

BUDGET MESSAGE – FY 2022-2023

Honorable Chairman, Vice-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 Fiscal Year (FY) 2022-2023 Warren County Budget. A public hearing to receive citizen comments on the proposed budget is scheduled for June 6, 2022 at 6:00 PM at the Warren County Armory Civic Center.

As you know, we are more than two years into a declared national, state, and county emergency due to the Coronavirus and COVID-19 pandemic. It appears that we are nearing the end of the pandemic; as it transitions to becoming endemic, we will still have to navigate it just as we do other seasonal viruses, such as the flu. The pandemic was the single biggest factor in developing our current budget, causing us to review our operations; it remained a significant factor in the development of our FY 2022-2023 budget. However, for FY 2022-2023, inflation has developed as a major challenge. We are currently in the midst of inflationary price increases at a level not seen in 40 years (currently, over 8.5%). These two significant factors, along with recession concerns and the conflict with Russia and Ukraine, will impact our revenue projections; until this point, our revenue projections were poised for continued growth. However, even in the midst of these challenging times, the County remains in a sound financial position. A challenge remains in that the County must continue to diversify our revenue generation options to support the continued long-term growth for the County. The difference for FY 2022-2023 is that we have ended our declared emergency and we are making adjustments to our new normal here in Warren County. Presented below is the recommended FY 2022-2023 Warren County budget.

I'd like to begin by acknowledging the Board of Commissioners for your support during the County's pandemic response, as well as your deliberate actions with regard to setting the strategic direction for the County.

I would like to extend a special note of thanks to Dr. Margaret Brake and our Emergency Management leadership team- Joel Bartholomew, Emergency Services Director, and Chris Tucker, Emergency Manager/Compliance Officer. This team has led our emergency management response over this second year of the pandemic.

In addition to the Emergency Management team, I would like to commend our Health Department epidemiology team and nurses, Emergency Services, Sheriff's Office and fire department first responders, Senior Center, Buildings and Grounds, Social Services, Cooperative Extension, and all remaining County staff who have continued to provide services to our Warren County residents.

This proposed budget was crafted using the following strategic plan priorities: 1) organizational development improvements, 2) Warren County talent/compensation, and 3) long-term infrastructure and capital improvements.

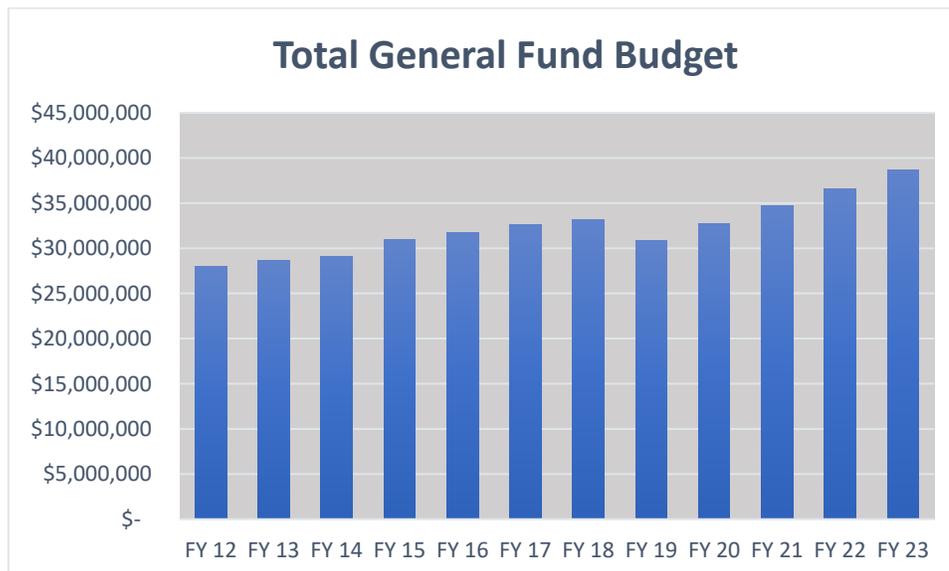
BUDGET MESSAGE – FY 2022-2023

Budgeting for FY 2023 highlights significant challenges for the County. The Proposed General Fund budget is \$38,753,002, which represents 3.7% increase over the current FY 22 Budget of \$37,378,203. It also budgets \$1,823,624 from the County's Unrestricted Fund Balance.

