

June 1, 2016

Chairman Trent  
Vice Chairman Bazemore  
Commissioner Lee  
Commissioner Wesson  
Commissioner White

To the Board of Commissioners and the citizens and taxpayers of Bertie County:

As required by the NC Local Government Budget and Fiscal Control Act, submitted for your review is the proposed budget plan for FY 2016-2017.

Accompanying this budget message is a balanced statement of projected revenues and estimated expenditures for the General Fund which totals \$22,286,578 which is an increase of 4.19 percent over the adopted budget for the current year.

This budget plan attempts to meet the stated goals of the governing body, and provides flexibility for the discussion and changes that may be warranted based on the Board's upcoming deliberations. First and foremost, this proposed budget does not contain a tax rate increase and the recommended appropriation of fund balance reserves is more than \$100,000 less than the adopted budget ordinance for the current year. The estimated tax base for FY 2016-2017 is \$1.3 billion assessed value and the net yield for each cent on the tax rate is \$125,858.

The Board of Commissioners has made a significant investment in the County's human capital—its employees. Last year the Board took significant steps toward establishing an improved working wage for staff beginning with the lowest job classifications across all departments. The Board of Commissioners approved a supplemental 401(k) retirement contribution of 2% for all non-law enforcement personnel who receive a 5% supplemental 401(k) contribution as required by NC General Statutes. The Board of Commissioners also established an employee assistance programs for employees and their families, and established a flexible spending account for out of pocket medical expenses with a \$200 contribution for each employee.

The proposed budget for FY 2016-2017 continues this effort, and funding is included to increase the contribution for 401(k) supplemental retirement to 2.5% beginning July 1, 2016 and continues the provision of a \$200 contribution per employee for the flexible spending account to assist with the cost of meeting deductibles and prescription copayments.

There are no new full time positions added to the budget as proposed for FY 2016-2017, and the only additional part-time position is for the senior nutrition site in Kelford.

During the current fiscal year, the Board engaged a consulting firm to review the County's job classification and compensation for all positions within the organization. This study and its recommendations will be presented during the budget work session as determined by the Board. Implementation of these recommendations in the next fiscal year, or phased in over a period of years will represent a significant investment in the County's human resources and extend our ability to recruit and retain qualified staff. I would recommend strongly that the

Board consider placing priority on two areas where the County has struggled with position turnover during the past several years—law enforcement and social services. To assist the Board with identifying funds to cover the cost of this implementation process, projected sales tax receipts have been held flat with no increase for FY 2016-2017. Notable in this discussion will be the anticipated expansion of sales tax and the revised distribution formula approved by the NC General Assembly to be effective beginning next fiscal year. Impact for Bertie County has ranged from an increase of \$500,000 per year to figures much higher. The Board has the flexibility to proceed cautiously, to examine the sales tax receipts in the first quarter or first half of the year, and place priority on salary adjustments that may warrant immediate attention as needed.

School current expense funding is recommended at \$3,003,000 and is above the State’s minimum requirement of \$2,674,812 which maintains the County’s eligibility for low wealth supplemental funding and other critical State revenues.

School capital outlay funding is recommended at \$375,000.

In order to avoid a tax increase for FY 2016-2017 there remain several program requests which are not recommended for funding in the proposed budget. In recognition of the difficult decisions and discussions that will take place, the Finance Officer has identified unallocated funds totaling \$125,394 which have been placed in the contingency line item for the General Fund are available for appropriation by the Board of Commissioners, or for use in reducing the tax rate by one cent.

During the past couple of years, the governing body closing examined the County’s ability to provide health insurance coverage for existing staff and qualifying retirees. In January of 2016, the Board took action approving the County’s participation in the NC State Health Insurance program, a decision that greatly reduced annual premiums and lowered deductible limits. Future obligations for existing staff and the accompanying retiree health insurance remain a long term unfunded liability. Premium costs for the County’s existing retirees are budgeted at \$350,000 for next fiscal year.

The proposed budget for FY 2016-2017 includes utilization of the County’s savings generated by its participation in the state health plan to establish a financing plan for the long term post-employment health care costs for retirees. This accrued unfunded liability has grown significantly in recent years as indicated by the County’s audited financial statements :

FY 2012	\$2,386,998
FY 2013	\$2,963,144
FY 2014	\$3,385,713
FY 2015	\$3,849,010

One of the Board's top financial priorities for 2016 is to adopt a strategy to address this long term liability, and the proposed FY 2016-2017 includes a funding strategy based on depositing \$100 per month per authorized position in an irrevocable trust fund account, with these monies permanently restricted for post-employment health insurance costs for retirees. Funding is included in the Special Appropriations category, identified as "OPEB Trust" for this purpose in the amount of \$242,400 for FY 2016-2017.

