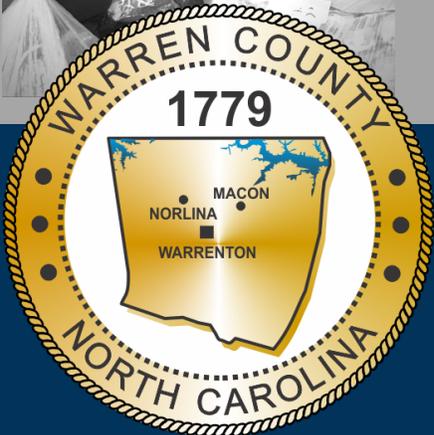


MISSION

PROVIDING LEADERSHIP AND SUPPORT FOR AN EFFECTIVE COUNTY GOVERNMENT THAT SEEKS TO ENHANCE THE QUALITY OF LIFE FOR THE PEOPLE OF WARREN COUNTY



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PROPOSED ANNUAL BUDGET

WARREN COUNTY

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 2020-2021 Warren County Budget. A Public Hearing to receive citizen comments on the proposed budget is scheduled for June 1, 2020 at 6:00 PM at the Warren County Armory Civic Center.

As you know, we are in the midst of a national pandemic related to Novel Coronavirus (COVID-19); it has become the atmosphere in which we have had to complete development of our Fiscal Year (FY) 2020-2021 Budget. This pandemic has had an unprecedented impact on our FY 2020-2021 budget development. It has become the single largest factor in diminishing revenue projections, which until this point were poised for continued growth.

Presented below is the recommended FY 2020-2021 Warren County Budget. It goes without saying that I'd like to acknowledge the Board of Commissioners for your deliberate and responsive actions related to the County's pandemic response. Additionally, I would like to extend a special note of thanks to Dr. Margaret Brake (Public Health Director) and Dennis Paschall (Emergency Services Director) who've led our emergency management response, along with our Health Department Epidemiology Team, Emergency Services and Fire Department first responders, Senior Center, Buildings and Grounds, Social Services, Cooperative Extension, and remaining County staff who have continued to provide services to Warren County residents.

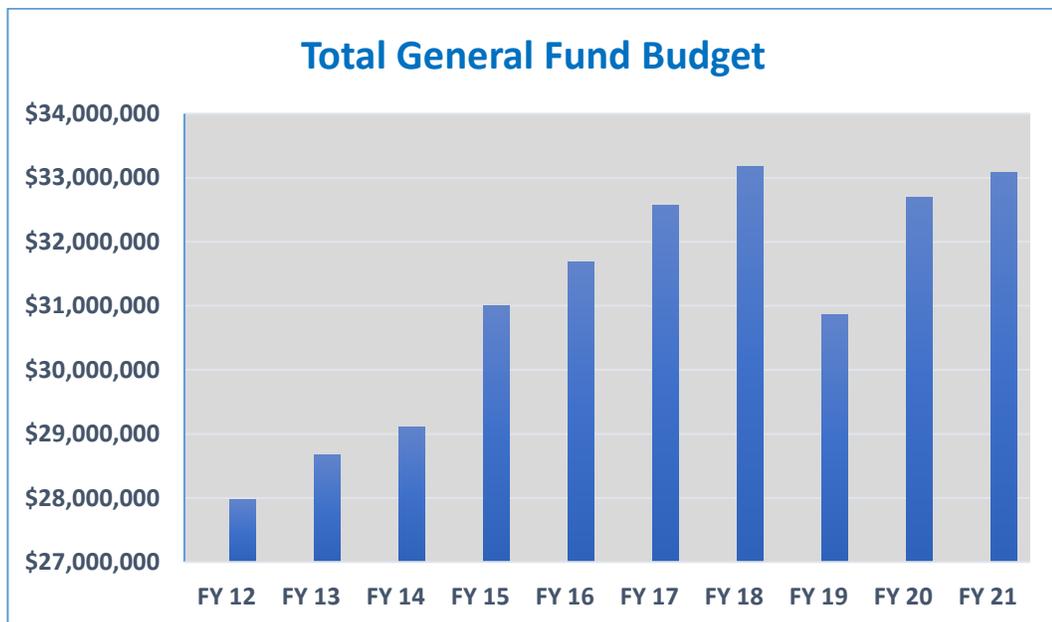
Budgeting for Fiscal Year 2021 has presented significant challenges for the County. The Proposed General Fund budget is \$33,084,903, which represents an increase of \$398,191 from the current revised FY 2019-20 budget (a 1.2% increase). The most significant increased expenditures impacting the FY 21 Proposed Budget are the following factors: 1) Significant increase in employee health insurance costs (6.1%), 2) Increase in required retirement contributions for general employees (1.2%) and law enforcement personnel (1.14%), 3) Additional costs associated with public safety and organizational development improvements (Compensation Study \$234,771), 4) Additional funding support for Warren County Schools (\$300,000), 5) Support for the County's Broadband Initiative, and 6) Additional funding for the Warren County Health Department due to a projected reduction in revenue (-\$377,324) and anticipated surplus in the current Fiscal Year.

