



May 31, 2020

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

I respectfully submit the recommended Pamlico County, North Carolina Fiscal Year 2020-2021 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.

As expected, the Coronavirus pandemic overshadowed the preparation of the Fiscal Year 2020-'21 budget. Since early March, the budget took a back seat to the life safety efforts needed to protect our citizens. However, to continue the pandemic response efforts and to continue providing essential services to citizens of Pamlico County, it is necessary to have a funding plan and goals for the upcoming fiscal year. The impacts to the budget are obvious. First, revenues such as sales tax, ad valorem tax, and investments were adjusted down by approximately \$1,000,000. Second, to maintain current service levels, it was necessary to keep the tax rate at the current year level of \$.625/\$100. And finally, a fund balance appropriation of about \$1.9 million was budgeted.

The following objectives were achieved in the proposed budget: 1) current service levels are retained, 2) the tax rate remains at \$.625/\$100 in value, 3) included is a 1% COLA for general and enterprise fund employees, 4) current expense and capital funding allocated to the Board of Education are increased and 5) current expense and capital funding allocated to Pamlico Community College are increased.

The budget is balanced at \$20,890,170 with a proposed tax rate of \$.625/\$100 in value. Some of the highlights include:

- Approximately \$67,000 in salary cost of living adjustments for employees
- 4 new employees added totaling approximately \$180,000
- \$50,000 budgeted for Courthouse Repairs
- Rescue Squad funding increased by \$200,000
- Public School funding increased by approximately \$136,586 compared to 2019-20 totals
- Pamlico Community College funding increased by \$109,303.

GENERAL FUND

GENERAL FUND REVENUES

Ad Valorem Taxes

Ad Valorem Taxes are budgeted at \$10,432,871. Real property tax value resulting from the 2020 revaluation is \$1,590,000,000, an increase of about \$138,000,000 over the current year valuation. The value is adjusted down by approximately \$10 million to account for property tax appeals that will be ongoing through June 2020.

Based on this valuation, the revenue neutral tax rate is calculated at \$.575/ per \$100 in value. To eliminate a portion of the required annual fund balance appropriation, the tax rate is currently budgeted to remain at \$.625 per \$100.

Jail Lease Bed Fees

Pamlico County Detention Center leases bed space to federal and other jurisdictions. To house federal prisoners, the County receives a per inmate per day fee from the Federal Marshal Service. The term of our current contract ends in August of 2020. It is anticipated that we will be able to negotiate at least a \$5 per inmate per day increase. To account for this anticipated increase, lease bed funding for Fiscal Year 2020-21 is budgeted at \$1,235,000 a \$45,000 (6 months) increase over the current year.

Sales Tax

Due to the Corona virus pandemic, the State Treasurer, NCACC and most financial experts have projected that sales tax revenues for counties will steeply decline during part if not all of 2020-21. Sales Tax Revenues are budgeted at \$2,300,000, an approximate 25% decline from the prior year actual collections. The decreases are summarized as follows:

	ACTUAL	REVISED BUD	ACTUAL	RECOMMEND
MEDICAID HOLD HARMLESS	(179,773)	(50,000)	(204,015)	-
LOCAL OPTION SALES & USE TAX	(1,080,140)	(970,000)	(982,251)	(840,000)
1/2 CENT LOSUT ARTICLE 40	(619,827)	(590,000)	(593,077)	(505,000)
1/2 CENT ARTICLE 40 REST	(265,640)	(260,000)	(254,176)	(215,000)
ADDITIONAL 1/2 LOSUT (ART42)	(220,765)	(210,000)	(209,040)	(185,000)
ADD REST 1/2 LOSUT (ART. 42)	(331,147)	(320,000)	(313,560)	(265,000)
2003 HALF-CENTS SALES TAX 44	(351,952)	(348,000)	(340,944)	(290,000)
TOTAL	(3,049,245)	(2,748,000)	(2,897,062)	(2,300,000)

Hold Harmless Payment

The budget contains no Hold Harmless payment. Though approximately \$200,000 in Hold Harmless funding was received in Fiscal Year 2019-20, the State Treasurer advised against budgeting any amount for Fiscal Year 2021-21. This is due to the projected decreases in sales tax revenues for most of calendar year 2020 as a result of the COVID-19 pandemic.

Interest

Interest revenue is budgeted at \$25,000 for FY 2020-'21 compared to \$125,000 budgeted for FY 2019-'20. The decrease is primarily due to the decrease in cash balances over the last few years and the projected downturn in the economy resulting from the COVID-19 Pandemic. 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 \$259,400, a \$9,800 increase over the Fiscal Year 2019-'20 original budget. It is important to note that inspection fees must be used within the inspection program and cannot be used as taxes for other services. Staff must file with the State an annual report of receipts and disbursements for inspections.

