

BERTIE COUNTY

JUAN VAUGHAN, II
County Manager

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Clerk to the Board



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TO: Bertie County Board of Commissioners, Citizens, and Taxpayers of Bertie County

FROM: Juan Vaughan, II, County Manager

DATE: March 29, 2020

RE: Proposed FY 2020-2021 Budget Plan

In accordance with North Carolina General Statutes, I respectfully submit for your review and consideration the recommended FY 2020-2021 budget for Bertie County as required by the North Carolina Local Government and Budget Fiscal Control Act.

The budget development process began with the distribution of a budget calendar, preparation forms, and instructions to all county departments, groups, and agencies that receive funding from Bertie County. If all budget requests submitted for FY 2020-2021 were funded, a 20 cents tax increase would be required with no use of fund balance reserves.

The proposed funding for the General Fund for FY 2020-2021 is \$24,755,534 which is a decrease of \$736,370 or 3% below the original budget ordinance for the current year, which was \$25,491,904. The proposed General Fund budget does not include a fund balance appropriation nor an increase in the proposed ad valorem tax rate. The County could benefit from a number of capital requests; however, due to the limited amount of available funds, many requests are not included in the proposed budget.

For the fiscal year ending June 30, 2017, the appropriated fund balance for the original budget was \$1,271,247; the final budget included an appropriated fund balance of \$1,857,025. For the fiscal year ending June 30, 2018, the appropriated fund balance for the original budget was \$1,592,304; the final budget included an appropriated fund balance of \$2,022,737. For the fiscal year ending June 30, 2019, the appropriated fund balance for the original budget was \$1,902,304; the final budget included an appropriated fund balance of \$2,373,361. In the current fiscal year ending June 30, 2020, the appropriated fund balance for the original budget was \$1,729,650.

In FY 2012-2013 Bertie County budgeted for 147 positions; as of the year ended June 30, 2019, the County budgeted for 226 positions. During the current fiscal year (FY 2019-2020), the total number of positions is approximately 234. Most of the staffing expansion experienced since FY 2012-2013 is directly related to public safety functions, including law enforcement and emergency services. Since this significant increase in staffing (87), the tax rate was increased by 6 cents beginning FY 2013-2014, decreased 1 cent beginning FY 2017-2018, and increased by 3.5 cents beginning FY 2019-2020 for our current ad valorem tax rate of \$0.865 per \$100 assessed value. In addition to the staffing increase, there was also an increase in

compensation for EMT and Paramedic positions, Deputy Sheriff positions, communications personnel, and some DSS positions that did not meet the minimum pay level as required by the State.

The North Carolina Local Government Commission advises units of local government to maintain the fund balance available for appropriation at 8% or higher of total expenditures. Bertie County adopted a minimum fund balance policy for the General Fund, which instructs management to maintain the fund balance available for appropriation at 10% or higher of total expenditures. As a result of appropriating fund balance to balance the budget for a number of years, the approach taken to propose the FY 2020-2021 budget was not to appropriate any fund balance. No appropriation of fund balance in the proposed budget is also advantageous since we have not received a finalized audit for fiscal year ending June 30, 2019. The proposed budget was also prepared with the intent of not proposing a tax increase, especially because of the state of the economy amid the current coronavirus pandemic.

It was possible to balance the proposed budget with no appropriation of fund balance and no recommended tax increase for a number of reasons, including the growth of our tax base due to revaluation. The Board of Commissioners contracted for a mass appraisal project to reassess all real property as required by North Carolina General Statute 105-286 using an octennial revaluation schedule. Prior to the latest appraisal conducted this fiscal year, the real property in Bertie County was last reassessed as of January 1, 2012. After revaluation this year, the total valuation projection for FY 2020-2021 is \$1,382,385,051, which is \$65,249,109 (4.7%) higher than the FY 2019-2020 projected total valuation of \$1,317,135,912. At a collection rate of 100%, each penny produces \$138,238.51. At the collection rate of 97.06% reached in FY 2018-2019, each penny produces \$134,174.29.

In a property revaluation year, North Carolina General Statute 159-11(e) requires local governments to calculate the revenue-neutral property tax rate for comparative purposes. The revenue-neutral property tax rate is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no appraisal had occurred. The tax rate estimated to produce revenues equal to those produced for the current fiscal year after being increased by the growth factor is \$0.8336. This growth factor represents the expected percentage increase in the value of the tax base due to improvements during the next fiscal year.

