



May 31, 2015

Honorable Chairman Pat Prescott and the Pamlico County Board of Commissioners:

I respectfully submit the recommended Pamlico County, North Carolina fiscal year 2015-2016 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 no tax increase, 3) addresses capital and salary needs of the Sheriff's Department, 4) includes a cost of living adjustment for employees, and 5) increases current expense and capital funding allocated to the Board of Education.

The proposed General Fund Budget is balanced at \$17,652,615 with a proposed tax rate of \$.625/\$100 in value. Some of the highlights include:

- A 1% cost of living (COLA) salary increase for employees
- Sheriff's Department funding increased by approximately \$350,000
- Health Insurance costs increasing by approximately \$51,000
- Public School funding increased by \$300,000 compared to 2014-15 totals

GENERAL FUND

GENERAL FUND REVENUES

Ad Valorem Taxes

At the proposed tax rate of \$.625 per \$100, estimated fiscal year 2015-16 tax collections are budgeted at \$9,910,000 including 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 at \$690,000. This is the gross amount as approximately \$45,000 in collection fees are paid to the State and charged as an expense to the Tax Office Budget. Net collections are projected at \$645,000.

Lease Bed Fees

Lease bed revenue continues to generate substantial revenue for the County and is budgeted at \$950,000 for FY 2015-16, a \$100,000 increase over FY 2014-15. The Pamlico County Law Enforcement Center can accommodate 108 inmates with any open cells available to lease to the 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 is budgeted to increase by 6.5% to \$1,922,000. This projection is based on current year trends along with the State forecasts data predicting a continued uptick in this revenue source.

Interest

Interest revenue is budgeted at \$10,000 for FY 2015-16. Pamlico County invests funds in the North Carolina Capital Trust.

Fees

Permits and fees are projected to increase by about 2% or \$5,150 over the current year. Fiscal year 2013-14 saw a large increase in this revenue source, primarily due to the construction of several retail stores but the increase returned to normal levels in 2014-15. Growth in these revenues is projected to be minimal with long term growth in the 1%-2% range.

Inspection 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 \$3,099,209 which represents 17.5% of projected revenues. With the State still in budget deliberations, 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 \$500,000 (rounded) is proposed in the recommended budget. For the fiscal year ending June 30, 2014, the available fund balance was reported as \$5.6 million or 34.98% (adjusted) of general fund expenditures. The fund balance is expected to be near the same level at year end 2014-15.

GENERAL FUND EXPENSES

At the beginning of the 2015-16 budget process, requested departmental expenditures exceeded revenue projections by approximately \$1.8 million. After much deliberation and review, the budget was balanced by:

- Negotiating health insurance rates
- 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.

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 \$350,000 to the county in fiscal year 2015-16 as part of the hold harmless provision in the Medicaid Relief Legislation. Beginning with FY 2015, Session Law 2014-001 (Senate Bill 744) of the 2014 legislative session caps the amount of hold harmless each year until the payment is eliminated FY 2017. The County will lose \$200,000 to \$400,000 annually.

Capital

Department heads requested in excess of \$250,000 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:

- Courthouse repairs \$ 156,000
- VIPER radio migration (debt service) \$ 23,183
- Sheriff patrol cars (2) \$ 60,000
- Viper radio handhelds and mobile for cars \$ 21,000

Local Schools

Current Expense is recommended at \$3,324,138, an increase of \$200,000 over current year (2014-15) levels. Capital Outlay is recommended at \$250,000, \$100,000 more than funded in the current year. Overall Board of Education allocation is recommended at an increase of \$300,000 totaling \$3,574,138. The following table summarizes the proposed funding.

Summary of 2015-16 Board of Education Funding

	<u>Current Year (14-15)</u>	<u>Requested (15-16)</u>	<u>Recommended (15-16)</u>
Current Expense	3,124,138	3,474,082	3,324,138
Capital	<u>150,000</u>	<u>296,337</u>	<u>250,000</u>
Totals	3,274,138	3,770,419	3,574,138

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

Johnson Building Roof Project

A \$61,000 debt service payment on the Johnson Building Roof Repair Project (Roof Project) is included in the General Fund Budget. The total budget for the Roof Project is \$534,971 and will be financed by 1) loan proceeds from BB&T loan, 2) unused 2015 Capital Outlay that had been designated for PCC. Terms of the loan are 2.19% interest fixed for 10 years.

Current Expense and Capital

Pamlico Community College (PCC) current expense funding is proposed at \$561,215 with no capital allotment recommended. The following table summarizes the Pamlico Community College funding.

Summary of 2015-16 Pamlico Community College Funding

	Current Year (14-15)	Requested (15-16)	Recommended (15-16)
Current Expense	562,411	561,215	561,215
Capital	50,000	25,570	-
Totals	612,411	586,785	561,215

Sheriff

For FY 2015-16, the Sheriff requested total funding of approximately \$3.4 million, an increase of 30% over the original FY 2014-15 budget. Highlights of the increases associated with requested items are listed below:

- \$115,000 (rounded) for new patrol vehicles
- \$21,000 for viper handhelds and mobile radios
- \$96,000 in salary adjustments for Sheriff, Jail and Dispatch staff to facilitate salary spread necessary to raise the starting salaries of deputies, jailers, and dispatchers
- \$78,000 for two new dispatch positions
- \$43,000 in salary and benefits for a new narcotics officer investigator position 75% funded by a Governors Crime Commissioner Grant
- \$5,860 to buy 3 additional sets of uniforms for deputies
- \$14,903 in departmental supplies for crime scene software, investigative equipment, and crime scene cameras
- \$19,440 for mandatory and specialized law enforcement officer training