The most significant increased expenditures impacting the FY 23 Proposed Budget are the following factors: 1) EMS 24/72 schedule implementation, 2) an increase in employee health insurance costs of 6% increase, 2) an increase in required retirement contributions for general employees (1.2%) and law enforcement personnel (1.14%), 3) organizational development improvements (compensation study implementation, living wage adjustments, and Cost of Living Adjustments), 4) additional funding for the expansion of paid part-time Warren County volunteer firefighters (\$80,000 increase for a budget total of \$160,000) and volunteer fire departments funding (\$507,300) and one-time funding for retiree health insurance (\$124,000).

In FY 23 the County is projected to see an overall revenue increase due to stronger than anticipated sales tax receipts in the current year and anticipated growth in property taxes (with more growth expected). For next year, we are projecting an increase in property tax revenue due to a slight increase in property tax values after adjustments (delinquent collections are factored). Outside of the increase in sales tax revenue (\$824,296), the County is facing mostly stagnant revenue projections outside of the anticipated increase in property taxes. Finally, the Proposed FY 2022-2023 Budget does not propose any increases in tax rates, with the exception of some fire districts.

The budget provides sufficient funds to maintain the current level of services while addressing targeted priorities for Warren County. Highlights include:



- The budget reflects total revenue growth over the current year - \$1,388,011
- The budget funds new positions in: Emergency Services (11 positions needed to implement 24/72 staff schedules); Planning, Zoning, and Code Enforcement (1 position);

Tax Administration (1 position); and Cooperative Extension (one part-time Farmer’s Market Manager) and ½ position in the County Manager’s Office for the Senior Assistant to the County Manager.

- The budget holds current expense local funding to the current level for Warren County Schools.
- The contribution to Vance-Granville Community College remains unchanged.
- The contribution for Lake Gaston weed control remains unchanged.
- FY 23 funds the last year of a 3-year plan to implement results of the County’s 2020 compensation study, implements a living wage for full-time employees, provides a cost-of-living adjustment and raises the starting salaries of Sheriff’s Deputies(Deputies only).
- The County’s Capital Improvement Plan is funded at \$1,345,476 from the General Fund; funding includes preventive maintenance improvements and long-term infrastructure needs of County facilities with a focus on the Warren County Courthouse.

