



May 31, 2019

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

I respectfully submit the recommended Pamlico County, North Carolina Fiscal Year 2019-2020 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) retains the current tax rate of \$.625, 3) includes salary adjustments that address salary compression for general and enterprise fund employees, 4) increases current expense and capital funding allocated to the Board of Education and 5) increases current expense and capital funding allocated to Pamlico Community College.

The budget is balanced at \$19,897,135 with a proposed tax rate of \$.625/\$100 in value. Some of the highlights include:

- Approximately \$150,000 in salary increases for employees
- \$50,000 budgeted for Courthouse Repairs
- Rescue Squad funding increased by \$48,000
- Public School funding increased by approximately \$193,704 compared to 2018-'19 totals
- Pamlico Community College funding increased by \$42,810

## **GENERAL FUND**

### **GENERAL FUND REVENUES**

#### **Ad Valorem Taxes**

At the proposed tax rate of \$.625 per \$100, estimated fiscal year 2019-'20 tax collections are budgeted at \$10,820,000 including collections for current year, prior year, and penalties. The ad valorem tax value, excluding motor vehicles, is projected at \$1.5 billion. The tax collection percentage used to estimate revenues is 96% which is the projected tax levy collection percentage for the fiscal year ending June 30, 2019. Revenue from Motor Vehicle Collections

is budgeted \$835,000 with collection fees budgeted at \$42,000 for a net DMV levy of \$793,000.

### **Jail Lease Bed Fees**

Lease bed revenue continues to generate substantial revenue for the County and is budgeted at \$1,125,000 for FY 2019-'20, approximately \$25,000 over the FY 2018-'19 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, including the expanded sales and use tax base and allocation formula, is budgeted at \$2,698,000, an approximate 4.0% increase over the FY 2018-'19 budget. This projection is based on the trends in revenue received over the last two budget years along with the State forecast data predicting a continued uptick in this revenue source.

### **Hold Harmless Payment**

The budget contains a Hold Harmless payment of \$50,000. Session Law 2014-001 (Senate Bill 744) eliminated the payment in total after fiscal year 2017. A \$105,500 payment was received in FY 2017-'18 followed by a \$130,000 payment in Fiscal Year 2018-'19.

### **Interest**

Interest revenue is budgeted at \$125,000 for FY 2019-'20 compared to \$40,000 budgeted for FY 2018-'19. Due to increases in interest rates and new investment strategies, this revenue source has increased steadily since Fiscal Year 2014-'15. 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 \$236,500, a \$31,000 decrease from the amounts budgeted for FY 2018-'19. The reduction is caused primarily by the anticipated effect of post hurricane permit waivers which saw revenues in this category decrease significantly from September through December, 2018. Though budgeted conservatively, this revenue stream is expected to eventually return to pre storm norms.

Staff reviewed inspection fees for Carteret, Craven, and Jones Counties to compare the rate to the Pamlico County Fee schedule. In general, inspection fees are below those in Craven

and Carteret Counties and above the Jones County rates. No fee increases are recommended at this time.

Election revenue from municipal elections is budgeted at \$13,000. The County elections office funds the elections and is reimbursed this expense by municipalities.

### **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 \$2,494,164 which represents 12.5% 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 \$1,398,764 is proposed in the recommended budget. For the fiscal year ending June 30, 2018, the unassigned fund balance was reported as \$7.6 million or 40.15% of general fund expenditures. However, expenditures for Hurricane Florence response and recovery potentially significantly impact the expected fund balance for year ending June 30, 2019. Depending on the timing for FEMA reimbursements, fund balance is projected to be in the range of 35% to 16%.

