

# NORTH CAROLINA'S SAMPSON COUNTY

TO: Board of Commissioners

FROM: Ed Causey, County Manager

DATE: May 24, 2021

RE: Proposed Budget FY 2021-2022 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**

The period from February 2020 until the present has indeed been both perplexing and interesting. The pandemic has had an impact on everyone and every institution including County government, particularly an economic impact. We started the 2021 budget year with optimistic expectations regarding what could be accomplished. However, as the pandemic persisted, it became apparent that we were dealing with a situation that prevented us from realistically projecting the future. By the time we got to the point of our budget presentation last Spring, we had determined that it would be most prudent to pursue a very cautious approach and adopt a modest budget bringing forward the previous year's budget with a minimum of new initiatives. Additionally, we were prepared to adjust at mid-year based on the circumstances encountered. Ultimately and fortunately, Sampson County government did not experience the devastating financial effect that was encountered by many other governmental units, and we were able to make realistic positive adjustments following that mid-year review. Thankfully, it does now appear that significant improvements have been made in controlling and reducing the effects of COVID. Economies are beginning to recuperate, and the County's financial position remains sound. Thus, we can present a budget that again begins to consider some of the many challenges we face. We propose that this can be accomplished with no increase in the tax rate.

## BUDGET HIGHLIGHTS

### *Looking Back at Fiscal Year 2020-2021*

1. **Audit/Fund Balance** The audit for the fiscal year ending June 30, 2020 indicated that the General Fund had grown by \$2.5 million dollars. At the end of the referenced fiscal year, the unassigned fund balance in the General Fund was \$16,645,926. This represents 22% of the total General Fund expenditures. Sampson County's long-term expenditures decreased by \$4,406,969.
2. **Tax Rate** The tax rate for last year was set at \$.825. There has been continued diligence in the collection of property taxes. Even with the difficulties imposed by COVID 19 restrictions, the tax collection rate was still more than 97%.
3. **Emergency Services Facilities Construction** Sampson County has been working for years to build a new Emergency Services building, and the construction of our new facilities finally began in April 2021. The total development cost of the new facilities is budgeted at approximately \$18,400,000. The County was able to obtain nearly \$9,979,453, or 54% of the project cost, in grants.
4. **Economic Development** Economic development continues to be a high priority in Sampson County. The Board of Commissioners approved a \$2.1 million investment to purchase 120 acres in the Southeast Business Center (Industrial Park). This investment created the opportunity for the county to receive a \$1.28 million grant from the NC Commerce Industrial Fund to add a new road and extend water and sewer services. The Board of Commissioners also voted to approve the purchase of a 21-acre light industrial site near Roseboro for just under \$300,000. The Economic Development Advisory board also revived the Revolving Loan Program for smaller business and industry. Companies may request a revolving loan of \$25,000-\$75,000 through Sampson County Economic Development. Based on available funding, 2-4 companies may receive a loan at any one time.
5. **Public Water System** We are proud of the accomplishments occurring in the County's water system operations. This does not mean that we do not have challenges. This does mean that there is a focus on providing the best possible water resources to our customers while seeking ways to expand our system to areas of the county not receiving water. There have been 114 new water services installed in this fiscal year, and our customer base has now passed 6,000 users. We have received approval for water main extensions on Green Path and Godwin Lake Roads. These additions will add 30 new customers. We also requested State funding for three projects that included the Harrells interconnect, a small supply well at Keener, and a third project that included water main extensions on S. McCullen Road, Governor Moore Road, S. Eldridge Road, and Herring Road. These projects were not approved for State funding. The good news is that it does demonstrate an active commitment to improve the system and provide the best possible service to as many residents as possible. On a more positive note, the Johnson County Interconnect Phase 1 was completed on 10-30-2020. We are selling

Johnson County approximately 4.5 million gallons of water per month. This is a positive for our revenue and helps us improve the quality of water in our lines because of the additional movement. Finally, the well project on Highway 403 was completed in September 2020. Because of the changes in our water system and the increasing cost of adding new customers, we are proposing a water summit this summer for commissioners. This will give our Public Works department the opportunity to update the commissioners regarding the existing system, to review recent accomplishments, and to discuss the challenges in providing water in a rural county and the economics of providing same.

