

May 29, 2018

The Washington County Board of Commissioners met in a recessed session on Tuesday, May 29, 2018 at 5:00 PM at the Commissioners' Room, 116 Adams Street, Plymouth, NC. Commissioners Johnson, Phelps, Riddick, Sexton and Walker were present. Also present were County Manager/County Attorney Curtis Potter, Clerk to the Board Julie J. Bennett and Finance Officer Missy Dixon.

ADDITIONS/DELETIONS: Ms. Bennett stated that Ms. Dixon would like to add two budget amendments as Item 2A.

WASHINGTON COUNTY 2018 -2019 RECOMMENDED BUDGET: Mr. Curtis Potter, County Manager/Budget Officer presented the following budget message to the Commissioners.

TO: Tracey Johnson, Chair  
Bill Sexton, Vice-Chairman  
Cole Phelps, Commissioner  
Jennifer Riddick, Commissioner  
Julius Walker, Jr., Commissioner

FROM: Curtis S. Potter, County Manager

RE: Washington County Recommended Budget for FY19

DATE: May 29, 2018

In accordance with North Carolina General Statutes, I respectfully submit for your review and consideration the recommended FY19 budget for Washington County, prepared in accordance with the North Carolina Local Government and Budget Fiscal Control Act.

The budget identifies revenue and expenditure estimates for the fiscal year that begins on July 1, 2018. The FY19 general fund budget totals \$14,615,502 for all county operations, capital improvements and debt service requirements. This amount represents a decrease of \$643,823 (4.2%) from the current FY18 budget of \$15,259,325.

**Major highlights of the budget include the following:**

- Maintaining the currently assessed ad valorem tax rate of \$.845 cents per \$100 of assessed value to adequately fund county operations.
- Maintaining the currently assessed Special Tax of \$.01 cent per \$100 of assessed value to be levied in addition to the general ad valorem tax rate for Watershed Improvement, to be used exclusively for adequately funding and proactively managing drainage systems and projects throughout the county. This tax was authorized by voter

referendum held on May 6, 1972 and prior to being levied last fiscal year (FY18) to the best of my knowledge was last levied in FY09.

- \$.04 cents per \$100 of assessed value is allocated to Fire Departments per Board direction.
- \$.035 cents per \$100 of assessed value is allocated to the EMS Department to support the continuation of paramedic level EMS operations.
- Just over \$0.03 cent per \$100 of assessed value (or \$288,661) is allocated to the Washington County Hospital Pension Plan which has not been adequately funded in recent years and is approximately 2 years away from depleting its existing pension plan assets. Last year the Board elected to only fund ½ of the first annual installment of an actuarial determined 20 year repayment plan. This allocation is also based on an actuarially determined plan contribution and is essential to adequately funding and sustaining this plan. I strongly recommend that no less than one full year's recommended contribution to this plan be approved by the Board for this purpose.
- Funding for the Washington County Schools operations budget is allocated at \$120,000 higher than the \$1,603,000 allocated in FY18 for a total of \$1,723,000. The higher allocation was requested to assist the school system with handling a onetime increase in transportation expenses associated with consolidation efforts until the state picks up those costs in subsequent years. Additionally, a \$447,000 increase in the amount of capital outlay requested has also been allocated from Fund 21 following discussions with School System Leadership regarding their current funding constraints and relatively small fund balance available for capital outlay purposes.
- Other major county capital outlay expenses include the purchase of three replacement vehicles for the Sheriff's Department, as well as two ambulances and an SUV for EMS, to be purchased utilizing installment financing loans or USDA grant/loan funds to be obtained during the upcoming fiscal year.
- A solid waste user fee increase is proposed from \$250 to \$275 per household to adequately fund the solid waste enterprise fund and cover cost increases associated with both curbside pickup (3% increase) and regional landfill tipping fees (2% increase). Substantial program modifications are pending for the landfill department in light of the FY17 audit findings and recommendations regarding the need to begin operating at a profit in this fund, and to build a reserve for potentially substantial costs associated with the closure of the current landfill cell.
- No new county-funded positions have been added to the recommended budget other than the previously approved Deputy Finance Officer position which was a conversion of a vacant accounting tech position.
- The counties last cost of living adjustment (COLA) was an increase of 2% on June, 16, 2015. A two percent (2%) cost of living adjustment for all employees as well as a fair number of individual salary increases based on a careful review and analysis of the counties current pay classification and step system is included within the proposed budget. The majority of the increased personnel cost not associated with the proposed

COLA is represented by the allocation of additional funds within the EMS Department to permit the conversion of the existing 36/48 Four Shift Fluctuating Work Week Model into a Three Shift 24/48 Standard Overtime Model.