Additionally, the proposed budget plan outlines a strategy to curtail future post-employment benefit costs related to retiree health insurance. At present, the County's benefit plan provides 100% percent of the premium cost for retiree health insurance for an employee retiring with 20 years continuous service, or 25 years non-continuous service to the County regardless of age. Coverage continues until the employee/retiree becomes Medicare eligible, at which time the County converts coverage to a Medicare Supplement policy. Likewise the County pays 50% of the cost of health insurance premiums for an employee who is at least 55 years of age and retiring with 15 years of continuous service under the current personnel resolution.

In an effort to mitigate the growing burden for retiree health insurance costs facing current and future taxpayers, several adjustments to the County's personnel resolution are outlined below:

- 1) New hires—after July 1, 2016 no retiree health insurance coverage is offered.
- 2) Current employees with at least 10 years of service as of July 1, 2016 will maintain full (100%) health insurance coverage at 20 years of continuous service or 25 years of non-continuous service regardless of age.
- 3) Employees with at least 5 years of service, but less than 10 years as of July 1, 2016 will be eligible for retiree health insurance as follows:
  - 100% coverage of health insurance premium with 30 years of service to the County.
  - 75% coverage of health insurance premium with 25 years of service to the County.
  - 50% coverage of health insurance premium with 20 years of service to the County.
- 4) Current employees with less than 5 years of service as of July 1, 2016 will be eligible for retiree health insurance as follows:
  - 75% coverage of health insurance premium with 30 years of service to the County.
  - 50% coverage of health insurance premium with 25 years of service to the County.
- 5) Service time credit with the County will be calculated based on actual service time and any sick leave time that is on balance with the County at the time of retirement, which is consistent with current County policy.

Again, the strategy outlined above is recommended, and is subject to change based on review and consideration by the Board of Commissioners. At a minimum, these five strategies will bring to focus, the pertinent issues contributing to the future financial liability for the County.

At present, the County has 209 authorized full time positions. The adoption of the FY 2015-2016 budget added 8 new positions, and the start-up of the County's paramedic and non-emergency transport programs have added 46 new staff positions since the program's inception in December 2013. Projecting forward, the County's staffing and future obligations for post-employment benefits (retiree health insurance) will require the governing body to be proactive in its financial planning to meet these liabilities, which are presently unfunded.

Other priorities funded in this proposed budget included full year implementation of the core staffing plan for the Cooperative Extension office as previously approved by the Board, in cooperation with NC State University. There is continued support for the Board's community based recreation efforts utilizing resources allocated through the Recreation Department and the YMCA to serve joint programming and services throughout the County. As these efforts continue to grow, it is recommended that a joint memorandum of understanding be developed to clearly identify roles and responsibilities for the community based recreation programming.

Continued emphasis on preventive maintenance and upkeep for various County facilities is reflected in the Public Buildings budget with a recommended amount of \$255,851 for capital improvements. Several items have been deferred including parking lot paving at various locations, which reduced the requested capital figure of \$339,301 for next fiscal year. In addition, \$50,000 is earmarked in the Animal Control budget for improvements to the animal shelter including weatherization and temperature control in an effort to meet state regulatory standards set by the NC Department of Agriculture. Also, the County recently formalized its relationship with the Blue Jay Recreation community association with a long term facility lease, and in addition to seeking grants for Blue Jay park improvements, the proposed FY 2016-2017 budget includes \$83,450 for the first phase of upgrades at the facility.

Funding for the Bertie County Regional Water system totals \$2,821,400 and reflects the combined funding for all four (4) water districts and the recent increased customer base with the addition of the South Windsor, Lewiston-Woodville and Roxobel systems. The Board has also successfully sought capital financing for three major projects which have been approved with a total of \$1,574,000 in grant funding and \$4,234,900 in long term financing, of which \$2,517,850 is zero interest. During the budget work sessions, the Water Superintendent and I want to address potential usage rate changes for non-residential customers. Additionally, beginning July 1, 2016 the water department personnel will begin billing for sewer customers served by the Town of Windsor who were previously part of the South Windsor. The Town of Windsor has agreed to reimburse the County a 2% collection fee which is also paid by the Towns of Lewiston-Woodville, Askewville and Colerain. Having a single point of contact for billing will eliminate confusion and save time for customers.

I am indebted to the department heads and agency directors who have been very diligent in preparation of funding requests, and to Mr. William Roberson the County's Finance Director, for his careful review and assistance in developing this budget proposal.

Respectfully,

Scott Sauer  
County Manager