



May 31, 2018

Honorable Chairman Edward Riggs and the Pamlico County Board of Commissioners:

I respectfully submit the recommended Pamlico County, North Carolina fiscal year 2018-2019 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) 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, and 4) increases current expense funding allocated to the Board of Education.

The budget is balanced at \$19,250,014 with a proposed tax rate of \$.625/\$100 in value.

Some of the highlights include:

- Approximately \$270,000 in salary increases for employees
- \$110,000 budgeted for Courthouse Repairs
- Rescue Squad funding increased by \$67,000
- Public School funding increased by approximately \$100,000 compared to 2017-'18 totals
- Pamlico Community College funding increased by about \$32,000

GENERAL FUND

GENERAL FUND REVENUES

Ad Valorem Taxes

At the proposed tax rate of \$.625 per \$100, estimated fiscal year 2018-'19 tax collections are budgeted at \$10,580,000 including collections for current year, prior year, and penalties. The ad valorem tax value, excluding motor vehicles, is projected at \$1.57 billion. The tax collection percentage used to estimate revenues is 96.05% which was the tax levy collection percentage for the fiscal year ending June 30, 2017. Revenue from Motor Vehicle Collections is budgeted \$770,000 with collection fees budgeted at \$36,400 for a net DMV levy of \$733,600.

Jail Lease Bed Fees

Lease bed revenue continues to generate substantial revenue for the County and is budgeted at \$1,100,000 for FY 2018-'19, approximately \$100,000 less than budgeted in the revised FY 2017-'18 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 \$2,592,402, an approximate 5.0% increase over the FY 2017-'18 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 does not contain any revenue from a Hold Harmless payment. 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; however, due to the uncertainty of the revenue stream, the allocation was not budget for FY 2018-'19.

Interest

Interest revenue is budgeted at \$40,000 for FY 2018-'19 compared to \$20,000 budgeted for FY 2017-'18. Due to modest increases in interest and new investment strategies, investment revenue has increased by over \$102,000 since Fiscal Year 2014-15. Because, available funds are expected to decrease due to the use of fund balance, the budgeted amount of interest is very conservative for FY 2018-'19. 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 \$267,600, a slight decrease from the adjusted amounts budgeted for FY 2017-'18. Because no municipal elections occur in even numbered years, no election revenue is budgeted which accounts for the decrease in this category compared to the prior year.

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 \$2,746,838 which represents 14% of projected revenues. Funding in this category is approximately \$713,000 less than the revised FY 2017-'18 budget primarily for the following reasons:

- \$380,583 not budgeted for one-time stream debris grant received in FY 2017-'18
- \$93,000 not budgeted for one-time State budget appropriation for ball field renovation
- \$109,977 less in State Health Funding
- 170,373 less in State DSS Funding

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 approximately \$1.25 million is proposed in the recommended budget. For the fiscal year ending June 30, 2017, the available fund balance was reported as \$8.3 million or 44.47% (adjusted) of general fund expenditures.

GENERAL FUND EXPENSES

At the beginning of the 2018-'19 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:

- Reducing Pamlico Community College current expense requests
- 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 \$3,764,710, an increase of \$100,000 over current year (2017-'18) 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 \$100,000 totaling \$4,014,710. The following table summarizes the proposed funding.

Summary of 2018-'19 Board of Education Funding

	<u>Current Year (17-18)</u>	<u>Requested (18-19)</u>	<u>Recommended (18-19)</u>
Current Expense	3,664,710	3,867,346	3,764,710
Capital	<u>250,000</u>	<u>365,231</u>	<u>250,000</u>
Totals	3,914,710	4,232,577	4,014,710

Additionally, the new budget provides \$390,303 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 \$290,303 budgeted from sales tax income.

Pamlico Community College

Current Expense and Capital

Pamlico Community College (PCC) current expense funding is proposed at \$610,000 with debt service of \$58,487.00 budgeted for the Johnson Building roof loan. This represents an approximate 5.5% increase in current expense funding compared to the current year. The following table summarizes the Pamlico Community College funding.