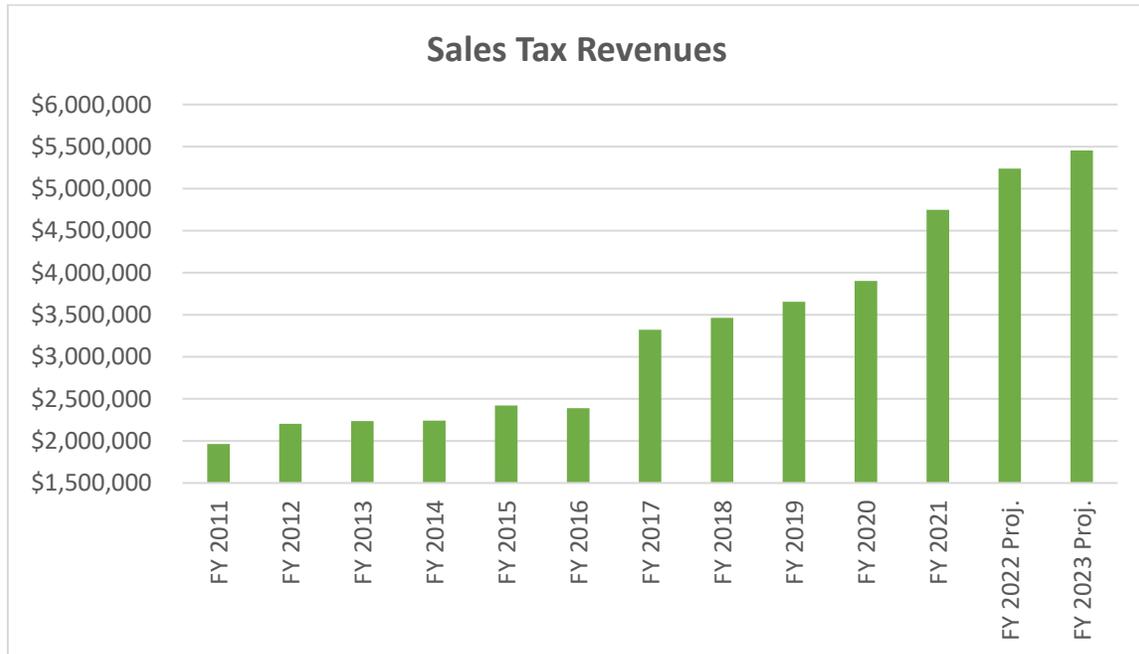
General Fund

Property tax revenue is the primary source of general fund revenues providing 55% of total revenues and a total amount of \$21,109,207 with a tax rate of \$.81 per \$100. Last year, we mentioned that our revenue structure would make it difficult to expand county services in the future without increases to the tax rate and that holds true, until we can diversify revenues. The figures below reflect annual tax base and tax rates for the past decade.

Fiscal Year	Taxable Assessed Value	Tax Rate
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
FY 2020	\$ 2,430,992,386	0.79
FY 2021	\$ 2,495,385,555	0.81
FY2022	\$ 2,515,753,001	0.81
FY 2023	\$ 2,602,212,910	0.81

The second largest source of governmental fund revenue is sales tax. Before the pandemic, sales tax collections were on an upward trend and recovering from the recessionary lows of nearly a decade ago. The Consensus Forecasting Group, which includes economists from the Office of State Budget and Management and the NC General Assembly Fiscal Research Division, released its February 2021 General Fund Revenue Forecast; they will not fully update their projections until they are preparing for the upcoming General Assembly bi-annual budget cycle.

The forecast from the North Carolina League of Municipalities (NCLM) shows increased revenue projections from the previous for the 2023 forecast.

