



# PROPOSED BUDGET

FISCAL YEAR 2018-2019

County Manager and Budget Officer

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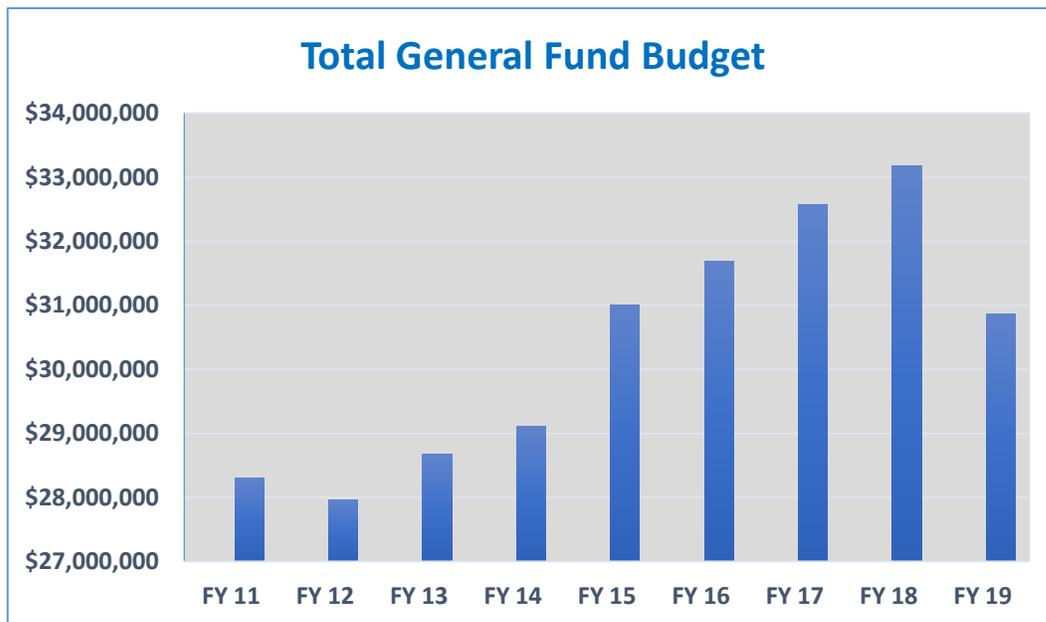
Honorable Chairman and Members of the Warren County Board of Commissioners,

In accordance with the North Carolina Local Government Budget and Fiscal Control Act, I am pleased to submit to you for your consideration the proposed FY 2018-2019 Warren County Budget. North Carolina General Statute 159-13 requires that boards of county commissioners receive proposed budgets from the county budget officer no later than the first day of June, and to officially adopt budget ordinances no later than the first day of July for each fiscal year. A Public Hearing to receive citizen comments on the proposed budget is recommended to be held on June 4, 2018 at 5:30 PM at the Warren County Armory Civic Center.

Presented below is the recommended Fiscal Year 2018-2019 Warren County Budget. The General Fund budget is proposed to be \$30,862,258 which represents a decrease of \$2,317,817 from the current FY 2017-18 budget.

The budget provides sufficient funds to maintain the current level of services while addressing priorities suggested by the Board of Commissioners.

- The budget reduces operating costs and limits personnel costs while addressing the Local Government Commission’s requirement for eliminating fund balance as an appropriation.



- The budget reduces expenditures by eliminating job positions in multiple departments and reducing expenditures in many departments by as much as 5%.
- The budget reduces funding for Warren County Schools by \$200,000 or 4%.
- Savings from contracted services has resulted in an expense decline of \$22,000.