6. ***Combining the Departments of Aging and Recreation*** The Board of Commissioners combined the two departments at the March regular Board meeting. The impetus for this merger was to recognize and enhance the importance of both departments. We have an aging population in Sampson County. Thus, it is important to emphasize the health of our entire population and our seniors in particular. We also envision that there will be more opportunities for the interaction of our seniors with the youth in the county to ensure that the health of everyone is enhanced and the wisdom of the seniors is shared with tomorrow's leaders.
7. ***Fire Commission*** There has been significant effort expended in the last two years to reinvigorate and reconstitute the Fire Commission. We now have a commission membership that better understands the challenges of our nonprofits. We will utilize the Fire Commission to review the majority of the fire issues that need to come before the Board of Commissioners. Giving the Commission the responsibility to vet and evaluate requests ensures consistency and demonstrates fiscal prudence. This will benefit both County government and our volunteer organizations. It is hoped that this effort will enhance communications and understanding.

### ***Challenges and Opportunities Moving Forward***

1. ***Personnel*** Our pay plan is not up to date. The current pay plan was adopted and implemented over a four-year period beginning in 2015. At that time, Sampson County employee salaries were well below the comparable market rate for similar jobs. The pay plan necessitated that salaries be increased by \$3.7 million dollars. This effort took four years to implement, thus the pay plan was already behind by the time it was fully implemented in 2019. Moreover, the pay plan, as approved, also included a provision to have all employees at the midpoint of their pay grade within ten years. Yet, since the adoption of the original pay plan, we have only increased salaries one time to achieve movement within the grade of each employee. The sum of \$518,000 is included in the budget to begin to help employees get to midpoint. Even with this allocation, however, the pay plan will remain five years behind in getting people to the midpoint. It will cost an additional \$2.5 million dollars to be current with the pay plan if the subsequent recommendations are approved.

Our inability to maintain the pay plan current with nothing more than irregular cost-of-living adjustments has created and continues to create significant challenges in hiring and maintaining the quality of employees that the citizens of Sampson County deserve to have

working on their behalf. These challenges occur across the board and are particularly noteworthy in the Health Department, the Sheriff's Department, with various department head vacancies, and for other positions requiring a specific skill set. These challenges sometimes create vacancies that go unfilled for a significant period.

The Consumer Price Index indicates the cost-of-living adjustments needed since 2015 amount to 10.7%. We have provided our employees COLAs during this time totaling 3.75%. This leaves a deficiency of nearly 7%. Therefore, we are recommending a much-deserved COLA adjustment of 5%. In addition, we are recommending a 2.0 % bonus for all employees working as of June 30, 2021. This bonus is to be paid from the American Recovery Act on or about December 1, 2021 if we determine that this proposal is consistent with the plan requirements.

2. ***Human Infrastructure for the New EMS Facilities*** As referenced above, we are looking forward to the development of the new emergency services facilities. A great deal of time over several years has been expended in planning these new facilities, but the physical facilities are only half of the equation. It is important that we ensure that we have a program for developing, maintaining, and improving our human infrastructure that is commensurate with the structure being developed. With the hiring of the new EMS Director, we will evaluate the operational structure throughout the entire department to ensure that we have the organization in place and structure to provide the best services possible for our county.
  
3. ***Long-term School Capital Improvements*** We acknowledge the responsibility of County government to provide for the long-term capital maintenance improvements of our schools and community college. We also acknowledge that available funding for these improvements is limited. It is important that everyone understand why these funds are limited. The capital improvement program for schools that began about 20 years ago yielded three brand new high schools and one elementary school. To establish a responsible repayment plan that did not cripple the County's overall fiscal stability, it was agreed/understood that the lottery funds received for education would be dedicated to retiring this debt. The school systems agreed to this plan. These monies would have been needed and utilized for long-term capital improvements even if the construction of the new schools had not taken place. The funding plan was subsequently hindered when the amount of lottery proceeds dedicated to counties was further reduced by about \$800,000 per year. Thus, we have the circumstances that we have today. The debt is still being paid. Consequently, the County does not currently have the resources to resolve our capital improvement needs alone. It will require that all our partners participate in the solution. The State has acknowledged the need for additional school capital needs in their previous budget discussions. One budget that was rejected included between \$12 million and \$14 million dollars of capital improvements for Sampson County. We understand that the current state budget proposal includes approximately \$3.0 billion dollars for capital improvements. If approved, this effort could yield millions of dollars for capital improvements that our schools could utilize in mitigating some of the significant maintenance issues. In addition, the schools and community college will be receiving significant funding from the American Recovery Plan. The rules defining how this money may

