T. Construction is underway by the Hmong Association on a high tunnel structure. A high tunnel is an unheated greenhouse used for frost protection and having the potential to extend the growing season by 6 weeks or more, depending on the crop, and will be used to demonstrate season extending.
- County staff continues to work with GE-Energy and Nexterra Systems Corporation in the development and permitting of an innovative Wood Gasification Energy Facility, a new facility that will use wood brought to the landfill for disposal in order to fuel a Combined Heat and Power system capable of producing over two mega-watts of electricity. This facility will be the first of its kind in the United States. Final approval for this project is planned for the upcoming fiscal year after all State permits have been issued and a Power Purchase Agreement has been negotiated with Duke Energy. The budget includes \$100,000 in solid waste funds towards this effort which will provide revenue from the sale of energy to keep tipping fees low.

## **HUMAN RESOURCES**

### **Positions**

The County has made reductions over the past three years impacting roughly 70 positions and virtually every department. The Fiscal Year 2011/12 budget eliminates 29 positions (including 3 Building Inspectors that were previously unfunded), as follows:

- 10 Building Inspectors
- 1 Code Compliance Official
- 2 Library positions (Library Assistant, Library Technical Specialist)
- 1 Technology PC Specialist
- 1 Management Analyst (ICMA Fellow) County Manager's Office
- 1 Human Resources Specialist Position
- 1 Office Support Specialist Reappraisal Office
- 1 Office Support Specialist Assessor's Office
- 1 Maintenance employee
- 1 Planning Technician
- 1 Environmental Health Specialist

- 2 Public Health Nurses (unfunded)
- 5 Social Services Positions (Outpatient Specialist, Teaching Parent, Customer Service Agent, Social Work Assistant, Foster Care Social Worker) (unfunded)
- 1 Deputy Register of Deeds position (unfunded at mid-year)

If service demands increase and funding is available, some unfunded positions could be filled. One vacant Tax Collection Clerk position will be funded but temporarily frozen to determine if the Department can handle the workload without the position and without having a negative impact on the tax collection rate.

In addition, work hours will be reduced for five positions in Purchasing, Elections, Soil and Water Conservation, Cooperative Extension and Human Resources.

The budget recommends one new Narcotics Investigator and two Road Patrol Deputies (funded at midyear if needed) for the Sheriff's Department.

### **Salary and Benefits**

The last pay adjustment for County employees was three years ago. During these three years, staff has been reduced. At the same time, demand for service has increased due to the economy, so employees have taken on higher workloads and continued to provide excellent customer service and response time. The budget includes limited funds to recognize performance--a one percent and \$300 lump sum for employees, available on employee anniversary dates and, based on ratings of individual performance. A limited amount of funding continues to be included to address pay inequities, in order to keep the County competitive with other jurisdictions through an annual reclassification study.

The County continues to promote wellness for health and employee productivity reasons. The Employee Health Connection (EHC), our onsite clinic, continues to save the County money by providing services at less cost and saving time away from work spent on doctor's visits. EHC also conducts initial Workers Compensation reviews and 24 recheck evaluations and drug screening, physicals, Hepatitis B injections and Tuberculosis skin tests for hiring and employee retention purposes. In order to identify health conditions at earlier stages when they are more easily treated and less costly, all adults on the health plan are required to have annual blood screenings and a physical that meets guidelines of the American Medical Association (AMA) for their age group. Next year, employees will participate in a health risk assessment. This individualized assessment will provide more accurate data on the health of County employees that can be used to target wellness efforts to the greatest needs, both individually and in the aggregate.

Thanks to major plan design changes and premium increases last year, health insurance claims and costs have stabilized. The budget maintains premiums paid by employees for two of the three plans next year. The county increases its premium contribution by 4 percent to cover normal health care inflation, and incents wellness and health choices through a lump sum

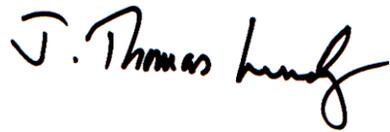
contribution to flexible spending and health savings accounts. Employees who choose a plan with enhanced health benefits will pay 4 percent more.

## **CONCLUSION**

Catawba County continues to be strategic, yet very conservative, as it deals with the changing landscape in both the economic base and the growth in population. The budget is cautious in its revenue projections because of the slow economic recovery and the State's fiscal problems. At the same time, for the fourth straight year, County operating expenses have been cut, and impacting almost 9 percent of the County workforce to date. The budget continues to address the needs of citizens resulting from the current economy, ensures that critical services will be delivered, although at reduced levels and longer wait times, and keeps the County poised to attract new businesses and jobs.

This budget message, as well as the complete budget document, may be accessed on the Internet at [www.catawbacountync.gov](http://www.catawbacountync.gov) or any of the public libraries in Catawba County.

Respectfully Submitted,

A handwritten signature in black ink that reads "J. Thomas Lundy". The signature is written in a cursive style with a large, stylized initial "J".

J. Thomas Lundy  
County Manager