- Contributions to Vance-Granville Community College remain unchanged.
- Contributions for the Lake Gaston weed control remain unchanged.
- There are no planned cost of living adjustment or merit increases for employees.
- As recommended by the auditor, the budget creates one full-time position in the Department of Social Services for an Income Maintenance Program Manager to handle quality control. The budget creates one job upgrade at the Board of Elections while at the same time restructuring or eliminating numerous positions in several departments.
- Collectively, all Warren County Volunteer Fire departments have requested an increase in payments from the county and included in the budget is an increase totaling \$41,500.
- The budget maintains the county's healthy financial condition with an Unrestricted Fund Balance that is projected to be approximately \$9,621,452 or 31% of our General Fund expenditures by the end of FY 2018-2019, a nominal increase of \$131,157.
- The budget corrects errors in calculating the "revenue-neutral" tax rate from FY 2017-2018, which resulted in a 3 cent tax cut for citizens. Based on independent analysis by auditors, the revenue-neutral tax rate is determined to be 79 cents instead of the reduced and current 76 cents per \$100.
- Implementation of the recommended budget and revenue-neutral tax rate should result in a nominal addition to fund balance.

**HIGHLIGHTS:**

- Budget corrects the revenue neutral rate miscalculation.
- Independent Auditor determined revenue-neutral tax rate of 79 cents.

## **General Fund**

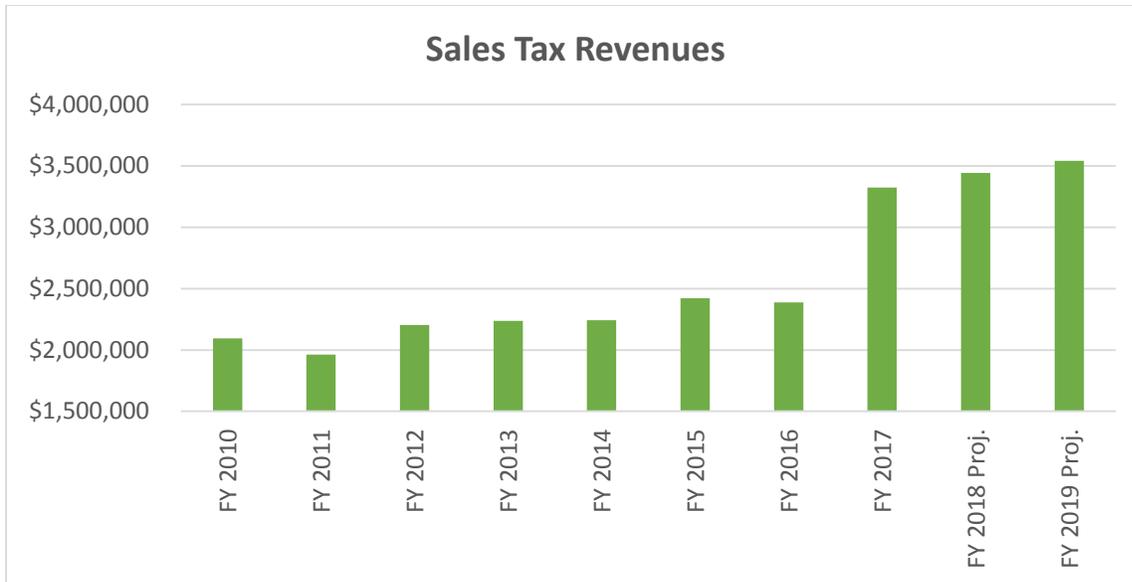
### **General Fund Revenues**

Even with a revised revenue-neutral tax rate, County revenues will significantly decrease in FY 2018-19 over the prior year by \$2.3 million, from approximately \$33.1 million to \$30.8 million, primarily due to the Local Government Commission (LGC) admonishment to eliminate Fund Balance as an appropriation. Several areas in the Department of Social Services will see significant revenue reduction due to the State taking over payments for certain services. Revenue from ABC profit sharing will return to the budget after a six-year hiatus. Revenues from interest income, P-Card purchases and other creative endeavors will show demonstrative increases. Sales taxes are projected to increase slightly. Overall, other revenues remain constant with little to no growth.

