

June 6, 2016

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 2016-2017. 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 Fiscal Year 2016-2017.

The FY 2016-17 Budget follows the general reappraisal of real property for Perquimans County. Setting the Ad-Valorem Tax Rate in a revaluation year brings much speculation and concern, especially since the tax base decreased by approximately 23% since the last revaluation in the year 2008. The total taxable value in Perquimans County decreased from \$1,677,803,970 to \$1,295,330,502. The North Carolina Department of Revenues Sales Assessment Ratio Studies show that the median sales ratio to be 99.2%. That is, of their sampling of real estate transactions since the revaluation, the median ratios are 99.2% of the market values, 100% being the established goal by North Carolina General Statute. This initial data indicates that market values are in line with the new revaluation figures.

Proposed Tax Rate

The revenue-neutral tax rate, as defined by G.S. 159-11(e), is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue for the current fiscal year if no reappraisal had occurred. The rate is then adjusted by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal. According to this definition, the revenue-neutral tax rate is 57 cents. This budget proposes a tax rate of 57 cents (see Exhibit 1).

The most common question for taxpayers after the revaluation process is “Will my taxes go up?” The answer depends on how much your real property increased or decreased relative to the average decrease. It also depends on how much personal property or business property you own. Owners of real property, whose values decreased at the same percentage as the County as a whole, will see little to no change in their tax bill. Owners of personal property, such as motor vehicles will be paying slightly more next budget year, as shown on the attached Exhibit 2. For a typical taxpayer with about \$30,000 dollars of personal property value, motor vehicles for example, an annual increase of about \$39.00 could be expected.

As in years past, the County’s budget process calls for department heads and other agencies to submit budget requests to the County Manager. In total, the requests amounted to approximately \$16.95 million. That’s almost \$3 million dollars more than anticipated revenues for the upcoming fiscal year. The tax rate would have to be 80 cents to fully fund all requests of Perquimans County for the next year.

When compared to other Counties in the region, Perquimans’ tax rate will remain among the lowest:

Perquimans-	57 cents per hundred
Gates-	64 cents per hundred
Camden-	68 cents per hundred
Chowan-	72.5 cents per hundred
Pasquotank-	76 cents per hundred

While the tax rate is at revenue-neutral and one of the lowest in the region, this budget still provides adequate funding for services that we have historically provided, enhances some services, and provides benefits for the County employees.

General Fund Budget Summary

The General Fund budget is \$14,788,251 for 2016-2017, down from the current year’s amended budget of \$15,031,080. To enable the funding of increased school current expense and capital requests, and increased expenditures for public safety departments such as 911 Communications,

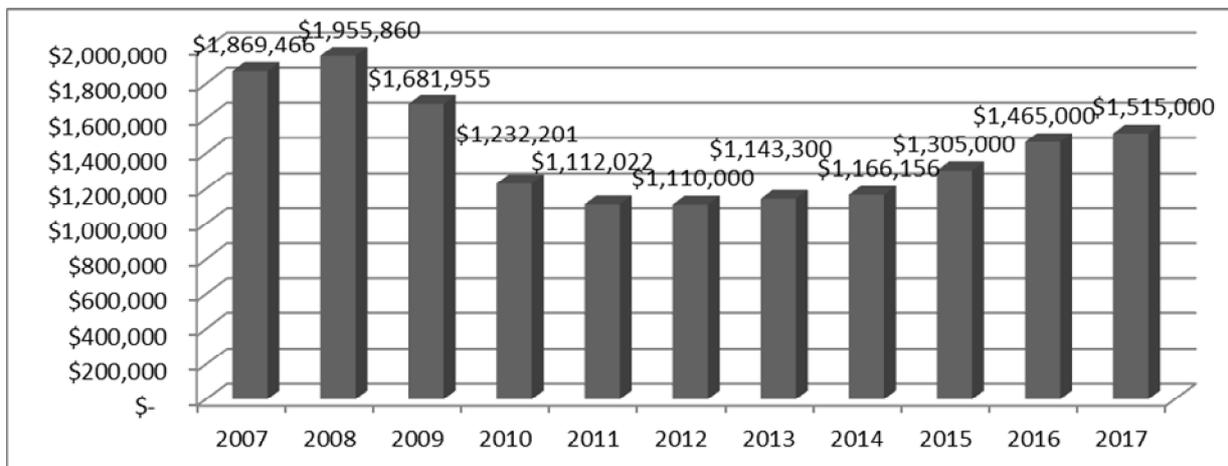
Fire Departments and EMS, this budget designates \$750,668 of general fund balance to be utilized. Even with this amount of fund balance used, we will still maintain a fund balance of over 25%, much more than the 8% recommended by the Local Government Commission. Perquimans has a history of controlling 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, and I've already mentioned the conditions as it relates to real property taxation. 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 \$50,000. The chart below shows the history of sales tax revenues since 2007.