be utilized have not been finalized. However, the County may be willing to utilize some of our funding for joint ventures with the schools if the criteria for utilization allows this and the schools agree to commit some of their funding to needed long-term capital maintenance.

In 2016, the County proposed to dedicate up to \$250,000 per year for 10 years for the community college to deal with their long-term capital maintenance issues. It was believed by all at the time that this commitment would substantially address the maintenance needs. We understand these needs continue to grow. Based on current revenue projections/requests, the county will be challenged in meeting the future needs of the community college without a partnership that shares additional resources that may be available to both entities.

We look forward to working with our education partners to ensure that the facilities for learning are maintained and updated as needed.

4. **Medicaid Transportation** Sampson County began providing Medicaid-related transportation services as of July 1, 2017. This was a significant undertaking that improved the efficiency and quality of the transportation services that are provided to the citizens of our county for both Medicaid-related transport as well as our general transportation services. This program has been a success. The State has been discussing Medicaid Transformation for several years. The plans for July 1, 2020 were delayed until July 1, 2021. Fifteen percent of the Medicaid transportation is to be arranged by private vendors beginning this next July. Moving forward, we can expect change in how these services are provided. Our available funding will likely be reduced as we move forward. The significance of these changes has not been fully calculated.
5. **Health Insurance** In last year's budget message, we discussed employee health insurance and the fact that Sampson County is self-insured up to the first \$150,000 of health insurance claims (per employee). We also shared that our health insurance fund had declined significantly in recent years. Moreover, we pointed out that significant changes in our health insurance would be likely at this year's mid-year review. This did not occur. We continue to be concerned, however, about the future solvency of our health insurance fund. From 8/01/2020 through 3/31/2021, our health insurance fund has held its own and was stable. However, the fund balance has not increased significantly. We are not recommending a change in employee cost at the present time. We will continue to evaluate. Employees can expect a change in their cost of contribution beginning in July 2022. None of the cost currently paid by employees will increase by more than 20%. We will provide a 90-day notification of the proposed increases. The County has held rates that employees pay unchanged since 2019. Since that time, the County has paid an additional \$71 per month in premiums for each employee, is budgeting an additional \$40 per month payment in the coming fiscal year, and is expecting to budget yet again an additional \$40 in monthly premiums in FY 22-23 for each employee. We understand that employees are concerned about the cost of health insurance. Likewise, we are recommending changes for our Health insurance program that can potentially provide benefits to some of our employees. Beginning August 1, 2021, we will offer an additional tier of coverage (employee-spouse). The County is evaluating our wellness

assessment program and expects to make recommendations for changes. Because of the pandemic, the County suspended wellness assessments for FY20-21. For FY 21-22, the County will grant all employees the \$30 per month premium credit associated with the wellness assessments.

