



PROPOSED BUDGET

FISCAL YEAR 2019-2020

County Manager and Budget Officer

BUDGET MESSAGE – FY 2019-2020

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 FY 2019-2020 Warren County Budget. A Public Hearing to receive citizen comments on the proposed budget is scheduled for June 3, 2019 at 6:00 PM at the Warren County Armory Civic Center.

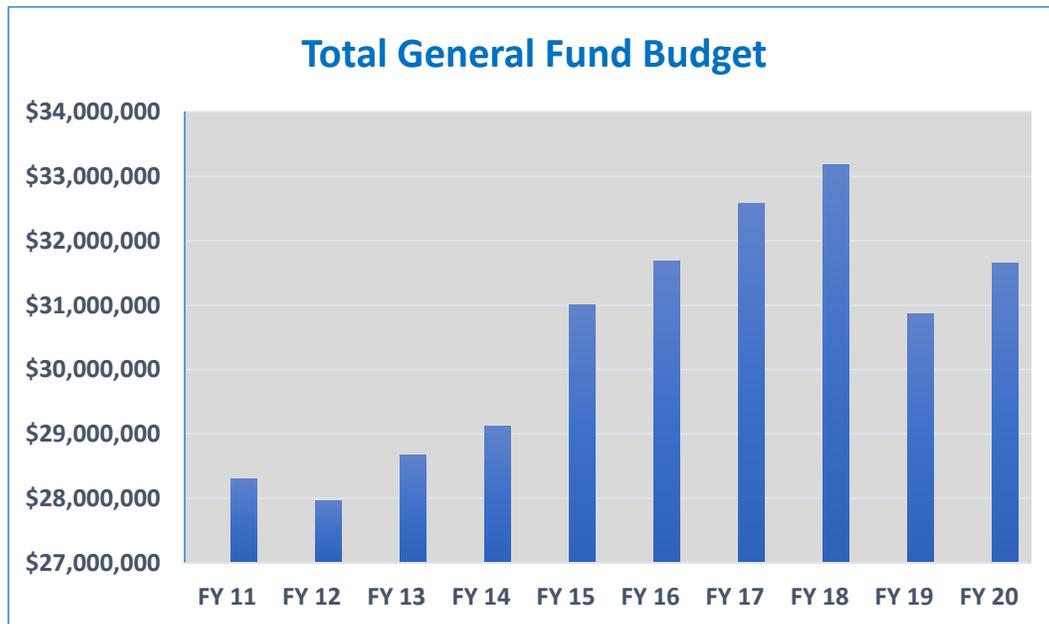
Presented below is the recommended Fiscal Year 2019-2020 Warren County Budget. The General Fund budget is proposed to be \$31,653,009 which represents an increase of \$376,070 from the current revised FY 2018-19 budget or 1.2%. It is important to note that most of this growth can be attributed to modest growth in revenues and expenditures that includes the proposed use of \$524,685 in Lottery Funds, which can only be used by and for school related projects, to support capital improvement and school security improvements identified in the Warren County Schools FY 2019-2020 budget requests.

This proposed budget was crafted using the following guidelines: 1) no increase in property taxes and 2) a focus on organizational development improvements.

There are a few major environmental factors impacting the FY 20 Proposed Budget. Impacting the budget positively are: 1) Moderate improvements in the economic climate, nationally and statewide, 2) Anticipated increases in two categories of Ad Valorem taxes to include property taxes and motor vehicles, and 3) A statewide projection of increased sales tax revenues.

Negatively impacting the FY 20 Proposed Budget are the following factors: 1) Significant increase in employee health insurance costs (4.8%), 2) Increase in required retirement contributions for general employees and law enforcement personnel, 3) Additional costs associated with public safety and organizational development improvements, 4) Mostly stagnant revenue growth and decreases in certain categories of Ad Valorem taxes 5) Anticipated significant reductions in State assistance for the Health Department and the Department of Social Services.

