



May 31, 2017

Honorable Chairman Paul Delamar and the Pamlico County Board of Commissioners:

I respectfully submit the recommended Pamlico County, North Carolina fiscal year 2017-2018 budget. The budget is balanced and prepared in accordance with Article 3 of Chapter 159 of the North Carolina General Statutes, the Local Government Budget and Fiscal Control Act.

The budget accomplishes five primary directives issued by the Board of Commissioners: 1) retains current service levels 2) includes a \$.025 tax increase 3) addresses capital and salary needs of the Sheriff's Department 4) includes salary adjustments that address salary compression for general and enterprise fund employees and 5) increases current expense funding allocated to the Board of Education.

For the first time since 2012, the General Fund Budget proposes an ad valorem tax increase. The budget is balanced at \$19,411,418 with a proposed tax rate of \$.65/\$100 in value. Some of the highlights include:

- Approximately \$190,000 in salary increases for employees
- \$195,000 budgeted for Courthouse Repairs
- Rescue Squad funding increased by \$44,000
- Health Insurance costs decreased by approximately \$360,000
- Public School funding increased by approximately \$160,000 compared to 2016-17 totals

GENERAL FUND

GENERAL FUND REVENUES

Ad Valorem Taxes

At the proposed tax rate of \$.65 per \$100, estimated fiscal year 2017-18 tax collections are budgeted at \$10,171,500 including collections for current year, prior year, and penalties. The

ad valorem tax value, excluding motor vehicles, is projected at \$1.56 billion. The tax collection percentage used to estimate revenues is 96.13%, which is the tax levy collection percentage for the fiscal year ending June 30, 2016. Revenue from Motor Vehicle Collections is budgeted \$755,000 with collection fees budgeted at \$36,400 for a net DMV levy of \$718,600.

Jail Lease Bed Fees

Lease bed revenue continues to generate substantial revenue for the County and is budgeted at \$1,200,000 for FY 2017-18, approximately the same amount funded in the revised FY 2016-17 budget. The Pamlico County Law Enforcement Center can accommodate 108 inmates with any unoccupied cells available to lease to federal or local agencies. Local inmate counts are currently averaging less than half of capacity which enables the County to continue leasing to other jurisdictions.

Sales Tax

Sales tax revenue, not including the expanded sales and use tax base and allocation formula discussed below, is budgeted at \$2,150,000, an approximate 2.8% increase over the FY 2016-17 budget. This projection is based on the trends in revenue received over the last two budget years along with State forecast data predicting a continued uptick in this revenue source.

Expanded Sales and Use Tax Base and Allocation Formula

In 2015, the General Assembly expanded the sales and use tax base to include repair, maintenance, and installation services related to tangible personal property and motor vehicles. Additionally, the allocation formula was changed regarding a portion of the Articles 39, 40, and 42 proceeds such that proceeds are now placed in a statewide pool and allocated according to a statutory formula. The proceeds must be earmarked for education and/or economic development but can supplant existing funding. Beginning in September of 2016, the County began receiving sales tax revenue from the new sales and use tax base and allocation formula. Revenue of \$312,000 from this new allotment is budgeted for FY 2017-18.

Hold Harmless Payment

For the first time since the 2007-2008 legislative decision to shift Medicaid costs to the State, the County budget does not contain any revenue from a Hold Harmless payment. Session Law 2014-001 (Senate Bill 744) eliminated the guaranteed payment after fiscal year 2017.

Interest

Interest revenue is budgeted at \$20,000 for FY 2017-18 compared to \$10,000 budgeted for FY 2016-17. Attributed to modest increases in interest rates and new investment and cash management strategies, investment revenue has increased by over 300% since Fiscal Year 2014-15. Because, available funds are expected to decrease due to use of fund balance, the budgeted amount is approximately \$15,000 less than the projected receipts for FY 2016-17. Pamlico County invests funds in the North Carolina Capital Trust, an organization that provides mutual fund investments for local governments and that is certified by the Local Government Commission. All investments meet the statutory requirements of North Carolina General Statute 159-31.

