

# NORTH CAROLINA'S SAMPSON COUNTY

TO: Board of Commissioners

FROM: Ed Causey, County Manager

DATE: May 23, 2022

RE: Budget Message - Proposed Budget FY 2022-2023

*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**

This was the introduction to the 2012 budget message:

*"This is the most important budget that will be presented during my tenure as County Manager. This year, as in every year, there are two ways we may approach our budgeting process. Our first option is to continue making decisions based solely on current needs, with the assumption that economic conditions will improve on their own. Our second option is to consider a budget which not only addresses our current needs but also produces a fiscal framework within which we can consider and tackle the long-term needs of the County. I have stated numerous times over the last year that I am much more concerned about future budgets (ten years out and beyond) than I am the current budget. If we choose to simply make decisions regarding the current period without taking a longer-term view, our budgeting process is simple, and we can move through the process easily. However, electing to build a framework upon which long-term decisions can be made still gives you the flexibility to adjust as we move forward. More importantly, it adds to cost efficiencies to the decisions that are made in the short-term...."*

Fortunately, the BOC chose to begin building the framework to cover the long-term needs. A good effort was made to begin building the reserves needed to maintain the physical infrastructure for both the county and schools. Similarly, a significant effort was made to improve the salaries for our human infrastructure, and a four-year implementation plan was adopted. (Unfortunately, this plan was behind by the time the implementation period was completed.) Sampson County government has continued to work diligently to support our



county by improving conditions for our workforce, despite the challenges of high inflation and supply chain that everyone has experienced during the past year. Given these bold initiatives and significant accomplishments (and others as outlined below), we found ourselves starting this year's budget development process with fixed increased expenditures of \$2,409,290 over last year's budget but increased revenues of only \$2,432,844. (Please see the attached Exhibit A.) This does not include the increased operating costs due to inflation and supply chain challenges. Thus, we are requesting a tax increase of 5 cents.

Please note that we have already reduced departmental requests by approximately \$6,898,792. We do not believe that we can further significantly reduce projected costs without adversely affecting programs. We do recognize that there are several items that could be deferred. However, we do not recommend this consideration for the following reasons:

1. Some of our required budget increases are being expended now. Thus, it is most likely that our general fund balance will reflect a decrease at the end of the year.
2. We do not believe that inflation will be controlled during the next year. This will continue to affect the price of goods and services.
3. Supply chain issues continue to exist and may increase. These will also continue to affect the price of goods purchased.
4. We still have a challenge with employee compensation. The CPI will necessitate additional cost-of-living adjustments moving forward, regardless of any pay study.
5. If we choose to defer capital reserve deposits, we will revisit the challenges of pent up needs the county has struggled with for many years and has not completely resolved, and will further exacerbate our cash flow challenges moving forward.
6. We continue to be concerned about continued inept federal government fiscal policies.
7. With a declining population, it is unlikely that we will receive continued significant increases in sales tax.

## **SIGNIFICANT ACCOMPLISHMENTS OF FY 2021-22**

### **1. Salary Adjustments**

The Board of Commissioners has approved the following salary increases during the current budget year:

- a. All employees received a 5% COLA as of July 1, 2021.
- b. The BOC approved an additional \$675,000 to assist in increasing salaries to midpoint during the year.
- c. In October, the BOC approved an additional 10% temporary raise for detention officers. Please also note that the detention officers were also advanced one pay grade in the 2019 budget.

- d. The BOC also directed staff to complete a very limited market review of employee salaries. Based on this review, an additional 5% increase was approved for all employees beginning in January, 2022. (This did not include the detention officers as their temporary raise mentioned above was made permanent.)
- e. The BOC also approved a 2.1% bonus to be paid in December 2021 for all employees employed as of 6-30-2021.
- f. The BOC also authorized a complete market study to begin in July 2022 to review current salaries and offer and recommend any adjustments or additional increases.