The County is projected to see growth in overall revenue due to growth in property tax revenue from continued implementation of the Computer Assisted Mass Appraisal System capturing new properties and continued audits. Outside of this one category, the County is facing mostly stagnant revenue projections, with significant decreases in certain categories such as Sales Taxes and Personal Property Taxes. Additionally, this budget also proposes a modest \$.02 increase to the Warren County Property Taxes.

This proposed budget was crafted using the following strategic plan priorities: 1) Support for Broadband implementation, 2) Education, and 3) Focus on organizational development improvements.

There are a few major environmental factors impacting the FY 21 Proposed Budget. Impacting the budget positively is an anticipated increase in property tax revenue. Unfortunately, the Coronavirus pandemic has severely and negatively impacted what was previously a positive and expanding economy. We are now facing a contraction in the economic climate, nationally and statewide, along with a statewide projection of a reduction in sales tax revenue and a projected reduction in Health Department revenue.

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



- The budget reflects revenue growth over the current year (\$1,189,187 in Property Taxes and \$21,000 in Permits and Inspections fees) and a 5% reduction in Sales Taxes
- The budget funds new positions in: DSS, Health Department, IT and the Sheriff’s Office
- The budget holds departmental expenditures to their current level or reduces them
- The budget increases local funding by 5% to Warren County Schools
- Contributions to Vance-Granville Community College remain unchanged
- Contributions for the Lake Gaston weed control remain unchanged
- Broadband implementation is funded at \$175,000
- The budget funds a modified implementation of the results of the County’s 2020 Compensation Study, which allows the County to take initial steps toward implementing a plan for addressing employee compensation
- Public Safety Radio System Improvements funded at \$175,000

- The budget continues funding a training initiative for our E-911 Center in the Office of the Sheriff at \$35,000
- The budget also funds preventive maintenance improvements and initiatives at County facilities
- In the Public Works Department, the FY 21 budget maintains funding for the Keep Warren County Beautiful Committee (\$3000).

