



May 31, 2014

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

I respectfully submit the recommended Pamlico County, North Carolina fiscal year 2014-2015 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 four primary directives issued by the Board of Commissioners: 1) retain current service levels, 2) do not increase taxes, 3) allocate minimally from fund balance, and 4) include a cost of living adjustment for employees.

The proposed General Fund Budget is balanced at \$16,678,218 with a proposed tax rate of \$.625/\$100 in value. Some of the highlights include:

- A 2% cost of living (COLA) salary increase for employees
- Merit increases of approximately \$26,000
- Insurance costs decreasing by approximately \$45,000
- Public School funding remains at 2013-14 totals

GENERAL FUND

GENERAL FUND REVENUES

Ad Valorem Taxes

At the proposed tax rate of \$.625 per \$100, estimated fiscal year 2014-15 tax collections are budgeted at \$9,793,575 that include collections for prior years. The ad valorem tax value, excluding motor vehicles, is projected at \$1.48 billion. Revenue from Motor Vehicle Collections is budgeted approximately \$200,000 less to adjust for loss of a one time increase in fiscal year 2013-14 resulting from the transition to the State collection process.

Lease Bed Fees

The Pamlico County Law Enforcement Center is a 108 bed local confinement facility that houses individuals being held pretrial, serving civil judgments, or serving short term criminal sentences. Local inmate counts are currently averaging less than half of capacity which enables the County to lease to other jurisdictions. Since opening the jail in 2006, Pamlico County has successfully contracted with the federal government and other counties to house inmates generating approximately \$6,000,000 in revenue to date.

Leased jail bed fees are again projected to be a substantial revenue source with a budgeted amount of \$850,000. Although this revenue source generated in excess of \$1 million in fiscal year 2013-14, recent confinement trends dictate a conservative estimate of this revenue source. In recent years, the county has benefitted from its ability to lease beds to other counties. However, as jurisdictions build new confinement capacity, this additional source of revenue to our county will decrease. On the positive side, leased bed numbers are currently averaging approximately 50 inmates per day, which if sustained, would result in annual revenues of approximately \$960,000.

Sales Tax

According to forecast from the North Carolina Association of County Commissioners, sales tax receipts are forecasted to increase by 3% to 5%. Sales tax revenue is budgeted at \$1,803,417 representing 11% of all revenue sources.

Interest

In spite of transferring funds to higher interest portfolios, revenue from investments remains flat going into fiscal year 2014-15 primarily due to interest rates remaining at historic lows. As a result, investment revenue is proposed to remain at \$10,000 for FY 2014-15.

Fees

Permits and fees are projected to increase by about 11% or \$26,850 over the current year. A positive trend in this revenue source is an indication that the economy does continue to grow, albeit slowly.

Inspections fees remain comparable to other jurisdictions in the area and no fee increases are recommended.

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 \$3,060,442 which represents 18% of projected revenues. With the State in the midst of budget deliberations, the County's budget was prepared with knowledge of anticipated cuts from the State. The ratified State budget may change the revenues received and the County will monitor and respond as necessary.

Fund Balance

A fund balance allocation of \$236,103 (rounded) is proposed in the recommended budget. For the fiscal year ending June 30, 2013, the available fund balance was reported as \$3.9 million or 26% (adjusted) of general fund expenditures. The fund balance is expected to grow at year end 2013-14. With current economic conditions holding, fund balance is anticipated to remain the same or increase over the next few years.

GENERAL FUND EXPENSES

At the beginning of the budget process, requested departmental expenditures exceeded revenue projections by approximately \$1.5 million. After much deliberation and review, the budget was balanced by:

- Negotiating health insurance rates
- Reducing Board of Education and 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.

Medicaid

Counties continue to monitor the results of the landmark 2007-2008 legislative decision to shift Medicaid costs to the State. Part of the tradeoff included losing a portion of sales tax and changing the distribution method of a majority of the remaining taxes from per capita to point of sale. Because of the limited number of retail stores, Pamlico County was impacted significantly by the change in distribution method. In order to hold the county harmless for Medicaid related losses in sales tax, it is estimated and budgeted that the State will pay approximately \$200,000 to the county in fiscal year 2014-15 as part of the hold harmless provision in the Medicaid Relief Legislation. Legislators are considering a bill to phase out this payment over time. If this bill were passed, the County would lose \$200,000 to \$400,000 annually.

