



May 31, 2016

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

I respectfully submit the recommended Pamlico County, North Carolina fiscal year 2016-2017 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 salary adjustments that address salary compression for general and enterprise fund employees, and 5) increases current expense funding allocated to the Board of Education.

The proposed General Fund Budget is balanced at \$19,209,139 with a proposed tax rate of \$.625/\$100 in value. Some of the highlights include:

- Salary increase for employees
- Sheriff's Department funding increased by approximately \$400,000
- Health Insurance costs increasing by approximately \$160,000
- Public School funding increased by approximately \$180,000 compared to 2015-16 totals

GENERAL FUND

GENERAL FUND REVENUES

Ad Valorem Taxes

At the proposed tax rate of \$.625 per \$100, estimated fiscal year 2016-17 tax collections are budgeted at \$10,065,448 including collections for current year, prior year, and penalties. The ad valorem tax value, excluding motor vehicles, is projected at \$1.5 billion. Revenue from Motor Vehicle Collections is budgeted \$720,000 with collection fees budgeted at \$36,000 for a net DMV levy of \$684,000.

Jail Lease Bed Fees

Lease bed revenue continues to generate substantial revenue for the County and is budgeted at \$1,098,500 for FY 2016-17, an approximate \$145,000 increase over the FY 2015-16 original budget. Part of the increase is the result of an anticipated increase in the daily lease rate of \$53 per day to \$60 per day. The Sheriff is working with The Federal Marshal Service to have this approved.

The Pamlico County Law Enforcement Center can accommodate 108 inmates with any unoccupied 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 approximately 2% over FY 2015-16 projections to \$2,078,000. This projection is based on the trends in revenue received over the last two budget years along with the State forecasts data predicting a continued uptick in this revenue source. This does not include the Hold Harmless Payment from the State.

Hold Harmless Payment

As part of the landmark 2007-2008 legislative decision to shift Medicaid costs to the State, counties gave up a portion of sales tax and changed the distribution method of a majority of the remaining taxes from per capita to point of sale in exchange for the State taking over the costs of Medicaid. Because the loss in revenue was more than the savings, Pamlico County was impacted significantly by the change in sales tax distribution method. To hold the county harmless for Medicaid related losses in sales tax, the State agreed to make Hold Harmless payments to Pamlico County and other counties that lost more sales tax revenue than the savings from the State assumption of Medicaid payments. Since 2008, the County received annual Hold Harmless payments which peaked at almost \$500,000 in 2014. Beginning in FY 2015, Session Law 2014-001 (Senate Bill 744) of the 2014 legislative session capped the amount of hold harmless each year until the payment is eliminated FY 2017. For FY 2016-17, the payment is scheduled to drop from a FY 2015-16 budget of \$325,000 to a budget of \$125,000 in FY 2016-17, a \$200,000 loss in budgeted revenue.

Interest

Interest revenue is budgeted at \$10,000 for FY 2016-17. Pamlico County invests funds in the North Carolina Capital Trust.

Fees

Permits and fees are projected to increase by about 2.5% (excluding election revenue) or about \$6,500 over the current year.

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 \$3,655,303 which represents 20% 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 \$1.2 million (rounded) is proposed in the recommended budget. For the fiscal year ending June 30, 2015, the available fund balance was reported as \$7.5 million or 45% (adjusted) of general fund expenditures.

GENERAL FUND EXPENSES

At the beginning of the 2016-17 budget process, requested departmental and other agency expenditures exceeded revenue projections by approximately \$2.3 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.

Capital

Department heads requested in excess of \$1.1 million 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 \$ 175,000
- VIPER radio migration (debt service) \$ 23,183
- Sheriff patrol cars (6) \$ 201,000
- VIPER radio replacements \$ 5,000
- Zero turn mower \$ 10,466
- Online Index Books for 1872-1974 \$ 10,815
- Senior Center 15 passenger van \$ 27,547

Local Schools

Current Expense is recommended at \$3,507,710, an increase of \$183,572 over current year (2015-16) levels. Capital Outlay is recommended at \$250,000, the same funding level of the current year. Overall Board of Education allocation is recommended at an increase of \$183,572 totaling \$3,757,710. The following table summarizes the proposed funding.

