



BUDGET MESSAGE

To: Edgecombe County Board of Commissioners
From: Eric Evans, County Manager
Date: June 1, 2017
Subject: Revised Budget recommendation for fiscal year 2017-2018

Submitted herein is the Edgecombe County recommended Budget for Fiscal Year (FY) 2017-2018. The Budget is balanced in its entirety, as required by the North Carolina Local Government Budget and Fiscal Control Act. This revised budget message reflects the minor changes made as a result of your discussion at the Budget Work Session held on May 18, 2017.

As was discussed at the meeting, we approached the preparation of this budget with the following goals in mind: overcoming the revenue deficit created by our recent property revaluation; reducing the budget for capital improvements from the current year's appropriation of nearly \$1.2 million while still addressing our most pressing capital needs; providing a cost of living increase for employees if possible; reviewing every line item to find even the smallest opportunities to make cuts; and avoiding the need for a tax increase at all costs.

The County's proposed General Fund budget for FY 17-18 totals \$59,315,097 which is a 1% decrease from current year's original operating budget of \$59,634,211. The proposed ad valorem tax rate for the FY 17-18 is 95 cents per \$100 value, which is no change from the current year. One cent generates approximately \$310,000. The proposed budget includes a fund balance appropriation of \$2,562,775 from general fund. The current year's fund balance appropriation is \$4,795,645.

KEY BUDGET HIGHLIGHTS

Revenues

The most significant factor driving projected revenues for next year has been the revaluation of real property. Our real property values decreased by just under 5%. That along with a \$10 million impact on values created by damages from Hurricane Matthew, we expect approximately \$850,000 to be lost in property tax revenues for next year. We have however seen our collection rate increase slightly, from 94.56% to 95.2%, thanks to the hard work from our Tax Administrator, Ms. Tarasa Lewis, and her staff. Also, sales tax redistribution funds (Article 44-524) designated for public schools, community colleges, and economic development, which just started this

year, has turned out to be more than the \$700,000 we originally anticipated. It is currently on pace to total \$960,000 by year end and will be reoccurring.

Personnel

A cost of living increase for all county employees is included in this proposed budget. Per your direction following discussion at the Budget Work Session, the COLA will be calculated at 1% for all employees at \$50,000 base salary and higher; and with those below \$50,000 being given a flat \$500 annual increase. The cost of this COLA is approximately \$250,000, including benefits.

The cost of employee health insurance will remain level as we will receive no premium increase. This was a welcome reprieve from the constant rise in costs over the last several years. With premiums remaining flat, we are able to avoid having to change the benefits plan or pass premium costs on to employees. We will also continue to offer the option of a Health Savings Account (HSA). This plan will give participants \$750 contributed by the County into an account that may roll over and accumulate in exchange for higher deductibles and no co-pays.

Being that we are self-insured, our premiums are directly tied to the cost of our claims. In order to manage the ever-increasing cost of our health insurance moving forward, we will continue to provide health screenings for all individuals covered by our plan. Individuals who choose not to participate in the assessment will pay \$50 per month towards the cost of their insurance. We will also continue the health coaching component of our wellness program, which is required for all participants in the high and moderate risk categories, but available to all employees.

As planned, we will discontinue the deposit of \$150 for each employee in a healthcare Flexible Spending Account (FSA) this upcoming year. We will replace it with an incentive program where employees can receive \$250 if they meet or make improvements in key health benchmarks.

Capital Outlay

This budget includes capital outlay expenditures in the amount of \$682,334; down from \$1,137,850 in the current year. In an effort to cut the budget, we are having to defer some much-needed, but non-critical, facility renovations and equipment replacement. With the proposed appropriation, we will be able to address those that are the most pressing and can no longer wait another budget year. No projects were proposed by outside agencies that would require additional capital investments from the County.