- A modest contingency of \$10,000 is allocated to permit the Budget Officer to more efficiently deal with unexpected expenses or emergencies.

**Budget Development Process:**

The budget development process began earlier than usual this year on January 8<sup>th</sup>, 2018 with the presentation of a proposed budget calendar followed by a Budget Planning Retreat held by the Board of Commissioners on January 30<sup>th</sup>, 2018.

A budget kickoff message and budget preparation forms and instructions were made available to all county departments, groups and agencies that receive funding from Washington County on February 15<sup>th</sup>, 2018, and departments and other agencies were required to submit their proposed budgets for consideration by March 8<sup>th</sup>, 2018 although this deadline was extended for a number of parties.

A copy of the 2018-2019 Budget Preparation Guidelines to the Budget Officer from the Board of Commissioners, as well as the 2018-2019 Budget Year Instructions for Department Heads are attached to and incorporated in this message by reference, and were utilized in developing the budget:

The County Manager and Finance Officer met with county department heads beginning in March and reviewed departmental budget requests.

The completion and finalization of the budget was unexpectedly delayed this year due in large part due to the need of the County Manager and County Finance Officer to devote substantial amounts of time and energy during the months of March and April toward working with the county's auditing firm to complete, prepare, review, and submit its FY17 audit which was finally completed in mid-May.

However, also because of this, the data you have presented to you tonight is fresh and reflects expenses through May 28, 2018. Also incorporated into the budget spreadsheets for your ease of reference this year are additional columns reflecting the actual expenditures in each line item over the last three fiscal years in addition to the current fiscal year's activities.

A public hearing regarding the budget is scheduled for June 11<sup>th</sup>, 2018 in the County Commissioner's Room at 116 Adams Street, Plymouth NC 27962. Final adoption of the FY19 budget is anticipated to occur between June 11<sup>th</sup>, 2018 and June 30<sup>th</sup>, 2018.

**Recommended Budget Overview:**

The budget seeks to meet the needs of county citizens in a manageable and cost effective manner. Any increases in revenues or expenditures within the recommended budget are based on reasonable justifications and are held within individual departments to a manageable level.

According to the Washington County Tax Department, the county's tax base for FY19 is projected to be \$978,734,562 including motor vehicles. The ad valorem tax collection rate has

been determined to be \$93,826 per each one-cent of tax collected. The tax rate is based on collecting 95.12% of real and personal property and 100% of public utility values, and motor vehicle values.

The recommended general fund budget totals \$14,540,208 with an ad valorem tax rate of \$.845 per \$100 of assessed value. The effective tax collection rate excluding motor vehicles for FY18 was 95.12% representing a slight decrease from FY18's projected effective tax collection rate of 95.8%.

### **General Fund Revenues:**

General fund revenues are generated from ad valorem tax collections, sales tax receipts, motor vehicle tax receipts, various fees, fines, grants and limited shared revenue with the State of North Carolina generated by the sale of wine and beer. Total general fund revenues for the FY19 general fund budget are projected to be \$14,615,502.

The FY19 ad valorem tax levy is estimated to be \$7,150,874 which is a \$536,217 (8%) increase from the current year budgeted estimate of \$6,614,657. The increase is due to the identification of additional taxable properties, including a pipeline related to a major public utilities project that is currently being stored in Washington County and accounts for a substantial portion of the projected increase. Total prior years' tax collections are estimated to be \$375,000 and prior year tax interest is estimated to be \$60,000. Interest earned on investments is projected to be \$40,000 which is a substantial increase over the currently budgeted \$13,000. Total unrestricted sales tax revenues from all sources of sales tax are projected to be \$1,433,000, and additional sales tax revenues of \$515,000 restricted to school capital outlay, and of \$252,000 restricted to economic development or education are also anticipated.

Other significant budget revenue estimates include:

- Wine and Beer Tax estimated at \$37,000
- ABC Profit Distribution estimated at \$25,000
- Hazardous Mitigation Grant estimated at \$878,389
- Emergency Management Program Fund is projected at \$38,583
- Department of Social Services revenues are estimated at \$2,314,283
- Court cost, fees and charges are estimated to be \$23,000
- Building Permit Fees are projected at \$32,000
- Register of Deeds Fees are estimated at \$75,000
- Jail Fees and Jail Housing Fees are estimated at \$195,000
- JCPC Funds estimated at \$67,639
- School SRO Reimbursement estimated at \$181,886 (the county continues to pay for ½ of the Creswell SRO position).
- Soil & Water District Contribution estimated at \$22,186
- Cost Allocation-Waterworks is estimated is to be \$150,000
- Fund Balance Appropriation estimated at \$235,497.

