

NORTH CAROLINA'S SAMPSON COUNTY

TO: Board of Commissioners

FROM: Ed Causey, County Manager

DATE: May 21, 2018

RE: Proposed Budget FY 2018-2019 – Budget Message

The NC Local Government Budget and Fiscal Control Act (NCGS Chapter 159) prescribes that the County Manager (acting as budget officer) shall prepare and submit for consideration by the Board of Commissioners an annual budget and capital program. Such budget is submitted in whatever form or detail the Board may specify, and should contain a concise explanation of the governmental goals fixed by the budget for the budget year, should explain important features of the activities anticipated in the budget, should set forth the reasons for stated changes from the previous year in program goals, programs, and appropriation levels, and should explain any major changes in fiscal policy. In accordance with law, I respectfully submit this budget message and recommended budget for Board consideration.

INTRODUCTION

As in previous years, it remains our goal to prepare a budget that accomplishes two basic objectives: to reasonably and realistically plan for the short term operational needs *and* to maintain as much consideration for the long-term impacts/conditions as possible. We believe that this goal has been met, and County government continues to operate in a satisfactory manner.

Last fiscal year, we budgeted for an uptick in both tax collections and sales tax. Although we do not foresee a decline in revenues, we also do not project significant increases in those revenues for the upcoming 2018-2019 fiscal year. However, we are not recommending an increase in the tax rate for this year. We should point out that we received almost \$5,000,000 more in budget requests than we were able to recommend in the proposed budget. Thankfully, our funding partners and departments understand that when revenues are not increasing, it is challenging to significantly increase any budget request and that with limited resources, our focus must always be to fundamentally provide for our core services.

The Positive Impact of Economic Development Efforts

A presentation was made at the February Planning Session outlining the need for long term economic development planning and funding for Sampson County. North Carolina has had several good years from an economic development standpoint. However, as it has been

pointed out, there are really two North Carolinas. There are approximately 15 counties in North Carolina that have done very well in recent years and are expected to continue to be zones of economic prosperity for the foreseeable future. Then, there is the rest of North Carolina. Sampson County is, unfortunately, in the latter group. Agriculture is the life-blood of our economy; 2015 statistics reflect \$1.36 billion in value-added income from agriculture and agribusiness products. We are the most diverse agricultural county in North Carolina: ranked #1 in pork production, #1 in sweet potatoes, #1 in tobacco, fruit and vegetables, #1 in turkeys, and #1 farm cash receipts. More than 53% of our employment is linked to agriculture. Agriculture has sustained us during difficult economic times. However, our agriculture economy has been threatened as of late. Our future depends on our support and protection of this heritage, but also on our ability to diversify our economy.

Our economic destiny can be and will be influenced by our resolve to influence positive economic development in the years to come. Fortunately, because Sampson County is strategically located about 100 miles from the Research Triangle Park to the west and the Wilmington port to the east, there are opportunities that may be available to us that may not reach all counties in North Carolina – but only if we proactively plan and prepare to capitalize on those opportunities.

Our recent success with locating a major industry in Sampson County evidences the value of the availability of industrial sites which offer infrastructure and amenities such as water and existing environmental reviews, etc. Equally important is the identification and development of sites that are strategically located to our major transportation routes. There are State and Federal grant monies that may be available for such site development, but significant cash reserves are required to leverage those grant dollars. We envision an economic development reserve fund to accomplish these needs, carefully designed to foster the development of new sites only. We propose to begin making deposits of \$250,000 per year until we have built up a fund of at least \$5.0 million dollars. This endeavor may not yield success in the short term, but is expected to facilitate long term positives for our communities. To further demonstrate the determination and commitment of the Board of Commissioners to long-term economic development, we recommend that \$1,500,000 of monies previously designated for loan reserves that are no longer required be repurposed to the proposed economic development reserve fund. Moreover, it should then be our goal to deposit at least \$250,000 per annum until a minimum of \$5,000,000 has been accumulated in this reserve.

BUDGET HIGHLIGHTS

Looking Back at Fiscal Year 2017-2018

1. ***Audit/Fund Balance*** The audit for the fiscal year ending June 30, 2017 was presented at the December Board of Commissioners meeting and reflected that the County's net cash position had increased by \$2,505,208. The combined ending fund balances were \$32,297,585, an increase of \$1,339,938. Twenty-nine percent of the fund balance amount is

available at the County's discretion. Our long-term obligations had decreased by \$4,472,487.