**Property tax revenue is the primary source of general fund revenues** providing 60% of total revenues and a total amount of \$18,536,197, utilizing a revenue-neutral rate of 79 cents per \$100. The tax base is not expected to increase nor provide any material, incremental growth in revenue during the budget period. Instead, total taxable property values will continue to decline and the county is not expected to transition into a positive trend in the foreseeable future. The property tax collection rate of 96.8% will be unchanged from the current FY. The County continues to benefit from a 99% collection rate for automobile tags and taxes as administered by the State, by preventing owners from receiving their tags until the tax is paid. Revenue collected for utility properties are expected to continue to decline. A continued lack of general growth in the economy along with lack of property value growth will make it difficult to expand county services in the future without increasing the tax rate. The figures below reflect annual tax bases and tax rates for the past decade.

Fiscal Year	Taxable Assessed Value	Tax Rate
FY 2008	\$ 1,373,481,578	0.84
FY 2009	\$ 1,428,417,105	0.92
FY 2010	\$ 2,500,000,000	0.60
FY 2011	\$ 2,498,000,000	0.60
FY 2012	\$ 2,520,765,433	0.62
FY 2013	\$ 2,540,927,287	0.66
FY 2014	\$ 2,596,400,669	0.66
FY 2015	\$ 2,575,524,951	0.66
FY 2016	\$ 2,559,949,502	0.66
FY 2017	\$ 2,486,867,624	0.71
FY 2018	\$ 2,509,887,460	0.76
FY 2019	\$ 2,420,705,063	0.79

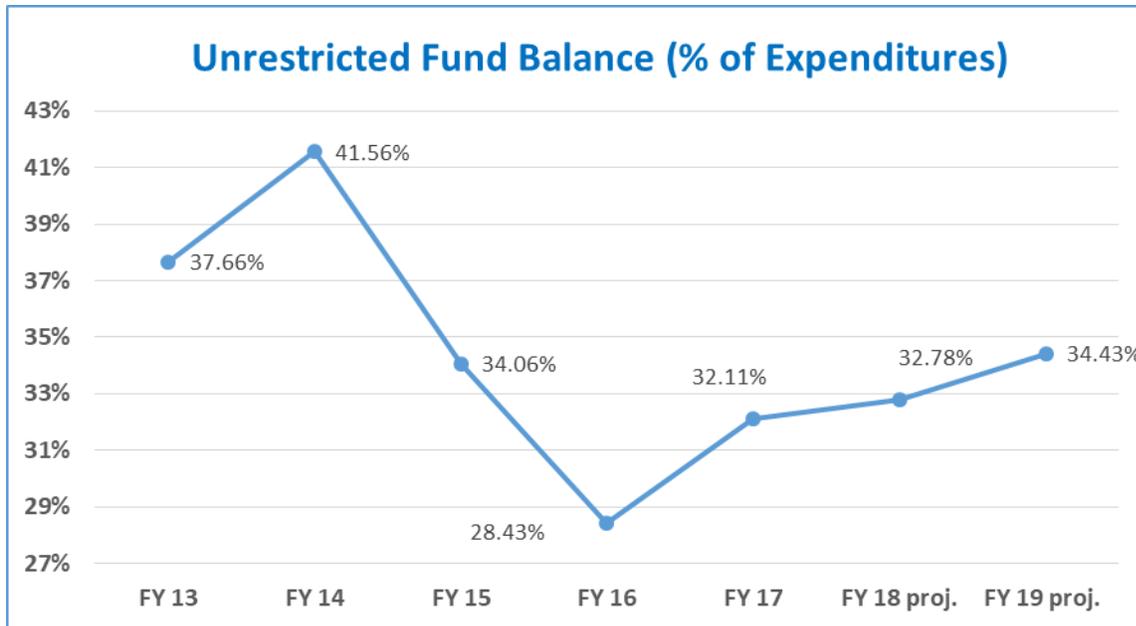
**The second largest source of governmental fund revenue is sales tax.** Sales tax collections have rebounded from recessionary lows of nearly a decade ago. Total county sales tax revenues for FY 2018-19 are estimated to continue grow slightly year over year. Increases in the current FY and FY 2016-17 are due to an expansion and change in the way the state calculates the goods and services currently being taxed. The County continues to receive sales tax proceeds from the States’ article 44 redistribution which began in FY 2017. We estimate the county will receive \$805,000 in FY 2018-19 from this distribution which must be designated for economic development, schools or the community college.