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



- The budget reflects modest revenue growth over the current year - \$144,803 in Property Taxes, \$58,000 in Sales Taxes and \$89,900 in Permits and Inspections fees.
- The budget funds a total of four new full-time positions. The positions are: Assistant County Manager in the County Manager’s Office, a Community Support Investigator and two (2) additional Detention Center personnel in the Office of the Sheriff.
- The budget holds expenditures to their current level or reduces them, such as reducing travel by 10% across departments in order to fund proposed increases.
- The budget restores local funding of a 4% reduction to the current expense budget of Warren County Schools in the amount of \$200,000.
- Contributions to Vance-Granville Community College remain unchanged.
- Contributions for the Lake Gaston weed control remain unchanged.
- The proposed budget includes salary progression for all employees who have completed two years of employment with the County in amounts that range from 1% - 2.5%, depending on the length of employment. Additionally, the budget funds a compensation study to allow the County to develop a plan for addressing employee compensation.
- Additional Public Safety contributions include funding a training initiative for our E-911 Center in the Office of the Sheriff at \$35,000.
- The Budget fully funds a marketing initiative proposed by the Economic Development Commission.

- The Budget also funds security and safety improvements at the Courthouse and preventive maintenance improvements and initiatives at County facilities.
- The budget maintains the county's healthy financial condition with an Unrestricted Fund Balance that is projected to remain within the County's Fund Balance Policy goal of 30 – 40%. It is our hope that we will add to the Fund Balance at the end of the current FY.
- In the Public Works Department, the FY 20 Proposed Budget also addresses Board of Commissioners' and residents' concerns about litter prevention efforts in the County.

HIGHLIGHTS:

- Education funding increases using \$280,000 in local dollars and \$524,685 in State Lottery funding for capital projects.
- Public Safety positions added in the Office of the Sheriff and the Detention Center, including Community Support Investigator.

General Fund

General Fund Revenues

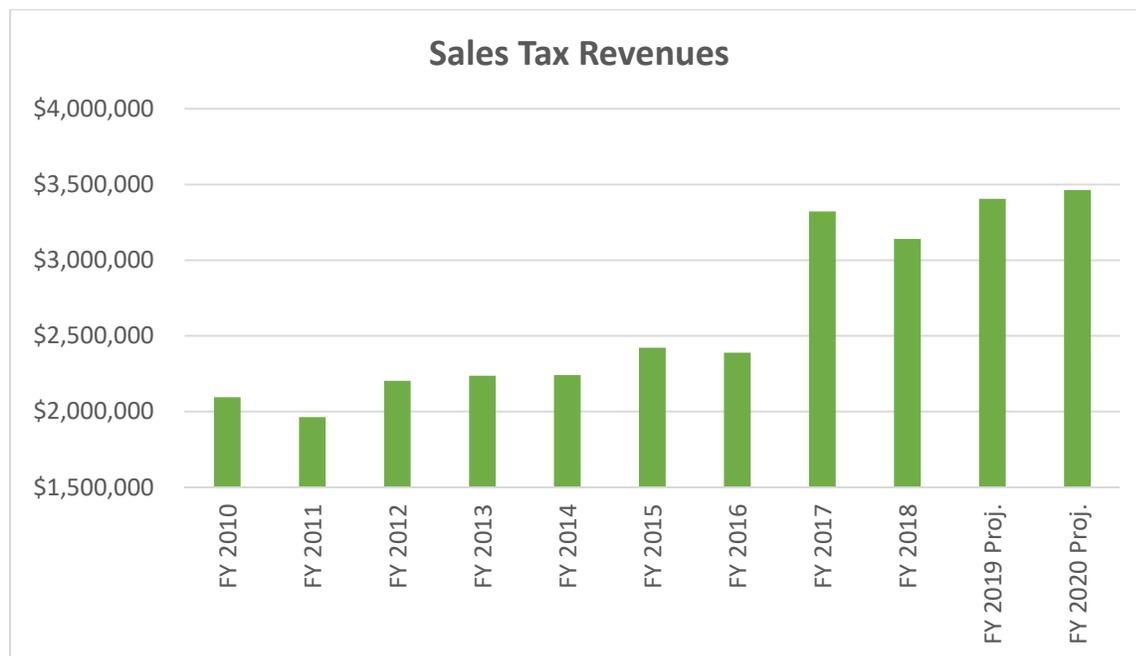
With a revenue-neutral tax rate, County revenues will increase slightly in FY 2019-2020 over the prior year by \$376,070. In accordance with good fiscal practice, there is minimal use of fund balance and it is used to support one-time expenditures and initiatives and not ongoing government operations in the amount of \$252,838.

