



PERQUIMANS COUNTY

Office of the Manager

P.O. BOX 45

HERTFORD, NORTH CAROLINA 27944

TELEPHONE: 252-426-8484

W. FRANK HEATH, III
COUNTY MANAGER

June 3, 2019

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 2019-2020. 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 2019-2020.

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 \$21.9 million. That's over \$6 million dollars more than anticipated revenues for the upcoming fiscal year. The tax rate would have to be 47 cents higher to fully fund all requests of Perquimans County for the next year.

Total taxable value increased from \$1,320,487,304 to \$1,329,941,994, or 0.7%. An additional \$194,884,096 in value was added due to the Desert Wind project. After third year depreciation and the grant agreement with the County, the net gain in value would be \$77,953,559, or five percent of the County's total tax value. I have estimated an additional \$459,926 in revenue for FY 19-20 as a result. We have experienced gains primarily in ad valorem and sales tax revenues, and Inspections and Register of Deeds fees. However, for the past 10 years, our total tax base growth has averaged around 1% per year. This is well below the 5 to 9% growth we were experiencing before the real estate market crash of 2008. In addition, Perquimans County has invested heavily in school spending, emergency services and public safety expenditures since fiscal year 2016. For example, school local current expense allocations have increased by \$525,000 annually during that time frame. Both the Sheriff's Department and EMS budgets have increased by over \$200,000 each since fiscal

Perquimans County's Vision:

To be a community of opportunity in which to live, learn, work, prosper and play.

year 2016. These investments have been necessary and important, and have bolstered our County services to the benefit of our citizens, namely our children, our seniors and our visitors. Because of the positive financial condition of the County, we were able to finance many of these improvements using fund balances, saved over the previous several years. Of note, however, is that I project that we're going to use \$732,682 of the budgeted fund balance appropriation from last fiscal year of \$990,000. After using the \$732,682 out of fund balance to balance the budget, we will have an estimated 23.4% fund balance remaining. To begin to stabilize the effects of our reliance on fund balance in previous budgets, I am recommending a two-cent rate increase for fiscal year 19-20 to 59 cents per hundred dollars of value. I am also recommending using \$597,943 out of fund balance for FY 19-20 budget. This will leave us around 20% for a fund balance going in to FY 20-21, which is as low as I would recommend that the Board go, as a fund balance of this amount will still enable the County to respond to emergency situations that may arise.

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

Perquimans-	59 cents per hundred
Gates-	76 cents per hundred
Camden-	74 cents per hundred
Chowan-	74.5 cents per hundred
Pasquotank-	77 cents per hundred

While the tax rate is well below others 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 \$16,060,572 for 2019-2020, up \$132,597 from the current year's amended budget of \$15,927,975.

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.

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 increase by a total of \$57,417 compared to last year's budgeted amount, for a total of \$1,707,417.

An additional \$397,008 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 sales tax revenues, there are three other important sources of revenue 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 2019-20 are \$380,000, \$30,000 more than last year. Building Inspection Fees and Register of Deeds Fee revenues increased steadily, projected at \$270,000 combined, reflecting a \$40,000 increase in revenue for these two fees for FY 2019-2020. The fact that these fees have increased shows that the real estate market is a little stronger, and so property tax base growth may be a little higher next year. A continuing revenue for this budget year will be a projected \$340,670 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	26%
Social Services	\$2,471,440	15%
Emergency Medical Services	\$1,599,600	10%
Sheriff Department	\$1,342,551	8%

Public Buildings and Grounds	\$773,196	5%
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School Funding

As presented by the Board of Education and school staff earlier this spring, the Perquimans County School System has requested \$3,278,386 for school current expense, an increase of \$378,386 over last year's County appropriation of \$2,900,000. This represents a 13% requested increase from the previous fiscal year.

The proposed FY 2019-20 County budget maintains the local current expense budget at \$2,900,000. This continues a significant commitment by the County Board of Commissioners to fund instructional services, support services, athletics, maintenance and utilities. The school capital outlay budget maintains at \$475,000. This capital allocation will allow for the continuation of the 1:1 technology initiative, as well as other capital outlay items presented by the school staff. The County continues to absorb most of the costs associated with providing School Resource Officers at all four schools, which represents at least another \$125,000 per year in costs for salary, transportation, and outfitting.

Building and Facility Initiatives/Capital Outlay

Perquimans County will engage in several new facility projects in FY 2019-20. Highlights include new LED lights at the Perquimans Recreation Center, additional parking areas and security cameras at the Senior Center, and technology improvements to the Perquimans County Courthouse. Also included are funds for an architect to provide design services for the 2nd phase of the Perquimans County Recreation Center.

Capital outlay items include new voting equipment for the Board of Elections as required by State law, completion of the tax/finance software system, two sheriff's department trucks, additional electronic door accesses for County facilities, re-use of a generator to be deployed at the Recreation Center in case it ever needs to be used as a shelter, a new software package for the Inspections

department, a 12-lead defibrillator for EMS, six 800 mhz radios for EMS, a powered stretcher cot for EMS and bleachers for the Winfall ballfield for the Recreation Department.

Personnel

The proposed FY 2019-20 budget contains a 2 percent cost of living adjustment for County employees, and maintains merit and salary step increases for those employees who qualify. Also included is a 1% 401k match for employees.

Perquimans County participates in the State Health plan, and health insurance rates are projected to increase to \$592 per employee per month. The rate of \$592 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 19-20 will exceed \$185,000, up \$15,000 from last year.

The North Carolina Local Government Employees Retirement System employers' contribution will increase to 9.05% from 7.84% for FY 19-20.

This budget includes a part-time fire marshal, a much needed position that the County has had unfilled for many years. It also includes the addition of a part-time Sheriff's deputy.

\$20,000 has been allocated to the Tourism Development Authority to continue to fund our full-time tourism director, in coordination with the Town of Winfall. The Town of Hertford has indicated that they will not contribute to the Director's salary for the next fiscal year.

Other Noteworthy Items

- Funding for the County Fire Departments increases to \$75,000 each, up from \$72,500 for each department last year.

- Funding for the Perquimans County Library increases to \$187,500.
- \$25,000 for code enforcement/house removal.
- Albemarle District Jail remains a considerable expenditure, at \$726,186.

Water Fund

Perquimans continues to make significant investment in its overall ability to provide water to its customers. However, our infrastructure is 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. We completed a significant well site improvement on the Bethel plant side in 2019. 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 2019-20 is \$2,649,462. The water rates for Perquimans County will remain unchanged for the upcoming fiscal year.

Solid Waste Fund

The proposed solid waste fee for FY 19-20 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 \$974,109.

Conclusion

As indicated earlier, this budget maintains significant spending for schools, public safety and emergency services. We have covered increased health care costs for County employees and retirees, maintained merit and step increases for those who qualify, included a 2 percent cost of living

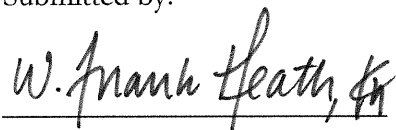
adjustment and a 1% 401k match for those employees who qualify. We have increased funding for new elections equipment as required by the State, increased funding for our volunteer fire departments, and added additional amenities at our Senior Center. We have added a part-time fire marshal and a part time sheriff's deputy. The state of County financial and administrative affairs continues to be sound.

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 17, 2019, 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:

A handwritten signature in black ink that reads "W. Frank Heath, III". The signature is written in a cursive style and is positioned above a horizontal line.

W. Frank Heath, III

County Manager/Budget Officer