County Sales Tax Revenues



An additional \$307,080 is forecast to be added to Perquimans' sales tax allocation to reflect the additional services taxed by the General Assembly in 2016. 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 2016-17 are \$250,000, \$40,000 more than last year, but well below the FY 2006-07 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 \$225,000 combined. This represents a \$15,000 increase in revenue, however, from these two fees for FY 2016-17.

A continuing revenue for this budget year will be a projected \$394,000 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	\$3,975,408	27%
Social Services	\$2,638,318	18%
Emergency Medical Services	\$1,382,817	9%
Sheriff Department	\$1,122,159	8%
Albemarle District Jail	\$891,717	6%

School Funding

As presented by the Board of Education and school staff earlier this spring, the Perquimans County School System has requested \$3,818,315 for school current expense, an increase of \$1,443,315 over last year's County appropriation of \$2,375,000. This represents a 60% increase from the previous fiscal year. Much of the requested increase in Local Current Expense is associated with increases in teacher supplements, increases classified position salary schedules, and the addition of an assistant superintendent for Curriculum and Instruction and accompanying department.

The proposed FY 2016-17 County budget increases by \$400,000 to a total of \$2,775,000 for Local Current Expense, a 17% increase in total and around 400% more than any increase received over the last five years. This indicates a significant commitment by the County Board of Commissioners to increase teacher supplements and classified position salary adjustments. The school capital outlay budget increases to \$363,805, or a 37.5% increase. The capital outlay includes a 72 passenger activity bus, desk and chair replacement at Hertford Grammar School, sealing the maintenance building roof, replacement of the roof over the High School Auditorium, repainting of Middle school hallways, and the final phase of Hertford Grammar School floor tile removal and replacement. The capital outlay budget also includes the 4th 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. The first payment from the County for the 1:1 initiative is expected in FY 17-18.

Building and Facility Initiatives

Perquimans County will engage in several new facility projects in FY 2016-17. The proposed budget for next year allocates approximately \$10,000 for additional expansion to the Senior Citizens facility. This funding should allow for an expansion of the outdoor game space. An additional \$5500 is allocated for a storage building for the Senior Center.

\$20,000 is being designated for various parking lot improvements throughout the County buildings.

\$10,000 is being designated for renovation of storage space within Social Services to create two new offices.

Capital Outlay

Outside of the normal replacement of electronic items such as computers and copy machines, the major capital items included in the FY 2016-17 budget are the replacement of three Sheriff Department vehicles, including an animal control truck (\$85,575), a new vehicle for the Social

Services Department (\$25,000), a new ambulance for EMS (\$165,000), lifesaving EMS equipment such as laryngoscopes and a chest compression system (\$22,300), construction of a disaster debris site as required by the NC State Office of Emergency Management (\$25,000), and lighting controls for the Winfall tower site (\$8400).

Personnel

The proposed FY 2016-17 budget contains a 3% cost of living adjustment for County employees, and maintains merit and salary step increases for those employees who qualify.

The North Carolina Local Government Employees Retirement System employers' contribution is expected to remain at 6.77% for the employee.

This budget includes converting a tax clerk position to a tax clerk/finance assistant position. It also funds the mandate by the State that all Cooperative Extension employees' salaries be at least 50% County funded. All support level positions have to be 75% County funded.

\$10,000 has been allocated to the Tourism Development Authority to fund a part-time tourism director, in coordination with the Towns.

Other Noteworthy Items

- Funding for the County Fire Departments increases to \$67,500 each, up from \$65,000 for each department last year.
- Funding for the Perquimans County Library increases to \$165,000.
- Tri-County Animal Shelter funding remains at \$60,000.
- Albemarle District Jail remains a considerable expenditure, at \$890,717.

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 allocate \$150,000 for continued work on that location in the upcoming fiscal year. We will also allocate \$100,000 for the replacement of aging water meters throughout our system. We will also include another water plant operator position in this budget. The total water fund budget for the Fiscal Year 2016-17 is \$2,486,593. The water rates for Perquimans County will remain unchanged for the upcoming fiscal year.

Solid Waste Fund

The proposed solid waste fee for FY 16-17 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 \$930,227.

Conclusion

Despite the challenges brought about by a revaluation in a market that has declined, Perquimans County has been able to remain revenue neutral and still provide effective services to our citizens. As indicated earlier, this budget focuses on increased spending for schools. We have made a significant contribution towards bolstering our teacher supplements and classified position salaries. We have provided a cost of living adjustment for County employees, and maintained merit and step increases for those who qualify. We have increased funding for emergency services agencies and our local volunteer fire departments. We have committed monies to various building and capital projects as already stated. 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 20, 2016, 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
County Manager/Budget Officer