*To summarize:*

- a. *All employees have received a least a 12.1% increase in salary during the year.*
- b. *Detention officers have received a minimum raise of 17.1% raise DURING THIS SAME PERIOD.*
- c. *The percentage of increase for many employees is even greater when the \$675,000 mentioned above is factored in.*

## **2. ARP Funding**

Sampson County has been approved to receive \$12,340,000 in ARP funding. The BOC has allocated this funding as follows:

- a. \$8,000,000 in water system improvements
- b. \$2,000,000 for broadband improvements
- c. \$2,340,000 for contingency

## **3. Infrastructure Funding**

Sampson County has also received the following additional monies for improving our infrastructure:

- a. \$1,717,000 for water system improvements
- b. \$3,500,000 for the new Emergency Services building
- c. \$2,000,000 for emergency services storage
- d. \$1,000,000 for storage for the Sheriff's Department
- e. \$1,100,000 primarily for the benefit of our fire and rescue services and countywide communications
- f. \$9,000,000 for additional water system improvements

## **BUDGET HIGHLIGHTS**

1. ***Audit/Fund Balance*** The audit for the fiscal year ending June 30, 2021 indicated that the General Fund had grown by \$3,020,817. Total net position increased by \$7,725,958.



2. **Tax Rate** The tax rate for last year was set at \$.825. There has been continued diligence in the collection of property taxes. The net tax evaluation was \$5,092,759,879. We are projecting a 97% collection rate for this proposed budget.
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 an additional State grant of \$3,500,000 in addition to the \$9,979,453 already obligated. This means that this project has now obtained 73% of its cost in the form of grants. In addition, we have secured \$2,000,000 from the State to build storage facilities at the rear of the current construction site. This planned building will also be constructed to include the \$1,000,000 of storage that we were able to procure for the Sheriff's Department.
4. **Economic Development** Economic development continues to be a high priority in Sampson County. Garland Apparel Group started operations at the former Brooks Brothers' facility in Garland in early Fall. The company has expanded its product lines from only shirts to include men's suits. Garland Apparel Group received a \$75,000 Revolving Loan from the County and a \$250,000 Building Reuse Grant from NC Commerce. Today, the company has 70 employees and is planning to double that number over the next year. Montauk Ag Renewables, a public company, has expanded to Turkey, NC, locating in the former Bay Valley facility. The two companies, once fully operational, are projected to add over \$150 million to the county's tax base and offer over 250 jobs. The County has continued to invest in existing companies, granting over \$500,000 in tax back incentives, based on the 2021 tax year.

County leaders have invested considerably in land acquisitions for non-residential development. The County currently has an option agreement for \$2,000,000 to purchase 210 acres off I-40 in Newton Grove, and we are currently doing due diligence regarding this property. The County has also received a \$262,000 grant from the Southeast Partnership to assist with product development.

5. **Public Water System** The customer base for our water system now stands at 6386, with 196 of those services added since July, 2021. Two hundred ninety-three manual read meters have been converted to the new radio read technology. The previously listed federal and state grant funding will enhance our opportunity to expand water services to unserved areas. The Oak Grove Church Road project needed for the Johnson County Interconnection Phase 2 should be completed by the end of September 2022. The I-40 /NC 403 well project is still in construction. The Iron and Manganese Treatment System project is scheduled to be completed by late January 2023. Additional applications for funding have been submitted for a Keener supply well and several water main extensions. We have just recently submitted a grant application for the underserved Ivanhoe Community.
6. **Environmental Health** Environmental Health has certainly had its personnel challenges during the last several years. These challenges were caused by several retirements and several staff

members choosing to pursue opportunities elsewhere. At one time, we only had one experienced staff member out of 7 positions. We now have filled all but one permanent position. In order to ensure continued improvement in our customer service, the BOC authorized one additional intern position at the February Planning Conference. This gives us a total of 8 positions in Environmental Health.

