NORTH CAROLINA'S
SAMPSON COUNTY
OFFICE of the COUNTY MANAGER

TO: Sampson County Board of Commissioners

FROM: Edwin W. Causey, County Manager

DATE: May 23, 2022

RE: A Historical Perspective Regarding the Budget

I offer the following as a supplement to the information found in this year's Budget Message.

While I have worked for the County as County Manager since May of 2010, my first exposure to Sampson County government actually came in the late 90s. I offer these thoughts as an individual who has viewed the County and its economic stability as both an outside party and as your employed manager.

The first public building project that I worked on for Sampson County, representing USDA at the time, was an approximately $2,000,000 renovation loan (possibly a $100,000 grant as well) for the Sampson County Courthouse. There was significant interest expressed in school funding needs at his time, but USDA did not have those kinds of financial resources (our available budget statewide was about $40,000,000). We did begin to have broad discussions about building improvements for other County departments and began by visiting and evaluating existing facilities. I recall the county's cash position at the time was satisfactory. Unfortunately, however, the pent-up needs for massive improvements to a variety of buildings was astounding. There was no easy fix, and a major rehabilitation plan was needed to address needs such as these:

1. Public Works was located on one end of the old County Home. This building was in such disrepair that you could open some interior doors and see the ground.
2. Cooperative Extension was also in this building, and their facilities were similarly undesirable.
3. Head Start was located in the upstairs of this building, up a narrow staircase with limited ADA access.
4. DSS was housed in multiple locations, including what is now the Aging and Recreation building. Walking through their cramped halls was claustrophobic, with hanging file storage shelving lining the top of each hallway.
5. The Animal Shelter was also in dire need of attention.

We can compare this situation to a family that has $50,000 in the bank and living in a dwelling that is in need of $100,000 in repairs. They have a negative net worth. Similarly, the county's true financial position was more dire than what it seemed. In response, USDA made a number of low interest loans over the next several years to address a variety of issues. Some of these loans included:

1. Purchase of existing warehouse and revamp for Public Works
2. A new Animal Shelter
3. A new Cooperative Extension building
4. A new Human Services Building (DSS and Health) - $8 million
5. A new Sheriff's Office and Detention Center - $11 million
6. A new County Auditorium and other remodeling activities for the Rowan Road Complex campus

I am guessing that these improvements totaled about $25 million dollars. I also developed a good working relationship with the BOC during this period, and as time progressed, we continued to discuss substantive school needs. It appeared there were still pent-up needs that needed to be addressed, but ultimately, the county determined that they would spend $110 million dollars on schools, including approximately $4.5 million dollars for the Community College. This loan obligation for the community college was later rescinded. The $110 million in USDA and COPS financing funded three new high schools and later the elementary school at Roseboro.

At one time, USDA had invested more money in Sampson County than any other county in the United States - over $100 million. Please note that we lobbied hard for the USDA financing. USDA ultimately committed a little over $50,000,0000 for schools along with COPS funding of a little over $50,000,000. My support was based on seeing five BOC members raise their hand and agree to commit to adding as much as 30 cents to the tax rate to cover the debt obligations. I was extremely impressed with this commitment. Unfortunately, the commitment as I understood it was never completely fulfilled.

The 30 cents needed for the tax increase was reduced to 21 cents because of lottery money that was coming into play during this time. Of the 21 cents that was needed, only about 15 cents was actually passed and undertaken. This did not include the additional operational funds for the schools that were not included (a six cents shortage).

It is also helpful to note that during the negotiations with the schools during the funding process, Mr. Doug Carter, the county's financial adviser, pointed out that inadequate funding for school operations had been projected. I sat in the room with both school boards, the community college board and the BOC when Mr. Carter was making this point. When I then came in as County Manager in May of 2010, it did not take long to recognize that we had a cash flow problem in that there were no funds in reserve for capital improvements or other repairs, including the County's obligations for maintaining school facilities (whose value is estimated at nearly $500,000,000). In the early years of my County tenure, I regularly debated with then County Schools Superintendent Ethan Linker regarding their needs for school roofs. No matter what we did, there was always another school roof to be replaced. Had the 6 or 7 cents of additional taxes been added, our challenges at the time and probably now would have been much different.

A property tax reevaluation was completed in 2011 without a tax increase; however, the revenue neutral rate effectively provided the budget an additional 2.5 cents. This was a big help, but not large enough to cover needed reserves and employee salaries. A previous employee market study was never fully implemented.

Later, when I delivered the 2012 budget message on May 7, 2021, the message stated that it was and would be the most important budget message of my tenure. One of the options presented was to prepare budgets that both met the current circumstances and created a fiscal framework that prepared the County for the future. This is when we began talking about capital reserves for long term maintenance, maintenance of our human infrastructure, and alternate revenue sources. I believe that we started funding these reserves in 2013.

In 2013, we provided information that reflected the debt being paid was the equivalent of 20 cents of the tax rate, illustrating the source of our significant tax rate.

In 2014, we proposed a 9-cent increase in the tax rate, and a 4.5 cent increase was approved. We did get approval for a pay study that was received in 2015. We were fortunate that we could fully implement same; however, because that had to be accomplished over four-year implementation period, we still found ourselves behind the curve relative to salaries, including cost-of-living and step increases.

In 2017, we did receive the benefit of adding an industry that added $120,000,000 to our tax base. This addition is significant and served to renew our appreciation for the impact industrial development has on our economic stability and stimulate an aggressive pursuit of economic development in the ensuing years . Significant investment has been made, a good return and many benefits will be yielded. Unfortunately, we cannot predict exactly when the returns will come. It is safe to say that if we had not had the industrial site at I40/Faison, this company may not have come to Sampson County. Moreover, current budget challenges may prove just how important this industry is to Sampson County.

My current budget recommendations are shaped by this historical perspective and my experienced-based concern that we do not need to retreat back to the County's position of 20 years ago with overwhelming pent-up needs that degrade our actual financial position. Pent up needs include both the physical and human infrastructure.

As we consider the proposed budget for FY 22-23, we have a revenue shortage. We need to increase revenue by approximately $2,500,000. We do not believe that this can be done by only reductions/deferments in operations. You could decide to redefine government. This is certainly an option.

In summary,

1. We understand that no one wants a tax increase. As noted in the historical perspective offered above, the 20 cents attributed to our debt obligations causes the tax rate to be as high as it is.
2. You can derive a budget that does not include a tax increase. This will likely entail deferring some expenditures and drawing further from the general fund. This is not recommended if we seek to avoid history repeating itself.

3. If you get by this year without a tax increase, it is unlikely that you can get by next year without one. This is especially true if you move forward with the market study. The current stress on the general fund, inflation, supply chain issues, and maintaining our physical and human infrastructure will likely be further exacerbated by the concerns expressed herein.

4. The only other real option is to redefine county government and the services that are provided.