### **General Fund Expenditures:**

General fund expenditures encompass several major areas of Washington County Government including education, public health, human services, law enforcement, debt and general government. Total general fund expenditures for the recommended FY19 budget are projected to be \$14,615,502.

General fund expenditures are broken down in more detail and shown by department/category within the “Fiscal Year 2019 Budgetary Comparison” spreadsheet attached to this document and incorporated herein by reference. A brief note about potential reasons for major differences is included in the right hand column of this document.

**Enterprise Fund Revenues, Expenditures, and Operations:** Several major areas of Washington County Government are operated as self-sustaining enterprise or proprietary funds including water, sanitation and emergency medical services.

- **Waterworks:** Washington County residents currently pay \$24 per month for the first 2,000 gallons consumed and \$13 for each 1,000 gallons thereafter. Generally, revenues from water sales have not kept pace with expenditures. The water rates were raised in FY16 in response to a letter of concern received from the Local Government Commission regarding the sustainability of the fund balance in this proprietary water fund. In FY17 the cost allocations paid from the water system to the general fund were substantially reduced after internal restructuring of some water department staff and due to the concerns about fund balance which appear to have stabilized. In FY18 the cost allocations were increased again based on the most recent cost allocation report available. For FY19 a slightly lower cost allocation has been allocated based on the most recent cost allocation report and prior allocation histories between the Water Fund and General Fund.

Waterworks Enterprise Fund revenues and expenses are projected to be \$1,717,669 which is a decrease of \$48,971 from the current estimate of \$1,766,640. The revenue projected is based on a total of approximately 2,800 customers with an average usage of 3,600 gallons per month. Total charges for water base and consumption charges are estimated to be \$1,330,000.

- **Solid Waste Fund** revenues and expenditures are projected to be \$1,353,525 which is an increase of \$98,832 from the current estimate of \$1,254,693. Revenue is derived from household solid waste user fees, town solid waste user fees, regional commercial landfill disposal fees, construction contractors’ disposal fees, penalties and interest, white goods and scrap tire disposal fees. The revenues are based upon the assumption that the solid waste user fee will be increased from \$250 to \$275 per household. Substantial changes in the landfill program and budget will be required during the first part of FY19 to address the negative fund balance deficit after applying the liability associated with post closure landfill costs as described in more detail within the FY17 audit.
- **Washington-Tyrrell Emergency Medical Services (EMS)** Washington County EMS continues to successfully fulfill its emergency medical services mission to the county’s citizens. Washington County operates emergent and non-emergent (transport) services to

the county's residents. Washington County EMS also operates emergent services through a contractual agreement with Tyrrell County for its citizens.

The primary sources of revenues for emergent and non-emergent services are Medicare, Medicaid, private insurance and private pay patients. Tyrrell County currently reimburses Washington County for its EMS operating expenses and Washington County receives additional funds from Tyrrell County for operating its EMS program. These revenue sources do not provide enough revenue to fully cover all county EMS operational expenses. For that reason, the county has been compelled during previous fiscal years, as well as the current fiscal year, to use county general funds to compensate for expenses not reimbursed by the sources cited above. The county is unable to sustain reliance on the county general fund as a revenue source for the EMS program in future years.

Considerable review and evaluation of current EMS operations have been performed over the past several years in an effort to lower expenditures and lessen reliance on county general funds. After implementing a fluctuating workweek schedule for staff to reduce overtime costs, changing billing companies to improve collection rates, and franchising point to point non emergent medical transport, the EMS system has undergone a noticeable improvement over the last three years but still requires a regular transfer of general fund revenues although that transfer is now much more predictable and therefore manageable.

After much discussion and analysis, it has also been determined that while the fluctuating work week assisted in temporarily controlling the unpredictable overtime expenses associated with previous shift schedules, the current shift model is no longer considered a viable long term solution due to recruitment difficulties and high turn-over as well increased competition from surrounding jurisdictions that do not utilize this model.

Therefore the FY19 budget allocates funds to restore the shift schedule to a true overtime shift model, and I am optimistic that with good proactive management and careful monitoring, we have finally reached a point within the EMS Fund where utilizing a traditional overtime shift model might finally be a viable option after years of EMS budgetary struggles.

EMS and Transport revenues and expenditures for Washington County are projected to be \$2,076,418 offset by revenues from Medicare, Medicaid, private insurance and self-pay as well as \$258,000 projected in installment loan proceeds to purchase two new ambulances, a new SUV, and replace aging radios.