2. **Planning Department** The Board of Commissioners approved plans to consolidate the planning functions (presently provided by the City of Clinton) with our existing Inspections Department to facilitate the ability of Sampson County citizens to obtain all needed permitting services at one location. We are extremely appreciative of the efforts of the City of Clinton to assist us with planning services for many years. It does appear that our cost projections will come in under budget.
3. **Consolidation of the Human Service Agencies** The consolidation of the Health Department and the Department of Social Services was effective April 1, 2017. Under the plan of consolidation, employees of both departments will continue to work under the State Personnel Act. The Department Heads for both departments will report to the Board of Commissioners through the County Manager. The Board recognizes the value of the existing advisory boards. Thus, the new Health Advisory Committee has been delegated significant authority to continue assisting the citizens of Sampson County and the Board of Commissioners. Moreover, the commissioners, recognizing the value of citizen input, has elected to continue to have a Social Services Advisory Committee providing input and insight regarding these very important functions.
4. **Refinancing of Debt** The County was successful in refinancing an additional \$69 million dollars of debt. The annual savings will be approximately \$300,000 per annum. This is the second refinancing of debt in the last several years. Total savings for both issuances over the life of the loans is nearly \$17 million dollars. The approval of the refinancing, as previously noted, can be attributed to the fiscal responsibility demonstrated by the Board of Commissioners over the last several years.
5. **Public Water System:** Everyone should be extremely proud of the work accomplished by the Public Works Department and the interest demonstrated by the Board of Commissioners in further developing our system as an important resource. We do acknowledge that there have been water quality issues in some areas of the County. These concerns have been and continued to be addressed. Improvements to our existing and planned wells are being implemented to further minimize some of these recent occurrences. Several very positive things are taking place. First, we are in the process of constructing a third well. Second, we are negotiating with a neighboring county to sell water. We believe this revenue-generating activity can over time help us to provide public water to additional county residents who are not presently being served. Additionally, we have just completed a promotion for new customers that yielded 235 new taps. Finally, the Public Works Director has ridden all the roads in the county and evaluated potential areas where the expansion of the water system may be economically feasible. Feasible areas will be pursued.
6. **Hiring of Fulltime County Attorney:** Sampson County had a fulltime County Attorney until eight years ago. We have had excellent legal counsel by contract in the intervening years, but have we come to realize that the needs of our county and the diversity of services and programs that we offer necessitates fulltime legal counsel.

Budget Drivers

1. ***Sales Tax*** We are projecting a small increase in sales tax revenue of \$144,367.
2. ***Property Tax Revenues*** Property tax collections are expected to increase by \$271,719 (net of incentives). We are projecting a collection rate of 97%.
3. ***Fund Balance Appropriated*** We are appropriating approximately \$1,880,000 to balance the budget, but we anticipate that lapsed salaries and benefits will negate the need to spend a significant amount of this appropriation.
4. ***Capital Outlay Funding for Public Schools*** The city school system has requested \$388,630 in capital outlay funding. We are proposing to fund same at \$303,633. The county school system has requested \$1,759,296 for annual capital outlay. We are proposing to fund \$831,867. We are requesting that both school systems provide a final list of approved planned projects based on actual funding approved. The county school system has requested an additional \$590,000 for the replacement of a roof at Union Elementary School. Without a tax increase, the only funding available for this project is the existing school capital reserve account that has a balance of approximately \$2.5 million dollars. This is an account that has been in existence for many years and is growing only incrementally annually. When this money is completely depleted, our options for meeting similar requests will be severely limited. Thus, we recommend that the BOC authorize \$400,000 in expenditures for the roof replacement if the school system will provide the remaining \$190,000 from their financial resources. Any balance of funds would remain in the reserve account. Our reasons for this recommendation are twofold. First, the participation by the school system will enhance the number of projects that can receive funding from these remaining funds. Second, it will demonstrate to all boards the importance of long term planning relative to all capital outlay projects as well as a reminder to everyone that the maintenance of the existing infrastructure is of paramount long-term significance. It is likely that monies for future capital needs for the school systems will be limited. Therefore, it is extremely critical that all capital expenditure monies be carefully planned to cover both long term as well as short term needs.
5. ***Current Expense Funding for Public Schools*** It is unfortunate that we do not have more new revenues available to fund additional operating expenses for both school systems. The county schools have requested that the per pupil allocation from the county be raised to \$1,200 per student (an increase in funding of \$1,359,450). The city schools requested that their per pupil allocation for operating expenses be raised to \$1,147. This would increase their allocation by \$308,000. In 2016, we proposed a formula for funding operational expenses for the school systems that would increase funding by 19.5% of our increase in general revenues. In this budget, we are proposing to increase per pupil funding from \$1,047 to \$1,069. The actual total funding yields a percentage of 20.22%, exceeding the minimum goal of 19.5%. We are making a diligent effort to at least proportionately consider