Other important sources of revenue that are generated locally include building inspection revenues, register of deed revenues and locally collected fees. These other revenues are indicators of potential decline or increase in economic activity within the County. Overall, most of these sources of revenue will remain at a constant level in FY 2018-19.

Ambulance revenues are expected to decrease by \$175,000 in FY 2018-19. While we continue to look at best practices for collection services we recognize that reductions in Medicaid payments contribute to reduced ambulance collections. Alcohol Beverage Control profit sharing is projected to contribute \$100,000 in revenue after a six year hiatus. The County will receive 100% of the net revenue from the ABC profits, because the County has elected not to share revenue with municipalities. The Department of Social Services will show significant reductions in revenues, but its expenses will be offset by the same amount, due to the State taking over pass-through type payments.

There is no appropriation of fund balance in the proposed budget as suggested and required by the Local Government Commission. The County used fund balance in prior years to balance the budget and must return to years of positive growth in the Unrestricted Fund Balance. As a result, the FY 2018-19 budget reflects a \$131,157 contribution to fund balance, or .004% of the overall budget. LGC requires the county to maintain an average Unrestricted Fund Balance of 32% or \$10,617,624. The current Unrestricted Fund Balance stands at \$9,490,295. Major county-wide funding objectives include broadband and natural gas expansion, which will require an increasing amount of fund balance to leverage with grant funds in order to implement.



### General Fund Expenses

The budget as a whole prioritizes the objectives of the Board of Commissioners to reduce expenses wherever possible. Tasking department heads to identify savings of 5% from their individual budgets has resulted in significant savings from the following departments; library, finance, administration, economic development, senior center, human resources, tax, information technology, animal control, health, armory and public works. While not all departments were able to reduce expenses by 5% the net result contributed to an overall reduction in expenses of approximately \$2.3 million. The school system was able to appropriate funds from their restricted fund balance for the current budget only, thereby reducing the County’s necessary contribution by 4%. Salary Progression will not materially increase personnel expenses going forward as most of the progression-related increases have been incurred. Vehicle purchases in the coming fiscal year include one ambulance, two patrol cars and one van for the Sheriff’s department totaling \$246,800. The forestry service is requesting a new truck for \$41,000, of which 60% is paid for by the State. A no till drill for \$15,000 is included in the Cooperative Extension budget to support a joint initiative with the Economic Development department. It is important to note that county needs as a whole continue to outgrow County resources, and staff are asked to do more with less. Departmental requests at the beginning of the budgeting process totaled \$32,411,043 more in expenses than expected revenues, which if implemented would require a 7 cent increase in ad valorem taxes to fulfill.

#### General Fund Expenses

*“Reduction in expenses from \$33.1 million to \$30.8 million.”*

*“Staff asked to do more with less.”*

## BUDGET MESSAGE – FY 2018-2019

The largest areas of expenditures remain in the areas of: social service, health service, public safety and education. There is no significant recurring expense within the budget, as the focus on cost savings prohibited such consideration.

There is no assigned set-aside for capital improvements to county buildings in the proposed budget. Capital improvements to the DSS building were accelerated in the prior FY freeing up the need for additional expenditures. Deferred maintenance on certain capital improvements is not included in the proposed budget.

In regards to personnel, the budget includes one new full-time position and one position upgrade. The new full-time position is within the Department of Social Services and includes a new Income Maintenance Program Manager position. The county is responsible for 50% of the new position cost or \$30,208. The position upgrade is within the Board of Elections department and county costs total \$9058. There are no other position additions or upgrades planned.

The County is fortunate to receive a decrease of 1.9% in health insurance premiums for the coming year. This decrease is based on fewer and smaller health claims by County employees. In a typical year, the County would expect an increase in health insurance premiums due to the rising cost health care in general. However, we continue to monitor the frequency of our high cost claims as this has historically been the cause of premium increases and the county will continue with Blue Cross Blue Shield as its provider in the coming FY. At this particular point in time the County health benefits are in line with benefits provided by surrounding counties, however should costs spike in future years the county may be forced to raise deductibles for employees in order to pay for premium increases.