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.

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 \$2,592,282 which represents 12% 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 \$1,901,736 is proposed in the recommended budget. For the fiscal year ending June 30, 2019, the unassigned fund balance was reported as \$6.2 million or 25.66% of general fund expenditures. Remaining unpaid is about \$700,000 in reimbursements from FEMA. Given the large fund balance appropriation in the proposed budget and depending on the timing for FEMA reimbursements, fund balance is projected to be in the range of 15 - 20% at the end of Fiscal Year 2020-'21.

GENERAL FUND EXPENSES

At the beginning of the 2020-'21 budget process, requested departmental and other agency expenditures exceeded revenue projections by approximately \$3.1 million. After much deliberation and review, the budget was balanced by:

- Reducing Pamlico County Schools current expense and 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 \$4,000,000, an increase of \$91,586 over current year (2019-'20) levels. Capital Outlay is recommended at \$375,000, an increase of \$45,000 over of the current year. Overall Board of Education allocation is recommended at an increase of \$136,586 totaling \$4,375,000. The following table summarizes the proposed funding.

Summary of 2020-'21 Board of Education Funding

	<u>Current Year (19-20)</u>	<u>Requested (20-21)</u>	<u>Recommended (20-21)</u>
Current Expense	3,908,414	4,091,720	4,000,000
Capital	<u>330,000</u>	<u>417,250</u>	<u>375,000</u>
Totals	4,238,414	4,508,970	4,375,000

Additionally, the new budget provides \$316,809 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 \$216,809 budgeted from sales tax income.

Pamlico Community College

Current Expense and Capital

Pamlico Community College (PCC) current expense funding is proposed at \$656,000 with a capital outlay allotment of \$110,000. The capital funds are designated to replace the HVAC

system in the Brinson Building. Additionally, debt service of \$54,006 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 2020-21 Pamlico Community College Funding

	Current Year (19-20)	Requested (20-21)	Recommended (20-21)
Current Expense	630,000	656,594	656,594
Capital	25,000	110,000	110,000
Debt Service	56,297	54,006	54,006
Totals	711,297	820,600	820,600

Capital

Department heads requested more than \$793,000 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:

Department	Item/Project	Amount Funded
Sheriff	1 Patrol Vehicle	\$35,000
Public Buildings	Debt Service Annex HVAC Replacem	\$50,000
Public Buildings	2nd year payment, Town Hall	\$37,500
Senior Center	Repairs to Senior Center (CDBGmatc	\$26,000

Following is a list of all capital items requested:

Capital Item/Project	Department	Requested	Recommended	Comments
5 Patrol Vehicles	Sheriff	187,363	35,000	Recommend 1
Gas Pump Upgrades	Public Buildings	68,685	-	Repairs made
2nd Payment Bayboro	Public Buildings	37,500	37,500	Paid for Town Hall 2 years
Senior Center Upgrades	Public Buildings	26,000	26,000	Received CDBG grant; grant match
Elevator Replacement		99,000	-	Needed but deferred
Courthouse HVAC Replacement	Public Buildings	310,257	50,000	Explore financing or \$ for plans
Courthouse Annex Crawl Space	Public Buildings	65,000	-	Needed but deferred
TOTAL		793,805	148,500	

Sheriff

For FY 2020-'21, the Sheriff's budget is recommended at \$4,456,199, approximately \$308,697 more than the original FY 2019-'20 budget of \$4,147,502. Highlights include 1) replacing 1 vehicle (\$35,000), 2) \$127,970 funding for a new deputy position and 2 dispatcher positions (salaries and benefits) and 3) debt service for the 6 vehicles purchased in FY 2019-'20 (1st full year of payment).

Recycling/Solid Waste

Proposed funding increases the Recycling Budget from \$327,323 to \$393,129, a \$65,806 increase. Due to continued unknowns in the recycling industry and continued financial strains, plans to staff recycling sites were eliminated. In order to continue servicing all recycling convenience sites, it is necessary to keep equipment in good condition. Approximately \$20,000 is included in the recommended budget to replace recycling bins. Approximately \$50,000 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 \$70,000 for debt service to fund the current year purchase of a new roll off truck and wheel loader.

