

BUDGET MESSAGE

TO: The Hyde County Board of Commissioners
DATE: May 5, 2019
RE: Proposed Budget for the Fiscal Year 2019-2020

As Budget Officer, I submit to you this proposed balanced annual operating budget for Hyde County for Fiscal Year 2019-2020. This budget has been prepared in accordance with the provisions of General Statute 159-7, the Local Government Budget and Fiscal Control Act. Notice of this submission will be given to the media and the public, and a public hearing will be scheduled at the Board's regular meeting on June 3, 2019 at 6:00 P.M. A copy of this proposed budget and budget message will be placed on file with the Clerk to the Board, in the libraries located at the Ocracoke School and Hyde Davis Center, and on the Hyde County website to be available for public inspection.

As it has in the last several years, our tax collection rate has been a dominant factor in the preparation of this budget. Our tax collection rate has continued to decrease to a position that has cut our available revenues to balance the budget by over \$500,000. The strain on our ad valorem revenues and our desire to maintain current services has made for very conservative budgets over the last several years and this upcoming year represents even more conservative budget decisions.

The upcoming budget year, like the past five years will be extremely conservative in regard to expenditures with a clear plan to correct this downward trend in revenue receipts for ad valorem taxes. In this proposal, Hyde County will borrow from the General Fund this upcoming year in an amount determined by the board after scheduled budget workshops, but realistically expecting to approve between \$1 - \$1.5 million budgeted from fund balance, again with a clear and concise plan of action designed to stop the trend of decreased revenues allowing funding appropriations necessary to carry out key services for our citizenry, and stopping the trend of utilizing our fund balance. This appropriation from fund balance should still leave us in a healthy position of 25% to 30% after our 2018-19 audit, far higher than state standards, comparative with other coastal counties and robust enough to withstand any emergency we are faced within the coming year.

Implementation of New Tax Collection Software

Hyde County has already started in the current fiscal year to address the loss of revenues due to our decreasing tax collection rate. Last fiscal year our board made a very wise decision to invest in the new Farragut tax collection software system bringing our tax collection capacity and

technology to a place long since needed. Since the implementation in March, we have experienced unprecedented collections for this period in both ad valorem taxes and drainage assessments. Coupled with the implementation of the new system, the ability to accept credit card transactions online, in house and over the phone has already shown an increase in collections for the fiscal year. The system is more efficient, gives management and staff more capability to analyze and address collection statistics through data availability and the ease of reporting. The new system offers public online access which is a valuable tool for our taxpayers and gives them more tools and options to make tax payments easier and tax information more easily obtainable. Management and staff have also implemented a Debt Setoff collection system, a system that has shown great success in water and EMS collection rates, for ad valorem taxes. In addition, management and staff have worked very closely with our legal team this year to collect past debt, further increasing our financial solvency.

Going forward, our team will continue to be aggressive in the utilization of all of the mechanisms listed above including but not limited to targeted collections based on data from the new system, credit card payment capability, debt setoff and legal intervention. In addition, I propose that Hyde County adopt a formal payment plan policy to address tax collections that is consistent with other local governments. A formal payment plan policy that addresses the age and amount of the debt with mathematical and unbiased calculations dictating down payments and a payment schedule that will get the taxpayer out of debt in a timely manner is absolutely critical in stabilizing our collection rates and in turn our revenues and our budget.

Hyde County will continue to integrate other systems into the Farragut system over the next year, beginning with the Register of Deeds Office and the Building Inspections Office. Changes in ownership, transfers and splits, new construction and additions will be more efficiently recorded, seamlessly transferred in a timely manner from our individual offices. Communication and collaboration of our systems will increase our efficiency and our service to our taxpayers. We will begin work this year to create a more accurate and user friendly in house GIS system that will be invaluable as it works hand in hand with our other systems to provide the best data available to all users.

Increase in Hyde County's tax collection rate will be one of the key focuses of management and staff over the next budget year and following years with dedication to the goal of increasing our current rate of 93.6% to a goal rate of 98% by 2024. That increase in tax collection rate, with no change in appraised values or tax rate would have meant an increase in over \$289,000 in available revenues this year alone. At the time that Hyde County realizes the benefits of stabilizing our tax collection rates, we can begin to grow our services. Until then we will work to maintain services with limited budgets, depending on management and staff to cooperate, work

across departments, with other state, federal and foundational partners to achieve our desired outcomes and serve our citizens fully.

Other Revenue Sources

After careful analysis of the budget as a whole, it is the opinion of the Budget Officer that Hyde County has a revenue issue, not necessarily an expenditure issue. The largest impact and improvement moving forward will be the ad valorem tax collection rate increase addressed above. However, management and staff after trend analysis, also expect a healthy increase in sales tax revenues that will further strengthen our budget and the budget of our school system. We expect our continued dedication to collaborate with our tourism organizations, to result in the upward trend of occupancy tax revenues to continue. I can not say enough about the ability, capacity and hard work taking place among our tourism organizations. We predict the economy will continue to flourish and so will our construction activity that will again contribute positively to our overall financial position.

Hyde County will continue to be dedicated to increasing our services to the public through aggressive and targeted grant revenues. A clear example of this initiative can be seen in the line item detail of our EMS budget. Hyde County should be very proud to boast across the board paramedic level service, a service revered as premiere by local county governments. The goal of our EMS service is to offer the finest level of care to get our patients to transport them as quickly as possible with the highest level of service during transport. This year's original budget request from the EMS Director called for a \$25,000 increase to implement a thrombolytics program which would give Hyde County EMS the capacity to use clot busting, state of the art medical intervention to stabilize patients during strokes and heart attacks and minimize damage while getting them to medical facilities. Hyde County will be one of two in the nation offering such advanced treatment. Hyde County has a pending grant application with a strong partner which is predicted to fund the program and increase our services without increased appropriation.