Summary of 2016-17 Board of Education Funding

| | Current Year (15-16) | Requested (16-17) | Recommended (16-17) |
|-----------------|-------------------------|----------------------|------------------------|
| Current Expense | 3,324,138 | 3,507,710 | 3,507,710 |
| Capital | <u>250,000</u> | <u>387,621</u> | <u>250,000</u> |
| Totals | 3,574,138 | 3,895,331 | 3,757,710 |

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 \$566,028 with no capital allotment recommended. The following table summarizes the Pamlico Community College funding.

Summary of 2016-17 Pamlico Community College Funding

| | Current Year (15-16) | Requested (16-17) | Recommended (16-17) |
|-----------------|-------------------------|----------------------|------------------------|
| Current Expense | 561,215 | 566,028 | 566,028 |
| Capital | 0 | 12,500 | - |
| Totals | 561,215 | 578,528 | 566,028 |

Johnson Building Roof Project

The Johnson building roof repair was completed in FY 2015-16 at a County share of \$454,000 (rounded). Approximately \$440,000 of the County share was funded through a bank loan at 2.19% interest fixed for 10 years. A \$61,000 debt service payment is included in the General Fund Budget.

Sheriff

For FY 2016-17, the Sheriff requested total funding of approximately \$3.6 million, an increase of 12% over the original FY 2015-16 budget. Highlights of the increases associated with requested items are listed below:

- \$202,000 (rounded) for new patrol vehicles
- \$13,280 for an interview room recording system
- \$27,310 for an administrative telephone system
- \$15,835 in contracted services
- \$21,371 in major departmental supplies
- \$7,425 in safety supplies
- \$6,873 in travel
- \$78,000 for two new dispatch positions
- \$43,000 in salary and benefits for a continued employment of the "Pills Can Kill" narcotics officer investigator position 75% funded by a Governors Crime Commissioner Grant
- \$11,500 in maintenance and repair auto for service and repairs to patrol cars
- \$9,975 for training
- \$8,000 for drug enforcement

Funding for the Sheriff's Department, Jail and Dispatch is budgeted at \$3,661,864, a \$200,000 increase over the FY 2015-16 revised budget and a \$395,000 increase over the original FY 2015-16 budget. All requests were recommended for funding with exception of the following:

- Contracted services was reduced by \$25,000
- All capital requests were budgeted but are proposed to be funded by a 36 month loan
- Two jail transport positions were deferred until federal contract is negotiated and further direction by the Sheriff.

Recycling/Solid Waste

To address issues with contaminated recycling bins and citizen requests for increased hours for solid waste disposal, staff was requested to bring a proposal to the Board of Commissioners for consideration. The budget currently contains expenditures of \$287,000 that establishes a solid waste collection site at the Grantsboro Transfer Station, proposed to open on Saturday and Sunday afternoons from 1:00 p.m. to 5:00 p.m. During the week part-time staff will be used to educate the public on acceptable recycling items and to remove non recyclable items from the bin. The project is proposed to be funded with grants that will assist in purchasing equipment and through the imposition of a solid waste fees of \$50 per household per year in unincorporated areas and \$25 per household per year within towns.

Board of Elections

Board of Elections requested a funding increase of approximately \$40,000 over the FY 2015-16 revised budget. The primary reasons for this increase are 1) \$50,000 in capital reserve for upgrading election equipment and 2) \$21,000 to hire a permanent part time election assistant.

The part time position request can be funded within the current year part time salary budget and is included in the recommended budget. Purchase of new election equipment is again deferred but must be purchased in the FY 2017-18 budget in order to meet the September, 2018 deadline for equipment upgrades established by the State legislature.

Also included in the recommended budget is \$5,000 in overtime for the elections director. This is in response to changes to the federal law regarding overtime exemptions that are discussed in more detail in the salary section of this document.

The budget contains funding provisions for the November, 2016 Presidential Election.

Cooperative Extension

Cooperative Extension funding is at approximately the same level as 2015-16. 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 is requesting an increase in the county allocation from \$411,708 to \$500,000. The purpose is to increase staffing; primarily, hire a full time paid captain to lead the organization and increase manpower at the Bayboro station. The budget recommends funding at \$431,000 and to offset the additional costs by participating in the NCACC Medicaid Reimbursement Program. It is estimated that the program will result in at minimum an additional \$50,000 in revenue.

