

June 1, 2015

To: The Honorable Chair, Board of Commissioners, and taxpayers of Perquimans County

I respectfully submit the proposed budget for Perquimans County for the Fiscal Year 2015-2016 (FY 2016). The budget has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act. The budget identifies the estimated revenues and expenditures for the FY 2016 for Perquimans County.

Fiscal Year 2015 was a challenging budget year for Perquimans County and FY 2016 promises more of the same. Perquimans' economic growth, like many Counties in our region, is still in a weakened state, as evidenced by our classification as a Tier 1 county. Although we have seen marked improvement in sales tax revenues, ad valorem property tax growth remains modest at 1.25 %.

Despite the continued stagnation of economic conditions that leads to little revenue growth, the FY 2016 budget proposes no tax increase, keeping the ad-valorem property tax rate at \$0.44/\$100 value. As compared below, Perquimans County has a very favorable tax rate compared to other Northeast North Carolina counties:

<u>County</u>	<u>FY 2015 Tax Rate</u> <u>(per \$100 value)</u>
Camden County	\$0.59
Chowan County	\$0.70
Gates County	\$0.64
Pasquotank County	\$0.76

(Source: North Carolina Association of County Commissioners website- Tax Survey FY 2014-2015)

General Fund Budget Summary

The General Fund budget is \$14,635,035 for 2016, up from the current year's amended budget of \$13,704,262. General Fund requests from all sources totaled \$16,123,452, which is approximately \$1,488,417 more in expenses than expected revenues. To fully fund all budget requests would have required a nine cent tax increase. To enable the funding of increased school current expense and capital requests, increased health care costs for County employees, and additional monies for capital projects, this budget designates \$971,221 of general fund balance to be utilized. Even with this amount of fund balance used, we will still maintain a fund balance of over 28%, much more than the 8% recommended by the Local Government Commission. Perquimans has a history of controlling spending below budgeted amounts, so it is unlikely that we will have to utilize the full amount of fund balance listed.

General Fund Revenues

Property taxes account for the vast majority of general fund revenues. Before 2009, Perquimans County's property tax base experienced substantial annual growth mainly due to housing construction and land development for subdivisions, and therefore the County could count on several hundred thousand dollars of additional ad-valorem property taxes each year to fund annual increases for departmental and agency needs. The figures below depict annual tax base growth for the past several years. FY 2008's growth has not been included since that was a revaluation year.

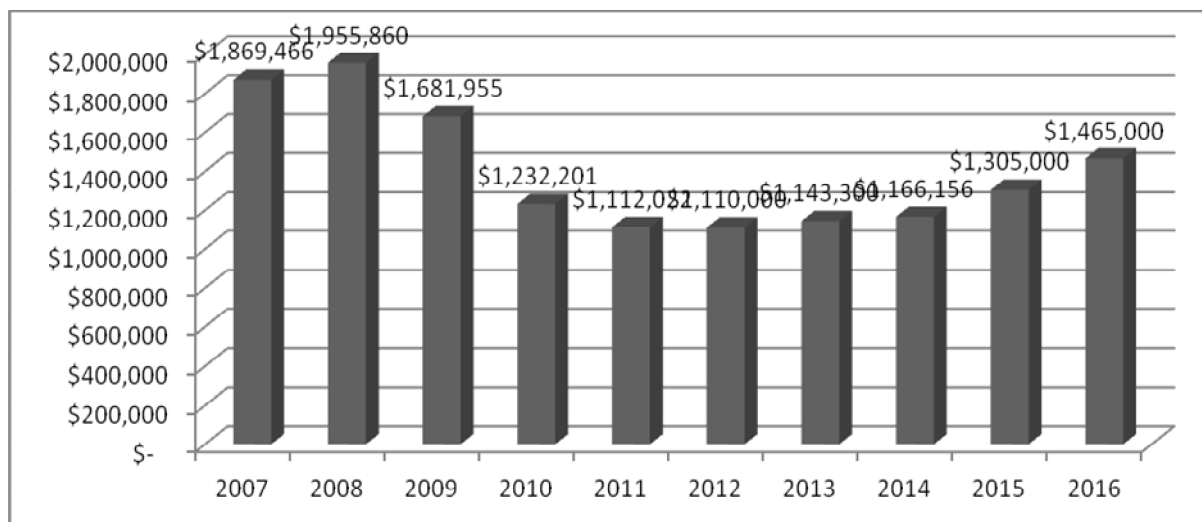
Property Tax Base Growth

2004	\$722,987,820	6.65%
2005	\$790,916,972	9.40%
2006	\$836,935,559	5.81%
2007	\$886,868,795	5.96%
2009	\$1,594,738,937	1.50%
2010	\$1,612,290,534	1.10%
2011	\$1,626,715,116	0.89%
2012	\$1,642,807,013	0.97%
2013	\$1,647,454,667	0.28%
2014	\$1,657,012,860	0.58%
2015	\$1,677,803,970	1.25%

As you can see, the increase in estimated property tax base growth is 1.25% for next fiscal year, which is the first year in four years that we exceeded 1% growth. The total real property tax base (including business and public service company property) for FY 2016 is \$1,677,803,970. We are projecting that motor vehicles taxes will stay static for the upcoming fiscal year.