The County's retirement contribution for Employees is increasing from 7.58% to 7.83% for regular employees. For Law Enforcement employees the retirement contribution is increasing from 8.25% to 8.50%.

There are no planned cost of living adjustments or merit increases for employees, given the recent implementation of salary progression and appropriated bonuses. However, to remain competitive in the marketplace, a salary study along with re-balancing with surrounding counties will be needed in the future. One focal point of the budget is to ensure that department heads and supervisors, especially newly appointed managers, receive training and professional development. To that end the budget allocates \$2500 to begin the process of supervisory education.

The budget includes membership in the Research Triangle Research Partnership (RTRP), however funds allocated to RTRP may be utilized for other marketing and business recruitment efforts that complement the focus on development at the I-85 interchanges and Triangle North sites, should the need arise and the importance of those sites supersede membership in RTRP.

**Education Funding**

The Warren County Schools requested no increase in funding but instead will utilize \$200,000 from their Restricted Fund Balance in order to accommodate a 4% reduction in the County’s funding contribution.

<b>Warren County Public School Funding</b>					
<b>Fiscal Year</b>	<b>Current Expense</b>	<b>Capital Outlay</b>	<b>Expansion/Current Expense</b>	<b>SEMMA Allocation</b>	<b>Total Allocation</b>
2012	3,182,228	362,812	370,855		\$ 3,915,895
2013	3,246,185	465,278	434,306		\$ 4,145,769
2014	3,650,593	180,051	124,626		\$ 3,955,270
2015	4,100,000	470,060	420,937	59,003	\$ 5,050,000
2016	4,650,000	651,445	176,618	118,845	\$ 5,596,908
2017	4,584,331	175,000	254,742	119,000	\$ 5,133,073
2018	4,584,331	175,000	254,742	119,000	\$ 5,133,073
2019	4,384,331	175,000	254,742	119,000	\$ 4,933,073

**Other Noteworthy Items**

- Funding for non-profits has been reduced from \$45,000 to \$40,000
- Funding for KARTS is unchanged at \$78,931.

**Enterprise Funds**

Different from other governmental funds, an Enterprise Fund is similar to private business accounting in that the ability to demonstrate self-sufficiency is required. Warren County operates eight enterprise funds, four water and sewer based funds, solid waste fund, E911, Fire Tax District Fund and Octennial Revaluation Fund.

**Water and Sewer Fund Budgets**

While cost of water to the county is expected to increase by 5% in the coming year, there are no proposed increases in water, sewer or usage fees. The regional water fund budgets for FY 2018-19 are relatively unchanged from this year’s revised budget: Regional: \$967,997, District

1: \$700,954, District 2: \$681,392 and District 3: \$936,597. Any minor decreases/increases are a direct result of changes in customer water usage. The Water and Sewer Funds are self-sustaining and require no transfers from General Fund. As required by the LGC proposed budgets must include depreciation expenses. While complete coverage of depreciation is not budgeted, the expense lines for depreciation are increased over prior years.

Warren County is one of three partners involved in the Kerr Lake Regional Water System (KLRWS) and purchases water from the partnership for usage within the County as well as for resale to the municipalities of Norlina and Warrenton. Current water usage approximates 1 million gallons per day including sales to municipalities. Total water allotment from KLRWS is 2 million gallons per day which will increase to 4 million gallons per day in the upcoming two years as capacity is increased at the regional water treatment plant. Warren County is responsible for 20% of the capacity expansion costs of the treatment plant, but has received a grant of \$3 million from the North Carolina Department of Water Quality to offset its share of expenses which equals \$4 million.

The current water rate includes a base fee of \$25 for the first 1000 gallons used plus \$5 for each additional 1000 gallons used. The average household water usage per month has been 5000 gallons which translates into an average bill of \$50. Current sewer rates include a base fee of \$13 for the first 1000 gallons used plus \$5 for each additional 1000 gallons used.