Summary of 2018-19 Pamlico Community College Funding

	Current Year (17-18)	Requested (18-19)	Recommended (18-19)
Current Expense	577,389	708,704	610,000
Capital	0	0	0
Debt Service	58,487	58,487	58,487
Totals	635,876	767,191	668,487

Capital

Department heads requested in excess of \$1,602,665 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 Vehicles – 2 Dodge Durangos \$ 64,620
- Sheriff Vehicles – 2 Dodge Chargers \$ 61,430
- Public Buildings – Courthouse Repairs \$ 110,000
- Health Department - Building Repairs \$ 5,000
- Replace HVAC Systems on DSS/PLEC \$ 750,000

It is proposed to fund the replacement of the HVAC systems of the DSS and Pamlico County Law Enforcement Center by refinancing the current loan on the DSS building. This will reduce the remaining term of the DSS loan from 26 to 20 years and reduce total interest payments on the currently existing principal by \$320,000. With the additional proceeds needed for HVAC purchases, the annual debt service on the new loan will be \$200,000 compared to \$119,000 currently paid on the DSS building loan.

Sheriff

For FY 2018-'19, the Sheriff's budget is recommended at \$4,199,999, approximately \$192,999 more than the original FY 2017-'18 budget of \$4,007,000. Below are listed highlights of the funding:

- \$113,200 in debt service for vehicles and equipment
- \$126,050 for Sheriff Capital Items
- \$34,000 for School Resource Officer assigned to Arapahoe Charter School

Recycling/Solid Waste

The Recycling Committee met over several months to consider options for improving the County's recycling program. Three primary options were considered: 1) Open 4-5 sites and rotate the days that they open; staff the sites with part-time labor; 2) contract for curb side recycling; 3) close all sites except the Grantsboro Transfer Station and staff that site with current employees; and 4) continue operating the same unmanned sites as the current year. At a budget workshop, the Board directed staff to implement Option 1 as listed above. The recommended budget for this Option 1 is \$302,438, a \$83,076 increase in the current year revised budget of \$219,362. Increases in costs include hiring part time help to staff convenience sites, site upgrades at the Grantsboro Transfer Station Site, and purchasing a new roll-off truck. The roll-off truck purchase is proposed to be financed in arrears with the 1st annual payment of \$34,000 due in Fiscal Year 2019-'20. A \$16,000 State grant was awarded that will offset some of the site improvement costs.

Board of Elections

The Board of Elections is recommending the County defer purchase of new election equipment until Fiscal Year 2019-'20, while still meeting the September, 2019 deadline for upgrading the equipment.

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 \$87,281.

Rescue Squad

Pamlico Rescue is requesting an increase in the county allocation from \$558,000 to \$680,000. The purpose is to increase staffing from 6:00 p.m. to 6:00 a.m. to reduce mutual aid calls, and to fund equipment upgrades. The recommended budget funds \$625,000 and includes \$597,000 for salaries (current expense) and \$28,000 in capital. Overall, the

recommended budget increases funding by \$67,000 over the FY 2017-'18 revised budget of \$558,000.

Regional Library

Recommended Pamlico County Library (local) funding is \$243,038, a \$10,499 increase over 2017-'18 revised budget amount of \$232,539. The Library requested the increased funding to fund a COLA and to cover increased costs of utilities (\$4,000).

Volunteer Fire Departments

The Triangle Fire Department, that serves the Towns of Alliance, Bayboro, and Stonewall, requested an increase in appropriation of \$7,000 to purchase a new fire truck and other equipment. Justification for an appropriation versus an increase in fire tax is due to the amount of exempt public property, \$38,285,667, which is within the Triangle Fire Tax District. The majority of County and School properties lie within this jurisdiction. An increase in appropriation of \$6,000 is recommended and will give the department a total allocation of \$13,304. No other increases in tax rates or appropriations are recommended. 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 2% Cost of Living Adjustment is recommended for all employees at a cost of approximately \$103,000. This is in line with the reported Consumer Price Index (CPI) that is currently in the range of 2%-3%.

Additionally, internal equity salary adjustments of \$152,000 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.

Finally, approximately \$15,000 is budgeted for job reclassifications and Sheriff years of service adjustments. Based on recommendations from Department Heads, staff reviewed salary/pay scales of comparable counties and reviewed job descriptions to justify the adjustments.