Board of Elections

The Board of Elections requested funding for a new position in the amount of \$43,516. This position is not included in the recommended budget. For the current fiscal year ('19-'20), a full-time temporary position was budgeted at about \$40,000. Election officials cited difficulties hiring a temporary position, so the position remain unfilled. Duties were performed by the election director and part time staff. The temporary position is again included in the recommended budget at \$40,000 in addition to \$5,000 for overtime for the election director.

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 \$95,000, a decrease of \$4,448 compared to current year funding of \$99,448.

Rescue Squad

Pamlico Rescue is requesting an increase in the county allocation from \$673,000 to \$1,050,000. The purpose is to increase staffing during night hours. This is originally scheduled to be year 4 of a 4-year plan to reduce mutual aid calls. The recommended budget funds \$873,000 to the rescue squad, a \$200,000 increase over the current year.

Regional Library

Next year will be the 1st year of operation under the restructured regional library, Carteret County left the regional system and Craven and Pamlico reorganized the regional library with 2 counties. Recommended Pamlico County Library (local) funding is \$274,950, a \$24,950 increase over 2019-'20 revised budget amount of \$250,000. The Library requested the increased funding to fund a COLA and to cover other projected increases in operational costs. Also included is \$60,000 remaining from a \$250,000 State appropriation to renovate the new library cited at the old Hardees building. These funds are pass through funds to the Friends of the Library with no County match required.

Volunteer Fire Departments

With exception of Reelsboro Volunteer Fire Department, fire departments are recommended at the same tax rate as the current year (2019-'20). As noted in table below, the revaluation values for Reelsboro Fire District were about \$60,000 less than Fiscal Year 2019-'20. As a result, a slight increase in the tax rate for Reelsboro Fire District is recommended. The table below summarizes the revenue neutral and recommended tax rates for each fire department:

Fire Department	Current Values	Revaluation Values	Current Tax Rate	Current Year Levy	Revenue	
					Neutral Rate	Recommended Tax Rate
Arapahoe	340,703,706	342,020,609	0.04000	136,281	0.0398460	0.0400
Florence	193,541,371	193,962,709	0.06130	118,641	0.0611668	0.0613
Goose Creek	35,578,574	35,613,528	0.06000	21,347	0.0599411	0.0600
Grantsboro	93,947,062	94,113,614	0.06500	61,066	0.0648850	0.0650
Olympia	30,422,765	30,666,910	0.07600	23,121	0.0753949	0.0760
Reelsboro	107,473,988	107,413,629	0.08200	88,129	0.0820461	0.0821
Southeast Pamlico	597,027,681	597,548,148	0.03000	179,108	0.0299739	0.0300
Triangle	109,165,807	109,200,901	0.04020	43,885	0.0401871	0.0402
Vandemere	86,503,925	87,007,217	0.03000	25,951	0.0298265	0.0300

Personnel

Employees

A 1% Cost of Living Adjustment is recommended for all employees at a cost of approximately \$67,000 (salaries and benefits). This is below the reported Consumer Price Index (CPI) that is currently in the range of 2%-3%.

To address turnover and recruiting of advanced social workers, the grades for social workers were increased which resulted in an approximate \$20,000 increase in budgeted salaries. Some of these increases are offset by an increase in DSS revenues.

Due to required adjustments to retirement contribution by the county, retirement costs rose by approximately \$85,000. Below is a table summarizing the percentage increases.

Changes in Retirement Contributions

<u>Year</u>	<u>Percentage General</u>	<u>Percentage LEO</u>
2019-2020	8.95%	9.70%
2020-2021	10.15%	10.90%

Insurance

Total costs of health, dental, and life insurance for employees and retirees are budgeted at \$1,060,400. This number anticipates a 4% rise 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 \$33,000. These payments are funded through Health Reimbursements accounts that were set up to comply with IRS rules.

New Positions

Department Heads requested approximately \$300,000 in increases for new positions. While each position seemed to have merits, the ones included in the budget were those required to comply with legal mandates or where current year budget or revenues covered the expense.

Two new dispatcher positions were included. Due to legislation, the County is required to provide emergency medical dispatch services. EMD requires 2 dispatchers on duty on each shift. This will require the Sheriff to hire 2 new dispatchers. One social worker position was funded. Most of the funding for this position is included in the current year budget through 2 part time positions. The part time positions are eliminated and replaced with 1 full time with benefits. Also, approximately 50% of the increased costs are reimbursed. The table below summarizes the requested positions and those funded in the recommended budget.

