

Special Meeting
Wednesday, May 27, 2015
Chowan County Public Safety Center
305 West Freemason St.
Edenton, NC
4:00pm

Present Chairman Jeff Smith, Commissioners Keith Nixon, Alex Kehayes, John Mitchener, Emmett Winborne and Greg Bonner.

Commissioner Lawrence came in later.

Staff present County Manager Kevin Howard, Finance Office Willie Carawan and Board Clerk Susanne Stallings.

Special Meeting

Chairman Smith called the meeting to order

FY 2015-16 Budget Message

County Manager Kevin Howard presented the budget message.

This FY 2015-2016 budget is presented to you in accordance with the *North Carolina Local Government Budget and Fiscal Control Act*. The proposed budget is presented subject to a public hearing and the Chowan County Board of Commissioners revisions and approval. This budget, as presented, is balanced. The total revenues and expenditures for the General Fund including the Social Services Fund are \$16,626,121.66 compared to the original FY 2014-2015 budget of \$15,754,797.64. The Budget appropriates \$367,806.63 from fund balance.

The FY 2015-2016 budget, as proposed, is based on a \$0.76 tax rate, a \$.06 increase from FY 2014-2015. This increase is due to the reduction in EMS revenues and to cover an increase in health insurance premiums.

County Administration received budget requests, revenue estimates and other financial information from various officials, officers, department heads and agencies of Chowan County. The proposed budget is based on staff information and information provided by and input from, the County Commissioners. Each department or agency presented an original budget request to the Finance Office. Upon receipt, the County Manager met one or more times with each department head to establish a budget to be submitted to the Chowan County Board of Commissioners. Subsequently, the Commissioners have preliminarily reviewed the budget. In the case of special appropriations requested by outside government agencies and nonprofit organizations, including the Edenton-Chowan County Board of Education, the College of the Albemarle and the Library the recommended appropriations reflect the results of budget work sessions involving the Board of Commissioners and staff.

A copy of the budget has been filed with the Clerk to the Board and is available for public inspection. The Budget Officer will publish a statement in the Chowan Herald that the budget has been submitted to the Chowan County Board of Commissioners, and is available for public

inspection in the office of the Clerk to the Board. The same published statement will also give notice of the time and place of the public hearing during which any person who may wish to comment on the budget may appear before the Board of Commissioners.

No earlier than ten days after May 27, 2015, the date of the formal budget presentation, and not later than June 30, 2015, the Chowan County Board of Commissioners must adopt a budget ordinance making appropriations, estimating revenues and levying taxes for FY 2015-2016.

Revenue Overview

Property Tax Collections – According to FY 2013-2014 Chowan County audit, the overall tax collection rate in Chowan County was 97.43% in FY 2013-2014. FY 2015-2016's estimated property tax revenues is calculated based upon the audited tax collection rate for FY 2013-2014. According to the FY 2013-2014 audit, the collection rate for real and personal property was 97.64%, and the collection rate for motor vehicles was 95.37% for the combined collection rate of 97.43%. For purposes of estimating next year's property tax revenues, this proposed budget assumes a collection rate of 97.64% for real and personal property and 95.37% for motor vehicles.

According to the FY 2013-2014 Audit the 10 year statutorily enforceable delinquent uncollected taxes owed to Chowan County increased from \$623,192 as of June 30, 2013 to \$645,246 as of June 30, 2014.

County staff is committed to increasing the tax collection rate during future years. In addition, we will focus on collecting prior year delinquent taxes.

2. Estimated Tax Base and Rate - The estimated tax base is used in this budget to determine the amount of property tax revenue that will be available in the FY 2015-2016 budget. The estimated tax base amount is provided to the County Manager by the County's Tax Administrator. The amount of revenue that is expected to be collected in the coming year is determined by the tax base amount and the collection rate. See Attachment 2.

The Chowan County 2015 tax year valuation estimate provided by the Tax Administrator provides for a total valuation for FY 2015-2016 of \$1,362,439,875. At 100% collection, each penny of a tax rate assessed will produce \$136,243.99.