6. **Elections** In their budget request, the Elections Board has requested new space. They are very concerned about the ability to utilize existing space for one-stop voting and maintain social distancing necessitated by the pandemic. In addition, they believe that they have insufficient storage. We agree in general that there are challenges to overcome. We also believe that it might be prudent to assume health-related pandemic issues will prevail for the long term and try to ensure that we can consistently provide one-stop voting on a year-to-year basis in the same primary location. The Elections Board presented information regarding the purchase of an existing building for approximately \$2.6 million dollars plus \$150,000 for furniture and equipment. As we evaluated their circumstances, we concluded that organization of the existing space and the addition of shelving will alleviate the issues with the existing storage space. We will ensure the space is conducive to conducting maintenance work on the voting machines. The actual Elections Offices are adequate except for the brief times one-stop voting is needed. Likewise, the purchase or construction of new space is not economically feasible if other viable alternatives exist. Consequently, we have considered alternatives. First, we considered designating the Expo Center as the location for one-stop voting. If one-stop voting occurred at the same time for each election cycle, this would be a viable alternative. Unfortunately, the timeframes for one-stop voting may change over time for a variety of reasons. We then run the risk of canceling dates for Expo customers that have made their reservations well in advance. This would likely suggest to many potential customers a lack of reliability for the future use of the Expo facilities. We also investigated renting space for the one-stop voting. We evaluated five different properties and determined that they are not viable for several reasons. The rental costs would be thousands of dollars per month for facilities that would be utilized on a very limited basis. Finally, we looked internally. We have determined that we can swap the Elections Office with Veterans. Elections will continue to utilize their existing storage space. We will reserve the right to utilize the space designated for one-stop voting for other temporary needs during the time one-stop voting is not ongoing because available space in county buildings is minimal. We often need temporary space for a variety of reasons such as revaluation. We have not included the costs of any needed upfits in the budget. It is preferred that we utilize the existing Elections Office for the one-stop voting this Fall and perfect the change in location for the March primary. We expect these expenditures to be available from Federal or State sources.
  
7. **Environmental Health** Of the six people on staff in Environmental Health, we have had three staff members to retire and two staff members to transfer. We only had one staff member remaining of these six positions as of March 31, 2021. We are in the process of filling the remaining positions. We have hired a new Environmental Supervisor, and this person reported to work on April 12, 2021. The new staff is diligently working on training and obtaining needed certifications. Nevertheless, it will be several months before new staff

members can accomplish much of the needed work independently. A diligent effort is being made to establish timely timeframes for accomplishing all work. We are interested in providing the best possible customer service. In this regard, Environmental Health and Inspections will be working together to evaluate existing technology and determine if we have the most efficient system in place that is also customer friendly. We believe that this is an extremely important priority. This need has not been budgeted but may come back to the Board for consideration during mid-year. We are also recommending the addition of one additional specialist position.

8. ***Customer Service and Information Technology*** Customer service continues to be a priority. Unfortunately, for the duration of the pandemic from early last Spring until now, our delivery of services has been forced to evolve. At the pandemic's onset, our initial emphasis was on the safety of both the public and the employees. There was a learning curve as we adapted to the challenges COVID presented, and the job done has been admirable. Unfortunately, there was some confusion regarding the pandemic data and the interpretation of same. Consequently, actions taken regarding our delivery of services during the pandemic were not always consistent. In any circumstance, we are now seeing signs of continued improvement, and the economy reopening more fully. We will move forward and take advantage of the lessons learned. On a positive note, the pandemic has stimulated new ways of doing business. For example, people may be inclined to conduct more business by appointment. Libraries utilized curb side services to accommodate the patrons, and this may be the type of service that could continue. More people are familiar and utilize virtual meetings using platforms such as Zoom. Moving forward, these experiences should enhance our future customer service activities. Prior to the pandemic, we had developed a Technology Plan, and were beginning to place more emphasis on technology from both an internal efficiency standpoint and a customer service standpoint. The pandemic has demonstrated even more acutely our need to emphasize technology to enhance the customer service experience and improve our productivity and efficiency in providing services. We will need to revisit our Technology Plan. However, our first order of business should be to have an audit of our Information Technology program to determine both strengths and weaknesses. We need to confirm that our internal systems are viable for both the present and future growth of the County. We will need to ensure that new technology is properly vetted before acquisition and confirm the compatibility and functionality of same, as well as the reasonableness of projected costs. We will need to emphasize system/technology development as much or more than systems management. We need to be proactive regarding new technology. As we subsequently update our Technology Plan, we must ensure that all employees understand same. We want to emphasize GIS and evaluate early on those systems that generate a great deal of public interaction.

### ***Budget Drivers***

1. ***Sales Tax*** We are projecting an increase in sales tax revenue of \$1,200,000.