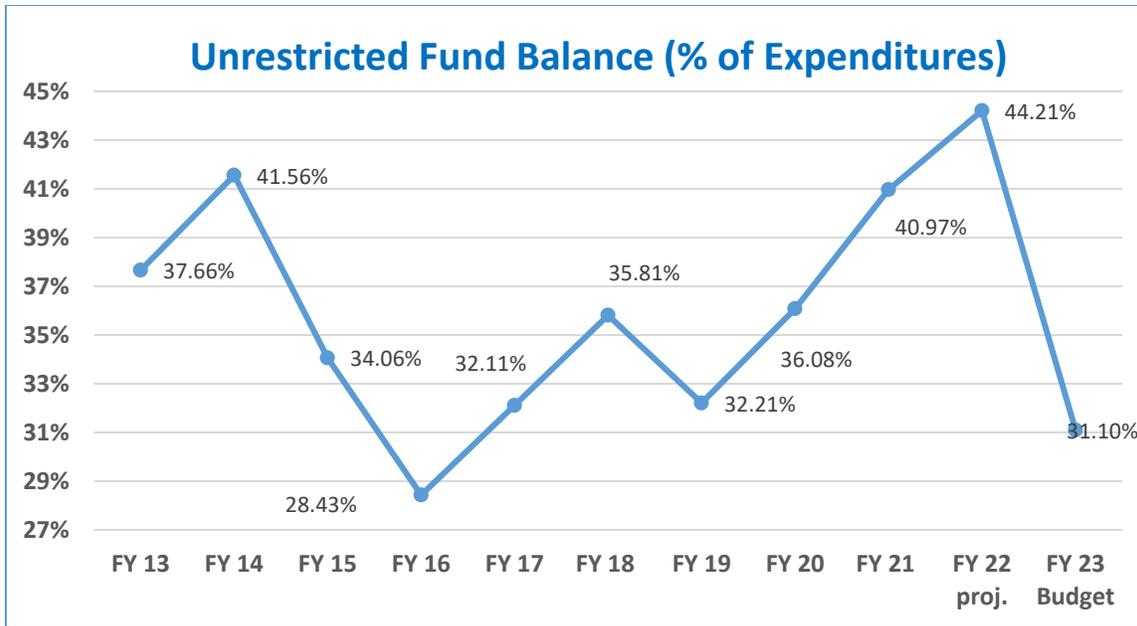


Tracking similar experiences and analysis at the local level, the forecast notes the impact of federal stimulus funds and remote sales tax collection as contributing to the positive trends. However, this recovery period is unprecedented and different sectors are rebounding in uneven ways. The NCLM predicts sales tax collections will increase by 10.25% in 2021-22 and 3.8% in 2022-23.

It is imperative that we remain conservative with projections for sales tax revenue in FY 2023 until we can determine the impact of the pandemic coupled with inflation and measures that will be taken to address recessionary worries. Our revenue estimates for FY 23 factors in a 5% increase in sales tax revenue. Our projections show a year over year increase based on our tax receipts for the current year.

Other important sources of revenue that are generated locally include building inspection revenues, Register of Deeds 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 2022-23.

We expect to see a continued rebound in ambulance revenues FY 2022-2023. The issues identified in our FY 2019 and FY 2020 annual audit have been addressed in the current fiscal year, and our new provider for ambulance billing and collection of Medicaid payments/reimbursements is in place; we have seen a rebound in revenue due to better collection efforts and a FY 22 fee increase.



General Fund Expenses

The budget as a whole prioritizes the objectives of the Board of Commissioners to ensure Warren County is operating in an efficient and effective manner when providing services to our residents. The proposed FY 23 budget includes \$1.55 million for a major school capital project (Warren County Middle School roof replacement) and \$350,000 in restricted sales tax funds for additional Warren County Schools capital outlay projects. General fund vehicle purchases in the coming fiscal year include: an ambulance replacement for EMS (1); a truck for Buildings & Grounds (1); a truck for the Health Department (1); and a truck for Parks and Recreation (1). Public Utilities will fund one (1) vehicle in their enterprise budget. I am proposing financing these vehicles. The total fleet cost for the General Fund (\$327,000) and Enterprise Fund (\$30,000) is \$357,000.

The largest areas of expenditures are: education, public safety, social services, and the health department.

The proposed FY 23 budget includes approximately \$1,345,476 of General Fund capital expenditures, accounting for about 3% of the overall proposed budget. The FY 2022-2023 Proposed Budget funds major building repairs, including: repairs and improvements at the Warren County Courthouse Improvements (\$125,000); installing air conditioning at the John Graham gym (\$50,000); repairs at the Warren County Memorial Library (\$59,000); and parking lot paving needs (\$40,000).

General Fund Expenses

Increase of 6% in Health Insurance Costs

Fleet additions total \$327,000

The FY 23 budget also funds the following strategic items from our Capital Improvement Program: \$100,000 for a greenways and trails initiative; \$50,000 for junior basketball courts at

Soul City's Magnolia Ernest Recreation Park; \$129,000 in life saving equipment for EMS; and the Warren County Farmer's Market, as well as a CDL training facility in partnership with Vance-Granville Community College (\$40,000).