## **BUDGET DRIVERS**

1. **Sales Tax** We are projecting an increase in sales tax revenue of \$1,000,000.
2. **Property Tax Revenues** Property tax collections are expected to increase by \$2,640,500 (including the recommended 5-cent tax increase). 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 \$1,943,328 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. **Lawsuit** We have included \$100,000 to defend against the lawsuit filed by 34 current and former Sheriff's Department employees.
5. **COLAs and Market Study** *The BOC approved an additional 5% pay increase for all employees to take effect this past January. At the same time, the board voted to not consider another COLA or pay increase until after the market study slated to begin in July 2022 is completed. This action was taken before a potential 5-cent tax increase was proposed. Likewise, if the BOC has concerns about the cost of full implementation of the proposed market study, it is recommended that this planned study be delayed for one year.* When we recommended the 2.1% bonus payment to be paid last year, this bonus would have put us even with inflation through 2020. Our initial goal was to include a 2.1% COLA in this year's budget to have us even with cost-of-living increases with the exception of the 2021 CPI. The BOC did approve a 5% pay raise as previously referenced in January 2022. Technically, we were nearly 3% ahead until the CPI of 7.5% was determined for 2021. (Based on CPIs, we are now about 4.5% behind.)
6. **Health Insurance** The County's portion of the increased cost of health insurance will amount to approximately \$250,000 for the year. This equates to \$40.00 per month per employee. Since 2019, the County's share of employee health insurance has risen from \$734 per month to the current \$885 per month per employee. This is nearly \$1,000,000 of increased cost to the county in 5 years.

We had previously advised employees that their health insurance cost will be increasing by 20% in August. Effective with the August 1, 2022 benefits renewal, Sampson County will offer a new health plan (base plan) with no change to premiums. This plan has higher deductibles, out of pocket limits, and copays. This plan is modeled after the NC State Health

# June 2024

June 2024

July 2024

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30						

  

Su	Mo	Tu	We	Th	Fr	Sa
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SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
May 26	27	28	29	30	31	Jun 1
2	3 6:00pm BOC Meeting (County Auditorium) - Stephanie Shannon	4 1:30pm Addressing Progress Meeting Update (Microsoft Teams Meeting) -	5	6 4:00pm NCACC Call for County Managers (https://us02web.zoom.us/j/845485014732)	7	8
9	10	11	12	13 1:30pm Sampson County Water System Projects Update (Microsoft Teams)	14	15
16	17	18	19	20 11:00am Mid-Carolina Regional Council 4:00pm NCACC Call for County Managers	21	22
23	24	25	26	27 12:00pm Mid-Carolina Regional Council 4:00pm NCACC Call for County Managers	28	29
30	Jul 1	2	3	4	5	6



Plan. All employees will be enrolled in this plan. They will then have the option to buy up to the current plan for which they are currently enrolled. There will be mandatory open enrollment meetings in June with all employees to discuss their options in detail as well as costs.

7. **Capital Outlay Funding for Public Schools** The City School System has requested \$485,000 in capital outlay funding, and the County School System has requested \$2,430,000. We are projecting \$1,425,000 to be available from the annual sales tax received and designated for school capital outlay projects. Therefore, the projection for the City Schools will be \$385,090 and the County Schools will be \$1,039,110.
8. **Current Expense Funding for Public Schools** The County School System has requested an additional \$438,261 for current annual operating expenses, and the City School System has requested an additional \$294,516 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 \$516,345. We are proposing to increase funding to the County Schools by \$383,969 and the City Schools by \$132,376.
9. **Sampson Community College** We have increased the operational funding for the Community College by \$81,025. We are projecting a 5% 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).
10. **Contingency** We have budgeted \$380,910 for contingency. There are several potential items that could be requested from Contingency as they have not been budgeted. First, funding for an additional primary if needed will come from this line item. Second, one of our priorities for Environmental Health and Inspections (that was not met this year) is to ensure that we have quality software that is both customer friendly and enhances the efficiency and productivity of both operations. We have had delays with pursuing this item because of the pandemic and the stabilization of staff. This item continues to be a priority.
11. **Detention Center and Sheriff's Department** Operating expenses for the Detention Center and Sheriff's Department are \$4,885,805 and \$9,506,848, respectively. The total budget for the Sheriff's Department including detention is \$14,392,653. The combined proposed expenditures for the Department have increased \$894,333 over the last year. They do have projected revenues of \$3,330,780. Last year, we reported that their total expenditures had increased 62% over the last 10 years. We applaud the department for their willingness to enter into a contract to house federal prisoners. Unfortunately, we are projecting \$336,891 less in the proposed federal contract than last year. All departments should be very proud of their efforts and accomplishments in generating revenue. **Relative to the net cost of operating the Detention Center and Sheriff's Office, the net tax support to operate their operations (operating expenses less revenues) is \$11,061,873.** This total amount of tax support increases significantly when the debt service for their building is included. This is more tax support than received by any other department and