2. **Property Tax Revenues** Property tax collections are expected to increase by \$1,121,258 (net of incentives). We are projecting a collection rate of 97%. The Tax Office staff continues to do a good job of servicing our tax base.
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. In addition, we are proposing using \$750,000 of general fund revenues to purchase radios for the Sheriff's Department (the purchase previously approved by the BOC).
4. **Capital Outlay Funding for Public Schools** The City Schools system has requested \$530,000 in capital outlay funding, and the County Schools system has requested \$1,895,000. We are projecting \$1,324,000.00 to be available from the annual sales tax received and designated for school capital outlay projects. In addition, we are proposing to include the \$323,275 as noted in section 5 below in this distribution. Therefore, the projection for the City Schools will be \$447,071 and the County Schools will be \$1,200,504. Please note the aforementioned comments on the long-term capital needs.
5. **Current Expense Funding for Public Schools** The County Schools have requested an additional \$340,805 for current annual operating expenses, and the City Schools have requested an additional \$41,174 for current annual operating expenses. We are required to fund both school systems at the same per student rate. Using our basic budgeting technique of ensuring proportional funding for the operational expenses based on county general revenues, we are projecting available funding in the amount of \$819,977. For the first time, our projected funding exceeds their requests. We thank both schools for their efforts in the specific requests brought forward. We are proposing to fund the County Schools at \$341,804 and the City Schools at \$154,898. This leaves a balance based on the formula of \$323,275. We propose to add this to the projected Capital Outlay for public schools.
6. **Sampson Community College** We have increased the operational funding for the Community College by \$91,724. We are projecting a 6% increase in operational expenditures which is similar to the increase for the public school systems. In addition, we are proposing \$250,000 for capital outlay (as proposed in the 2016 budget for the following 10-year period). Please see the discussion of capital needs for the community college as outlined above.
7. **Cost of Living Increase** We are recommending a COLA for county employees of 5%. We are proposing an additional 2% bonus to be paid on or about December 1, 2021. This bonus will be paid from the American Rescue plan if the proposal is determined to be an eligible expense. In addition, we have included \$518,000 to help employees get to the midpoint of their grade within 10 years.
8. **Contingency** We have budgeted \$531,989 for contingency. There are several potential items that could be requested from Contingency as they have not been budgeted. First, we have not included additional funds in the Elections budget for a potential second primary election.



Second, one of our priorities for Environmental Health and Inspections is to ensure that we have quality software that is both customer friendly and enhances the efficiency and productivity of both operations.

9. ***Detention Center and Sheriff's Department*** Operating expenses for the Detention Center and Sheriff's Department are \$4,534,028 and \$9,041,268, respectively. The total budget for the Sheriff's Department is \$13,575,296 and does not include the \$1,000,000 for radios that will also be expended. The total budget for the sheriff's office in 2011 was \$9,008,543. Total expenditures for the Sheriff's Office have increased 62% over the last 10 years. The citizens of Sampson County can be very proud of the financial support provided to the Sheriff's Department. The cost of operating/funding the Sheriff's Department, as well as all budgetary increases, does give us pause. However, the Sheriff has obtained a contract for housing Federal prisoners. These efforts to offset a small portion of the total cost of operations are commendable.
10. ***Department of Social Services*** We are projecting an increase in operational costs for the department of \$996,117, with \$670,801 related to the proposed 5% salary increase. Part of the increase is due to the increased demand for services during the pandemic. There has also been a significant increase in legal expenditures. There is also projected an increased cost of the County's share of foster care as there will not be continued federal reimbursement for children placed in congregate care. Finally, some increased operating costs are a result of significant turnover and the lack of productivity encountered during the training process.
11. ***Health Department*** The budget for the health department increased by \$195,000, primarily due to salaries.
12. ***Cooperative Extension/Beaver Management*** The Cooperative Extension budget has increased by \$112,684. Approximately \$69,000 of this increase is going toward beaver management. This increase will allow us to have a fulltime person working on beaver issues in Sampson County. The efforts over the last several months with an increased expenditure have proven very useful.
13. ***Rescue*** The projected Rescue budget is \$5,780,824. This includes \$362,065 for two ambulances and \$159,000 for other equipment requests.
14. ***Fire Departments*** Two fire departments are requesting an increase in their fire tax. These are Clement and Harrells.
15. ***Aging*** The General Fund contribution to Aging has increased by \$74,924.
16. ***Exposition Center*** The General Fund contribution to the Expo Center has increased by \$63,905. This is primarily due to a loss of revenue as a result of the pandemic.
17. ***Revaluation*** We are budgeting \$122,000 toward the next revaluation.

