



COUNTY OF DUPLIN

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MEMO

To: The Duplin County Board of Commissioners
From: Mike Aldridge
Date: June 27, 2011
Re: Budget Message FY 2011-12

Introduction

On behalf of the Budget Committee, this budget message accompanies the FY 2011-12 budget and is hereby submitted for adoption. As required by NCGS 159-12, public notice was given and a public hearing held on June 6, 2011 in the Ed Emory Auditorium of the Lois G. Britt Agricultural Center.

Review

Each year different challenges must be dealt with in developing the budget. This year, the challenges are many and were especially difficult: The cumulative effect of the Memo of Understanding with the Board of Education; the increasing costs of fuel, utilities, supplies and insurance along with the potential effects of the state's budget created an especially difficult budget scenario.

In October 2010, the Board of Commissioners adopted the ad valorem tax rate of \$0.69 per \$100. On June 20, 2011, the Board voted to adopt the FY 2011-12 budget to include the approval of a 2 cent tax increase, setting the tax rate at \$0.71 per \$100. The tax increase was designated for employee salary increases pending management's development of a salary plan.

The initial draft budget presented to the Commissioners on May 2, 2011 removed virtually all optional services and departments such as the Services for the Aged, Nutrition, Libraries, Museum, Economic Development, Planning, and Transportation. However, even with those drastic cuts, a \$2.37 million fund balance contribution was necessary to balance the budget.

During several days of budget work sessions, the Board restored practically every department that the initial draft budget had eliminated. The current budget now requires a \$4,340,052 fund balance contribution to balance the budget.

Fiscal Conditions

For the period 6-30-04 through 6-30-10 cash and investments declined by \$2.98 million. From 6-30-09 to 6-30-10 the county's cash and investments dropped by \$2 million in a

one year period. The county is currently on track to experience additional cash and investments losses by 6-30-11.

Available Fund Balance expressed as a percent of expenditures is a common measure of a local government's fiscal condition. The County's Audited Available Fund Balance has declined from 30.15% on 6-30-04 to 18.44% on 6-30-10. Assuming the 6-30-11 year end is similar to the 6-30-10 year end, the estimated 6-30-11 available Fund Balance will be approximately 14%. According to the N.C. Treasurer, the average FY 2010 fund balance for the 25 counties in the state with populations of 50,000 to 99,999 is 25.32%. (21.03% statewide).

The county's financial condition has deteriorated over the last several years and has forced the commissioners to make some difficult decisions to control costs. Every service the county provides is important to our citizens and to our employees. However, governmental functions cannot continue if the county's financial condition is incapable of supporting them.

Revenues

Real Property valuation increased from \$3,249,129,304 as budgeted in FY 2010-11 to \$3,304,450,319, a difference of \$55,321,015.

Public Service valuation decreased from \$112,546,896 in FY 2010-11 to \$108,768,943 for FY 2011-12 for a difference of \$3,777,953.

For FY 2011-12 Ad Valorem Tax Revenues are projected to be \$23,682,627 which is an increase of \$778,929 compared to the FY 2010-11 beginning budget.

Sales Tax revenue is projected at \$4,389,059 which is an increase of \$252,971 from the current year.

\$4,340,052 is budgeted from fund balance for FY 2011-12.

Prior year collections of Ad Valorem and Motor Vehicle Taxes are budgeted at \$884,016 for FY 2011-12, which is a reduction of \$160,600 as budgeted for FY 2010-11.

Fees for County Building Permits and Fire inspections increase for FY 2011-12.

The solid waste rural household availability/disposal fee remains unchanged at \$90 for FY 2011-12. The solid waste tipping fee remains unchanged at \$42 per ton.

Revenues from the additional ¼ cent local option sales tax will continue to be distributed to the volunteer fire departments.

Expenses

The General Fund Budget is \$48,905,947 for FY 2011-12 as compared to \$47,383,016 for FY 2010-11.

There are two ½ step educational salary increases included in the budget. No other salary increases are included in the budget at this time pending management's development of a pay plan. Expenses for implementing the pay plan are budgeted in the non-departmental budget as "contingency – salary study implementation". There will be 27 payrolls in FY 2011-12 which will cost the General Fund approximately \$750,000 overall. (The additional payroll will appear to inflate departmental budgets compared to the prior year.) Longevity pay for employees with 10 or more years of service remains in the budget.

The employer's contribution to local government retirement increased by .53% for next year to 7% for general employees and increased by .63% for law enforcement to 7.04%. This cost approximately \$92,000.

County paid employee health insurance is an ever increasing cost. Our groups medical claims cost compared to FY 2010-11 are trending upward by 24%. To help control increasing costs, the FY 11-12 health insurance plan increases the employee's co-pay and deductible in order to maintain the current premiums. The premium paid by the county is approximately \$3.3 million.

Contribution to the Board of Education will be based on the Memo of Understanding and represents an approximate \$1.1 million increase in Current Expense as compared to the FY 2010-11 beginning budget. For the first time, \$250,000 in capital contributions is included from the county's General Fund to replace diverted state revenues that have previously been allocated as capital contributions to support middle and high school athletics.

The Board of Education will pay the total cost of the nine School Resource Officer positions. The positions will remain as full-time county employees.

There is no increase in contributions to James Sprunt Community College. Contributions to Current Expense remain at \$1.36 million and Capital Outlay remains at \$243,000. County provided JSCC security officer positions are not included in the budget.

Several possible EMS configurations were thoroughly investigated. Following the public hearing and subsequent budget work session, Emergency Medical Service was restored to eight 24-hour transporting units adding 4 positions at a cost of \$355,955 above the current year's beginning budget. The \$33,600 contribution to volunteer rescue squads and first responders is eliminated. There is no increase in rent to fire departments housing EMS units.

The following staff reductions are incorporated in the FY 2011-12 budget.

Cowan Museum would be “moth balled”. One part-time position and one substitute position is eliminated.

One full-time and one substitute JSCC School Resource Officer position eliminated.

One part-time position in Aging is eliminated.

Eliminate 2 vacant positions in Health.

Eliminate 2 vacant positions in Sheriff’s Department.

Eliminate 5 vacant positions in Social Services

Eliminate 1 vacant position in the Tax Department

Practically no capital expenses are included in the budget. No replacement fleet vehicles are included in the Sheriff’s budget.

The matching contribution for the Goshen Swamp stream restoration grant is eliminated.

Contributions to Carolina East and Vocational Rehab are eliminated.

The contribution to support the Airport is reduced to \$100,000.

The contribution to the Forestry Service is reduced to \$104,305 (deferring a truck purchase).

The grants writer contract is eliminated.

There is no contribution to the Wallace Committee of 100.

Summary

Every revenue source has been budgeted as aggressively as possible. Looking ahead, the County will face a greater budget dilemma in FY 2012-13 since fund balance reserves will have been depleted to near the Local Government Commission’s recommended minimum. At that point, even drastic budget reductions will not be sufficient to avoid a significant tax rate increase.

Acknowledgements

The contributions of County Finance Officer, Teresa Lanier and Deputy Finance Officer Angela Miller along with the input and cooperation of elected officials and department heads is gratefully acknowledged.