each of the school systems, including the community college. The citizens of Sampson County can be very proud of law enforcement and the County's exceptional effort to support them. Looking back, I am also very proud of the County's and USDA efforts to previously provide \$9,500,000 of funding for their new facility. USDA also provided an additional \$1,500,000 of funding to provide an extra pod to plan for growth and the possibility to garner additional revenue by housing out of county prisoners. This strategy, dating back more than 15 years, to generate revenue to reduce tax support was most insightful. This year, County administration initiated the request to the State for an additional \$1,000,000 for storage. Our goal is to assist all departments and funding partners. It is anticipated that this facility will be online sometime during the next year. As a sidenote, there are only two departments (our Public Water system and Transportation) that operate without tax support.

12. **Department of Social Services** We are projecting an increase in DSS operational costs of \$450,000. Much of this cost can be attributed to personnel. The original budget reflected an increase of \$1,500,000; however, the interim director has worked closely with staff to reduce this increase. However, DSS continues to face challenges with the needs for several programs. For example, we have a number of challenges with the number of children in foster care. These numbers have increased as well as the availability of care for those children with special needs. This is an area that will need to be monitored very closely. Some of these challenges will create budget needs that cannot be clearly identified and completely controlled. This budget does include two vehicles.
13. **Health Department** The budget for the Health Department increased by \$178,000. Most of this can be attributed to salaries. Their budget does include 2 vehicles.
14. **Cooperative Extension/Beaver Management** The Cooperative Extension budget has increased by \$77,773. Of the Extension budget, \$78,000 is allocated for beaver management. This line item has increased significantly over the last two years due to the continued challenges beavers are presenting for our rural communities. We are including \$6,000 to participate in the State program, and \$72,000 is included for one full time contracted position.
15. **Rescue** The projected Rescue budget is \$7,164,952. This budget includes the three new ambulances and 6 additional paramedics that were approved last fall. The budget also includes an Assistant EMS Operations Chief.
16. **Fire Departments** Three fire departments have requested increases in their fire tax. The Fire Commission has recommended increases for Plainview and Faison. They did not recommend an increase for the Garland Fire Department. We recommend that the Board of Commissioners adopt the recommendations of the Fire Commission.
17. **Communications** The communications budget is \$1,464,076. This includes 4 new telecommunications positions to begin in January, 2023.



- 18. Aging** The General fund contribution to Aging has increased by \$100,000.
- 19. Exposition Center** The General Fund contribution to the Expo Center is \$426,124.
- 20. Revaluation** We are budgeting \$122,000 toward the next revaluation.
- 21. Special Appropriations** In recent years, we have limited our consideration of new initiatives. We are recommending an 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. These are requests that have been annually funded for a number of years. We did receive four additional requests that are not recommended.
- 22. Debt Service-Vehicles** In the recommended budget, we are proposing to replace 16 Sheriff's vehicles, two ambulances, one truck for Inspections, and one QRV for EMS. All vehicle requests in the Sheriff's Department budget have been changed to cars.
- 23. Retirement System Contributions** The County's contribution for our share of the regular employees' retirement system will increase, going from 11.4% for all employees except law enforcement to 12.14%; the rate for law enforcement will rise to 13.04% from 12.04%. 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.
- 24. Elections.** The Elections budget has increased by \$2,518. This does not include the cost of a second primary election. If needed, these funds will come from Contingency.
- 25. Capital Reserve** We are budgeting our annual set-aside of \$450,000 for capital reserve.
- 26. Personnel** The number of permanent employees at the time of last year's budget message was 553. During the year, the BOC added 6 paramedics and one intern for Environmental Health (now 560). We have received requests to add the following positions: one part time position for DSS converted to fulltime, one juvenile officer for the Sheriff's Office, two deputies, four telecommunicators, one training officer for telecommunications, one assistant EMS chief, and one training officer for EMS. We propose to add the following positions:
- Convert the part time DSS employee to fulltime
  - One juvenile officer for the Sheriff's Department
  - Four telecommunicators to be employed as of January, 2023
  - One Assistant EMS Chief
- If all positions are approved, we will have 567 fulltime employees at the end of the year.
- 27. Solid Waste** The increase in solid waste is projected to be \$162,625. This cost is a result of the cost of inflation being passed on per the contract.