18. **Special Appropriations** In recent years, we have limited our consideration of new initiatives. We are recommending allocation of \$60,000 for the Sampson County History Museum, \$6,888 as the local match for the Mid Carolina RPO, and \$300 for travel for the mandated CAC committees.
19. **Debt Service-Vehicles** In the recommended budget, we are proposing to replace 16 Sheriff's vehicles, two ambulances, and one truck each for Inspections, Recreation, and Aging.
20. **Retirement System Contributions** The County's contribution for our share of the regular employees' retirement system will increase, going from 10.4% for all employees except law enforcement to 11.4%; the rate for law enforcement will rise to 12.04% from 10.84%. The County is part of the Local Government Retirement System. The rates that we pay on employees' gross salaries are set annually by the State. It may be helpful for employees to consider that these mandated and increasing costs impose a limitation on the funds available to fund the costs of health insurance, but that retirement system contributions are a benefit themselves.
21. **Elections**. The Elections budget has decreased by \$15,830. This does not include the cost of a second primary election. If needed, these funds will come from Contingency. Please note the additional discussion on Elections that is outlined above.
22. **Capital Reserve** We are budgeting our annual set-aside of \$350,000 for capital reserve. However, we plan to expend this for needed capital improvements. One of our top priorities is a new roof at the Courthouse. The cost of this roof could be in the range of \$350,000. We may need to utilize up to \$100,000 from the existing reserve to cover other planned improvements.
23. **Personnel** The number of permanent employees at the time of last year's budget message was 549. We have received requests to add the following positions: one position for Environmental Health, one position for Recreation, one part-time position in DSS to fulltime, two sheriff deputies, and six paramedics. We propose to add the following positions:
- a. One position for Environmental Health
  - b. One position for Recreation
  - c. Convert the requested DSS part-time position to fulltime.
  - d. One Detention Center position for the Sheriff's Office. This position replaces the position that was temporarily assigned as an administrative position. We agreed to recommend this change at some point several years ago when the administrative position was determined to be needed. The Sheriff has recommended the hiring of two additional deputies. At present, they are operating with a number of vacancies. We will defer consideration on this recommendation until all vacancies are filled.

- e. We will hold the request for paramedics in abeyance and do an in-depth review over the next year. We want to review schedules, headquarter locations, data on calls, better utilization of the volunteers, etc. and respond to our potential needs in the most proactive and responsible manner possible. We will then recommend additional positions as needed.

The addition of these four positions will give us a ceiling of 553 employees as of June 30, 2022.

24. **Solid Waste** The increase in solid waste is projected to be \$25,646.

25. **GIS** We are proposing to continue the contract for additional GIS services in the amount of \$90,000.00.

26. **IT Audit** We have budgeted \$25,000 for the proposed IT audit.

## **SUMMARY**

We are proposing a responsible budget to deal with the economic circumstances facing Sampson County. We are also mindful of our challenges as referenced herein and do not intend to understate same. We will continue to be cognizant of our challenges and vigilant in our pursuit of solutions. Potential solutions can be achieved only if we develop sound partnerships and understanding with those partners that need our continued assistance.

Our greatest concern has to do with the national economy and the potential impact of spending on the future economy. We applaud the efforts of the national government to deal with the pandemic and the needs of our citizens. At the same time, we cannot determine that enough attention has been given to the impact of increasing the national debt by trillions of dollars in a relative short period of time. There will be economic impacts from these expenditures. We all want the best for our citizenry. At the same time, the potential inflationary effects of trillions of dollars being poured into the economy without thoughtful and realistic planning could have a significant inflationary impact as well as affect the supplies of goods and services for our citizens. We are especially concerned about these impacts on our fixed income families. Moving forward, we will be mindful of these potential impacts and make the best possible recommendations for operating County government.

Thank you for the opportunity to work with the Board of Commissioners, the employees of Sampson County, our funding partners, and most of all the opportunity to serve the citizens of Sampson County.