Capital

Department heads requested in excess of \$500,000 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 with public safety and life safety implications. The list following identifies the capital projects funded in the proposed budget that total \$103,183:

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|---|-----------|
| • Rewire a portion of the Senior Center | \$ 3,000 |
| • Courthouse repairs (assuming financing options) | \$ 50,000 |
| • VIPER radio migration | \$ 23,183 |
| • Sheriff patrol car | \$ 27,000 |

Local Schools

Current Expense is recommended at \$3,124,138 over current year (2013-14) levels. Capital Outlay is recommended at \$150,000, \$50,000 less than funded in the current year. Total Board of Education allocation is recommended at \$3,274,138. The table following summarizes the proposed funding.

SUMMARY OF 2014-15 BOARD OF EDUCATION FUNDING

	<u>CURRENT</u> <u>YEAR (13-14)</u>	<u>REQUESTED</u> <u>(14-15)</u>	<u>RECOMMENDED</u> <u>(14-15)</u>
Current Expense	3,074,138	3,163,487	3,124,138
Capital	200,000	371,067	150,000
	<hr/> 3,274,138	<hr/> 3,534,554	<hr/> 3,274,138

The new budget funds \$390,303 for a debt service payment on the loan for 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

Pamlico Community College (PCC) funding is proposed at \$612,411 that includes \$562,411 in current expense and \$50,000 in capital outlay.

During the fiscal year 2013-14 budget process, County Commissioners approved replacement of the Johnson Building roof with estimated repair costs of \$700,000. The work and financing is expected to occur in fiscal year 2014-15. The budget proposes to finance the repairs through a 10 to 15 year fixed term loan with biannual payments. Payments after the first year will need to be budgeted for future years during the term of the loan.

The following table summarizes the Pamlico Community College funding.

SUMMARY OF 2014-15 PAMLICO COMMUNITY COLLEGE FUNDING

	<u>CURRENT</u> <u>YEAR (13-14)</u>	<u>REQUESTED</u> <u>(14-15)</u>	<u>RECOMMENDED</u> <u>(14-15)</u>
Current Expense	547,993	562,413	562,411
Capital	0	112,570	50,000
	<hr/> 547,993	<hr/> 674,983	<hr/> 612,411

Sheriff

In anticipation of the opening of a local large retail store with 24/7 operations, the Sheriff is asking for a \$20,000 increase in overtime to respond to a projected increase in call volume. This request is not funded in the recommended budget. The budget continues to fund overtime as follows: Sheriff Department, \$55,000; Jail, \$27,500; and Dispatch, \$30,000. Sheriff staff has stated that they intend to apply for a U.S. Department of Justice Grant for additional staff. One deputy pursuit vehicle is funded in the proposed budget. Total funding for the Sheriff's combined departments (Sheriff, Jail, and Dispatch) is recommended at \$2,895,120 which represents approximately 17% of all general fund expenditures.

Forestry

The local N.C. Forest office in Grantsboro is funded in cooperation with the State of North Carolina and Pamlico County with a respective 60%, 40% share. Pamlico County's proposed share is \$80,485. The division requested purchase of a new truck but it was not funded in the budget.

Rescue Squad

Pamlico Rescue requests total funding of \$457,640, a \$58,000 increase over fiscal year 2013-14. The additional funds are proposed to hire a paid captain (\$50,000) and fund a 2% COLA for their employees (\$8,000). The recommended budget funds a 2% increase of \$7,992 for total funding for \$407,632.

Regional Library

Pamlico County Library (local) funding remains at the 2013-14 level of \$196,092 which included a \$4,800 contribution to the Regional Library. The Regional Library did not request continuance of the \$4,800 allocation for fiscal year 2014-15; therefore, the local library will have the benefit of that additional funding.

Volunteer Fire Departments

Fire service in Pamlico County is provided by contracting with nine volunteer fire departments. In exchange, all nine departments each receive a County allocation of approximately \$7,000 per year. All of the departments also receive funds through the assessment of fire taxes.