The total taxable valuation for real and personal property, and public utilities within Chowan County is estimated at \$1,247,439,875. At 100% collection, each penny of the property tax rate assessed will produce \$124,743.99. When multiplied by a collection rate of 97.64%, each penny of the tax rate should generate \$121,800.03. With the proposed tax rate of \$0.76 per \$100.00 valuation, the 2015-2016 current year anticipated revenues for real and personal properties and utilities are estimated at \$9,256,802.23.

The total valuation for motor vehicles within Chowan County is estimated at \$115,000,000. At 100% collection, each penny of the tax rate assessed will produce \$11,150. When multiplied by a collection rate of 95.93%, each penny of the tax rate assessed should generate \$10,967.55.

With the proposed tax rate of \$0.735 per \$100 valuation, the anticipated revenues for motor vehicles are estimated at \$833,533.8.

Therefore, the FY 2015-2016 budget anticipates the collection of \$10,090,336.03 in ad valorem tax revenues from real and personal property, public utilities, and motor vehicles. This amount represents 60.69% of General Fund revenue.

The FY 2015-2016 budget also anticipates the collection of \$218,500 in prior years' delinquent real and personal property taxes, \$13,300 in prior years' delinquent motor vehicles taxes, as well as \$100,000 in penalties, interest and other miscellaneous charges assessed upon delinquent taxes.

The total amount of the above taxes anticipated in this budget is \$10,425,135. This amount represents 73.67% of General Fund Revenues.

3. Sales Tax - Chowan County anticipates collecting \$909,500 in FY 2015-2016 from the local 1-cent Article 39 sales tax. The County General Fund also anticipates collecting a total of \$680,000 from the ½ cent Article 40 sales tax. An additional thirty (30) percent of the Article 40 sales tax by statute is restricted for school capital projects and is sent directly to the School Capital Reserve and is not reflected in the General Fund. The County further anticipates collecting from the ½ cent Article 42 sales tax a total of \$50,000. An additional sixty (60) percent of the Article 42 sales tax by statute is restricted for school capital projects and is sent directly to the School Capital reserve and is not reflected in the General Fund.

The total amount of sales tax revenue anticipated in the General Fund budget is \$1,639,500. This amount represents 11.58% of General Fund Revenues.

In addition, the County will directly deposit an estimated \$671,875 into the School Capital Reserve to meet the Article 40 and Article 42 school capital obligations.

4. Fire District- The FY 2015-2016 Fire District Special Revenue Fund anticipates \$607,508.07 in property tax, sales tax and other revenue for the benefit of fire departments in Chowan County. This includes a \$.01 increase in the Fire Tax. This fund uses \$45,147.18 in fund balance.

5. E911/Central Communications – The FY 2015-2016 E911 Special Revenue Fund anticipates \$336,678 in 911 surcharge receipts. This fund uses \$243,900 in fund balance.

6. Emergency Medical Service Revenues- The FY 2015-2016 revenues for the EMS Enterprise Fund are estimated at \$1,200,000 in fees for services and \$436,275.97 appropriated from the General Fund.

7. Water Sales and Services – The FY 2015-2016 combined revenues for water sales for the Chowan County Water District is budgeted at \$1,075,000 and tap fees, connection fees, reconnection fees and penalties increase the total to \$1,148,900. This fund uses \$249,422 in fund balance. The FY 2015-2016 budget anticipates no increase in water rates.

8. Solid Waste Revenues – The proposed FY 2015-2016 combined revenues for the Solid Waste Enterprise Fund is estimated to be \$1,043,000. This fund uses \$57,344 in fund balance

9. Town of Edenton – The FY 2015-2016 budget anticipates \$262,720 in reimbursements from the Town of Edenton for the Town share of debt service and operating costs of the County Public Safety Center as well as the Town's agreed share of the Information Technology and Building Inspections office budgets.

