

NORTH CAROLINA'S SAMPSON COUNTY

TO: Board of Commissioners
FROM: Ed Causey, County Manager
DATE: May 16, 2019
RE: Proposed Budget FY 2019-2020 – 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

Sampson county is required by the General Statutes to conduct a revaluation of real property at least every eight years. This was done in 2018 and will be reflected in the 2019 tax bills. Moreover, the county is also required to publish the revenue neutral rate. Although the values of many properties changed, the overall effect on last year's tax rate is minimal. The revenue neutral rate is 82.41 cents. When we compare this to last year's tax rate of 82.5 cents per hundred dollars of value we can easily denote the minimal effect on the overall total property value for Sampson county

We have had limited growth in the tax base during the last year. We are also very cognizant of the fact that our current tax rate is one of the highest in our region. Likewise, we are not proposing an increase in the property tax rate.

BUDGET HIGHLIGHTS

Looking Back at Fiscal Year 2018-19

1. **Audit/Fund Balance** The audit for the fiscal year ending June 30, 2018 was presented at the February Board of Commissioners meeting and reflected that the County's total net position had increased by \$2,442,284. The combined ending fund balances were \$35,228,221, an

increase of \$2,930,636. Twenty-nine percent of the fund balance amount is available at the County's discretion. Our long-term obligations had decreased by \$8,863,506.

2. ***Hurricane Florence*** In September 2018, Sampson County experienced a major storm event for the second time in two years. Sampson County expended approximately \$1,500,000 for this event. Much of this expenditure is expected to be reimbursed from State and federal resources. By all accounts, the citizens of Sampson County, Sampson County government, its employees, and its partners did a remarkable job of responding during this crisis event. As a follow up, we requested all our employees, partners, and the municipalities to offer a critique of our efforts and offer suggestions for improvements. We have worked diligently to review the concerns, evaluate our existing procedures, and completely rewrite our Emergency Operations Plan. This was completed and approved by the Board of Commissioners at their March 2019 regular BOC meeting.
3. ***Economic Development Customer Service Assessment*** As discussed numerous times, Sampson County is embarking on a program that places major emphasis on economic development. We have completed the first phase of engaging our citizenry. Our next step is to evaluate our internal customer service as it relates to economic development. We believe our efforts are generally good. However, we want an objective evaluation that we can utilize to enhance our customer service for economic development and allow all of us in county government to grow regardless of the capacity in which we serve. In addition, the Board of Commissioners, at their May 2019 monthly meeting, voted to enter into a contract Global Location Strategies for identifying potential industrial and or commercial sites.
4. ***Revaluation*** The revaluation for 2019 was completed in late 2018. Taxpayers were advised of the new values earlier this year. The board of Equalization and Review will be meeting several times in May of 2019 to resolve any outstanding concerns.
5. ***Public Water System*** Our Public Works Department continues to work diligently to provide the best potable water resources to the citizens of Sampson County. Our goal is to provide water to as many Sampson County citizens as it is economically feasible to accomplish. We estimate that a small number of line additions will occur in the next year. In addition, the Board of Commissioners has signed a contract with Johnson County to begin selling them water in July 2020, after critical infrastructure is completed. In addition to adding revenue to our water system, these infrastructure improvements will increase our capacity, and our ability to serve additional users should significantly increase over time.
6. ***New EMS Building Status*** The preliminary schematics for a new EMS building were completed during the year. We were very fortunate to obtain a State grant for the development of these very preliminary plans. We are in the process of seeking grants for the further development of this project.
7. ***Health Department Accreditation*** Every four years county health departments go through an accreditation process. This process is necessary to continue receiving State and federal funding for a variety of health department programs. There are 141 activities that are measured, and departments must meet 131 of 147 activities to be accredited. Reaccreditation with honors is recommended if a department misses one or less activities

within each of the five core functions. Sampson County met the standards in 146 of 147 activities. There were no deficiencies in four of the five core groups. We are proud that the Sampson County Health Department was reaccredited with honors.