Highlights

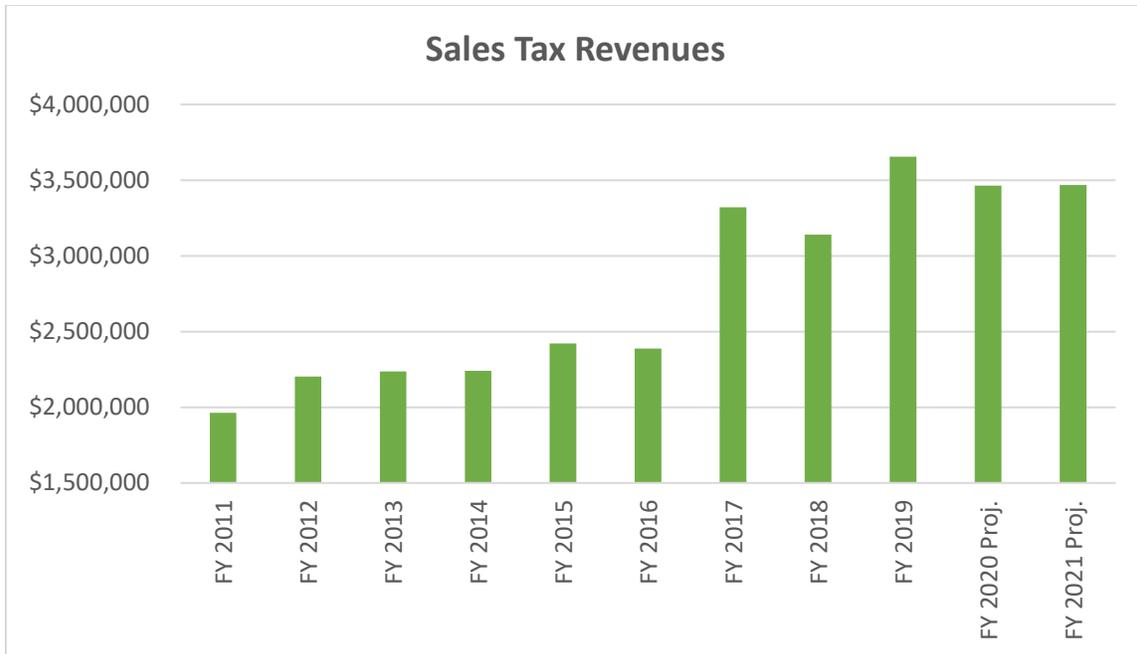
- *Education funding increases using \$300,000 in local dollars and \$350,000 in State Sales Tax funding for Schools capital projects*
- *Funding for Broadband Implementation \$175,000*

General Fund

Property tax revenue is the primary source of general fund revenues providing 61% of total revenues and a total amount of \$20,361,687, 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 increasing the tax rate. The figures below reflect annual tax bases and tax rates for the past decade.

