

June 4, 2018

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 2018-2019. 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 2018-2019.

Proposed Tax Rate

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 \$18.88 million. That's over \$4 million dollars more than anticipated revenues for the upcoming fiscal year. The tax rate would have to be 88 cents to fully fund all requests of Perquimans County for the next year.

Total taxable value increased from \$1,304,892,862 to \$1,320,487,304, or 1.2%. An additional \$201,211,177 in value was added due to the Desert Wind project. After second year depreciation and the grant agreement with the County, the net gain in value would be \$71,852,280, or a five percent increase to the County's total value. I have estimated an additional \$409,557 in revenue for FY 18-19 as a result. We have also experienced gains primarily in DMV tax revenues, and this in combination with the use of fund balance allocations will allow us to propose a budget that remains at a rate of 57 cents per hundred dollars of value. Also of note is that I project that we're going to use only \$164,584 of the budgeted fund balance appropriation from last fiscal year of \$972,103. This is due to better than projected revenues, and controlling spending versus budgeted amounts for 17-18. If we utilize the full \$990,000 I project for fund balance allocations for this new budget, our fund balance would still be in the 25 percent range.

When compared to other Counties in the region, Perquimans' tax rate will remain among the lowest in eastern North Carolina:

Perquimans-	57 cents per hundred
Gates-	76 cents per hundred
Camden-	72 cents per hundred
Chowan-	74 cents per hundred
Pasquotank-	77 cents per hundred

While the tax rate is 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 \$15,682,196 for 2018-2019, up \$314,998 from the current year's amended budget of \$15,367,198. To enable us to maintain a significant commitment to school current expense and increased capital requests, and increased expenditures for public safety departments such as Sheriff, Fire Departments and EMS, this budget designates \$990,000 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 vehicle tax collections will improve for the upcoming fiscal year.

Sales tax revenues are the second largest source of County general fund revenues. Based on collections from this fiscal year, sales tax revenues are projected to decrease by a total of \$10,000, for a total of \$1,650,000.

An additional \$375,000 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 Deeds 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 2018-19 are \$350,000, \$85,000 more than last year. Building Inspection Fees and Register of Deeds Fee revenues remain fairly level, projected at \$230,000 combined, reflecting a \$5,000 increase in revenue for these two fees for FY 2018-2019. A continuing revenue for this budget year will be a projected \$337,140 Medicaid hold-harmless allocation from the State.

General Fund Expenses

Most of the departmental operating budgets remain nearly 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 18-19 Funding</u>	<u>% of Total GF Budget</u>
Perquimans County Schools	\$4,211,603	27%
Social Services	\$2,354,108	15%
Emergency Medical Services	\$1,594,473	10%
Sheriff Department	\$1,302,518	8%
Albemarle District Jail	\$796,581	5%

School Funding

As presented by the Board of Education and school staff earlier this spring, the Perquimans County School System has requested \$3,880,427 for school current expense, an increase of \$1,105,427 over

last year's County appropriation of \$2,775,000. This represents a 40% requested increase from the previous fiscal year.

The proposed FY 2018-19 County budget increases the local current expense budget to \$2,900,000, an increase of \$125,000. This continues 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 \$475,000, an increase of \$77,500, or a 19% increase. This capital allocation will allow for the continuation of the 1:1 technology initiative, as well as other capital outlay items presented by the Superintendent. The County is also absorbing the cost of another School Resource Officer, which represents at least another \$50,000 in costs for salary, transportation, and outfitting.

Building and Facility Initiatives

Perquimans County will engage in several new facility projects in FY 2018-19. Highlights include a new gym floor at the Perquimans Recreation Center, an addition to the Tri-County Animal Shelter, and continued improvements to the Perquimans County Courthouse. Also included are funds for an architect to provide design services for a new Social Services building.

Capital Outlay

Outside of the normal replacement of electronic items such as computers and copy machines, the major capital items included in the FY 2018-19 budget are the replacement of three Sheriff Department vehicles, portable radios, water rescue boat repair, a new EMS ambulance, continued software upgrades for the tax and finance departments, bleachers for the Winfall ball field, and additional security cameras at the Perquimans Senior Center.

Personnel

The proposed FY 2018-19 budget contains a 3 percent cost of living adjustment for County employees, and maintains merit and salary step increases for those employees who qualify. Employees received no cost of living adjustment in last fiscal year's budget.

Perquimans County participates in the State Health plan, and health insurance rates are projected to increase from \$540 per employee per month to \$583. This increase causes approximately a \$53,000 negative impact to our budget. The rate of \$583 monthly includes a projected 5% increase in rates and \$25 per month per employee that the State charges employees for the base 70-30 plan.

Retiree health coverage is becoming an increasing burden on the County. With the addition of several new retirees and the increase in costs, we are expecting that the total costs in FY 18-19 will exceed \$170,000.

The North Carolina Local Government Employees Retirement System employers' contribution will be 7.84% for FY 18-19.

This budget includes an additional School Resource Officer, meaning that each school will be staffed with an SRO. It also includes funds for a Narcotics deputy, and an Adult Services Social Worker.

\$15,450 has been allocated to the Tourism Development Authority to continue to fund our full-time tourism director, in coordination with the Towns.

Other Noteworthy Items

- Funding for the County Fire Departments increases to \$72,500 each, up from \$70,000 for each department last year.
- Funding for the Perquimans County Library increases to \$183,305.
- \$20,000 for code enforcement/house removal.
- Albemarle District Jail remains a considerable expenditure, at \$796,581.

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 continued development of the Manley well site, and will allocate \$285,000 to finish work on that location in the upcoming fiscal year. This will ensure an adequate supply of water at the Bethel plant for many years to come. We will also allocate \$100,000 for the replacement of aging water meters throughout our system. The total water fund budget for the Fiscal Year 2018-19 is \$2,566,244. The water rates for Perquimans County will remain unchanged for the upcoming fiscal year.

Solid Waste Fund

The proposed solid waste fee for FY 18-19 is \$140, 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. We've made significant capital improvements to our sites, including paving and additional compactors. The total solid waste fund budget is projected at \$946,950.

Conclusion

As indicated earlier, this budget contains significant increases for school spending. We have covered increased health care costs for County employees and retirees, maintained merit and step increases for those who qualify, and included a 3 percent cost of living adjustment. We have increased funding for emergency services agencies by providing a new ambulance for our citizens and increased our

funding for local volunteer fire departments. We have added an additional SRO, a narcotics deputy, and provided the capital assets needed to support these personnel.

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 Bill Jennings- 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 18, 2018, 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