Due to the pending implementation of North Carolina's Medicaid Transformation, the Health Department and the Department of Social Services will see significant revenue reduction due to the State providing services through managed care partners. Property Taxes are expected to increase based on successful collection rates of the Tax Administrator and 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 61% of total revenues and a total amount of \$19,136,500, 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. A continued lack of general growth in our local Warren County 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.

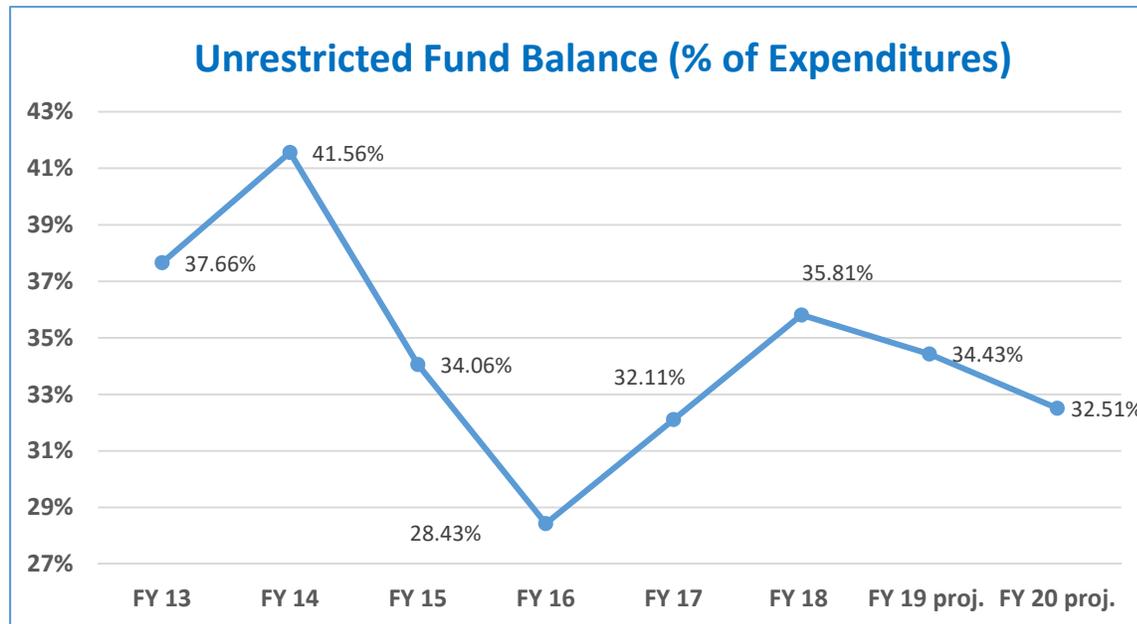
Fiscal Year	Taxable Assessed Value	Tax Rate
FY 2010	\$ 2,500,000,000	0.60
FY 2011	\$ 2,498,000,000	0.60
FY 2012	\$ 2,520,765,433	0.62
FY 2013	\$ 2,540,927,287	0.66
FY 2014	\$ 2,596,400,669	0.66
FY 2015	\$ 2,575,524,951	0.66
FY 2016	\$ 2,559,949,502	0.66
FY 2017	\$ 2,486,867,624	0.71
FY 2018	\$ 2,509,887,460	0.76
FY 2019	\$ 2,420,705,063	0.79
FY 2020	\$ 2,283,097,530	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 2019-20 are estimated to grow slightly year over the previous year. The State has provided notice that overall the State will see an increase of 4.5 to 5% in sales tax; however, given the loss of large sales tax generators here in the County, it is best that we are conservative with increases in sales tax revenue until we can determine if generation of sales tax is transferred from one location to another in the County, or if we are losing sales taxes. 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 \$832,000 in FY 2019-20 from this distribution. The net impact is an anticipated increase of \$58,000.



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 2019-20.

Ambulance revenues are expected to rebound in FY 2019-2020. I am happy to report that our Emergency Medical Services Office has received notice that our provider of collection services is now collecting unpaid Medicaid payments, as this was an issue identified in our FY 2018 Annual Audit.