An additional source of revenue for the proposed budget is the CARES Act, which provides payments through the Coronavirus Relief Fund (CRF) to state, local, and tribal governments navigating the impacts of the COVID-19 outbreak. Bertie County's allocation for CRF funds is \$558,274. CRF funds can be used for payroll expenses for all public health and public safety employees as well as for supplies, equipment, and other costs related to COVID-19 incurred between March 1 and December 30, 2020.

As it relates to expenditures, the proposed special appropriations are very similar to the appropriations that have been made to various vital programs, regional agencies, and non-profit organizations in prior years despite several requests to increase contributions. The total allocation recommended to special appropriations is \$6,324,802. Most of the special appropriations are annual operating support for Bertie County Schools, community colleges, and the regional jail.

\$6,324,802	Proposed Special Appropriations for FY 2020-2021
\$3,027,671	Bertie County Schools
\$ 375,000	Bertie County Schools Capital Outlay
\$ 70,000	Fines & Forfeitures Pass Through from Courts to Schools
\$ 200,000	1 / 4 cent sales tax – Art 46 - Pass Through to Schools (Estimated)
\$ 59,275	Martin Community College Windsor Campus
\$ 31,500	Martin Community College Capital Outlay
\$ 55,000	Roanoke-Chowan Community College
<u>\$1,147,006</u>	Bertie-Martin Regional Jail
\$1,359,350	Other Special Appropriations

As if further relates to expenditures, the budgets of most county departments were reduced by at least 5%. The budgets for a number of departments were decreased significantly more than 5% while only a few had very little change. Departments such as Finance and Veteran’s Services have small budgets with very few areas for reducing expenditures.

It was challenging yet very critical to make reductions in most county departmental budgets. In efforts of reducing expenditures to alleviate further use of fund balance to balance the budget, several positions were not funded in departments with numerous vacancies. For example, the proposed budget includes no funding for the five deputy positions in the Sheriff’s department that were frozen for the current fiscal year. Similarly, there were also five positions in Non-Emergency Transport that are not absolutely necessary based on the call volume at this time; thus, these positions have not been included in the proposed budget.

The largest expenditures for equipment, capital and non-capital, recommended fall within Emergency Services and the Sheriff’s department, permitting the use of CRF funds. This equipment includes power-load stretcher systems that permit a reasonable amount of distancing when transporting COVID patients and additional radios to alleviate the sharing of such equipment.

Other equipment and capital costs include a server for Information Technology (IT), a replacement vehicle and 51 printers for the Department of Social Services (DSS), 6 replacement cars (leased) for the Sheriff’s department, tax software and equipment for the Tax Office, and repair/upgrade to buildings for Public Buildings.

Strong consideration is recommended for other capital costs in the future, including voting machines for Elections and furniture for Cooperative Extension’s new office space. A number of employees requested salary increases; however, budget constraints did not permit the inclusion of any salary increases in the proposed budget. There is salary compression in DSS that should be addressed when funds permit.

Along with the proposed budget are proposed increases for the Bertie County Planning & Inspections Fee Schedule. These fees were last updated/increased in 2014. The proposed increases are a result of increased costs as well as having comparable rates to surrounding counties. Please note that the proposed increases will simply share the burden with consumers seeking to make improvements or build new construction.

I look forward to highlighting the items mentioned herein in the upcoming Board of Commissioners meeting on Monday, June 1st. I also look forward to a more in-depth discussion as needed during a work session to be scheduled during Monday's meeting. County staff and department heads are prepared to explain funding requests and to assist the Board with balancing priorities within our fiscal limits. The final adoption of the FY 2020-2021 budget is anticipated to occur between June 15 and June 30, 2020. We will continue to work diligently with Thompson, Price, Scott, Adams & Co. to finalize the audit ending June 30, 2019 as this is a necessary component of planning and making budgetary decisions in the future.

All county employees contributed to this fiscal plan in some way. I would like to extend my gratitude to all employees for their assistance, to department heads for the leadership and sacrifices, and to Finance Director, William Roberson, for his fiscal acumen and technical support.

Respectfully submitted,

Juan Vaughan, II
County Manager