10. Register of Deeds Revenues – The FY 2015-2016 budget anticipates revenues from real estate registration (recording fees), vital statistics and marriage licenses in the amount of \$155,650. This amount includes \$67,750 in excise tax (deed stamps) to be divided between Chowan County and the State of North Carolina.

11. Planning and Inspections Office – Inspection and Planning fees for FY 2015-2016 are anticipated to generate \$107,500 including \$100,000 in building permit fees.

12. Fines & Forfeitures- The FY 2015-2016 budget anticipates \$37,500 in the receipt of fines and forfeitures which are remitted to the Edenton-Chowan Board of Education.

13. Court Fees – The FY 2015-2016 budget further anticipates \$42,000 in court costs and court facility fees with must be used to maintain the county courthouse.

14. Jail – The FY 2015-2016 budget anticipates \$29,000 in jail fees.

15. Recreation – The FY 2015-2016 budget anticipates revenues of \$77,569 from registration fees, concessions, special events and the JCPC after-school program grant.

16. Senior Center/Nutrition – The FY 2015-2016 budget anticipates revenues of \$15,100 from registration fees, other fees and from the Albemarle Commission for the Nutrition Program.

17. ABC - The FY 2015-2016 budget anticipates \$34,750 from the ABC bottle tax and from profit distribution from the ABC Store.

18. Department of Social Services – The FY 2015-2016 budget anticipates \$2,473,908 from state revenues for administration and program costs.

19. Other County Revenues – Please refer to the Manager's Recommended Budget Workbook for other budgeted revenues for FY 2015-2016.

Expenditures Overview

1. Public Education – The total school current expense appropriation provided for in the FY 2015-2016 budget is \$3,421,929. This appropriation will be distributed in twelve (12) equal monthly payments.

The Chowan County Board of Commissioners are committed to improvements in the public education system.

To that end, once again in its discretion, in FY 2015-2016, the Board of Commissioners can appropriate \$200,000 from the County Capital Reserve to the School Capital Reserve. These funds will join sales tax revenues and Lottery Funds as the source of revenue for school capital projects and debt service payments. The total school capital projects appropriation is \$600,000. Sales Tax will continue to pay for the DF Walker debt service and Lottery Funds will continue to be utilized to pay for the QZAB debt service.

The FY 2015-2016 budget provides \$103,573 for the ninth year debt payment due July 1, 2014 for the QZAB interest-free loan, which provided funds for renovations to John A. Holmes High School. Lottery Fund proceeds are designated for this debt payment.

The FY 2015-2016 budget further provides for the debt payment for the DF Walker Elementary School. This payment of \$571,743 in principal and \$52,600.56 in interest for a total of \$624,343.56 is due in FY 2015-2016. The Sales Tax revenues, in part, are designated to this debt payment. The shortfall between sales tax revenues and the DF Walker debt must be paid using the School Capital Reserve Fund balance. Lottery funds are not eligible for the DF Walker School debt service. The school capital reserve fund balance was \$358,687 as of June 30, 2014.

2. Community Colleges - The FY 2015-2016 budget provides for \$200,000 to be used for the College of the Albemarle Chowan Campus for current expenses and appropriates \$200,000 for COA capital outlay.

Further, the current expense appropriation will be distributed in twelve (12) equal monthly payments, and the capital reserve will be distributed to COA on a reimbursement basis, after prior approval and after consultation with the Board of Commissioners for capital outlay expenditures and projects. Reimbursable projects under \$5,000 shall not require Board of Commissioner approval.

3. Tax Collections - The FY 2015-2016 budget appropriates \$399,739 for tax office operations.

4. Sheriff's Office – The FY 2015-2016 budget provides a total of \$1,265,124 for the Chowan County Sheriff's Office. The budget includes funds for two new vehicles at a cost of \$50,000.

5. 911 Communications – The FY 2015-2016 provides \$474,156 for the operation of the 911 emergency communications system.

6. Emergency Medical Service - The FY 2015-2016 budget appropriates \$436,275 from the general fund to the EMS Enterprise Fund to cover a revenue shortfall in that amount.