Insurance

Total costs of health, dental, and life insurance for employees and retirees are budgeted at \$973,250.

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 \$35,000. These payments are funded through Health Reimbursements accounts that were set up to comply with IRS rules.

Overtime

Overtime is budgeted for the Sheriff and Emergency Management Departments. Total funding for overtime is \$150,000.

New Positions

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

Department	Position	Full Time / Part Time	Salary	Benefits	Total
Sheriff	School Resource Off.	Full Time	34,636	17,026	51,662
Sheriff	3 - Dispatchers	Full Time	79,500	38,360	117,860
Recycling	Recycling Assistants	Part Time	30,000	0	30,000
Senior Services	Van Driver/Activity Asst.	Part Time	15,600	9,900	25,500
Emergency Manager	Temporary Assistance	Part Time	5,760	0	5,760

The proposed budget funds about \$52,000 in salaries and benefits for a school resource officer assigned to the Arapahoe Charter School (School). The School will reimburse the County for about 80% of the expenses. Net costs to the County are estimated at \$15,000.

Part-time recycling help is budgeted at \$30,000. The purpose is to staff recycling convenience sites.

A part time Senior Services Driver/Assistant Position is budgeted. A current part time employee plans to retire within the next fiscal year and a driver will assume some of the duties. No new funds are needed to facilitate this option.

Continued funding of \$5,760 is budgeted for a temporary worker to assist the Emergency Manager with the ISO Inspections fire departments.

The budget does not fund any new dispatch positions. The Sheriff and County Manager plan to meet during the 1st quarter of calendar year 2019 to draft a proposal.

ENTERPRISE FUND

Summary

The Water Fund is balanced at \$2,479,634. Operational costs are budgeted at \$1,816,833 with capital at \$160,000 and debt service costs budgeted at \$502,801.

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, 3-fund increases in salaries and benefits to keep salaries competitive, and 4-complete the Reelsboro Elevated Tower Project. It is important to note that challenges remain for the water system such as new regulatory requirements and court challenges to the department's fee structure that could significantly impact the cash reserves in the next few years.

Water Rates

Water rates for fiscal year 2018-'19 are recommended to remain unchanged from the current year and are as 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"	4.75	4.75	15.50	15.50
2"	4.75	4.75	40.50	40.50
3" and up	6.76	6.76	40.50	40.50

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 \$15.50 monthly for a 3/4 or 1-inch meter is recommended with a flat rate of \$40.50 for 2-inch or larger meters recommended. Usage rates for 3-inch meters and above is recommended at \$6.76 per \$1,000. 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

A project to construct a new elevated water storage tank in Reelsboro is currently underway and will be completed in fiscal year 2018-'19. Cost of the project is estimated at \$1.258 million and will be funded by a State Revolving Grant/Loan that provides a \$500,000 principal forgiveness and \$726,000 loan financed for 20 years at no interest. Budget for the project is listed below:

<u>Line Item</u>	<u>Budgeted Cost</u>
Engineering Design	47,150.00
Permitting	3,000.00
Surveying	3,308.00
Easement Prep	1,500.00
Construction Admin	97,750.00
Grant Admin	9,870.00
Environmental	9,922.00
Legal	11,000.00
Other-warranty	2,000.00
Closing Cost	18,975.00
Demo Tank	50,000.00
Erection New Tank	750,000.00
Site Work	77,250.00
Telemetry	50,000.00
Check Valve	30,000.00
Contingency	96,000.00
	<u>1,257,725.00</u>

Another large capital project that will be underway in the upcoming fiscal year is repairs and upgrades to the Grantsboro and Kershaw Water Treatment Plants that should improve water quality produced at the plants. Engineers have studied the raw water produced at each plant and have recommended procedures to clean the wells, detention tanks, and other vessels. Approximately \$90,000 is budgeted for engineering/project administration fees for the project. Another \$80,000 is budgeted for anticipated repair construction cost related to the project.

Other capital items funded in the proposed budget are 1) replace two utility trucks (\$60,000), 2) renovations to the field operations section of the water department office (\$10,000), and 3) move light pole from office parking lot, (\$10,000).

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

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, stylized initial 'T' and 'B'.

Timothy A. Buck

County Manager