Regional Library

Recommended Pamlico County Library (local) funding is \$222,394, a \$24,391 increase over 2015-16 amount of \$198,053. The Library requested the increased funding to hire a permanent part time staff person, purchase new furnishings, and fund a COLA for employees.

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

Recommended salary adjustments for FY 2016-17 are based on years of service with Pamlico County within the current grade as compared to salary/grade scale. The average raise is 3.8% (not including the Sheriff's Department) at a total cost of approximately \$120,000. Recommended increases range from 1% to 14%. This is the 1st year of a 3 year proposal to address salaries and salary compression.

Sheriff employees are recommended for a 6% increase for all employees as a result of reclassification of salary/grades of positions. The reclassifications bring the grades in line with those of similar counties. The Sheriff has presented additional options that will be shared with Board members and are not in the recommended budget.

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 15% which increases budgeted expenditures by approximately \$160,000. Total costs of health, dental, and life insurance are budgeted at \$1,253,910 million.

Overtime

The U.S. Department of Labor has released the final overtime rule as it relates to classifying employees exempt from overtime. First, the salary threshold for classification as exempt will be slightly lower than in the proposed rule: \$913 per week (\$47,476 on an annual basis); second, the rule will be effective December 1, 2016.

To address this rule change and to keep salaries competitive for key positions, the budget proposes an overtime budget of \$5,000 each for the Emergency Manager, Elections Director, Public Services Director and Tax Administrator. The proposal recommends that this provision begin July 1, 2016.

New Positions

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

- 2 Assistants to Jail Administrator - \$105,179 (including benefits)
- Part time Elections Assistant (29 Hours) - \$15,080 (not including benefits)
- Senior Center Aid (19 Hours)- \$11,455
- Increase Aging Services Coordinator Hours from 19 to 29 - \$12,411
- Grounds Tech/Maintenance/Recycling Driver (40 Hours) - \$35,722
- Increase Public Services Administrative Tech Hours from 29-40 - ~\$7,500 with benefits
- Deputy Register of Deeds - \$37,156

The proposed budget funds a part time Elections position at 29 hours per week. Funding stayed within the current part time salary budget. Additionally, the budget increases the Aging Services Coordinator Hours from 19 to 29. Other new position requests as listed above were not funded.

ENTERPRISE FUND

Summary

The Water Fund is balanced at \$2,644,105. Operational costs are budgeted at \$1,802,854 with capital at \$257,500 and debt service costs budgeted at \$583,751. The budget is balanced by appropriating \$292,911 from retained earnings (savings).

Water Rates

Water usage rates for fiscal year 2016-17 are recommended to increase by \$.25 per 1,000 gallons with the changes 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" | 4.25 | 4.50 | 15.00 | 15.00 |
| 2" | 4.25 | 4.50 | 40.00 | 40.00 |
| 3" and up | 6.26 | 6.51 | 40.00 | 40.00 |

The water usage rate for fiscal year 2016-17 is recommended at \$4.50 per 1,000 gallons versus a rate of \$4.25 for the current year. 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 \$6.51 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 \$28.50 per month or \$.75 more than the present year. Annualized this equates to a \$9.00 per year increase for the average customer.

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 next year for inspecting and maintaining water towers. During the current fiscal year, 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 \$1,000,000. It is anticipated that engineering for the project will take place during FY 2016-17 and funds are budgeted for this phase of the project.

Other capital items funded in the proposed budget are 1) replace two utility trucks (\$65,000), 2) replace the Kershaw WTP emergency generator (\$60,000), 3) refurbish the water office (\$125,000), and 4) purchase a used Ford F450 or equivalent and dump trailer to do small repairs in-house.

Expenditures

As with those employees that are paid from the General Fund, Water Department employees will receive an average raise of 3.5% based on the same methodology as employees funded by the General Fund. The employees will also see the same changes to health insurance and employee retirement.

Closing Statements

Though you will be soon voting on the Fiscal Year 2016-17 Budget, it is important to note the continual challenges that certain components of this budget present for balancing budgets of subsequent years. These include keeping salaries competitive with market and while addressing salary compression; sustaining large increases in funding for law enforcement, public safety, and public schools; and planning and funding for building repairs or new structures. The current budget proposes over \$1.1 million 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 initial 'T' and 'B'.

Timothy A. Buck

County Manager