### **GENERAL FUND EXPENSES**

At the beginning of the 2019-'20 budget process, requested departmental and other agency expenditures exceeded revenue projections by approximately \$2.7 million. After much deliberation and review, the budget was balanced by:

- Reducing Pamlico Community College current and capital expense requests
- Reducing Pamlico County Schools capital requests
- Eliminating or reducing the capital requests from various departments
- Reducing requested operating expenditures of a majority of County departments and County funded agencies
- Appropriating fund balance

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

## Local Schools

Current Expense is recommended at \$3,908,404, an increase of \$113,704 over current year (2018-'19) levels. Capital Outlay is recommended at \$330,000, an increase of \$80,000 over of the current year. Overall Board of Education allocation is recommended at an increase of \$193,704 totaling \$4,238,414. The following table summarizes the proposed funding.

Summary of 2019-'20 Board of Education Funding

	<u>Current Year (18-19)</u>	<u>Requested (19-20)</u>	<u>Recommended (19-20)</u>
Current Expense	3,794,710	3,908,414	3,908,414
Capital	<u>250,000</u>	<u>533,932</u>	<u>330,000</u>
Totals	4,044,710	4,442,346	4,238,414

Additionally, the new budget provides \$329,045 for the recurring 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 \$229,045 budgeted from sales tax income.

## Pamlico Community College

### Current Expense and Capital

Pamlico Community College (PCC) current expense funding is proposed at \$630,000 with a capital outlay allotment of \$25,000. Additionally, debt service of \$56,297 is budgeted for the Johnson Building roof loan. This represents an approximate 6.4% increase in overall funding compared to the current year. The following table summarizes the Pamlico Community College funding.

Summary of 2019-20 Pamlico Community College Funding

	Current Year (18-19)	Requested (19-20)	Recommended (19-20)
Current Expense	610,000	653,707	630,000
Capital	0	63,000	25,000
Debt Service	58,487	58,487	56,297
Totals	668,487	775,194	711,297

**Capital**

Department heads requested in excess of \$614,280 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 – 6 Vehicles \$ 229,768
- Public Buildings – Courthouse Repairs \$ 50,000
- Animal Control - 3 Viper Radios \$ 6,750
- Senior Center – Repairs to Senior Center \$ 26,000

It is proposed to fund the purchase of Sheriff Vehicles with a 3 year loan in arrears. Because the first payment will not be due until Fiscal Year 2021, no funds are included in the proposed budget.

## **Sheriff**

For FY 2019-'20, the Sheriff's budget is recommended at \$4,169,288, approximately \$200,000 less than the revised FY 2018-'19 budget of \$4,365,750. Highlights include 1) replacing 6 vehicles financed in arrears with no payment due until Fiscal Year 2020-2021 and 2) \$34,000 funding for a new dispatcher position (salaries and benefits).

## **Recycling/Solid Waste**

Due to continued unknowns in the recycling industry and continued financial strains, plans to staff recycling sites were nixed and funding for these plans removed from the budget. However, funds were allocated to continue to upgrade the Grantsboro Transfer Station Site and to replace recycling bins. Approximately \$16,000 is budgeted for engineering services required to comply with State guidance regarding the closed municipal solid waste landfill site. Additionally, next fiscal year budgets about \$36,000 for debt service to fund the current year purchase of a new roll off truck and wheel loader. Overall, proposed funding increases the Recycling Budget by \$27,420.

## **Board of Elections**

The unfortunate passing of our congressman and additional directives from the State will result in our elections budget increasing by \$152,822 for next fiscal year. Although we have requested legislation to delay purchase of new election equipment, an unfunded mandate from the State, \$102,000 is included for this purpose. A request to fund a new position was not included in the proposed budget.

## **Forestry**

The local N.C. Forest Service office in Grantsboro is funded both by the State of North Carolina and Pamlico County with a respective 60%-40% share. Pamlico County's proposed share is \$99,448, an increase of \$12,167. Funding includes \$12,167, the County's share for purchase of a new motor vehicle.

## **Rescue Squad**

Pamlico Rescue is requesting an increase in the county allocation from \$625,000 to \$673,000. The purpose is to increase staffing on during night hours, year 3 of a 4 year plan to reduce mutual aid calls. The recommended budget funds \$673,000 to the rescue squad, a \$48,000 increase over the current year.