<u>Position</u>	<u>Salary</u>	<u>Benefits</u>	<u>Total</u>	<u>Funded in Budget</u>	<u>Comments</u>
Full Time Election Assistant	30,683	12,833	43,516	No	Board Direction Requested
Deputy	29,500	16,066	45,566	Yes	Board Direction to Include
Deputy	29,500	16,066	45,566	No	1 Deputy, 2 Dispatchers Funded
Dispatcher	27,300	13,902	41,202	Yes	Required for EMD
Dispatcher	27,300	13,902	41,202	Yes	Required for EMD
Senior Center Assistant	25,000	11,796	36,796	No	Not mandated
Social Worker	36,970	15,432	52,402	Yes	Convert 2 part time to 1 full time
Total Requested Increases	206,253	99,997	306,250		
Total Funded Increases	121,070	59,302	180,372		

ENTERPRISE FUND

Summary

The Water Fund is balanced at \$2,829,392. Revenues are budgeted at \$2,601,600 which includes rate increases as summarized below. Expenses, including debt service, are budgeted at \$2,829,392. Expenses exceed revenues by \$227,792 and this deficit, including debt payments, is budgeted to be funded from the Capital Reserve account. Further breaking down the costs, operational costs are budgeted at \$1,823,436 with capital outlay at \$281,400 and debt service budgeted at \$353,458.

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 2020-'21 are recommended to increase for all meter classes. Rates for 1-inch meters and below are needed to pay for an increase in debt related to an upcoming water quality improvement project for the Grantsboro and Kershaw Water Treatment Plants. For 2-inch meters and above, flat rate increases 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. This is the second year of the three-year plan.

<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	16.00
2"	4.75	4.75	40.50	41.00
3"	6.76	6.76	80.00	119.50
4"	6.76	6.76	115.00	189.50
6"	6.76	6.76	200.00	359.50
8"	6.76	6.76	300.00	559.50

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 \$16.00 monthly for a 3/4 or 1-inch meter is recommended with a flat rate of \$41.00 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 3/4" meters of \$15.50 to calculate the increase recommended with the amount divided by 3 reflecting implementations of the rate increase over a 3-year period.

AWWA Meter Factors

Meter Size	AWWA (capacity)	Factor based on 3/4
3/4 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 \$30.25 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

In fiscal year 2019-'20, engineers completed a study of water quality issues at the Grantsboro and Kershaw Water Treatment Plants and submitted a report of findings and recommendations to improve water quality at the plants. Recommendations included 1) routinely clean wells, 2) install pre oxidant chlorine feed, 3) install color removal process, and 4) install other systems necessary to facilitate the recommended processes. The costs of the project are estimated at approximately \$3.5 million. The Water System is applying for a State Revolving Fund grant/loan to fund the project. Engineering and debt service costs for the project of approximately \$65,000 are included in the recommended budget.

The Water Department Capital Budget is set at \$281,400. Below is an analysis of the projects/items recommended for funding.

<u>Capital Item/Project</u>	<u>Recommended</u>
1 Truck Replacement	32,000
Copier	1,800
Computer Upgrades	7,200
Pretreatment Plants	63,400
Generator Millpond Plant	52,000
Merritt Tower Pump Replace	15,000
Inventory Software	10,000
Wate Line Replacement (Chapel Creek)	<u>100,000</u>
TOTAL	281,400

Expenditures

Operating expenses increased from \$2,093,815 to \$2,475,934. The primary reason for this is the increase in contracted tower maintenance fees. Pursuant to our current contract, fees are scheduled to increase by \$270,000. This is due to full blasts and paint (total rehab) of Vandemere and other water towers. Debt service costs remain at approximately \$355,000 including new debt for construction of the Reelsboro Elevated tower.

Employees

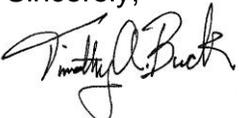
A 1% Cost of Living Adjustment and equity/market adjustments of about \$10,000 are budgeted. Increases to retirement and insurance costs are incorporated in the budget.

Closing Statements

It would be irresponsible of me not to point out the concerns that I have with the recommended budget. The only way to maintain current service levels, keep the tax rate at the current level, and fund mandated increases was to appropriate almost \$2 million from fund balance. This approach is unsustainable long term and as early as Fiscal Year 2021-'22 it will be necessary to make very difficult decisions to either increase taxes, cut services or both. Additionally, reduced fund balances will make response to disasters, such as hurricanes, very challenging. Given the significant unknowns of sales tax receipts, timing of FEMA reimbursements, and possible receipt of federal funds to replace revenue loss, this year's approach to the budget is understandable. However, there are risks involved that will take constant vigilance and monitoring of the County's financial condition with the ability to respond quickly as needed.

Thank you again for the opportunity to serve.

Sincerely,



Timothy A. Buck
County Manager