Sales tax revenues are the second largest source of County general fund revenues. Based on good returns from this fiscal year, sales tax revenues are projected to grow by a total of \$160,000. The chart below shows the history of sales tax revenues since 2007.

County Sales Tax Revenues



In addition to the sales tax revenues, there are three other important sources of revenues that provide insight to the strength of the local county economy. They are Building Inspection Fees, Register of Deed Fees, and Land Transfer Tax Revenues. While sales taxes reflect retail sales, these other revenues are construction and real estate based. Expected Land Transfer Tax revenues in FY 2016 are \$210,000, \$40,000 less than last year, and well below the FY 2006 total of \$1,188,541. Building Inspection Fees and Register of Deed Fees revenues remain at among the lowest levels in over a decade, projected at \$210,000 combined. This represents a \$15,000 decrease in revenue from these two fees for FY 2016.

A continuing revenue for this budget year will be a projected \$500,000 Medicaid hold-harmless allocation from the State.

General Fund Expenses

Most of the departmental operating budgets remain fairly static compared to the current budget year. By way of comparison, the five largest General Fund expenses by department or agency are as follows:

<u>Department/Agency</u>	<u>Proposed FY 16 Funding</u>	<u>% of Total GF Budget</u>
Perquimans County Schools	\$3,476,103	23.8%
Social Services	\$2,565,538	17.5%
Emergency Medical Services	\$1,140,835	7.8%
Sheriff Department	\$1,126,964	7.7%
Albemarle District Jail	\$890,734	6.1%

School Funding

As presented by the Board of Education and school staff earlier this spring, the Perquimans County School System has requested \$2,489,955 for school current expense, an increase of \$189,955 over last year’s County appropriation of \$2,300,000. This represents a 8.25% increase from the previous fiscal year. Much of the requested increase in Local Current Expense is associated with the potential cessation of State funding for School Resource officers and Driver’s Education costs.

The proposed FY 2016 County budget increases by \$75,000 to a total of \$2,375,000 for Local Current Expense (3.25% increase) and increases to \$264,500 for Capital Outlay. The capital outlay includes parking lot lighting at Perquimans Central School, playground fencing at Hertford Grammar School, sidewalk repair at Perquimans Middle School, restroom renovations at Perquimans High School, Maintenance building roof repair, and Transportation Building site work and drain pit. The capital outlay budget also includes the 3rd of five lease payments for an activity bus. The School system has also requested \$175,000 for a capital reserve for sustainability of their

1:1 technology initiative. This is in response to the Golden Leaf grant that the School received, which requires that funding for the devices be sustainable. The County will instead maintain these monies in its fund balance with an aim to fund sustainability once the devices are sold back and new ones are acquired.

Building and Facility Initiatives

Perquimans County will engage in several new facility projects in FY 2016. The proposed budget for next year allocates approximately \$30,000 for additional expansion to the Senior Citizens facility. This funding should allow for an expansion of the outdoor game space to include a seventy foot canopy, and construction of various game courts.

\$40,000 is being allocated for security improvements at the Clerk of Court's office and a new metal detector for the Courthouse Annex. \$20,000 is being designated for various parking lot improvements throughout the County buildings.

\$120,000 is being budgeted for the replacement of the generator at the Perquimans County Emergency Services Building. A new back-up power supply, or UPS, is also part of the budgeted figure. The Emergency Services Building generator is necessary to supply constant power to this building, as it houses our 911 Communications, Emergency Medical Services, and our Emergency Management department.

Finally, this budget designates \$500,000 towards the construction of a new County Library. The total cost of construction is projected at \$3,000,000, so the County will obtain a loan for the balance, with the first payment being due in the following fiscal year. It is hopeful that the project will be well under way or near completion by the end of the fiscal year 2015-2016.

Capital Outlay

Outside of the normal replacement of electronic items such as computers and copy machines, the major capital items included in the FY 2016 budget are the replacement of two Sheriff Department vehicles (\$59,000), a new vehicle for the Inspections Department (\$23,000), stair chairs, defibrillation

equipment and wireless device for ambulances for EMS (\$22,675), and a Chuck wagon utility vehicle, batting cage, outdoor volleyball court, gym floor covering and portable pitching mounds for the Recreation Department (\$29,250).