Leadership of the Vandemere Fire Department has petitioned the County to increase the fire tax rate. A public hearing is scheduled prior to adoption of the budget with possible approval of the tax after the public hearing. The department is requesting to generate an additional \$10,200 with the tax levy which includes the \$7,000 County allocation. A rate of \$.04 is needed to generate the requested funds. The recommendation is to not increase the tax rate in excess of \$.03 per \$100 in valuation.

After reviewing the operating expenses of Southeast Volunteer Fire Department, it appears that a reduction in fire tax rate is possible. Staff will continue to work with the agency to determine an adequate rate.

Personnel

Employees

A 2% cost of living adjustment is included in the recommended budget for all employees. Additionally, a merit raise of approximately \$26,000, not including benefits is also in the proposed budget. Total payroll for Pamlico County is approximately \$5.2 million and represents 31% of all expenditures.

Insurance

The County funds 100% of the health, dental, and life insurance of approximately 154 employees and elected officials. As of the date of this document, negotiations for insurance premiums continue with anticipated savings over the current year of approximately \$45,000. The recommended budget funds insurance premiums of \$1,116,645.

New Positions

Due to increased responsibilities of the new *North Carolina Families Accessing Services through Technology (NC FAST)* program and the addition of Affordable Care Act processing (MAGI) at the local level, the Department of Social Services (D.S.S.) request funding for two new positions. Two new Universal Worker positions in D.S.S. are funded with a combined cost of \$76,529. Based on duties performed, the positions are 50% to 75% reimbursable from the State.

ENTERPRISE FUND

Summary

The Water Fund is balanced at \$3,026,848. Operational costs are budgeted at \$1,691,097 with capital at \$752,000 and debt service costs budgeted at \$583,751. The primary capital item budgeted for fiscal year 2014-15 is painting and maintenance of water towers.

Water Rates

Water rates for fiscal year 2014-15 are recommended to remain current year levels as summarized below:

- Water Usage Rate - \$4.25/1,000 gallons (2 inch meters and less)
- Water Usage Rate - \$6.26/1,000 gallons (3 inch meters and up)
- Flat Rate Monthly charge for $\frac{3}{4}$ inch meter - \$15
- Flat Rate Monthly charge for 1 inch meter – \$15
- Flat Rate Monthly charge for 2 inch meter or greater - \$40.

The water usage rate for fiscal year 2014-15 is recommended at \$4.25 per 1,000 gallons. A flat rate of \$15 monthly for a $\frac{3}{4}$ or 1 inch meter is recommended. A flat rate of \$40 for 2 inch or larger meters is recommended. Usage rates for 3 inch meters and above is recommended at \$6.26 per \$1,000.

At the proposed rate schedule, an average residential customer using 3,000 gallons of water can expect to pay \$27.75 per month.

Capital Projects

The Water Department has nine elevated towers distributed throughout the water system. Funding of \$200,000 is allocated next year for inspecting and maintaining water towers. In order to spread costs over time, plans are to refurbish 1 to 2 tanks each year.

Approximately \$250,000 is allocated for relocating a water line under bridge 24 in Bayboro. The project is 100% reimbursable from the Department of Transportation.

Approximately \$450,000 is budgeted for completion of the Kershaw Water Treatment Plant refurbishing project. The project is slated for completion in early July, 2014.

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 \$1,000,000. There is no recommended funding for the project in the proposed budget.

Other capital items funded in the proposed budget are 1) replace two utility trucks, 2) replace meters, and 3) refurbish the water office.

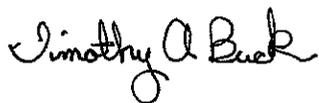
Expenditures

As with those employees that are paid from the General Fund, Water Department employees will receive a 2% cost of living adjustment. The employees will also see the same changes to health insurance and employee retirement.

Closing Statements

The budget process begins with budget work sessions in January and ends with adoption of the budget ordinance in June. In between are countless hours of work by the Board of Commissioners, Finance Officer, Department Heads, and other agencies. I want to thank each one for their contribution. The recommended budget is immediately available for inspection in the office of the Clerk to the Board and on the County web site. Thank you for the opportunity to serve.

Sincerely,



Timothy A. Buck

County Manager