- \$15,000 (approximate) increase in dues and subscriptions to fund dues for membership to various law enforcement associations, insurance share for shooting range, and Sheriff Dept. employee membership to gym for fitness.
- \$7,700 for building safety and organization
- \$10,000 increase in dispatch overtime
- \$4,600 to lease purchase 8 computers for patrol vehicles.
- \$8,700 in internet charges for mobile computers
- \$10,500 for additional cameras and handheld radios in the jail (safety)
- \$17,000 for Sally port intercom repairs and painting and repairs to interior of detention facility
- \$21,480 for mandatory and specialized detention officer training

Funding for the Sheriff's Department including the jail and dispatch lines is budgeted at \$3,247,792 a \$351,893 increase over the original 2014-15 budget. All requests were recommended for funding with exception of the following:

- Salary adjustments were funded over a 3 year period at \$32,000 per year which reduced the FY2015-6 budget by \$64,000
- Two new vehicles were funded at a total of \$60,000; reducing the request by \$55,000
- Dispatcher overtime reduced by \$30,000 due to funding two new dispatchers
- Did not fund \$8,900 gym membership

Also included in the Sheriff's budget is a grant of \$10,000 to purchase Viper radios and other equipment.

Board of Elections

Board of Elections funding was increased by approximately \$34,000 over FY 2014-15. The increase is to fund additional elections anticipated in the upcoming fiscal year. The State legislature has mandated a presidential preference primary. In addition, the budget contains provisions for a second presidential primary that could be held in June or July of 2016.

Below is a list of the expected elections to be held in FY 2015-16:

- November 2015 Municipal Elections
- 2016 Presidential Primary
- May 2016 Primary
- Second Primary (June/July)

Additionally, a request to upgrade election equipment was not included in the recommended budget. The equipment must be upgraded by January, 2018 to accommodate paper ballots.

Cooperative Extension

Cooperative Extension funding is at approximately the same level as 2014-15. However the underlying organizational structure is significantly different. Due to a mandate from the State, the cost share was changed from a 65% State Share/35% County Share to a 50% State Share/50% County Share. In order to accomplish this, the positions funded decreased from 4 to 3. It will also require the director to serve as an agent. Our local office has been running under this structure for at least 12 months and no change in service levels are expected as a result of the change.

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 \$450,000, a \$42,368 increase over fiscal year 2014-15. The additional funds are proposed to hire an additional paid staff (\$39,000) and to assist with funding a 2% COLA for their employees (\$3,360). The recommended budget funds a 1% increase of \$4,076 for total funding for \$411,708. Long term plans of the rescue squad are to convert the additional paid staff to a paid captain. Expected cost of the new position is \$54,000.

Regional Library

Recommended Pamlico County Library (local) funding is \$198,053, a 1% increase over 2014-15 amount of \$196,092. The Library requested increased funding to \$231,794 with the majority of the requests going towards a 2% COLA for employees and for extending the hours of part-time staff to full time. The additional staff would have allowed the library to resume Wednesday operating hours.

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 and no requests for tax increases were received.

Personnel

Employees

A 1% cost of living adjustment is included in the recommended budget for all employees.

Total payroll for Pamlico County is approximately \$4.8 million and represents 27% of all expenditures.

Insurance

Employees and elected officials receive health, dental, and life insurance benefits that are 100% funded by the county. Insurance premiums were quoted to increase by 5.2%. Total costs of health, dental, and life insurance are budgeted at approximately \$1.2 million.

New Positions

To address safety and operational issues of the Sheriff's department, the budget funds two new dispatcher positions and a narcotics investigator position. Increased costs associated with the hires are \$123,000. A Governors Crime Commission grant will reimburse the County \$35,000 for the narcotics investigator. This is a one year grant with no guarantee of continued funding.

ENTERPRISE FUND

Summary

The Water Fund is balanced at \$2,509,034. Operational costs are budgeted at \$1,669,989 with capital at \$255,294 and debt service costs budgeted at \$583,751. The primary capital item budgeted for fiscal year 2015-16 is painting and maintenance of water towers.

Water Rates

Water rates for fiscal year 2015-16 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 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 2015-16 is recommended at \$4.25 per 1,000 gallons. A flat rate of \$15 monthly for a 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.

Deposits

The budget proposes increasing deposits for establishing new water accounts from \$50 to \$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. Because a majority of customers have a final bill in the range of \$75, a raise in the deposit is needed to cover payment of the final bill. An increased collection rate is expected.

Capital Projects

The Water Department has ten elevated towers distributed throughout the water system.

Funding of \$132,000 (\$111,000 quote plus contingency) is allocated next year for inspecting and maintaining water towers. In order to spread costs over time, the Water Department recommends a maintenance contract that will phase needed repairs over a fifteen year period and that establishes annual maintenance such as internal wash outs that will improve water quality.

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 (\$60,000), 2) update mapping software (\$15,000), 3) refurbish the water office (\$30,794), and 4) telemetry for communication between Kershaw and Grantsboro water plants (\$17,500).

Expenditures

As with those employees that are paid from the General Fund, Water Department employees will receive a 1% cost of living adjustment. The employees will also see the same changes to health insurance and employee retirement.

Closing Statements

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. While not optimal, the budget does achieve the primary directives established by the Commissioners. The 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 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 initial 'T' and 'B'.

Timothy A. Buck

County Manager