### **Solid Waste Enterprise Fund**

The overall solid waste fund budget is \$1,733,997 which represents a decrease of \$49,006 as compared to this year's revised budget. A reduction in tipping fees is the primary cause for the decrease. The primary source of revenue for the fund is a solid waste fee for county residents and businesses. There is no proposed increase in the solid waste fee.

Major expense items in the solid waste fund involve operations of the convenience and recycling sites as well as contracted services for hauling of waste to landfill sites outside the county. The County contracts with Waste Industries for operation and staffing of the convenience sites and hauling and disposal of waste. The County is currently soliciting a long-term contract with Waste Industries in order to reduce costs and lock in a long-term, lower rate. A priority of improving the appearance of convenience sites is also a part of contract renewals and negotiations. Improvements will involve constructing new concrete pads and new compactors at many sites, which will help reduce odors.

### **Special Revenue Funds**

#### **Fire Tax District Fund**

The Fire Tax District is made up of 14 tax districts for 14 volunteer fire departments. The FY 2018-19 budget is \$979,112 as compared to \$974,898 for the current FY, and is solely based on the tax rates set by the individual fire service districts.

### **E911 Fund**

E911 is a special revenue fund mandated by the state and is used exclusively for purposes related to the 911 call center. \$191,767 is budgeted for FY 2018-19 as compared to \$168,048 in the current FY. Increases to the fund are based on expected equipment replacement and 100% of expenses are offset by State funding.

### **Octennial Revaluation Fund**

This fund is a set aside for the revaluation of property occurring every eight years. The budget for the FY 2018-19 is \$50,500 as compared to the current FY of \$50,180.

### **Conclusion**

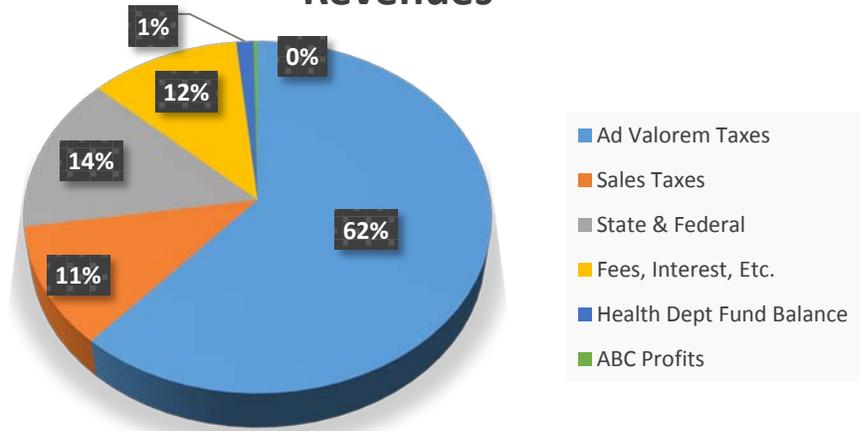
Pleased to present my first proposed budget as County Manager, I believe this budget reflects the priorities of the Board of Commissioners and citizens of Warren County. While total expenditures and revenues are down over \$2.3 million from the current budget, they are the result of a commitment by staff to reduce expenditures and suggest creative ways to offset revenue loss. Faced with a revenue shortfall in the current year due to miscalculation of the revenue-neutral tax rate, the proposed budget returns the tax rate to 79 cents per \$100 and revenue-neutral status while generating a positive contribution to fund balance. A focus on economic development and attracting jobs to Warren County will remain a top priority to solving long-term shortfalls in revenue growth. An overarching goal of restructuring and identifying ongoing ways of reducing overhead and costs will help avoid increases in ad valorem taxes. I believe that Warren County is poised to leverage grant funding to achieve long-term development goals for its citizens, such as broadband and natural gas expansion.

I appreciate the assistance and extensive experience of department heads and staff in establishing this proposed budget. Without their budgetary and operations knowledge it would not have been possible.

Respectfully submitted,

Robert Davie  
County Manager and Budget Officer

### Fiscal Year 2019 General Fund Revenues



### Fiscal Year 2019 General Fund Expenditures