For FY19 a transfer of \$328,391 (\$0.35 cents) from the general fund is proposed which is an increase from the \$306,215 currently budgeted for FY18 due primarily to the higher tax valuation for FY19.

The overall amount budgeted for expenditures in EMS in FY19 is estimated to be \$165,122 more than FY18. Due primarily to the anticipated additional overtime that will be required under a traditional overtime model, and the more reliable and stable nature of the EMS Fund overall, for FY19 a fund balance appropriation from the EMS Fund of \$132,027 is also proposed.

**Washington County Schools:** Washington County Schools submitted its working budget to the county on April 23<sup>rd</sup> 2018. The school system requested a onetime increase of \$120,000 over the FY18 level of current expense funding it receives which is \$1,603,000, and includes approximately \$78,000 in locally funded teacher supplements. The additional funding is being requested to offset the higher anticipated costs associated with transportation during the upcoming consolidation of students in Washington County. According to School System Leadership, the State of North Carolina will pay for these expenses only after the initial year of consolidation.

For Capital Outlay, the school system requested an increase of \$487,000 over the \$400,000 it currently receives in order to address long standing facilities issues at multiple locations as outlined within their written request document. The recommended budget allocates the entire amount requested.

**Plymouth Municipal Airport:** Revenues and expenditures are estimated at \$180,862 which is a significant decrease from the presently budgeted \$238,241, and includes a General Fund Transfer of \$69,102. Revenues are generated from airplane fuel sales and airplane hangar rentals. Washington County continues to receive \$150,000 annually in NPE Grant Funds and for FY19 the 10% County Match required to utilize NPE grant funding has been waived which has resulted in a windfall to Washington County of approximately \$50,000. Washington County is also the recipient of a major state grant award to construct a parallel taxiway at the airport which is anticipated to increase traffic and fuel sales. This department's fiscal progress will be closely monitored in FY19 by Management which may develop a corrective action plan to attempt to increase revenues and decrease expenditures.

**E911 Fund:** For FY19 total revenues and expenditures are estimated to be \$508,000 which is a slight decrease from the \$544,000 presently budgeted for FY18. Most of the available fund balance has been appropriated to be available to pay for capital outlay associated with installing a backup PSAP in the Beaufort County Community College Washington County Center building in Roper. In FY19, staff will continue to evaluate alternative, more cost effective options to building a full on-site physical backup PSAP center, to attempt to offset the financial burden of this unfunded mandate, but the overall fund balance and annual performance of this fund will need to be monitored and managed closely in the coming years as the reimbursement rules and amounts constantly change leaving little certainty about reliable revenue streams.

**TTA:** The TTA's total revenues and expenses for FY19 are estimated to be \$123,097 which is \$6,294 more than the amount budgeted in FY18. Due to a very small remaining fund balance, and the instability of occupancy driven revenues, this fund balance and annual operations should also be monitored carefully to ensure that a negative fund balance is not inadvertently created. Beginning in FY18 the TTA's largest single activity the NC Black Bear Festival branched out to form its own non-profit corporation with financial autonomy which should aid considerably in reducing the amount of administrative work associated with that event by county staff and assist in making budgeting for the TTA more straight forward and stable in the coming years.

**Summary:** This recommended budget attempts to manage expenses and utilize revenues in order to meet all current mandated funding requirements and ongoing needs. The NC General Assembly may pass along other costs or change revenues that may alter the budget once it's

adopted. The county will need to monitor and evaluate the effects of any legislative changes on the budget during the fiscal year.

As the Budget Officer, I determined that recommending a continuance of the existing tax rate was regrettably necessary in order to adequately fund the various operational requirements of continuing to provide the same level of county services and meet our ongoing and additional financial obligations in a fiscally responsible way. We were lucky in FY17 to reap the benefits of an unexpectedly sharp rise in sales tax revenues which essentially covered almost the entire allocated fund balance of almost a million dollars which would have left Washington County in a very difficult financial. Although our fund balance is relatively healthier than originally anticipated due to those unexpected revenues, it is worth noting that the peak in sales tax revenue streams is waning and should not be relied upon too heavily.

It is also worth a note of caution about reaching to overspend in FY19 when we are already utilizing significantly elevated revenues based in large part on personal property that will most likely only be in Washington County to be taxed for FY19 and not thereafter. Therefore in making policy decision regarding commitments of budgetary support, please bear in mind that while the budget overall appears to be much more flexible than in recent years, it is by no means a reliable healthy vehicle yet to get us to some of the major destinations we would like to take our county without first stopping to address some of the lingering major concerns including the negative fund balance in our land fill fund, and the substantially underfunded hospital pension plan.