the needs of all our funding partners when available financial resources are less than requested.

6. **Sampson Community College** We are proposing to increase funding for the Community College's operating expenses by \$17,299. This increase represents a 1.23% increase in operational funding which is the same percentage increase received by the school systems. The Community College requested that \$205,000 be approved for capital expenditures, and we are recommending same. The Community College has requested that the unspent funds from the 2015-2016 fiscal year (\$250,000) and the education reserve funds established by the Board in fiscal year 2017-2018 (\$250,000) be made available for their projects.
7. **Cost of Living Increase** We are not recommending a COLA for county employees in this budget.
8. **Retirement System Contributions** The County's contribution for our share of the regular employees' retirement fund will increase by .25%, and the contribution for law enforcement will increase by .25%.
9. **Debt Service-Vehicles** In the recommended budget, we are proposing to replace 15 Sheriff's vehicles, 1 remounted ambulance, one truck for a fire inspector, one QRV (quick response vehicle), 2 cars for Social Services, and 1 truck for the recreation department.
10. **Capital Reserves** The proposed deposit for the County's capital reserve account is \$350,000. However, we are recommending that these funds be utilized for a new roof at the Public Works building that is estimated to cost approximately \$200,000. In addition, we are proposing that \$150,000 be utilized for roof repairs and elevator improvements at the Courthouse.
11. **Revaluation** The revaluation process will be completed during the 2018-2019 year, and the tax bills received in 2019 will reflect the new values.
12. **Fire Districts** The Newton Grove Fire Department is requesting a 1 cent increase in the fire tax for their district. Goshen Fire District tax is recommended to be decreased from 7 cents to 4 cents, given the recent increase in the tax base.
13. **Personnel** Our ceiling for fulltime employees as of the July 1, 2017 budget was 542. The Board of Commissioners has approved the hiring of an attorney as a fulltime employee. This hiring does not add a position as we had previously given up a fulltime employee at the library (where the workload will be accomplished with part time assistance). In addition, we have created a position for a Transportation Director as of July 1, 2018. The Department of Aging is giving up one position to establish this position. Planning and Zoning was previously a contracted service; the County is adding two new positions to complete the planning functions. We also discovered an oversight in that we had previously failed to reduce the

number of fulltime positions by one. Subtracting this oversight the new county ceiling is 543.

14. **Fire Inspections** We added a new fire inspector two years ago with the intention that this position would be self-supporting. This goal of self-sufficiency for the position has not been realized due to time spent on disaster related activities as well as the time lag with hiring the new inspector after an existing inspector accepted other employment elsewhere. We expect to achieve self-sufficiency for the position by the end of the 2018-2019 fiscal year.
15. **Transportation Department** With the addition of Medicaid Transportation, the Transportation budget has grown to more than \$1,500,000. Likewise, we are recommending that Transportation be established a separate department. The only position that will be added is that of a Director. This position will not increase the county's ceiling for new positions as we are reclassifying an existing position from the Department of Aging.
16. **Human Resources** The HR budget has increased primarily because we have increased the training budget by \$60,000.
17. **Department of Social Services** The DSS Department is a lifeline for many Sampson County residents. Their services are important to the health and nutrition of many of our residents. Their involvement with the welfare of many of our children is critical to the development and maturing of our future taxpayers. For example, the number of children in foster care has risen to more than 130. There is a real strain on our Social Services employees. While the State is working hard to improve the software capability of the programs we use for monitoring, unfortunately, the software for many of the Social Services programs has not been tooled to give us the productivity and efficiency that is needed to keep up with the needs of the entire department. We will continue to work with the NCACC to emphasize the needs of the many programs in this department. DSS has a current workforce of 150 established positions, but there are additional needs for social workers. We are not going to recommend increasing the employment ceiling. However, we will allow flexibility to establish needed positions in Social Services or elsewhere using the current vacancies that exist. We will maintain the ceiling of employees at 543. We are proposing an increase in the DSS budget of \$285,395. \$136,274 relates to employment related expenses. \$149,111 represents the increased operating costs.
18. **Sheriff's Department** The budget for the sheriff's is increasing by \$233,680. Of this amount, \$151,210 is for employment related expenses. Operational costs account for an increase of \$82,470.