Personnel

The proposed FY 2016 budget contains no cost of living adjustment for County employees, but maintains merit and salary step increases for those employees who qualify. The budget proposes to continue to fully cover the cost of employee health insurance, at a \$190,000 increased total cost to the County, or a \$2000 additional annual expenditure per employee. Increased medical costs for our employee health plan were a major factor in this year's budget, and negated our ability to provide any cost of living adjustment for this year. The County, along with its partners in the self-funded pool, also made changes to the medical and prescription plans to make what we offer to employees sustainable in the long term.

The North Carolina Local Government Employees Retirement System has decreased the employers' contribution from 7.17% to 6.77% for the employee.

This budget includes a new code enforcement officer for Inspections; an additional EMS shift supervisor; assigns additional operational oversight for Communications to the Emergency Services Director; adds an additional social services worker; conversion of GIS Mapper to GIS Mapper/Planner; includes additional funds for part time EMS and 911 tele-communicators; and reflects an increased share of salary costs of Cooperative Extension workers to the County from the State of North Carolina.

Other Noteworthy Items

- Funding for the County Fire Departments increases to \$65,000 each, up from \$62,500 for each department last year.
- Funding for the Perquimans County Library stays at \$160,000, not including the allocations for new construction.
- Due to backlogs on the State level, \$10,000 has been budgeted for the Sheriff to expand DNA/drug testing capabilities to process cases more quickly.

- Tri-County Animal Shelter funding remains at \$60,000.
- Albemarle District Jail remains a considerable expenditure, at \$890,734.

Water Fund

Perquimans continues to make significant investment in its overall ability to provide water to its customers. Our system is an aging one, with infrastructure aged at over 30 years old in some places. This means that the County makes ongoing repairs to the lines in the system as needed throughout the year. Perquimans continues to purchase 150,000 gallons of reverse osmosis water from Pasquotank County that services customers on the Winfall plant side. The bulk water rate that Pasquotank County charges is expected to remain \$6.00 per thousand gallons. Also, Perquimans is investing on the Bethel plant side, as we have purchased the Manley well site, and will begin site work on that location in the upcoming fiscal year. We will also allocate \$50,000 for the replacement of aging water meters throughout our system. The total water fund budget for the Fiscal Year 2016 is \$2,143,772.

Despite these increases in maintenance, bulk water rates, and capital improvement costs, the water rates for Perquimans County will remain unchanged for the upcoming fiscal year.

Solid Waste Fund

The proposed solid waste fee for FY 16 is \$130, no increase from last fiscal year. This fee covers the cost of operating the five Convenience Site locations, the County's portion of the Perquimans-Chowan-Gates Transfer Station operating cost, and the tipping fee for the County's solid waste at the private landfill in Bertie County. The total solid waste fund budget is projected at \$882,330.

Conclusion

Limited real estate property tax base growth continues to negatively affect the County budget. We have, however, seen encouraging improvements in sales tax collections. These additional revenues, along with a percentage of fund balance appropriated, have allowed Perquimans County to hold the tax rate at 44 cents per hundred dollars of value. The tax rate in Perquimans has remained

unchanged for the last five budget cycles. As indicated earlier, this budget focuses on increased spending for schools. We have provided a significant health benefit to our employees, and maintained merit and step increases for those who qualify. We have increased funding for our local volunteer fire departments. We have given funds for the construction of a new County Library. We have committed monies to an EMS generator project, Senior Center outdoor expansion, and Courthouse security improvements. We have added or modified positions within the County's employ to bolster our ability to serve our citizens. Lastly, we have continued to fund services despite cuts in State funding with no reductions in mandates.

I'd like to thank the Department Heads for their stewardship in this budget process and their consideration of the marginal increase in County revenues. I would also like to thank the Board of Commissioners for your involvement in the budget process and for making difficult, but important decisions on behalf of the citizens of Perquimans County. Finally, I'd like to thank County staff: Tracy Mathews- Finance Officer, Mary Hunnicutt- Clerk to the Board, and Debbie Stallings- Assistant Tax Administrator, for their assistance and guidance in this process.

I thank each of you for your consideration of this proposal and welcome any changes the Board deems appropriate.

At the request of the Chairman and Board of Commissioners, a public hearing has been scheduled for Monday, June 15, 2015, at 7:00 p.m. in the Commissioners' Room of the Courthouse Annex for public comment and to consider adoption of the budget.

Submitted by:

W. Frank Heath, III

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County Manager/Budget Officer