Notwithstanding those words of caution, I would point out that in my budget message last year I indicated that it was regrettable that due to the overall financial state of the county, no substantive increases in salaries were able to be recommended for FY18 despite what I believed, and still firmly believe to be, a general overall need to adjust salaries across the board for all staff in order to stay competitive with surrounding counties, and to fairly and equitably compensate our employees which are for all intents and purposes the most valuable asset which Washington County has to protect.

In addition to the perceived need for an overall increase, there are also several categories of employees within specific departments which have already or are currently at significant risk of falling behind surrounding counties pay rates within certain occupational fields. This has and will continue to lead to significant problems faced by Washington County in trying to recruit and retain quality employees in these fields to provide certain services including several services which are considered essential to maintaining public safety and welfare.

It was my sincere hope and written suggestion last year that in the FY19 budget, with the county hopefully having passed its one time hurdle of appropriating a significant sum of prior year sales tax revenues restricted to school capital outlay which accounted for approximately .04 cents of the FY18 tax rate, that barring any major unexpected liabilities or emergencies, any excess revenues remaining could be used to address this concern regarding employee salaries, and to potentially lower the overall tax rate at that time.

While there are still not exactly excess revenues remaining with which to accomplish both of those goals, the overall state of the county's financial condition is considerably better than expected at this same time last year. Therefore I believe I am as justified now as I may ever be, in recommending to you now through this budget that we take this rare opportunity to address



some of our salary inequities so that we might position this county to recruit, retain, and benefit from qualified, competent, and dedicated staff who are capable of doing more with less as we so often ask them.

Thank you for your time and consideration of this recommended budget. I look forward to continuing to work with this Board and the staff through its deliberation and eventual adoption.

Respectfully Yours,

Curtis S. Potter, County Manager

Mr. Potter said he was able to maintain the current tax rate this year.

Commissioner Phelps asked Mr. Potter if he gave the school system what they asked for and Mr. Potter said yes.

Commissioner Phelps asked if the EMS staff been consulted about the new shift model. Mr. Coccaro, EMS Director said asked the shift captains to take the information back to the field staff. Mr. Coccaro said he has 4 shift captains and 26 total EMS employees. Mr. Coccaro did not get much feedback.

Commissioner Phelps asked if the Airport is self-sustaining. Mr. Potter said no it is not, nor has it ever been. It has been close to breaking even.

Chair Johnson thanked Mr. Potter for all the work he did on the budget. Mr. Potter said he talked with various Department Heads while putting together the budget but could not get with all of them.

BUDGET AMENDMENTS/BUDGET TRANSFERS: Ms. Dixon told the Board that there were two budget amendments before them. Ms. Dixon said these were the most pertinent ones to get approved before the June 4 meeting. She let the Commissioners know they will be receiving more transfers at the June 4 meeting. The leaks in the Cooperative Extension offices are getting worse. Commissioner Phelps asked if the money was coming from the County for the Cooperative Extension repairs. Ms. Dixon said yes, from lapped salaries that Cooperative Extension had from 2 vacancies. The job for fixing the leaks will be contracted out and hopefully finished before the end of this fiscal year. Commissioner Phelps asked if this work comes with a warranty. Commissioner Sexton said he wants to know how will the walls be coated...brushing it on? Mopping it on? Commissioner Sexton said that on buildings where we have put new rubber roofs on we have not had any more leaks. Ms. Dixon will get with Mr. Boone and get the scope of work for this project and bring back to the Board on June 4.

Commissioner Phelps said he wants to hear from DSS Director, Clifton Hardison on the DSS part of BA#2018-073. Commissioner Phelps asked Ms. Dixon to bring back the DSS portion of BA#2018-073 and also ask Mr. Clifton to attend the meeting.

**ADD BUDGET AMENDMENTS/TRANSFERS**

**Commissioner Phelps made a motion to approve BA#2018-73 except the DSS items. Commissioner Riddick seconded, motion was approved unanimously.**

Chair Johnson asked if anyone in the audience had any questions. Mr. Heleberg from the Beacon asked for a copy of the budget message.

**Commissioner Walker made a motion to go into Closed Session pursuant to NCGS§ 143-318.11(a)(3) attorney-client privilege and/or NCGS§ 143-318.11(a)(6) personnel. Commissioner Phelps seconded, motion was approved unanimously.**

At 6:10 PM, back in open session, with no further business to discuss, **Commissioner Phelps made a motion to adjourn the meeting. Commissioner Riddick seconded, motion carried unanimously.**

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Tracey A. Johnson  
Chair

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Julie J. Bennett, CMC, NCCCC  
Clerk to the Board