Hyde County will also continue to aggressively target grant funding for projects in the areas of housing, water and sewer, public and critical facilities, water and flood control infrastructure, parks and recreation, transportation and economic development initiatives.

Expenditure Considerations

As mentioned above, this budget is conservative in nature with only increases in expenditures outside of our internal control but unavoidable. An increase of 8% increase in our health care insurance and mandatory retirement contribution increase is unavoidable and affects our bottom line. Increases in inmate safe keeping and the expense of offering foster care services has

boomed over the last year. Changes in Medicaid regulations have resulted in large increases in our DSS budget. The unfortunate passing of our congressman and additional mandates from the state will result in our elections budget increasing this fiscal year and further increasing by 62% for next fiscal year. While we will continue to combat these increases with legislative support, strategic work from our lobbyist, conversations with our partners and innovative ways to decrease these expenditures, they are for the most part uncontrollable and will continue to increase in the coming years.

Key Goals Moving Forward

Keeping our current services, building and grounds, programs and project goals on task under this conservative budget will be challenging yet obtainable through collaboration of staff and outside agencies. Our key project goals moving forward are as follows:

Continued Dedication to Water and Flood Control

Hyde County has made tremendous strides over the last several years in water and flood control. The dedication of the board, management and staff to this issue is already showing positive results in protecting our villages and our economy. The existing drainage entities have been further strengthened over the last several years with technical expertise and assistance with funding, permitting and project management. Hyde County has made great strides in assisting our drainage entities with capital improvement projects, low cost financing and long term planning. Hyde County will also support the Mattamuskeet Lake Restoration with the joint goals of maintaining water levels and increasing water quality, as the two are not mutually exclusive. This dedicated work can and will continue under this proposed budget by continuing to leverage our partnerships with outside agencies including our local drainage boards, our electrical cooperative, state and federal agencies, educational institutions and private, non-profit entities.

Hazard Resilient Infrastructure and Transportation

Hyde County will also continue to work diligently on hazard resilient infrastructure including but not limited to our highway and ferry systems. Partnerships with our local boards, state and federal representatives, the NC DOT Highway and Ferry Divisions, the National Park Service and others will continue to be strengthened and utilized with tireless commitment towards the goal of being storm resilient and ensuring safe, convenient and timely travels across our waterways and down our highways and safe and sound moorings within our harbors for our locals and visitors alike.

Economic Development Partnerships and Small Business Development

Hyde County will continue the partnership with East Carolina University and the North Carolina Wildlife Resources Commission to reopen the Mattamuskeet Lodge. Tremendous progress has been made to move this vision to reality through our Rural Innovations Strengthening Eastern NC (RISE -29) Collaboratory with ECU and funded by Golden Leaf.

Hyde County and the East Carolina School of Business and other departments will continue to work with businesses and local non-profits to develop business plans and support ideas to create healthy economic growth of our small businesses based around agriculture, seafood and tourism development. ECU will also continue to support our government operations in the areas of healthcare, marketing and information technology.

Hyde County will continue to work with Hyde County Schools, Beaufort County Community College, the Northeast Workforce Development Board and other partners to offer expanded programming and technical assistance to get our young people and current workforce ready to meet the needs of existing businesses and new business developments.

Hyde County will continue to support existing and start up businesses with business planning, the Hyde County Revolving Loan Fund and offerings from the state including but not limited to NC Building Reuse Funding.

Continuing to do More with Less

Hyde County currently has a dedicated staff with a great deal of talent and dedication to its citizens. The expenditure budget not increasing does not dictate our current services not getting better through low and no cost management solutions. I propose our convenience site service will get better through some low cost upgrades coupled with consistent management of staff and vendors that reflects the desired needs of the communities. I believe transportation improvements can be realized with increased collaboration with our partners. I believe community groups and local boards can realize their intended goals by being supported with resources, technical assistance and increased partnerships. Although funding may be less than desired this fiscal year, our comprehensive plan to address revenues downfalls will improve that limiting factor and our financial needs can be met with a clear and consistent growth plan moving forward.

Options

Before you are two very viable and realistic budget scenarios.

Manager's Proposed Budget A makes cuts to our expenditures that through careful spending will not affect governmental services and staffing next fiscal year. The result is a reduction of our current fund balance by \$1,533,815.07

Manager's Proposed Budget B makes more significant cuts that will affect our staffing and support to outside agencies but will not cut nonessential services completely. The result is a reduction of our current fund balance by \$1,197,423.93

Both budgets are significantly less than our original budget figure as submitted by department heads which would have required a reduction of fund balance of \$2,189,551. Our department heads have been very gracious and cooperative in looking at innovative solutions to trim their expenditures and increase their revenues in an effort to balance our budget. I must applaud their efforts and cooperative nature to work together.

As Budget Officer, I recommend Proposed Budget A. I believe that our plan to increase ad valorem revenues moving forward is solid and well thought out. I believe we have the staff capacity and willingness to make it happen. Trends in the final months of this fiscal year solidify that assumption.

I believe this budget continues the efforts that we have made in these challenging conditions to continue the level of service that we have provided in the past and puts us in a good position to meet the challenges in our future and exceed our current level of service moving forward.

Hyde County is in good financial condition overall. Our fund balance will continue to be healthy even with either appropriation being utilized. I look forward to working with you all as you review and consider the options and to implement this budget while continuing to serve the citizens of Hyde County.

Respectfully submitted,

Kris Cahoon Noble
Hyde County Manager