Budget Drivers

1. ***Sales Tax*** We are projecting an increase in sales tax revenue of \$198,000.
2. ***Property Tax Revenues*** Property tax collections are expected to increase by \$673,792 (net of incentives). We are projecting a collection rate of 97%.
3. ***Fund Balance Appropriated*** We are appropriating approximately \$2,111,000 to balance the budget. We are expecting lapsed salaries and benefits to negate up to \$1,880,000 of this appropriation. The remaining \$231,000 is included for hurricane preparedness expenditures and equipment/technological needs.
4. ***Capital Outlay Funding for Public Schools*** The city school system has requested \$385,000 in capital outlay funding. We are proposing to fund same at \$322,847. The County school system has requested \$1,602,947 for annual capital outlay. We are proposing to fund \$867,153. We are requesting that both school systems provide a final list of approved planned projects based on actual funding approved.
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 \$1,237 per student (an increase in funding of \$1,305,211). The City schools requested that their per pupil allocation for operating expenses be raised to \$1,171. This would increase their allocation by \$308,550. 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 \$1,069 to \$1,128. This totals \$404,862 in increased funding for operations. The actual total funding yields a percentage of 20%, exceeding the minimum goal of 19.5%. The percentage increased based on additional funding is 19.85 % and represents an increase of 3.4%. We continue to make 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 \$48,195. This increase represents a 3.4% increase in operational funding which is the same percentage increase received by the school systems. The Community College requested that \$985,000 be approved for capital expenditures, and we are recommending that \$250,000 be approved plus an additional \$25,000 for debris removal.

7. **Cost of Living Increase** We are recommending a COLA of 2% for County employees in this budget. It is important to note that no COLA was approved last year and only .75% the year before. When the pay plan was completed, the plan also recommended that we establish a plan for employees progressing through their pay grade. It was recommended that we try to get employees to the midpoint of their grade within 10 years. We have not made any progress with this recommendation but recognize its importance. Using July 2015 as the beginning point for this evaluation, we are proposing to increase salaries for employees with one year of service in their current grade as of July 31, 2019 by \$450; two years by \$550, three years by \$650, and four years by \$750. In the last two years, state employees working with the school system received raises of 2.2% and 2.0 % respectively, while teachers in the last two years received raises of 3.3% and 6.5% respectively. Last year, the Community College increased the state proposed COLA of 2% to 3% for their employees and included more than \$100,000 for merit raises. The County has not funded any merit raises for any County employee in the past 10 years.
8. **Retirement System Contributions** The County's contribution for our share of the regular employees' retirement fund will increase by 1.2%. We have also been advised that required contributions will increase an additional 1.2% for each of the next two years as well. We are also proposing to delay retirement and 401 contributions for six months for new employees unless an exception is granted by the County manager.
9. **Health Insurance** Sampson County is self-insured for the first \$150,000 of claims per employee. We have expended more than \$1.2 million dollars in claims this year over the previous year to date. In addition, there are significant claims for our insurance provider that will also cause that policy premium to increase. Therefore, we are proposing a \$40 per month increase in health insurance for each employee to be paid by the County. We will be closely reviewing and evaluating health insurance during the next year. It is quite likely that we will need to adjust our health plans and or premiums.
10. **Commissioner Compensation** The compensation for County commissioners has not been adjusted in at least nine years. We did a survey of commissioner salaries of the surrounding counties and are proposing a total increase of \$28,151. This proposed increase represents the approximate average of the counties surveyed.
11. **Debt Service-Vehicles** In the recommended budget, we are proposing to replace 17 Sheriff's vehicles, 1 ambulance, one vehicle for a fire inspector, one QRV (Quick Response Vehicle), 2 vehicles for social services, 1 truck for recreation, 3 vehicles for the Health Department, and 1 truck for Public Works and 2 trucks for the water system.
12. **Capital Reserves** The proposed deposit for the County's capital reserve account is \$350,000. Of these funds, we propose to spend \$75,000 on roof repairs at the Sheriff's Office; \$30,000 for Detention Center pod security; \$50,000 on Detention Center showers; \$2,700 for carpet at the EM building; and \$46,000 for Animal Shelter stainless steel cages. This leaves \$146,300 for actual deposit to the reserve account.

13. **Fire Districts** The Taylor's Bridge Fire Department is requesting an increase in the fire tax for both of their established districts to a new rate of \$.10 for each. They are planning to build a new substation and purchase a new firetruck. The County is in the process of verifying all the existing fire districts in GIS. This process is involved and will not be completed before the end of the fiscal year. Thus, we are unable to recommend consideration of this rate increase at this time.
14. **Personnel** Our ceiling for fulltime employees as of the July 1, 2018 budget was 543. The Board of Commissioners have approved the hiring of three School Resource Officers to be assigned to the Sheriff's Office. In addition, the Department of Social Services has given up two positions per the cost savings plan that was approved several years ago. Thus, our fulltime employee base as of July 1, 2019 will be 544 employees.
15. **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. We are closely monitoring revenue receipts in this area.
16. **Transportation Department** We are pleased with the accomplishments of our new Transportation Department. Projected revenues are close to our projected budget. We are concerned about the potential impact of Medicaid Transformation on our Transportation budget.
17. **Department of Social Services** Our Social Services Department continues to offer many vital services for Sampson County residents with limited resources. They are particularly impacted during storm/ disaster events. They have done a good job of operating within their budget. Their increases are related directly to increases in salaries and benefits. We continue to be concerned regarding the efficiency of the NC Fast system and its impact on program implementation.
18. **Disaster Preparedness** We have included \$100,000 to assist with disaster preparedness. This funding will be used to improve the electrical wiring for the existing generators at Union and Clinton High Schools.
19. **Technology/Equipment** We have included \$362,000 in the budget to upgrade or replace approximately 300 computers that will include Microsoft 10. Continuing with Microsoft 7 after January 2020 is not a viable option because it will no longer receive technical support. Likewise, the current system using Microsoft 7 will be at risk after this date. This proposal will allow us to leverage new virtual technology which is becoming the standard for

