



TO: Board of Commissioners

FROM: Ed Causey, County Manager

DATE: June 7, 2010

RE: Proposed FY 2010-2011 Budget Message

INTRODUCTION - ECONOMIC PERSPECTIVE

The proposed FY 2010-2011 budget is a reasoned projection of how Sampson County can move forward during challenging economic times. At the time of the Great Depression in 1929, the national debt represented 16.3% of GNP (Gross National Product). In 2009, the national debt was approximately 90% of GNP. The national debt has risen from \$7.8 trillion dollars in 2005 to \$11.3 trillion dollars in 2010. Our leaders at the federal level will need to address deficit spending, and this will affect our State in dollars received for years to come.

North Carolina's economy continues to be significantly affected by the recession that began in late 2007. The State has lost more than 300,000 jobs during the past two years. Some economists are now saying that it may be 2012 or 2013 before State revenues return to pre-recession levels. In addition, North Carolina currently pays more than \$2 billion of the \$9.5 billion dollar costs of Medicaid for North Carolina. The current weak economy may add as many as 350,000 new enrollments in the next 3 years (currently 1.5 million). Some sources predict that the new health insurance legislation could add 400,000 new enrollments in 2014. Clearly, the demands for State revenues will be increasing. The funding gap in North Carolina's State budget reached \$4.6 billion in 2009, and this gap is expected to reach \$1.6 billion in 2010-2011. In addition, Congress has not currently decided if it will provide an additional six months of Medicaid money. This could mean an additional \$490 million gap for state lawmakers to close in the next fiscal year. In their effort to fill this ever-widening gap, the State has taken actions which impact funding allocations to county and municipal governments. These adjustments are likely to continue in the near term.

Sampson County leadership has recognized, monitored and understood these economic trends for several years. Budgets have been developed and decisions made that provided for the continued delivery of essential services to our citizenry while at the same time maintaining sound fiscal policy. We desire to continue these two priorities as we move forward.

The goals of our recommended budget include:

- Avoid any tax increases for the citizens of Sampson County.
- Maintain fiscal integrity of the County's finances.
- Reflect reasoned consideration for those areas that directly affect life/safety issues.
- Be cognizant of the contributions of the workforce that provides the direct benefits to the citizens of Sampson County and understand that supporting their direct interests ultimately supports the County as a whole.

With these goals in mind, we offer the following:

BUDGET IMPACTS

Tax Base Projections

1. The tax base estimate has dropped from \$3,425,000,000 to \$3,396,000,000 or \$28,657,500 (.85%). This drop translates into a \$235,329 reduction in current year tax revenue at a 95% collection rate. Each penny of levy at a 95% collection rate generates \$322,620.
2. The budgeted collection rate is steady at 95%. As compared to the FY2009-10 budget, the tax base used for budget purposes exceeded the budgeted tax base for FY 2008-09, but the collection rate dropped from 95.5% to 95%, resulting in a slight decrease in available revenues.
3. The primary reasons for the tax base reductions are:
 - Personal property depreciation of approximately \$26,500,000.
 - Vehicle depreciation of approximately \$32,000,000. We have done the final billing on vehicles for FY 2009-10, and we billed 2,077 less vehicles, a 3% reduction. The levy was approximately \$259,500 less than the prior year, or a reduction of approximately 6.5%.

Sales Tax Projections

Sales taxes are expected to be down by approximately \$428,000 or 6.5%.

Approximately 2% of this reduction was anticipated due to the loss of the Article

44 sales tax and the change in distribution of the Article 42 sales tax from per capita to point of delivery. Both of these reductions were as a result of the Medicaid swap legislation.

Other Revenue Sources

1. Jail revenues are reduced by approximately \$208,000.
2. Ambulance fees are budgeted to increase by \$465,000 with very little increase in the operating budget.
3. The possibility still exists for lottery proceeds to be cut. The House budget recommendation is expected to cost us approximately \$168,000 if it passes.

State Imposed Expenditure Increases

1. The State may pass along the cost of the Detention Center semi-annual inspection. That cost is approximately \$9,660.
2. The State retirement contribution by the County has risen by 1.55%.