7. Jail – The FY 2015-2016 budget appropriates \$731,558 for the operation of the Chowan County Detention Center.

8. Social Services– The FY 2015-2016 budget provides for \$950,000 in County funds to the Social Services fund. All the Social Services budgets previously in Fund 11 were combined in a new Fund 12 for budgeting purposes in FY 2012-2013. The new Social Services Fund remains for auditing purposes part of the General Fund.

9. Recreation – The FY 2015-2016 budget appropriates \$453,622 for the Recreation Department Operating Budget.

10. Senior Center/Nutrition – The FY 2015-2016 budget provides \$147,415 to fund the Senior Center and Nutrition Program for Chowan County senior citizens.

11. Register of Deeds– The proposed FY 2015-2016 budget provides \$207,367 for the operation of the Register of Deeds Office.

12. Land Records – The FY 2015-2016 budget provides \$69,250 to the Land Records/GIS Department located in the Register of Deeds Office

13. Animal Shelter – The FY 2015-2016 budget appropriates \$191,495 for Tri County Animal Shelter operations. It is estimated that \$97,500 will be reimbursed to Chowan County, as fiscal agent, from Gates (\$45,000) and Perquimans (\$52,500) Counties.

14. Elections – The FY 2015-2016 budget provides for funding in the amount of \$122,771 for the general operation of the Elections Office and for the November 2014 General Election

15. Public Health – The FY 2015-2016 budget provides an appropriation in the amount of \$89,688 payable to Albemarle Regional Health Services.

16. Mental Health - The FY 2015-2016 budget provides \$33,478 to East Carolina Behavioral Health which includes the county's \$2.00 per capita contribution and the transfer of \$4,000 in bottle tax revenues.

17. Information Technology – The FY 2015-2016 budget appropriates \$245,741 for County IT expenditures.

18. Maintenance - The FY 2015-2016 budget provides a total of \$675,980 for maintenance and utilities of county buildings. This includes \$128,100 for the Chowan County Public Safety Center and \$40,300 for the Courthouse. The FY 2015-2016 budget provides \$328,280 for the Maintenance Department operations.

19. Inspections and Planning - The FY 2015-2016 budget appropriates \$196,083 for the Inspections Department and \$29,500 for the Planning Department.

20. Soil Conservation - The FY 2015-2016 budget appropriates \$112,817 for the Soil and Water Conservation Program. This includes funds for Hydrilla and Beaver Management

21. Forestry - The FY 2015-2016 budget provides an appropriation in the amount of \$60,764 to the Forestry program.

22. Cooperative Extension - The FY 2015-2016 budget appropriates \$148,575 to Cooperative Extension Service.

23. Employee Health and Dental Insurance – The County will provide health, dental, life and vision insurance through United Health Care.

25. Shepard Pruden Memorial Library - The FY 2015-2016 budget provides \$204,736 for operating expenses.

26. Fire – The FY 2015-2016 budget provides \$199,994 for operations and equipment as well as \$48,845 for debt service to the Center Hill Crossroads Volunteer Fire Department.

The budget further provides \$323,832 for operations and \$19,836 for capital to the Town of Edenton for its fire services to the non-town residents of Chowan County. This amount is recalculated each year based upon a five year average of Edenton Fire Department calls outside of the town limits. Next year's County share represents 41.5% of the Town's fire budget.

The Budget provides \$15,000 for a tanker to the Belvidere Chappell-Hill Fire Department.

27. Debt Service - The FY 2015-16 budget provides \$1,991,972 in principal and \$311,869 in interest toward the County's debt obligation, a total of \$2,303,841 for debt service.

28. Other County Expenditures – Please refer to the Manager's Recommended Budget Workbook for other budgeted expenditures for FY 2015-2016.

This budget represents our best estimate of revenues and expenditures during the coming year. As with any budget, during the course of the coming fiscal year, adjustments may be required to amend the adopted budget. The Chowan County Board of Commissioners is required to approve any such budget adjustments, which increase or decrease a department's total expenditures during the course of the fiscal year.