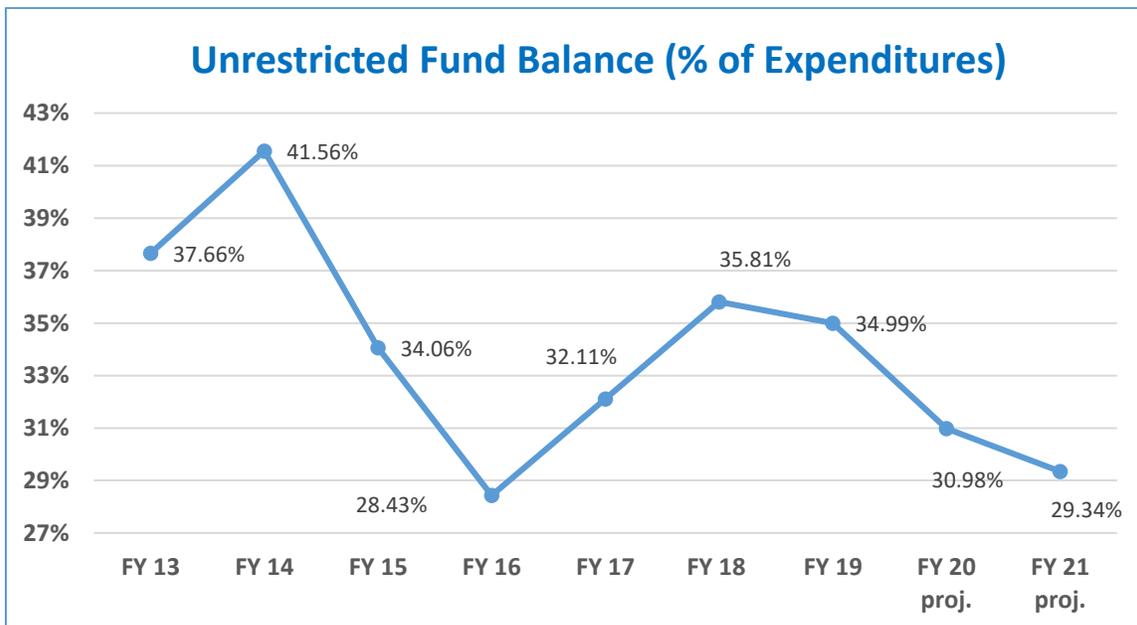
Fiscal Year	Taxable Assessed Value	Tax Rate
FY 2011	\$ 2,498,000,000	0.60
FY 2012	\$ 2,520,765,433	0.62
FY 2013	\$ 2,540,927,287	0.66
FY 2014	\$ 2,596,400,669	0.66
FY 2015	\$ 2,575,524,951	0.66
FY 2016	\$ 2,559,949,502	0.66
FY 2017	\$ 2,486,867,624	0.71
FY 2018	\$ 2,509,887,460	0.76
FY 2019	\$ 2,420,705,063	0.79
FY 2020	\$ 2,430,992,386	0.79
FY 2021	\$ 2,549,150,108	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. Following guidance from the North Carolina Association of County Commissioners (NCACC) total county sales tax revenues for FY 2020-21 are estimated to show a reduction from the previous year. The State has provided notice that overall the State will see a decrease of 20% to 40% in sales tax for the remainder of the current fiscal year; it is imperative that we remain conservative with projections for sales tax revenue in Fiscal Year 2021 until we can determine the impact of the pandemic and what the recovery looks like for the State, region and County. Our projections reflect a (-5%) reduction in Sales Tax Revenue.



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 2020-21.

We expect to see a continued rebound in ambulance revenues FY 2020-2021. The issues identified in our FY 2018 Annual Audit are being addressed, as it relates to the collection of Medicaid payments/reimbursements.



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 2020-2021 Proposed Budget increases current expense funding to Warren County Schools (\$300,000). Vehicle purchases in the coming fiscal year include: 1 ambulance; 3 Sheriff's Office vehicles (2 patrol cars and one SUV); Emergency Services SUV; and 4 pickup trucks (Buildings and Grounds, Code Enforcement, Cooperative Extension, Public Utilities). I am proposing financing these vehicles. The total for the General Fund and Enterprise Fund is \$461,421.

The largest areas of expenditures are: education, public safety, social services, and the health department. FY 2021 will also contain a Presidential Election. Voting equipment was purchased in FY 2020, and the elections will be supported with funds in the FY 2021 operational budget.

The FY 2020-2021 Proposed Budget does include funding for major building repairs to include: Board of Elections flat roof replacement (\$21,000); DSS needs five (5) water sourced heat pumps (\$40,000); and various parking lot improvements (\$40,000).

General Fund Expenses

Increase of 6.1% in health insurance costs

Fleet additions total \$461,421

As you know, the County is projecting an increase of 6.1% in health insurance premiums for the coming year. The impact is an increase of approximately \$123,500. This increase is due to the inflationary pressures seen in the insurance industry nationwide. However, with direction from the Board of Commissioners, we have joined the North Carolina Health Insurance Pool (NCHIP), which is expected to lessen the typical inflationary increases in this area. To this point, Warren County has annually explored 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 annually review our policy to stabilize future cost increases.

The County's retirement contribution for regular personnel is increasing from 9.03% to 10.23%. For Law Enforcement officers, the retirement contribution is increasing from 9.70% to 10.84%.