## **Regional Library**

Recommended Pamlico County Library (local) funding is \$250,000, a \$6,962 increase over 2018-'19 revised budget amount of \$243,038. The Library requested the increased funding

to fund a COLA and to cover other projected increases in operational costs.

### **Volunteer Fire Departments**

Fire departments are recommended at the same funding level as the prior year. The table below summarizes the recommended tax rates and appropriation for each fire department:

Department	Tax Values	Current/ Recomm. Tax Rate	Current Appropriation	Recommended Appropriation
Reelsboro	88,602,887	.0820	6,966	6,966
Grantsboro	92,194,449	.0650	6,966	6,966
Triangle	95,735,352	.0402	7,304	13,304
Arapahoe	305,587,546	.0400	6,966	6,966
Southeast Pamlico	559,305,306	.0300	6,966	6,966
Vandemere	82,502,298	.0300	6,966	6,966
Florence/Whortonsville	188,777,039	.0613	6,966	6,966
Olympia	25,182,126	.0760	12,966	12,966
Goose Creek Island	31,862,081	.0600	12,966	12,966

### **Personnel**

#### **Employees**

A 1% Cost of Living Adjustment is recommended for all employees at a cost of approximately \$72,000 (salaries and benefits). This is below the reported Consumer Price Index (CPI) that is currently in the range of 2%-3%.

Additionally, \$71,168 for reclassifications and equity/market adjustments are recommended. These adjustments address salary compression and are based on the employees' years of service with Pamlico County within the current grade as compared to salary/grade scale.

Due to required adjustments to retirement contribution by the county, retirement costs rose by approximately \$77,000. Below is a table summarizing the percentage increases.

### Changes in Retirement Contributions

<u>Year</u>	<u>Percentage General</u>	<u>Percentage LEO</u>
2018-2019	7.83%	8.5%
2019-2020	9.03%	9.7%

### Insurance

Total costs of health, dental, and life insurance for employees and retirees are budgeted at \$1,025,400. This number anticipates a 4% raise in premiums.

Employees will receive health insurance through the State Health Plan which is primarily funded by the county. Employees will pay a \$20 premium share per month. Additional benefits include dental, vision, and supplemental life insurance that is fully funded by the County. 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 \$32,027. These payments are funded through Health Reimbursements accounts that were set up to comply with IRS rules.

### New Positions

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

<u>Department</u>	<u>Position</u>	<u>Full Time/ PartTime</u>	<u>Salary</u>	<u>Benefits</u>	<u>Total</u>
Elections	Admin Technician	Full Time	23,805	8,331	32,136
Sheriff	3 - Dispatchers	Full Time	79,500	38,360	117,860
Recreation Dept	Administrative Tech.	Full Time	5,638	7,862	13,500
Health Department	Health Educator	Full Time	38,819	13,896	52,715
Health Department	Mid Level Provider	Full Time	66,395	20,624	87,019
Health Department	EH Specialist	Full Time	38,819	14,800	53,619
Health Department	Public Health Nurse II	Full Time	47,186	16,759	63,945

Two positions are recommended for funding which include 1) 1 Dispatch I position and 2) a PA IV position for the Health Department. Because of the tremendous increases in call volume over the last 5 years and liability associated with this function, the Sheriff indicates that the current staffing in dispatch will not adequately cover the duties. Funding for PA IV position in the Health Department is recommended to assist with tasks required for accreditation. In lieu of funding a Health Educator, this position will assume duties typically performed by a Health Educator. It is anticipated that an in-house candidate will be promoted into this position.

Additionally, the part time (29 hour) Administrative Technician for the Public Services Director is budgeted for full time (40 hour) duties. This position will now be shared with the Inspections Department and will allow the current clerk in the Inspections Department to assume grant management and emergency planning roles.

Continued funding of \$4,760 is budgeted for a temporary worker to assist the Emergency Manager with the ISO Inspections of fire departments.