**28. GIS** We are proposing to continue the contract for additional GIS services in the amount of \$90,000.00. GIS is an area that will receive increased emphasis as we move forward. We had planned to recommend the hiring of one GIS person. Unfortunately, budget constraints have prevented us from moving forward with this request. However, GIS needs are an important priority moving forward.

**29. IT Audit** The IT audit planned for last year is included in this year's budget.

## **SUMMARY**

At the March Economic Development Breakfast event, economist Dr. Michael Walden shared with us that inflation for 2021 was 7.5%. He went on to explain that the money supply had increased 85% during the two years of COVID. Thus, we have too much money chasing too few goods. The first few months of this year suggest that the annual rate of inflation projected to an annual percentage will likely be higher than the 7.5%. Supply chain issues have occurred to some extent over the last two years. However, these issues have been exacerbated by the money supply. It does appear that some improvement is occurring in the supply chain. However, it will take some period of time to work out all of the kinks.

Dr. Walden also pointed out that the population of North Carolina is projected to be 13,000,000 people by 2050. Because Sampson County is strategically located between the Triangle and Wilmington, we continue to believe that the future for Sampson County is bright regardless of the bumps in the road caused by the pandemic. Likewise, we continue to believe that the investment and attention to economic development is as important now as it was in the days before the pandemic.

As you begin to evaluate the information herein, please note that education represents 30.81% of the County's tax support. Public safety represents 29.82%, general government represents 14.27%, and human services represent 13.48% of the County's tax support. If the Board chooses to redefine government by reducing services, it will be challenging to accomplish without closely reviewing the larger departments/groups receiving significant tax support.

We understand that everyone prefers not to have a tax increase. Heretofore, we could make some positive assumptions regarding circumstances in the short term. We cannot do this this year under current circumstances. We also note that the general fund will likely reflect a decline this year because of needed additional expenditures that were approved during the budget year. . We also recognize that inflation and supply chain issues will continue to have an impact that cannot be completely and accurately estimated. Therefore, we sincerely and professionally believe that the proposed 5-cent tax increase is the appropriate action for the long-term fiscal health of Sampson County and our many important programs and partners.

I am delighted to work in a county where the Board of Commissioners places high value on all departments and employees. The end result is a higher quality of overall services for all citizens in the county.



# Exhibit A

## 2022-2023 Budget Notes

<b>Increased</b>	
<b><u>Revenues 2022</u></b>	
150,025	Property Tax Revenues
350,000	Additional Landfill Fees
150,000	Net Retired Debt from Radios
1,000,000	Additional Sales Tax Revenue
450,000	Medicaid hold harmless
23,500	Inspection Fees
274,319	Grant/revenue Economic Development
35,000	Register of Deeds revenues
<b>2,432,844</b>	<b>Total</b>

<b>Required</b>	
<b>Increased</b>	
<b><u>Expenditures</u></b>	
1,254,814	Salary Increases
(429,640)	DSS
(201,646)	Health
(47,139)	Transportation
(97,950)	Water Department Including Lin
(19,065)	Aging
(2,248)	fund 05
(6,297)	Expo
443,541	6 Paramedics
197,537	10% raise for detention officers
359,482	Retirement Cost
242,216	Health Insurance (\$40/month/employee)
<b>1,693,605</b>	
245,000	3rd Ambulance
45,000	Equip. New EMS Squad
63,685	New E.H. Position
100,000	Legal Fees Sheriff FLSA Lawsuit
262,000	Economic Dev. Grant expenditures
<b>\$2,409,290</b>	<b>Total</b>