In the current fiscal year, the Board supported strategically trying to address our competitiveness in the marketplace for County employees. The Compensation Study funded by the Board has been completed. The results have surpassed our initial expectation or our ability to afford and they have a total impact of \$1.4 million dollars if implemented, in full. The Human Resources budget for FY 2020-2021 includes additional funding for organizational review, specifically focusing on scheduling for Emergency Services. It is not an issue that can be fixed overnight. However, our employees and staff are one of the County's greatest assets; with planning and foresight, we can work to address these issues.

Education Funding

Warren County Schools requested a significant increase in funding for FY 2020-2021 in all categories. In the current FY 2020 budget the Board approved a \$200,000 increase in Current Expense funding along with an additional \$125,000 in one-time funding. The FY 2021 Budget keeps the additional \$125,000 in one-time funding that was provided in the current year as part of the base Current Year Expense funding, plus an additional \$75,000; this is in addition to providing another \$100,000 in Current Year Expense Funding for a total increase of \$300,000. This level of funding equates to an increase of 6% to the total Current Expense budget. This is significant. The Warren County contribution per pupil remains among the highest in the State of North Carolina and the highest of all of our surrounding counties.

Additionally, the Board also approved the use of \$524,685 in Lottery Funds to fund capital projects (\$350,000 for capital improvements) and school security projects (\$174,685). In the current fiscal year, those funds have not been used and remain available for use by Warren County Schools. 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. The Proposed FY 2021 Budget provides \$350,000 for Capital Outlay from funding using Sales Tax for Schools revenue.

This level of increase year over year is not sustainable for the long-term fiscal health of Warren County. This is the largest component of our overall County budget at just over 16% of our total.

Warren County Public School Funding					
Fiscal Year	Current Expense	Capital Outlay	Expansion/Current Expense	SEMMA Allocation	Total Allocation
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	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

Other Noteworthy Items

- Funding for non-profits remains at \$40,000.
- Update of the County’s Comprehensive Plan (\$35,000)
- Public Safety Radio System Repeaters (\$175,000)

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 Regional Water Treatment Plant, there are no proposed increases in water, sewer or usage fees at this time. I am delaying the anticipated increase in rates. We will make a recommendation to the Board of Commissioners after assessing the economic recovery due to effects of the pandemic. We are preparing to make a recommendation to the Board at mid-year to begin in the latter half of Fiscal Year 2021 or concurrent with Fiscal Year 2022. The regional water fund budgets for FY 2020-21 are relatively unchanged from the current year's revised budget: Regional: \$1,021,258, District 1: \$745,866, District 2: \$804,571, and District 3: \$1,138,541. 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 is expected to see resolution by the end of the current Fiscal Year or early in Fiscal Year 2021.

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. 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 21. A rate impact to Warren County could begin as early as January 2021 if the County participates in the project, but preferably it would begin July 2021.

Solid Waste Enterprise Fund

The overall solid waste fund budget is \$1,722,600. 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, nationwide 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. The Warren County Keep America Beautiful Committee has been established and the FY 21 budget proposes \$3,000 address the committee's efforts in Warren 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 2020-21 budget is \$1,115,056, as compared to \$1,034,105 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. The Proposed Budget includes \$187,800 for FY 2020-21 as compared to \$186,926 in the current fiscal year.

Octennial Revaluation Fund

This fund is for the revaluation of property occurring every eight years. The budget for the FY 2020-21 is \$50,500.

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. Last year at this time I mentioned that we needed to closely monitor our pursuit of grant dollars and how we manage grants given the impact that matching funds and administrative time can have on County operations. The Board has approved a Grants Management Policy that should serve the County well. We also need to stringently

monitor our expenses in light of the unknown; we are not sure of how the economy will recover from the Coronavirus and COVID-19 pandemic. 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 21 Proposed Budget adheres to the County's Fund Balance policy.