Fees

Permits and fees are budgeted at \$281,930, a slight increase from the adjusted amounts budgeted for FY 2016-17.

Staff reviewed inspection fees for Carteret, Craven, and Jones Counties and compared those rates to the Pamlico County Fee schedule. In general, Pamlico County inspection fees are below those in Craven and Carteret Counties and above the Jones County rates. No fee increases are recommended at this time.

State Sourced Revenues

The County's Human Services, Health, and Senior Services Departments receive significant funding from the State of North Carolina. This funding totals \$3,226,045 which represents 17% of projected revenues. Other funds previously received but not budgeted for FY 2017-18 include the following:

- Aid to County Funding (reduced by State)
- "Pills Can Kill" Deputy Grant (not renewed by grant but position still funded)
- Bullet Proof Vest Grant (end of funding cycle)
- One time Trillium Playground Grant

Because the State is still in budget deliberations, the ratified State budget may change the revenues received. The County will monitor and respond as necessary.

Fund Balance

A fund balance allocation of approximately \$525,000 is proposed in the recommended budget. For the fiscal year ending June 30, 2016, the available fund balance was reported as \$7.2

million or 41.7% (adjusted) of general fund expenditures.

GENERAL FUND EXPENSES

At the beginning of the Fiscal Year 2017-18 budget process, requested departmental and other agency expenditures exceeded revenue projections by approximately \$1.2 million. After much deliberation and review, the budget was balanced by:

- Enrolling in State Health Plan
- Reducing Pamlico Community College capital requests
- Eliminating the capital requests from various departments
- Reducing requested operating expenditures of a majority of County departments and County funded agencies
- Aggressively but realistically projecting revenues

A more detailed discussion of major expense categories is discussed below.

Local Schools

Current Expense is recommended at \$3,664,710, an increase of \$157,000 over current year (2016-17) levels. Capital Outlay is recommended at \$250,000, the same funding level as 2016-17. Overall Board of Education recommended allocation is \$3,914,710, an increase of \$157,000 over 2016-17. The following table summarizes the proposed funding.

Summary of 2017-18 Board of Education Funding

	Current Year (16-17)	Requested (17-18)	Recommended (17-18)
Current Expense	3,507,710	3,698,308	3,664,710
Capital	<u>250,000</u>	<u>425,101</u>	<u>250,000</u>
Totals	3,757,710	4,123,409	3,914,710

Additionally, the new budget funds \$390,303 for a debt service payment on the loan for the High School Cafeteria and Administration Building project. Approximately \$100,000 of the debt service will be funded from lottery proceeds with \$290,303 budgeted from sales tax income.

Pamlico Community College

Current Expense and Capital

Pamlico Community College (PCC) current expense funding is proposed at \$577,389. In addition, debt service of \$58,487.00 is budgeted for repayment of the Johnson Building roof loan. No capital allotment is recommended. The following table summarizes the Pamlico Community College funding:

Summary of 2017-18 Pamlico Community College Funding

	Current Year (16-17)	Requested (17-18)	Recommended (17-18)
Current Expense	566,028	577,389	577,389
Capital	0	135,750	-
Debt Service	60,000	58,487	58,487
Totals	626,028	771,626	635,876

Capital

Originally, department heads requested more than \$880,000 for capital expenditures. In order to balance the budget, it was necessary to prioritize the requests and to include only those items absolutely necessary. The Board of Commissioners prioritized requests according to public and life safety implications. Below is a list of capital items funded:

• Sheriff Vehicle – Ford Utility Police Interceptor	\$ 37,342
• Sheriff Vehicle – F150 Special Service Vehicle	\$ 33,733
• Sheriff-Penlink	\$ 23,251
• Sheriff-Oculus Camera	\$ 13,495
• Animal Control-Slip In Box for Truck	\$ 15,000
• Senior Center – Flooring/Counter Repairs	\$ 6,000
• Senior Center- Phone System Replacement	\$ 6,550
• Public Buildings - Courthouse repairs	\$ 175,000
• Public Buildings – Tie In Generator at Jail	\$ 20,000
• Health Department - Building Repairs	\$ 20,000
• Social Services – Replace Alarm System	\$ 7,800
• Recreation – Equipment repairs/upgrades	\$ 14,600

Sheriff

For FY 2017-18, the Sheriff requested total funding of approximately \$4 million, an increase of 6.7% over the original FY 2016-17 budget. Highlights of the expenses associated with requested items are listed below:

- \$111,000 in debt service for vehicles and equipment
- \$79,500 for full year salaries of 2 jailer positions added mid FY 2016-17
- \$107,821 for Sheriff Capital Items
- \$31,000 in Jail contracted services based on prior year actual expenses
- \$30,000 for electronic monitoring based on full 12 months operation

Recycling/Solid Waste

To address issues with contaminated recycling bins, staff was requested to bring a proposal to the Board of Commissioners for consideration. The proposal requested a budget of

\$76,802 to purchase a compactor, make improvements to the recycling site needed for culling trash from recyclables, and hiring part time staff to sort recyclables. A portion of the costs were proposed to be funded by a State grant. County Commissioners opted not to pursue this solution and the project was not funded in the proposed budget.

Board of Elections

Board of Elections is requesting \$109,250 to purchase new election equipment that is (at some point) required to comply with State standards. It is recommended that the purchase of the equipment be deferred until Fiscal Year 2018-19, still meeting the September, 2018 deadline for upgrading the equipment.

Forestry

The local N.C. Forest office in Grantsboro is funded jointly by the State of North Carolina and Pamlico County with a respective 60%-40% share. Pamlico County's proposed share is \$84,665.

Rescue Squad

Pamlico Rescue is requesting an increase in the County allocation from \$486,000 to \$550,000. The purpose is to increase staffing after 4:00 p.m. and on weekends to reduce mutual-aid calls. The recommended budget funds \$530,000, a \$44,000 increase over the current budget. Additionally, the County is applying to be a participant in the NCACC Medicaid Cost Settlement Program which will result in \$50,000 minimum additional revenue to Pamlico Rescue.

Regional Library

Recommended Pamlico County Library (local) funding is \$226,733, a \$4,339 increase over 2016-17 funding which was \$222,394. The Library requested the increased funding to provide a COLA and \$750 stipend for employees, the same as received by County employees.

Volunteer Fire Departments

The Pamlico County Fire Marshal appeared before the County Commissioners to present a situational analysis of the 9 County Volunteer Fire Departments. Several challenges in funding were identified that included the following:

- National Fire Protection Association (NFPA) Standards require replacing vehicle apparatus every 25 years.

- NFPA requires replacing tires every 7 years.
- NFPA requires that gear, including turn out gear and air packs, be removed from service after 10 years
- ISO insurance inspections have minimum standards that must be met in order for a department to be rated for a reduced insurance classification
- Many of the fire departments are seeking an insurance rating or renewal of a current rating within the next several years.

Each of the 9 Fire Departments are financially supported by fire taxes, sales taxes and an appropriation that averages \$7,000 each. It was also learned that the departments have wide ranges of tax values in their districts that range from a high of over \$500 million in the Southeast Pamlico Fire District to a low of just over \$25 million in the Olympia Fire District. Similarly, there are wide disparities in tax rates for the departments. They range from \$.0232 for Southeast Pamlico to \$.076 for Olympia Fire District.

Seven of the departments have requested funding increases for the 2017-18 Fiscal Year. Five of the departments have requested increases in tax rates with two departments requesting increases in the appropriation. As you can see in the table below, departments with tax values in excess of \$50 million requested increases in tax rates and the two departments with the lowest tax values requested increases in appropriations.