19. **Detention Center** The Detention Center budget is increasing by \$72,334. Of this amount, \$56,714 is employment related and the remaining \$15,620 is for operational costs.
20. **Elections** The original budget for Elections proposed three elections. We have reduced the original budget by \$64,571 which is the projected cost of one election. We are only projecting one election. However, we will place \$54,500 into a special contingency for a second election if needed.
21. **Emergency Medical Services** The EMS budget reflects an increase of \$283,720. Of this, \$130,685 is for related personnel costs. There is a projected increase in the cost for billing of \$150,000. This expenditure is projected to return an additional \$350,000 in revenue.
22. **Animal Shelter** The budget for the Animal Shelter has increased approximately \$60,000. The increase will cover the reclassification of one existing position to a Vet Tech position, increased medical supplies, and additional funds for new dog pens.
23. **Preliminary Design and Cost Estimate for a New EMS Building.** We have been discussing the need for a new EMS building for the last several years. We have outgrown our existing facility. More importantly, the property is subject to flooding and could yield catastrophic consequences if this facility was not available during or for part of any disaster. We also recognize that we have significant long-term debt on the books. Likewise, our best opportunity for this facility is to obtain sufficient grants or non-loan monies for the construction of the new facility. To receive serious consideration for non-loan monies, we need to develop a realistic cost estimate and develop preliminary schematics for the proposed building. Therefore, we have included \$3,500 in the budget to obtain this preliminary proposal. It is likely that it will take at least several years before we can proceed with the final development of the project.

SUMMARY

The financial position of Sampson County is sound. Our general fund balance is healthy and appears to be stable. We are adding money to reserves to better ensure our ability to maintain our physical infrastructure. The Pay Plan implementation is in the final year, and we have completed same over 4 years without a tax increase. Moreover, we believe that our human infrastructure is in the best shape it has been for many years. We are making a diligent effort to treat our funding partners proportionately with any projected increases in revenue. We have just completed several years that included more than minimum increases in revenue. Unfortunately, our projections for increased revenue for the upcoming year is minimal. The 2018-2019 projected budget seems to represent more of a normal year for anticipated county revenues, unless a strategy is implemented that proactively promotes business and industrial development. At one of our recent meetings, a public comment was made that the county is

more interested in economic development than the current needs of our departments. We do not agree with this statement. We believe that a proactive interest in economic development grows the tax base and provides the revenue to meet the needs of our citizens through our many departments and funding partners. We believe that County government works best if it perpetually and purposefully transforms in response to the changing needs of our citizenry. It is our interest in serving all the citizens that compels us to promote economic growth to provide jobs for our citizens and the additional tax revenues that will allow us to meet both current needs and effectively respond to whatever the future may bring. We recognize that the emphasis and funding of the economic reserve fund may not yield significant revenue returns in the short term. However, we believe that the Board of Commissioners has taken many steps in recent years to build a fiscally responsible and sound government. We now believe that the next important step is to develop a sustained and long-term commitment for the proposed economic development reserve fund. The future will be bright if we seize the day and momentum to develop tangible strategies for ensuring economic growth.

I sincerely appreciate the privilege of working for the Board of Commissioners, the citizens of Sampson County, and the many employees who have devoted their professional careers to serve the entire population of Sampson County.