computer deployments. We will be proposing an equipment/technology reserve fund in future budgets.

20. **Sheriff's Department** The budget for the Sheriff's Office is increasing by \$497,739. Much of the increase is for salary increases, benefits, and the addition of three school resource officers and COLAs for the personnel. Of this amount, \$150,000 is offset by a school grant of \$150,000 for the school resource officers.
21. **Detention Center** The Detention Center budget is increasing by \$540,751. Of this amount, \$80,000 is included for building improvements; \$75,000 is also included for roof repairs. Most of the balance is related to increased personnel costs because of the proposed COLA. There is an additional \$67,000 included for increased salaries for those employees designated as Detention Officers because of a reclassification review.
22. **Elections** The original budget for Elections has increased by \$31,643. There are additional monies in reserve if needed for an additional election.
23. **Emergency Medical Services** The EMS budget reflects an increase of \$284,745. Of this, \$163,441 is for a new ambulance.
24. **Animal Shelter** The budget for the Animal Shelter has increased approximately \$47,000. The County is working diligently to improve operations. Last year, we began a three year program of replacing all of the dog pens with stainless steel cages. We are in the second year of this program.
25. **Water System** Our Public Works department is committed to providing water to as many rural residents in Sampson County as economically feasible and desired. Within the water system budget, we have included \$200,000 for providing several miles of additional lines. The long hours of work and planning are beginning to show positive results.

SUMMARY

The financial position of the County continues to be sound. Last year's expenditures for storm-related expenses of approximately \$1,500,000 vividly demonstrates the importance of maintaining and improving a solid fund balance. A significant portion of these expenditures will be reimbursed at some point. We pointed out in last year's message that the previous two years had seen an uptick in revenues that are not indicative of future reasoned expectations. Last year was a more normal year based on current knowledge/expectations of budget forecasting. This year's budget with some minor increases follows that same pattern. Likewise, we have tried to ensure that our primary funding partners receive proportional consideration for increases in revenues. We recognize that expressed needs are greater than available funding. However, we consider it imperative that we move forward with a moderate to

conservative financial outlook, understanding the potential for unexpected budget challenges. The potential of future catastrophic weather events, the costs that could be encumbered as Medicaid Transformation is further developed and implemented, and the potential challenges with our health insurance are three examples of potential budget challenges.

There has been much positive discussion during the year regarding the need for economic development. The Board of Commissioners has demonstrated their commitment by establishing an economic development fund with an initial contribution of \$1,500,000 and annual deposits to this fund of \$250,000. The Chairman has worked tirelessly over the last year in making presentations to various groups in Sampson County and meeting with multiple State and federal resources regarding funding opportunities. Our Board understands the potential of economic development to improve the lives of Sampson County citizens and to make us a vibrant County for many decades. Just as important, they understand that economic development is a *must* for future growth, particularly in our tax base, and not just a need. The Board clearly recognizes the unmet needs of both our funding partners and departments. They further understand that that significant increases in the funding for our funding partners and departments will be extremely difficult without significant increases in our tax base that are generated from prudent, vigorous, economic development.

The Board of Commissioners has worked diligently in recent years to improve our human infrastructure, our services provided, our reserves for maintaining our physical infrastructure, and funding for our educational partners. We believe the course of actions to date have been taken with sound deliberation. Likewise, we believe the committed course of action to pro-actively promote economic development is sound, well thought, and very much needed. Even though our current financial position is sound, it is imperative that we significantly grow our tax base in the next 3-5 years in order to have a chance to adequately meet the future needs of all of our citizens. We are optimistic regarding Sampson County's potential for determining and influencing our economic future.

I look forward to working closely with the Board of Commissioners, the citizens of Sampson County, our many partners, and our employees as we continue the journey to improve and grow our County.