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, yet effective manner when providing services to our residents. The FY 2019-2020 Proposed Budget increases current expense funding to Schools. Salary Progression will increase personnel expenses by \$96,991. Vehicle purchases in the coming fiscal year include one ambulance, three patrol cars and one van for the Detention Center, and a new truck for Parks and Recreation, totaling \$283,509. It is important to note that county needs, as a whole, continue to outgrow County resources. Departmental requests at the beginning of the budgeting process totaled \$3,314,348 more in expenses than expected revenues.

The largest areas of expenditures are: public safety, education, social services, and health department. The Board of Elections has a recurring expense of

<p>General Fund Expenses</p> <p><i>Increase of 4.8% in Health Insurance Costs</i></p> <p><i>Fleet additions total \$283,509</i></p>
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BUDGET MESSAGE – FY 2019-2020

\$270,000 in the current FY 19 Budget and has had this expense for the past three years. These are funds for the purchase of voting equipment that has not yet been resolved by the State Board of Elections. These are reoccurring revenues that were budgeted for a one-time expenditure. The Proposed FY 2019 – 2020 Budget uses that revenue to absorb anticipated cost increases. Should the State Board of Elections certify a new voting system, I am recommending that the County use our Fund Balance to purchase voting equipment, as it will be a requirement to have certified voting equipment.

The FY 2019-2020 Proposed Budget does include funding for major building repairs to include: Courthouse Security Improvements - \$12,000, Board of Elections Flat Roof replacement - \$21,000, DSS – Five (5) water sourced heat pumps - \$40,000, Health Department Floor Replacement \$35,000 and Various Parking Lot Improvements - \$30,000.

In regards to personnel, the budget includes one new full-time position in the County Manager's Office and three (3) positions in the Office of the Sheriff. The Sheriff's Office has funding for a Community Support Investigator funded at \$57,667, currently grant funded, and two positions in the Detention Center to handle the increasing time it is taking for Deputies to transport detainees to obtain needed services. The positions are funded for half of the fiscal year at \$43,982. There are no position upgrades or reclassifications included in the Proposed Budget.

Unfortunately, the County is set to receive an increase of 4.8% in health insurance premiums for the coming year. The impact is an increase of approximately \$114,773. This increase is due to the inflationary pressures seen in the insurance industry, nationally. However, we will be exploring options over the next year to identify ways to limit increases in this area to include joining an insurance pool of local governments instead of going to the insurance market as an individual and smaller buyer. At this particular point in time the County health benefits are in line with benefits provided by surrounding counties; however, the County should review our policy to stabilize future cost increases.

The County's retirement contribution for Employees is increasing from 7.83 to 9.03% for regular employees. For Law Enforcement employees the retirement contribution is increasing from 8.50% to 9.70%.

While the FY 2019–2020 Proposed Budget funds Salary Progression, it is now time to strategically try to address our competitiveness in the marketplace for employees. The Human Resources budget for FY 2019-2020 includes funding for a salary study that will allow the County to address this issue long-term. It is not an issue that can be fixed overnight. However, our employees and staff are the County's greatest assets and with planning and foresight, we can attempt to address this issue.

Education Funding

Warren County Schools requested a significant increase in funding for FY 2019-2020 in all categories. The priority was returning the \$200,000 utilized from their Restricted Fund Balance in order to accommodate a 4% reduction in the County’s funding contribution. Given this time of transition after the commendable years of service by Superintendent Dr. Spain, my recommendation takes into account that keeping funding at a stable level during this period of transition is the best use of County resources, until a new Superintendent is in place to assist the Board of Education with setting a course for Warren County Public Schools. My recommendation does include the use of Lottery Funds to support important school related capital projects, along with safety and security measures. The Chair of the Warren County Board of Education and the Chair of the Warren County Board of Commissioners will have to sign off on the use of these funds in accordance with State policy.

Warren County Public School Funding					
Fiscal Year	Current Expense	Capital Outlay	Expansion/Current Expense	SEMMA Allocation	Total Allocation
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
2020	4,584,331	524,685	80,000	119,000	\$ 5,308,016

Other Noteworthy Items

- Funding for non-profits has increased to \$55,000.
- Funding for KARTS may need to be adjusted, currently budgeted at \$43,397.
- Funding for a Warren County Chapter of Keep America Beautiful is budgeted in Public Works at \$4,000.