Solid Waste

In an effort to maintain Solid Waste as a self-sufficient, enterprise service, we are proposing to increase the tipping fee to cover rising costs associated with operating the landfill, including the increased cost for fees and transportation of municipal solid waste to the regional landfill. The proposed tipping fee is \$51.00 for Municipal Solid Waste and \$43.00 for Construction & Demolition, which is a \$1.50 increase from the current year.

Water & Sewer

After reevaluating the additional debt being taken on within our system, the ever-increasing costs of operations, and the need to plan for the long-term financial viability of our system, it is necessary that we raise our rates. To do that with a minimal increase to customers, I am proposing the increase to be on the availability fee only. I recommend the availability fee to increase by \$5 per service, going from \$25 to \$30.

Outside Agencies

We did receive a number of requests from outside agencies for funding from the County. Most of these were from organizations we have funded in the past, and some of those based on ongoing agreements. The only outside agency I recommend which we are not currently funding is \$5,000 for Conetoe Family Life Center. For all the other outside agencies we currently fund, the proposed budget will fund them at the same level as the current fiscal year, unless otherwise dictated by a standing agreement. There are three exceptions.

We have appropriated in the current year's budget \$162,000 to Eastpointe, our Regional Managed Care Organization for behavioral health services. Eastpointe has announced its planned merger with Cardinal Innovations. The CEO of Cardinal informed me that they do not require contributions from its County members. Therefore, this is an ideal opportunity to redirect that money into other areas, and I propose to cut that from the budget.

The Carolinas Gateway Partnership is requesting its local government partners to contribute to a new incentive pool they call "Twin Counties First". This pool would be used to leverage state incentives and grants. This would be applied along with private incentive funds. The request is for \$100,00 from each of the two counties, \$25,000 each from Rocky Mount and Tarboro, and \$10,000 from Nashville. I recommend, and this budget includes, funding this initiative. If approved, we will appropriate and hold the funds until we hear of the decision of the other partners. Based on the additional Article 44-524 sales tax redistribution allocation we are receiving, as mentioned earlier, this cost can be covered by that revenue.

Article 44-524 restricts that sales tax revenue to economic development, public education, and community colleges. Of the \$960,000 we will receive, \$547,000 and \$56,000 is the additional appropriation to

Edgecombe County Public Schools and Edgecombe Community College, respectively, in the current year's budget. I propose to keep that in FY 2018. From this revenue stream, I also plan to cover the \$250,000 debt service for the land we are about to purchase at Kingsboro, as well as the additional funding to the Carolinas Gateway Partnership.

In this budget, I also propose that we maintain the revised budget appropriation to Edgecombe County Rescue Squad at \$1,200,000.

Recreation

Many of you have expressed an interest in doing more with recreation within the County. Having a comprehensive, county-wide recreation program and the facilities to support it would be an expensive endeavor, and out of our financial reach at this time. However, small investments that are strategically applied to worthwhile recreational efforts could go a long way. Therefore, this budget includes \$10,000 to offer mini-grants of up to \$2,000 each, to community-based organizations that provide recreational facilities and/or activities. If approved, I will draft proposed guidelines and recommend a review committee structure for your approval.

Conclusion

In preparing this budget, I feel that we have met our goals of overcoming the revenue deficit created by revaluation; reducing the budget for capital improvements from the current year's appropriation while still addressing our most pressing capital needs; providing a cost of living increase for employees; reviewing every line item to find even the smallest opportunities to make cuts, and avoiding the need for a tax increase. Though we are appropriating a significant amount from fund balance, that appropriation is necessary to achieve the above-mentioned goals. We will continue to monitor the budget closely throughout the year, save where we can and spend only when necessary. I believe with economic growth on our horizon, we will see our tax base grow, and we'll be in a better position to minimize the burden born by our tax payers. But until then, we'll continue to tighten our belt, as this budget shows, and roll up our sleeves and provide the best service we can to the citizens of Edgecombe County.

I respectfully submit this proposed budget for Fiscal Year 17-18. I recommend that once you close out the public hearing for the budget that you approve as presented and adopt the enclosed budget ordinance.