Department	Tax Values	Current Tax Rate	Requested Tax Rate	Recommended Tax Rate	Increase	Additional Tax
Reelsboro	88,602,887	0.0720	0.0820	0.0820	0.0100	8,860
Grantsboro	92,194,449	0.0550	0.0650	0.0650	0.0100	9,219
Triangle	95,735,352	0.0302	0.0452	0.0402	0.0100	9,574
Arapahoe	305,587,546	0.0323	0.0400	0.0400	0.0077	23,530
Southeast Pamlico	559,305,306	0.0232	0.0300	0.0300	0.0068	38,033

Department	Tax Values	Current Appropriation	Requested Appropriation	Recommended Appropriation	Increase	Additional Funds
Olympia	25,182,126	6,966	16,966	12,966	6,000	6,000
Goose Creek Island	31,862,081	6,966	12,966	12,966	6,000	6,000

Personnel

Employees

A 2% Cost of Living Adjustment is recommended for all employees at a cost of approximately \$110,000. This is in line with the reported Consumer Price Index (CPI) that is currently in the range of 2%-3%.

Additionally, internal equity salary adjustments of \$50,000 are recommended. These adjustments address salary compression and are based on years of service with Pamlico County within the current grade as compared to salary/grade scale.

Finally, \$30,000 is budgeted for job reclassifications. Based on recommendations from Department Heads, staff reviewed salary/pay scales of comparable counties and reviewed job descriptions to justify these adjustments.

Insurance

Total costs of health, dental, and life insurance for employees and retirees are budgeted at \$967,915.

Employees receive health, dental, and life insurance benefits that are 100% funded by the county. In January of 2017, the County joined the State Health Plan (SHP). Comparing the recommended budget to FY 2016-17, this change resulted in net savings of approximately \$290,000. County Commissioners are eligible to receive insurance through the SHP but must pay 100% of the premium. For employees hired prior to January 15, 2017, the County pays a share of the insurance premiums for retirees. Because retirees cannot participate in the SHP, individual plans were set up for eligible retired County employees. The total County share for retirees insurance premiums is approximately \$30,000. These payments are funded through Health Reimbursements accounts that were set up to comply with IRS rules.

Overtime

Overtime rules proposed by U.S. Department of Labor, originally scheduled for December, 2016 implementation, have been placed on hold indefinitely. As a result, the status of exempt/non-exempt employees reverted to the historical classifications.

For FY 2016-17, in order address the expected rule changes and to keep salaries competitive for key positions, the budget funded overtime of \$5,000 each for the Elections Director, Public

Services Director and Tax Administrator. These overtime provisions were removed in the proposed budget.

Overtime is budgeted for the Sheriff and Emergency Management Departments. Total funding for overtime is \$155,500.

New Positions

The following new positions or changes to working hours were requested in the budget:

Department	Position	Full Time / Part Time	Salary	Benefits	Total
Register of Deeds	Deputy Register of Deeds	Part Time	11,856	0	11,856
Tax	Appraiser/Mapper	Full Time	42,000	13,835	55,835
Health	Processing Asst IV	Full Time	24,622	11,180	35,802
Public Buildings	Maintenance Tech	Full Time	27,040	11,550	38,590
Recreation Department	Administrative Tech	Full Time	27,040	11,550	38,590
Senior Services	Part Time Aid	Part Time	8,892	0	8,892
Emergency Manager	Temporary Assistance	Part Time	5,760	0	5,760
TOTAL					177,078

The proposed budget funds \$5,760 for a temporary worker to assist the Emergency Manager with the ISO Inspections of 3 fire departments. Funding for the position will be eliminated once the project is completed. Approximately \$3,000 additional funds are budgeted in Senior Services to increase the hours of the part time driver. Other new position requests as listed above were not funded.

