

Budget Message
2018-19 Fiscal Year

This is my sixth budget message. The proposed budget will be emailed to you Wednesday or Thursday. We are still working on some details. Our workshop will be next Monday, May 14th and we need to schedule a second workshop. I would recommend Tuesday, May 15th.

It's been an incredible year! We have had the following financial and substantial improvements:

- We have issued our 2018 employee health insurance with the North Carolina League of Municipalities. The insurance is provided by Med Cost who also provides insurance to all Vidant Medical employees. We will have better employee benefit and coverage with a 21% decrease in premium saving the county \$120,000 next fiscal year. In addition, we have been promised a maximum increase of 8% for 2019-20.
- Our employees will benefit next year from better health insurance and will receive a 3% salary increase across the board in the proposed budget.
- We received a Mainland Airport grant not requiring our typical 10% match for a total of \$165,000 to repave and relight our runway.
- We have received the first time ever Ocracoke Airport grant for \$150,000. We have yet to decide how to best spend those funds.
- We received a 4 year commitment from NC DOT to fund ½ of all operational costs for the Ocracoke Tram up to \$90,000 per year.
- We will take delivery of and benefit this summer from a \$7.5M federal and state grant for a passenger ferry between Hatteras Ferry Dock and Silver lake four times a day from each dock. Funds were also provided within this grant to provide for capital improvements for the passenger areas at both docks, parking, bathrooms, ramps and trams.
- We successfully joined Dare and Tyrrell Counties in a \$9M consolidated 911 facility in Dare County.
- With the help of Hyde County Soil and Water Conservation and Daniel Brinn we were awarded almost \$1M for a mainland wide drainage improvement project grant for clearing and snagging over 31 miles of drainage canals in the county.
- We have been awarded a \$500K Community Development grant to replace the roof on the Davis Center.
- We will take ownership of a capital account of \$215K for improvements to a consolidated collaboration for the Mattamuskeet Learning Lodge.
- We have located and purchased a site in the center of Ocracoke Village for our new EMS station for Ocracoke.
- We have resolved to purchase a structurally engineered prefabricated EMS station for Ocracoke to include 4 bedrooms, 2 ½ baths and conditioned garage units for our rescue vehicles. This facility will be purchased with general funds not to exceed \$250K and refinanced from an installment loan from a local bank. We will be in the new facility by this November.

- We have received and are implementing \$1,641,928 in Community Development and Disaster Mitigation grants to elevate structures across mainland Hyde County this year.
- We received \$50K to train 5 our employees on valuable topics at the UNC School of Government. The grant paid for training expenses, time, travel and admin funds back to the county.
- We formed a partnership with US Fish and Wildlife and NC Wildlife Resources Commission to study and improve the health of Lake Mattamuskeet. The \$70K project was funded by USFWS, NCWRC and Hyde County with our portion coming from a \$15K grant from NC Division of Coastal Resources.

These grants and award amounts total \$21,186,928. This could not have happened without the efforts of Kris Noble, Daniel Brinn, Debbie Cahoon and our incredible support staff. These are huge results for an economically distressed Tier One County like Hyde.

In addition to the above, we have experienced an increase in sales and occupancy tax.

In addition to our 3% Occupancy Tax, we created a new Tourism Development Authority generating an additional 2% which went into effect on 1/1/2018. The 5% total on an estimated \$16,000,000 in room sales will generate \$900,000 for Tourism Development and other Ocracoke related expenses.

Our Revolving Loan Fund has grown to 16 loans with a total outstanding loan balance of \$1M and existing money to lend totaling \$150,000 (before tonight's loan request). These funds are growing by \$12,000 per month and we are getting ready to ask Golden Leaf for another \$250K to add to our coffers. We believe we will be awarded those funds.

We have an Ocracoke Occupancy Tax Reserve of \$900K of which we will ask the Occupancy Tax Board to distribute up to \$400K for capital improvements on the island.

We are currently in the last 60 days of our 2017/18 budget. This one is the most challenging of my six because of depressed revenues. Expenses, which are predictable, have been on budget, however revenues, which are basically an educated guess based on the past, did not meet our budget expectations. As we have done in the past five years, we budgeted fund balance to balance the budget. Years 2013, 2014 and 2015 we in fact grew the fund balance from \$2,784,184 to \$4,622,833 (24% to 39.42%). In 2016, we had a predicted negative cash flow of \$221,000 and a decrease in the fund balance to \$3,697,663 (30.09%) In 2017, we had a predicted negative cash flow of \$484,859, however even with this we were able to grow the fund balance by almost \$600K to a total of \$4,278,297 (32.7%).

Also in 2017, we budgeted \$1.2M in fund balance to balance the budget, but we will not know the final negative cash flow until July nor the final balance until October. Although it will not be \$1.2M it is not good because of four (4) weak or non generating revenue sources:

- Tax Collections - Our assessed values are down; Our collection rate is poor; these factors in addition to our reevaluation has amounted to a loss of revenue of \$500K (+ or -)
- Medicaid Hold Harmless - Previous years have yielded a revenue to us from the state for the medicaid hold harmless program. We received \$0 from the state for this program this year resulting in a loss of projected revenue of \$300K.
- Last year we requested the Ocracoke Occupancy Tax Board for \$100K to supplement EMS operations on the island. We budgeted that expected revenue but were denied funding by the Ocracoke OT Board resulting in another lost projected revenue.
- Our expectations of earning revenues for non-ambulatory service was slow to start and revenues have been very low.

These four lost projected revenues alone created a loss of over \$1,000,000 in revenue. We will help shore up and soften the total negative cash flow by our spending freeze and what additional revenue we generate in May and June from Tax Collection and EMS.

This brings us to the 2018-2019 Fiscal Year.

We must make up the deficit created from reevaluation, decreased total assessed value, poor tax collection, lost Medicaid Hold Harmless, no revenue from Ocracoke Occupancy Tax for island EMS and the slow start to non-ambulatory services.

We need to raise our tax rate \$.05 in 2018-19. With this increase, we will present a budget balanced by the lowest amount of fund balance in the last 6 years. We must be fiscally responsible sooner than later.

I could not turn our county over to Kris Noble without this \$.05 increase. It's time to look at a long term solution and this is it.

As we gain financial health, this new tax rate will be big enough to safely cover us as we turn the corner.

We will grow our collection rate with the new Farragut system to 98% as we grow our real estate assessed values as well. We have really trimmed our 18-19 expense budget and have raised revenues due to this tax increase and a small increase in assessed values. The proposed 2018-19 budget will be sent to you Wednesday evening/Thursday morning.

I wish to thank each of you for allowing me the opportunity to serve Hyde County for the last 5 + years. It has been an honor.