I urge the Commissioners to carefully consider and study this proposed budget. If there are any questions or concerns, please do not hesitate to contact me.

On behalf of your County staff, we look forward to working with the Commissioners during the coming year to provide the best services possible at the most reasonable cost to the taxpayers of Chowan County.

Misc.

Mr. Howard noted that the budget is currently at a proposed 6 cent tax increase and it does not increase current expense for the school.

He stated he will check with the ABC Board on the proposed revenue.

He provided the Board with information on the Edenton Fire Department budget request. He stated he has scheduled a meeting with the Town Manager and Finance Officer to discuss trueing- up of the fire fund. HE noted the budget includes an increase in fund balance appropriation.

Break

Chairman Smith called for a one hour recess for dinner. After dinner Chairman Smith called the meeting back to order.

Commissioner Lawrence joined the meeting during the break.

Mr. Howard then reviewed the proposed revenues.

Commissioner Winborne noted that a Cost of Living Adjustment (COLA) was not included for County employees.

Mr. Howard noted the tax increase needed to be reduced 1.5 cents because the school capital was keyed incorrectly.

Commissioner Nixon discussed the historic tax rate for the County and stated his concern with a large increase. He stated he would recommend that the Board authorize a 2 cent tax increase and let the Manager find the necessary reductions to balance the budget.

Mr. Howard stated this may require a reduction in programs and services.

Commissioner Lawrence stated he felt the Board has cut as much as it could in the budget.

Commissioner Bonner stated he did not want a large burden to be on the tax payers. He noted that he attributes some of the shortage from not going revenue neutral last year.

Chairman Smith stated that raising the tax rate impacts businesses and job recruitment.

Commissioner Nixon stated he felt there were places some work could be done to find savings.

Commissioner Winborne stated that he would support the recommendation of Commissioner Nixon.

Commissioner Mitchener asked for clarification from the Superintendent on the Current Expense and Capital requests from the schools.

Superintendent Rob Jackson stated that any help with current expense would minimalize the cuts that would be required to balance the budget.

The Board discussed adjusting the sales tax revenue projection.

Commissioner Mitchener stated he would support a 4 cent tax increase to minimize the cuts that would be required in the County and School budget.

Commissioner Nixon moved to ask the manager to go back with the Finance Officer and review the revenues and expenditures to tweak the budget with a maximum tax increase of 2 cents with $\frac{1}{4}$ of that 2 cents to be designated for school current expense (\$33,050). He stated that the school has been level in current expense funding for several years and stated that some county departments have been increased over the years.

Commissioner Bonner stated he would prefer a 4 cent increase with 1 cent being designated for the schools and 3 cents being for the county's general fund.

Commissioner Kehayes stated that a fire tax increase is an additional 1 cent.

Mr. Howard noted that out of the total budget there is little to cut when you take out the mandated or designated funds (approximately \$10 million without schools).

Chairman Smith stated he understood the view of Commissioner Nixon and stated he would support a 2.25 cent tax increase with 2 cents for the county and $\frac{1}{4}$ cent for the school current expense.

Commissioner Winborne stated that the motion if passed was not final and that the budget is still a working document.

Commissioner Bonner asked what a 2 cent and 4 cent tax increase would be for a home valued at \$200,000.

Chairman Smith called for a 5 minute break. He then withdrew the call to recess because a motion was on the floor.

Mr. Howard stated that a 2 cent tax increase on a \$200,000 home would be approximately \$40 per year and a 4 cent tax increase on a \$200,000 home would be approximately \$80.

Chairman Smith called for all in favor of the motion, the motion passed (4-3 Smith, Bonner and Mitchener).

Adjourn

Being no further business Commissioner Mitchener moved that the meeting be adjourned. Chairman Smith asked for all in favor, the motion passed unanimously (7-0).

Jeffery Smith, Chairman

Susanne Stallings, Clerk