As you know, the County is projecting an increase of 6% in health insurance premiums for the coming year. The impact is an increase of approximately \$158,362. This increase is due to our claims experience during the current year and inflationary pressures seen nationally in the insurance industry. This will be the third full year that the County has participated in the North Carolina Health Insurance Pool (NCHIP), which has lessened the typical inflationary increases in this area. At this particular point in time, the County's health benefits are in line with benefits provided by surrounding counties. The FY 2023 Proposed Budget does not raise health insurance costs for employees. However, there is one area that we have included in the proposed budget and that is the remaining payout if eligible employees choose the retiree health insurance option (\$124,000).

The County's retirement contribution for regular personnel is increasing from 11.43% to 12.1%. For law enforcement officers, the retirement contribution is increasing from 12.24% to 13.1%.

In the current fiscal year, the Board supported strategically trying to address our competitiveness in the marketplace for County employees. The 2020 compensation study funded by the Board has been completed. The result of that study surpassed our initial expectations and ability to afford; we chose to implement a modified version of the \$1.4 million in associated costs and use a phased approach as well. FY 2023 is set to complete this round of compensation adjustments. The pay study has been updated to directly address the issue of compression of employee pay. We have a significant number of employees who are long-term employees (9 years or more), that have not made it to the mid-point of their respective pay grades. This is a countywide issue.

Additionally, given the Board's direction during strategic planning, we are proposing a living wage for all full-time County employees that are making less than \$15/hour or \$30,000, annually. Finally, for employees that are not covered by the compensation study adjustments or living wage adjustments, the FY 23 budget proposes a Cost-of-Living Adjustment. We have proposed a 3% cost of living adjustment for those employees. These items are funded in an amount of \$706,500. Our employees and staff are the County's greatest assets, and with careful consideration, we have attempted to strategically address these issues.

The final single significant budget item is the move of our Emergency Medical Services staff to a 24/72 schedule. This means staff will be on-duty for 24 hours with 72 hours off. This requires us to create and staff a new shift with 11 personnel. This initiative carries a cost of \$616,726, and is mostly funded by additional revenue generated from ambulance services and collections (\$303,056).

Education Funding

Warren County Schools has not requested an increase in funding for FY 2022-2023 from the County. The FY 2022-2023 Proposed Budget holds funding level across all categories, except capital outlay. One-time funding of \$85,000 in County funds have been removed for capital projects. Additionally, the County is the recipient of Lottery funds from the State; when these funds are used, we have to account for them in the County’s budget. The FY 23 Proposed Budget includes \$1.2 million in Lottery funds for the Warren County Middle School roof replacement project and \$350,000 for capital outlay. Annual funding for schools should be carefully considered before long-term operating funding adjustments. This is the largest component of our overall County budget at just over 17.79% of our total.

Warren County Public School Funding					
Fiscal Year	Current Expense	Capital Outlay	Expansion/Current Expense	SEMMA Allocation	Total Allocation
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	254,742	175,000	119,000	\$ 4,933,073
2020	4,709,331	524,685	80,000	119,000	\$ 5,433,016
2021	4,784,331	350,000	180,000	119,000	\$ 5,433,331
2022	5,034,331	435,000	180,000	119,000	\$ 5,768,331
2023	5,034,331	350,000	180,000	119,000	\$ 5,683,331

***Does not include \$1,200,000 in Lottery Funds**

Other Noteworthy Items

- Funding for non-profits remains at \$40,000
- An update of the County’s zoning/development ordinance at \$70,000
- Public safety funding (rescue squad-\$110,600 and volunteer fire departments - \$507,300)

Enterprise Funds

An Enterprise Fund is similar to a business entity in that it operates from direct customer fees for services and not County tax dollars. Warren County operates five enterprise funds: Four (4) water and sewer-based funds and one solid waste fund.

Water and Sewer Fund Budgets

While cost of water to the County is expected to increase in the coming year due to the planned upgrades and water plant expansion at the Kerr Lake Regional Water Treatment Plant, there are no proposed increases in water, sewer, or usage fees at this time. The regional water fund budgets for FY 2022-23 are relatively unchanged from the current year's revised budget: Regional- \$1,032,128; District 1- \$745,000; District 2- \$805,432; and District 3- \$1,302,664. Any minor decreases/increases are a direct result of changes in customer water usage or a reduction in expenses from the current year.