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 water and sewer based funds and a 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 Water Treatment Plant, there are no proposed increases in water, sewer or usage fees. The regional water fund budgets for FY 2019-20 are relatively unchanged from the current year's revised budget: Regional: \$987,097, District 1: \$722,979, District 2: \$739,677 and District 3: \$978,897. 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 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 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, which are yet to be determined. This will be a significant issue that will be resolved early in the new Fiscal Year, if not sooner.

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 \$1,736,970 which is essentially the same as the current FY 19 Budget. 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. Improvements will involve constructing new concrete pads and new compactors at many sites, which will help reduce odors. These improvements are currently under way.

As you know, nationally, there has been a spike in costs related to recycling due to changes in the Chinese marketplace for recyclables. Those costs will be passed on to Warren County from our provider. Additionally, the Solid Waste Fund also has \$4,000 to establish Warren County as a member of the Keep America Beautiful organization with our Keep Warren County Beautiful chapter. By joining we will avail ourselves of resources to support a resident led committee to help us address concerns with litter 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 2019-20 budget is \$1,032,613 as compared to \$979,112 for the current FY, 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. \$186, 926 is budgeted for FY 2019-20 as compared to \$191,767 in the current FY. The decrease is related to the removal of equipment purchase expenditures reflected in the current FY 19 budget.

Octennial Revaluation Fund

This fund is for the revaluation of property occurring every eight years. The budget for the FY 2019-20 is \$50,500 as compared to the current FY of \$50,180.

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. Specifically, we need to be strategic about our pursuit of grant dollars and how we manage them. We have matching requirements that if realized, will make significant impacts on use of our Unassigned Fund Balance and possibly affect our long-term financial health.

It is my hope that you will find this budget to be conservative and strategic in addressing the operation 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. This means we have to have a strategic focus on economic development in various forms that will lead to long-term revenue enhancements for the County.

BUDGET MESSAGE – FY 2019-2020

Beginning with the new Fiscal Year and with the Board's direction, we will begin a review of departmental operations along with a comprehensive review of our fees for services to include the development and consideration of new revenue options as allowed by NC Statutes.

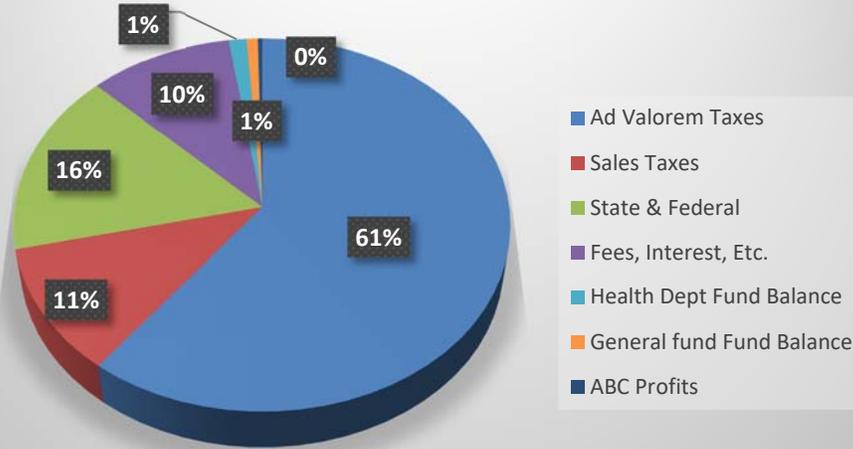
It is my sincere pleasure and honor to serve as your County Manager. Under the leadership of the Board of Commissioners, I look forward to a successful fiscal year that brings us closer to achieving the goals identified by the Board and enhancing the level of service we provide to Warren County residents.

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, operations knowledge and recommendations, it would not have been possible. Additionally, I would like to also recognize our newly appointed Finance Director, Kathy Brafford, Paula Pulley, Deputy Clerk/Executive Assistant to the County Manager and Lisa Alston, Director of Human Resources.

Respectfully submitted,

Vincent Jones
County Manager and Budget Officer

Fiscal Year 2020 General Fund Revenues



Fiscal Year 2020 General Fund Expenditures