ENTERPRISE FUND

Summary

The Water Fund is balanced at \$2,453,659. Operationally and financially, the water department faces challenges for the next several years. Pilot testing is currently underway to identify a method to improve water quality at two of our plants. Once the solution is identified, capital expenditures will be required to implement the remedy. Other needed capital expenditures have been identified that will require additional revenues to fund. Also, there are currently court challenges to the department's fee structure that could significantly impact the cash reserves in the next few years.

Water Rates

Water rates for fiscal year 2017-18 are recommended to increase as summarized below:

<u>Meter Size</u>	<u>Current Water Usage Rate (per 1,000 gallons)</u>	<u>Propose Water Usage Rate (per 1,000 gallons)</u>	<u>Current Flat Rate</u>	<u>Proposed Flat Rate</u>
3/4 "-1"	4.50	4.75	15.00	15.50
2"	4.50	4.75	40.00	40.50
3" and up	6.51	6.76	40.00	40.50

Water usage rate for 3/4" through 2" size meters is recommended at \$4.75 per 1,000 gallons versus a rate of \$4.50 for the current year. A flat rate of \$15.50 monthly for a 3/4 or 1 inch meter is recommended with a flat rate of \$40.50 for 2 inch or larger meters recommended. Usage rates for 3 inch meters and above is recommended at \$6.76 per \$1,000, an increase of \$.25 compared to the current year.

At the proposed rate schedule, an average residential customer using 3,000 gallons of water can expect to pay \$29.75 per month or \$1.25 more than the present year. Annualized, this equates to a \$15.00 per year increase for the average customer.

The increases in rates are recommended to fund identified capital improvements over the next 5 years and to make up for the potential loss of capital reserve fees.

Deposits

The budget proposes keeping the deposit for establishing new water accounts at \$75. Deposits are charged to customers that do not own the property at which their service is located. When a customer with a deposit on file discontinues water service, the deposit is applied to their respective account to cover charges from the final bill.

Capital Projects

The Water Department has ten elevated towers distributed throughout the water system. Funding of \$110,000 is allocated in 2017-18 for inspecting and maintaining water towers. The Department entered into a maintenance contract for tower repairs to spread costs over time.

A Reelsboro Elevated Storage Tank Feasibility Study was completed in February, 2014 that recommended replacement of the Reelsboro Water Tank. Estimated costs of the project are in excess of \$1,200,000. It is anticipated that engineering for the project will be completed during FY 2017-18 and funds are budgeted for this phase of the project.

Other capital items funded in the proposed budget are: 1) replacement of two utility trucks (\$65,000) 2) preventive maintenance at the Kershaw Water Treatment Plant (\$25,000) 3) replacement of the roof and repainting of the exterior at the water office (\$29,497) and 4) refurbishment of the interior of the water office (\$135,000).

Expenditures

As with those employees that are paid from the General Fund, Water Department employees will receive a Cost of Living Adjustment that is based on the same methodology used to derive increases for those employees whose salaries are funded by the General Fund. The employees will also see the same changes to health insurance and employee retirement.

Closing Statements

Though you will soon be voting on the Fiscal Year 2017-18 Budget, it is important to note that certain components of this budget also signify what will likely become continual challenges for balancing budgets of subsequent years. These include: 1) keeping salaries competitive in the marketplace while addressing salary compression 2) sustainability of large increases in funding for law enforcement, public safety, and public schools, and 3) planning and funding for building repairs or new structures. The current budget proposes over \$500,000 in fund balance allocation and it will be difficult to sustain this growth in funding levels in future years given the current growth rate in the tax base.

I want to thank the Board of County Commissioners, the Finance Office, and Department Heads for their many hours of hard work in formulating the recommended budget. It was truly a collaborative process. The budget is immediately available for inspection in the office of the Clerk to the Board and on the County website. Thank you for the opportunity to serve Pamlico County.

Sincerely,

A handwritten signature in black ink that reads "Timothy A. Buck". The signature is written in a cursive style with a large, stylized initial 'T'.

Timothy A. Buck
County Manager