Warren County is 1 of 3 partners involved in the Kerr Lake Regional Water System (KLRWS); the County 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 a little over 1 million gallons per day (MGD) and up to 1.5 MGD, including sales to municipalities. The total water allotment from KLRWS is 2 million gallons per day, which will increase to 4 million gallons per day in the upcoming 2 years as capacity is increased at the regional water treatment plant due to the pending plant upgrades and expansion. 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 help offset its share of expenses; the County has also received a \$2 million, 0% interest loan. This project has experienced significant cost inflation, of almost double initial (83%) costs estimates of \$40 million dollars. The best estimates now stand at \$73.5 million, which are yet to be finalized. This issue has been in the works for over 5 years. We expect to see resolution by the end of the current fiscal year or early in FY 2023. Additionally, we hope to generate additional revenue from the sale of water.

The current water rate includes a base fee of \$25 for the first 1,000 gallons used plus \$5 for each additional 1,000 gallons used. The average household water usage per month has been 5,000 gallons, which translates into an average bill of \$50. Current sewer rates include a base fee of \$13 for the first 1,000 gallons used plus \$5 for each additional 1,000 gallons used. It is expected that staff will be able to provide the Board with a recommendation on the impact of the proposed water rate structure by KLRWS by the second quarter of FY 23. A rate impact to the County could not begin sooner than July 2024, provided the County continues participation.

Solid Waste Enterprise Fund

The overall solid waste fund budget is \$1,903,226. 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 has renewed a long-term contract with Waste Industries in order to stabilize rates. Additionally, a part of the contract renewal includes renovations and improvements at the County's convenience sites. These improvements have been completed for the foreseeable future.

Nationally, there has been a spike in costs related to recycling due to changes in the marketplace for recyclables. Those costs will be passed on to Warren County from our provider. The Warren County Keep America Beautiful Committee remains in operation and the FY 23 budget continues funding of \$35,000 to address contractual litter pick up and beautification in the County.

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 2022-23 budget is \$1,194,262, as compared to \$1,158,266 for the current fiscal year, and is based solely 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. The Proposed Budget includes \$174,300 for FY 2022-2023, as compared to \$210,202 in the current fiscal year.

Octennial Revaluation Fund

The Octennial Revaluation Fund is for the revaluation of property; this occurs every 8 years. The budget for FY 2022-2023 is \$50,500.

Departmental Reorganization

As we work to move the business of the County forward, there are 3 departments with new positions in the proposed budget. Emergency Services has 11 positions; Planning/Zoning/Code Enforcement has 1 position; and Cooperative Extension has 1 part-time position. In the current FY, the Board approved some reorganization of departments. For various reasons, adjustments are needed. I am proposing for your consideration the following adjustments:

- 1) Separate Planning/Zoning/Code Enforcement from Community and Economic Development. They will both be stand-alone departments.
- 2) Separate Library and Veterans Services. They will both be stand-alone services.

- 3) Parks & Recreation and the Senior Center would become a combined Recreation Department.
- 4) The previously approved new position would revert back to Recreation Director and focus on expansion of our recreation programming with a multi-generational and comprehensive approach.

The goal with this reorganization is to improve our services to the public, reduce operating silos, better coordinate and take care of County assets, and combine our smaller departments into a merged unit that provides multi-generational support and services to our residents.

Conclusion

While Warren County has a history of stable finances, we should remain aware of issues that could have a negative impact on that stability. Due to the continued attention the Board has paid to financial management, we have an appropriate level of Fund Balance to help us in these unprecedented times, and this FY 23 Proposed Budget adheres to the County's Fund Balance Policy.