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## **ENTERPRISE FUND**

### **Summary**

The Water Fund is balanced at \$2,449,600. Operational costs are budgeted at \$1,823,436 with capital at \$270,522 and debt service costs budgeted at \$355,642.

The water budget was set keeping the following goals and objectives in mind: 1-Implement engineer recommendations for improving water quality, 2-continue to fund operational costs necessary for operating the current water infrastructure, and 3-fund increases in salaries and benefits to keep salaries competitive.

### **Water Rates**

Water rates for fiscal year 2019-'20 are recommended to increase for 3 inch meters and greater. The changes, summarized in the table below, are recommended to recover the larger fixed costs related to larger meter sizes. It is recommended to incorporate the increases incrementally over a 3 year period.

<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"	4.75	4.75	15.50	15.50
2"	4.75	4.75	40.50	40.50
3"	6.76	6.76	40.50	80.00
4"	6.76	6.76	40.50	115.00
6"	6.76	6.76	40.50	200.00
8"	6.76	6.76	40.50	300.00

Water usage rate for 3/4" through 2" size meters is recommended at \$4.75 per 1,000 gallons, remaining at current levels. 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 meters recommended. Usage rates for 3-inch meters and above is recommended at \$6.76 per \$1,000. Flat rate charges for 3 inch meters and larger were adjusted based on the American Water Works Association (AWWA) factor table as listed below. The factor for each respective size was multiplied by the flat rate

for ¾” meters of \$15.50 to calculate the increase recommended with the amount divided by 3 reflecting implementation of the rate increase over a 3 year period.

**AWWA Meter Factors**

Meter Size	AWWA (capacity)	Factor based on ¾
¾ inch	30	1.00
1 inch	50	1.67
2 inch	160	5.33
3 inch	300	10.00
4 inch	500	16.67
6 inch	1,000	33.33
8 inch	1,600	53.33

At the proposed rate schedule, an average residential customer using 3,000 gallons of water a month can expect to pay \$29.75 per month.

**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 where 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**

An anticipated large project is the installation of pretreatment systems at the Grantsboro and Kershaw Water Treatment Plants. In Fiscal Year 2018-2019, the plants were cleaned, new filter media was installed and engineers tested the baseline results after this work was completed. Engineers are currently completing a study of the baseline test results and are expected to recommend a pretreatment process with \$126,000 being budgeted for this process. Another large capital project that will be underway in the upcoming fiscal year is installation of a new generator at the Kershaw Water Treatment Plant. The current generator is over 30 years old and failed during Hurricane Florence. Estimated cost of replacement is \$55,722.

Total costs of capital projects funded in the recommended budget are \$270,522 and include the following items:

Replacement Generator at Kershaw Water Treatment Plant	\$ 55,722
Pretreatment Systems at Water Plants	\$126,800
Dump Truck and Mini Excavator	\$ 58,000
Vehicle Replacement	\$ 30,000

## **Expenditures**

Debt service costs are reduced from \$502,801 budgeted for Fiscal Year 2018-2019 to \$355,642 budgeted for Fiscal Year 2019-2020. This is due to the retirement of debt related to the Kershaw Water Plant Rehabilitation Project (Eastern Region Loan). Additional debt of \$60,625 was added for financing of the Reelsboro Elevated Tower Project.

## **Employees**

Salaries of \$24,281 and benefits of \$13,199 are budgeted for a new Field Tech Position. The position is needed to address the mounting backlog of work including line locations and flushing. This new position should also reduce additional responsibilities that have been placed on the plant operator and field operations manager positions. A 1% Cost of Living Adjustment and equity/market adjustments of about \$10,000 are budgeted.

## **Closing Statements**

It's hard to believe that this is the 14<sup>th</sup> budget that I have submitted. As in the previous 13, it has taken hard work by Finance Staff, Personnel Officer, Department Heads, and County Commissioners to deliver the budget submittal. I want to thank everyone involved. 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,



Timothy A. Buck

County Manager