

BUDGET MESSAGE

To: Chairman and Board of Commissioners

From: Lorenzo Carmon, County Manager

Date: May 21, 2007

Subject: Budget recommendation for fiscal year 2007-2008

Submitted herein is the recommended Budget for Fiscal Year (FY) 2007-2008. The Budget is balanced in its entirety, as required by the North Carolina Local Government Budget and Fiscal Control Act.

The County's proposed General Fund budget for FY 07-08 totals \$57,832,353, which is a 5.2% increase over last years operating budget, which is equivalent to 12 cents on the tax rate. The proposed ad valorem tax rate for the FY 07-08 is 94 cents per \$100 value. One cent generates approximately \$234,000 in revenue. The proposed budget includes a fund balance appropriation of \$4,544,165 of which \$544,165 is from the restricted health fund balance and \$4 million is from general fund balance, along with a one time \$1.66 million transfer from the Solid Waste fund. The \$4.5 million fund balance appropriation and transfer is equal to a 26 cents tax equivalent. This budget will appropriate our fund balance down to the 8% level.

Edgecombe County's revenues are expected to be flat again this year. For the last 5 years our tax base has remained at \$2.5 billion. The elimination of tobacco and peanut valuation, along with increases in exemptions, have cancelled or negated any gains in our tax base.

This budget is being driven by the following mandated increases in the County's operating expenses:

Medicaid	\$642,456 or 12.74% increase
Workers Compensatory Insurance	\$405,889 or 99.86% increase
Employee Health Insurance	\$468,206 or 20.71% increase
Retiree Health Insurance	\$ 91,600 or 77.36% increase
Property Liability Insurance	\$ 34,282 or 12.79% increase

This \$1,642,433 mandatory increase over this year equals 6.96 tax rate equivalent. We are aware that there are several proposals being considered by the North Carolina General Assembly to provide relief to counties from

the Medicaid burden; however, the budget includes the full \$5.6 million projected Medicaid expenditure. Our Medicaid burden has risen to 24.28 cents of our 94 cent or 25% of our tax rate.

This worst case scenario budget has been developed in case the State does not take any action to provide counties Medicaid relief. Most departments are budgeted at current levels. The budget can be adjusted if the State takes action prior to our adoption of our budget. Proposals that are seriously being considered range from targeted to full relief.

General Fund Operational Highlights

- Departmental line items have been reviewed and set accordingly with mandated increases only.
- An average 4% increase is recommended to public schools.
- 3% increase is recommended for Edgecombe Community College and libraries.
- Proposed 8.3% increase to the Upper Coastal Plain Council of Governments, 7.9% increase to Carolinas Gateway Partnership, and 3.5% increase for the Forestry Service
- All other outside agencies are budgeted the same as this year.

Personnel

The proposed budget does not include a Cost of Living Adjustment (COLA) for employees. We are recommending that a pay study be conducted to review and adjust salaries where appropriate to assure that we have a competitive compensation pay plan. It is recommended that one new position be created in Emergency Services, an Emergency Medical Services Director, to coordinate and develop plans for County rescue services and two Medicaid Eligibility Specialist for Social Services. There are no other new full time positions recommended in the budget.

Health Insurance

The overall cost of employee health insurance increased by 20.71% that also includes minor plan adjustments. We are proposing to deposit \$100 in a health care reimbursement account again this year for all employees.

Capital Outlay

This budget does not include any capital outlay expenditures. Capital outlay will be revisited in December with requests for Sheriff cars and Home Health computer tablets and Social Services renovations totaling approximately \$500,000.

Solid Waste

The proposed tip fee has been increased from \$40.00 to \$42.00 per ton. It is recommended that the rural household solid waste fee be increased to \$100 from \$90.00 and \$40 from \$30.00 for the reduced solid waste fee.

Water & Sewer

This budget recommends that the flat rate for 500 gallons of water be increased to \$22.00 from \$20.00 and the new rate to be set at \$4.80 per 1,000 gallons. The average bill will increase from \$34.39 to \$37.84. These adjustments are needed to cover the cost of rising operational expenses and water purchases.

Health Department

We are facing several serious challenges at the Edgecombe County Health Department. Challenges include declining revenues, increasing expenditures, declining patient count, and increased competition from Freedom Hill and OIC Rural Health Clinics. In addition, we are faced with a potential \$300,000 Medicaid payback in the Child Services Coordination Program.

The restricted Health fund balance will be exhausted in this current fiscal year resulting in approximately \$500,000 available for this budget and an increase in general fund balance appropriation for Health Services. Revenues are down and billing practices must be reviewed. In addition to implementing a hiring freeze it is recommended that an efficiency review of our staffing capacity and a revenue enhancement study be completed. We must find ways to encourage and participate in collaboration and partnering with all of the primary care facilities that provide services for County citizens.

Conclusion

We are extremely hopeful and optimistic that the State of North Carolina will provide Edgecombe County with meaningful and significant Medicaid relief. This budget falls short of addressing many significant and critical requests from both internal and external providers. Items such as employee COLA, mileage reimbursement increase, requests for funding increases from outside agencies and increases in public schools funding requests are all items that need the attention.

One cent on our tax rate generates approximately \$234,000. This budget has a tax rate equivalent of \$1.20 per \$100 value. We must continue to be diligent in our overall effort to increase revenues and reduce expenditures at every chance possible.