Given our current economic conditions, nationally and in North Carolina, the decision to propose at \$.02 increase in the property tax rate was not entered into lightly. The major items in the budget are necessities. The impact to a Warren County taxpayer will range from \$20 to \$80 (Assessed Value - \$100,000 = \$20; \$200,000 = \$40; \$300,000 = \$60; \$400,000 = \$80), annually. Given the current economic conditions, we will provide the Board with quarterly updates on the financial condition of the County and revenue results. If residents are experiencing financial hardships, they can speak with our Tax Administrator to seek payment arrangements for property taxes. This will allow us to make the appropriate financial adjustments, to keep the budget in balance given the uncertainty in the national and state economic conditions. With our limited resources, we have prioritized 1) Education, 2) Broadband, 3) Employee Compensation, and our 4) State mandate to update our Comprehensive Plan, which is especially important given the County's implementation of countywide zoning.

It is my hope that you will find this budget to be conservative and 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 Fiscal Year 2021 will be marked by how well we managed our response to the Coronavirus and COVID-19, while we maintain and protect the financial condition and health of the County.

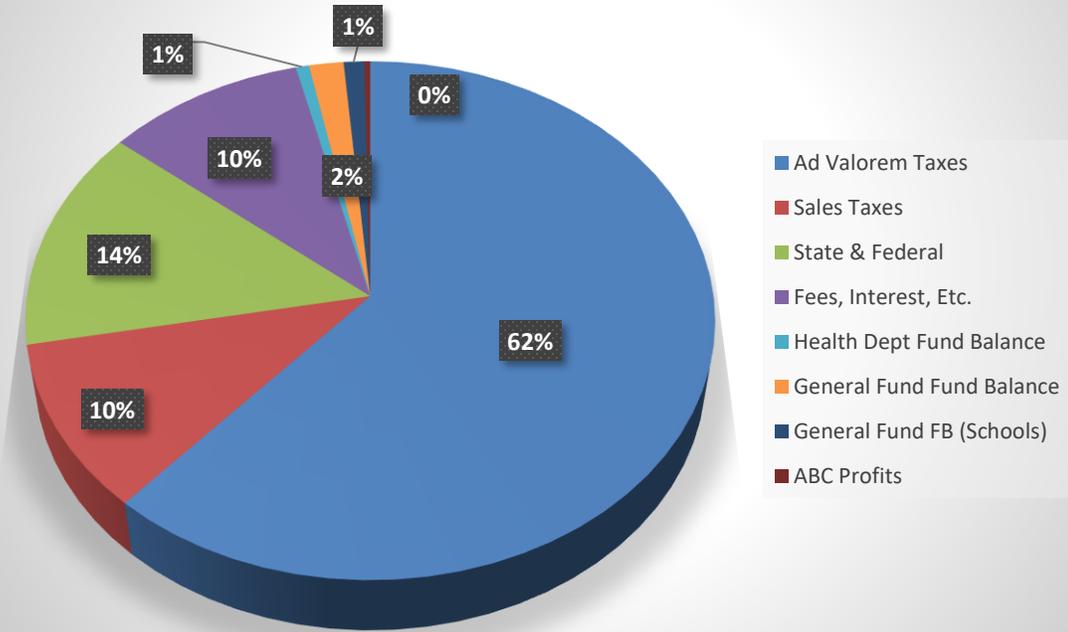
It is my sincere pleasure and honor to serve as your County Manager. Under the leadership of the Board of Commissioners, I look forward to another successful fiscal year that brings us closer to achieving the goals identified by the Board and enhancing the level of service we provide to Warren County 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, operations knowledge and recommendations, it would not have been possible. Additionally, I would like to also recognize Finance Director, Kathy Brafford, Charla Duncan, Senior Assistant to the County Manager, Paula Pulley, Deputy Clerk/Executive Assistant to the County Manager and Kia Settles, Interim Director of Human Resources.

Respectfully submitted,

Vincent Jones
County Manager and Budget Officer

Fiscal Year 2021 General Fund Revenues



Fiscal Year 2021 General Fund Expenditures