Given our current economic conditions, nationally and in North Carolina, I am pleased to be able to address the long-term stability, health, and resilience of the County without any additional tax or fee increases. The major items in the budget are necessities. With our limited resources, we have prioritized: 1) Human Resources, employee talent, and compensation; 2) continued updates to our Comprehensive Plan; and 3) long-term infrastructure facilities and infrastructure needs.

It is my hope that you will find this budget to be strategic in addressing the operational and organizational needs of Warren County in accordance with the Board of Commissioner's vision and direction in support of our residents. This budget will enable Warren County to continue to improve its quality of life as a stable and welcoming community with boundless potential. For better or worse, this year and the upcoming FY 2023 will be marked by how well we continue to manage our response to the Coronavirus and COVID-19, which will hopefully reach endemic status; we will continue to monitor the impact of inflation on County resources, while we maintain and protect the financial condition and health of the County.

The Fiscal Year 2023 Proposed Budget does not account for funds received from the American Rescue Plan Act (\$3.8 million). Per the Board's direction we will work with a Board sub-committee to develop a draft plan for your consideration and adoption. However, the priority will be broadband and the Board has, tentatively, indicated that at least \$250,000 of these funds will support our joint application with Spectrum for the State's G.R.E.A.T. grant program. It is at that point, that those funds will be reflected in the budget.

BUDGET MESSAGE – FY 2022-2023

It is my sincere pleasure and honor to serve as your County Manager. Under the leadership of the Board of Commissioners, I look forward to another successful fiscal year that brings us closer to achieving the goals identified by the Board and enhancing the level of service we provide to Warren County residents.

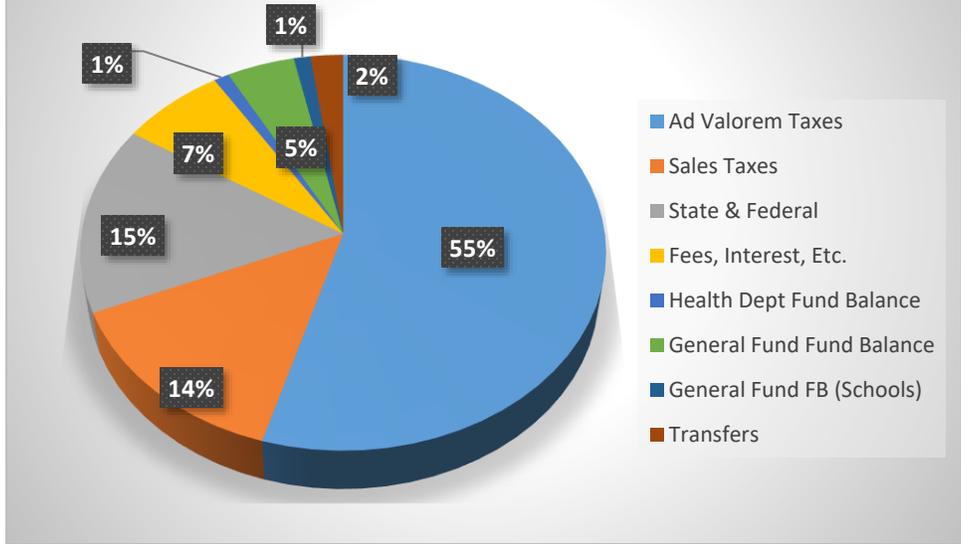
I would be remiss if I did not offer public appreciation for the assistance and extensive experience of department heads and staff in establishing this proposed budget. Without their budgetary and operations knowledge, cooperation and recommendations, it would not have been possible.

Additionally, I would like to also recognize Finance Director Lee Faines, Finance consultant Chuck Murray, Community and Economic Development Director/Senior Assistant to the County Manager Charla Duncan, Clerk to the Board Paula Pulley, Deputy Clerk to the Board Ella Downtin, and Human Resources Manager Beverly Foster.

Respectfully submitted,

Vincent Jones
County Manager and Budget Officer

Fiscal Year 2023 General Fund Revenues



Fiscal Year 2023 General Fund Expenditures