BUDGET CONSIDERATIONS AND RECOMMENDATIONS

The departments have done a good job of managing their respective budgets and have submitted requests in response to anticipated needs. However, requests exceed available revenues by \$2,804,305, or the equivalent of approximately 8.69 cents. To fully fund these requests would have necessitated a tax rate of 93.2 cents. We have carefully reviewed expenses to date, and with an eye on our budgetary goals, we have adjusted the 2010-2011 budget accordingly.

Taxes

There are no tax increases proposed for the FY 2010-2011 budget.

Departmental Restructuring

The restructuring of the Parks and Recreation Department resulted in the reduction of expenditures in the approximate amount of \$300,000 without significant impact to the delivery of services.

Personnel Requests

1. The Department of Social Services requested 3 income maintenance caseworkers, 1 social worker, and 1 social worker supervisor. We are recommending 1 social worker and 3 income maintenance caseworkers for Social Services. The hiring of these workers will be staggered during the fiscal year as the associated workload increases. The dollars expended for Food & Nutrition services has risen from \$819,159 in July of 2008 to

\$1,473,682.00 in April 2010. With a weak economy, demand for this program and many other DSS programs will continue to increase. In addition, the eligibility requirements for several DSS programs will be expanded/changed.

2. The recommended budget includes a full-time Animal Shelter Manager. The Animal Shelter has operated without a full time director since 2007. These services are currently being handled/administered by the Assistant County Manager. This position becomes crucial as regulatory demands escalate.
3. A full time permanent office worker has been recommended for the Sheriff's office. We are recommending a part time assistant to begin July 1, 2010. It is noted that the Sheriff's department activity has significantly increased in recent years without an increase in the support functions.

Employee Benefits

1. The retirement contribution by the County has risen by 1.55%. This equates to an estimated cost of \$250,000. We are recommending that the current 401-K contribution by the County continue at 2.53%.
2. We are not recommending any changes in the health insurance contributions or deductibles for employees.

Vehicles and Capital Outlay Requests

Eighteen (18) new vehicles were recommended for the Sheriff's office. We are proposing that 15 new vehicles be purchased. Other capital outlay items included in the proposed budget are minimal.

Education

Sampson County Schools requested \$825 per child (a .98% increase). Clinton City Schools did not request an increase. Sampson Community College requested \$59,352 in additional funding. No increases were recommended.

CONCLUSIONS AND FINAL CONSIDERATIONS

It is likely that current financial pressures will continue for several years. If the federal government comes to the realization that allowing the national debt to continue to grow is unsustainable, the pressures on local governments in the short term will be exacerbated as derived revenues will decrease. At the same time, this kind of fiscal constraint should encourage economic development and ultimately increase available revenues in other areas. We can view the national, state and local economy as a bottle that is either half empty or half full. Because

of the good stewardship that has occurred in Sampson County, I look at our bottle as half full.

Synergy is the ability of two or more different groups to work together to create a product that is better than what the individual members could create on their own. Sampson County has worked synergistically with its partners (schools, community colleges, towns, Federal and State government) for years in accomplishing many of the infrastructure improvements that have been developed. All of our partners will encounter the same funding challenges in subsequent years that we will. Likewise, our ability to work together synergistically will be more important than ever. Sampson County will do its part while maintaining our financial stability and integrity.

Successful governmental units will need to continue to look for new, innovative and creative strategies to accomplish our mission in the future. Strategies may include:

1. Partnering with one or more entities to accomplish future goals.
2. Maximizing efficiency of the delivery of services within county government.
3. Evaluate the efficiency of contracted services and fully utilize where appropriate.
4. Evaluate our hiring authorities to determine if new approaches can enhance our efficiency.
5. Constantly look for sources of revenue that will enhance the County budget. This does not necessarily mean tax increases.

Additionally, to move forward as a successful government, we must protect and serve our entire population as much as possible. At the same time, it would behoove us to maintain and support our internal resources. First, the County has made significant investments in infrastructure. We need to ensure that we are maintaining/protecting this investment. Long range planning and programmed maintenance should mitigate the need for excessive capital improvements on existing infrastructure in the future. Second, our employees should be considered our human infrastructure. From the investment in training and the wisdom created by years of service, these dedicated people provide the services that are needed and requested by our citizenry. It is vital that we continue to support these men and women that ensure the high quality of services the Sampson County expects and deserves.