

Manager's Budget Message
Fiscal Year 2020-2021
Recommended Budget

This binder contains Hyde County's FY 2020-2021 recommended annual budget as required by North Carolina General Statute 159 and 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 end of this presentation. A copy of this proposed budget and budget message will be placed on file with the Clerk to the Board at the Hyde County Government Center in Swan Quarter, at the Community Center in Ocracoke and on the Hyde County website to be available for public inspection.

I am recommending the board set Wednesday, June 10, 2020 as a budget workshop.

I recommend a Public Hearing be held on Monday, June 15, 2020. Additional workshops can be held prior to the required adoption on July 1, 2020.

Economic Indicators and Assumptions

It is an understatement to say that the economic and revenue impact from Hurricane Dorian and COVID 19 are both severe and uncertain.

In regard to Hurricane Dorian, preliminary estimates from building permit applications showed a loss of property tax value on Ocracoke Island at approximately \$15,000,000.

Although our normal indicators for Sales and Use Tax are not yet published, Hyde County estimates a reduction of 30% which would result in a budget shortfall of approximately \$458,925. Please remember that this is our loss due to Dorian and does not encompass the full loss of Dorian and COVID.

In a report delivered to the Office of State Budget Management from the Hyde County Manager's office in early April. the estimated total budget shortfall from Dorian alone would be approximately \$714,000.

In regard to COVID 19, I want to update you on the many primary county revenue sources impacted as a result of extremely reduced consumer activity, mandates put in place to combat COVID 19 and the corresponding economic downturn. It is almost impossible to make solid predictions because there are so many unknown factors, including how long mitigation efforts will be necessary, what types of fiscal support the state and federal government and the Federal Reserve will provide, how long and what shape an economic recovery will take, and a near complete lack of data and comparable events to compare the current public health crisis.

I believe we should be prepared for extreme impacts due to our reliance on tourism and the downturn of our tourism based economy. Wrapping up our 2020 budget and crafting our FY 2021 plans under this new and uncertain dynamic will be an extremely challenging task.

For these reasons, I have had to make very difficult decisions regarding the proposed budget but have tried to do so without impacting the services that Hyde County offers to their citizens.

Budget Overview

Due to the still unknown economic impacts of the COVID -19 crisis, the recommended budget expenditures are cut below prior year levels to balance with the projected decreased revenue estimates. This budget is \$160,525 less than last year's General Fund budget.

Funding for the school system will remain at FY 2019-2020 levels.

The recommended budget allocates funding to continue critical services to citizens of Hyde County at the same level as in the previous year. No services or jobs are cut in this proposed budget.

The recommended budget maintains the same tax rate of \$0.77 per each \$100 of assessed valuation.

The proposed budget utilizes \$1,567,542.43 in fund balance.

Expenditures

The uncertainty of the economy has led me to cut all expenditures at every avenue possible to ensure financial solvency. There was very little room to cut without decreasing services as the budget has been trimmed for ultimate efficiency aggressively over the last 10 years.

Travel expenses have been cut across the board. I believe there will be little in person training offered in light of the COVID crisis and think new innovative, virtual learning opportunities will be offered in their place.

I have cut all requests from outside non-profits by 20% across the board. Now, more than ever it is important that our nonprofit partners look towards capital campaign projects and budget independency.

I have continued to fund the Volunteer Fire Department's matching funds for the state equipment grants. This is a tremendous expense to the county and a difficult expense to absorb. However, I believe it is necessary to maintain adequate fire protection across the county.

If a review of revenues in December/January shows higher revenues than budgeted for, requests for budget increases and allocations into our fund balance can be considered midyear.

Revenues

Ad Valorem Tax

The proposed budget maintains the county ad valorem tax rate at \$0.77 for each \$100 of assessed value. The estimated total taxable value is \$886,461,530. A collection rate of 93.6% is used to calculate the total valuation.

The estimated total real property valuation in FY 2020-2021 is down approximately \$13,532,252 from FY 2019-2020.

Hyde's current sales assessment ratio is .8727, which indicates that assessed values are lower than market values. Multiplying the tax rate by the sales-assessment ratio produces an effective tax rate that allows comparisons across counties.

The effective tax rate for Hyde County is \$0.6720 which makes Hyde County the 57th lowest in North Carolina in regard to rate, meaning there are 56 counties with lower tax rates and 43 with higher tax rates. This number is made more favorable by the fact there are no city or town assessments as Hyde County is unincorporated.

Sales Taxes

The current economic issues lead us to decrease our projection for sales tax revenue as these numbers are highly questionable at this time. The impact of COVID 19 will bring negative growth in the last quarter of the current fiscal year. We will not know the full impact on our final quarter until September 2020.

This budget is based on recommendations from the NC Association of County Commissioners and includes a 30% decrease in sales tax revenues. This is a monumental loss of revenue.

All revenue sources decrease in this budget excepting Federal and State grants. Funding has been received through the CARES Act and through OSBM for both Dorian and COVID.

Strategies Moving Forward

Continue to rebuild and recover in Ocracoke

With the state's generous support, two positions have been funded to aid the county in recovery from Hurricane Dorian. A Grant Administrator, a grant funded position is now on staff and a Disaster Recovery Specialist, also a grant funded position will be procured. These two positions will be integral in applying for, administering and reporting on the funding to rebuild where federal and state funding allow that opportunity.

Tax Collection and Records Improvements

Until September, the improvement of Hyde County's tax collection system had been paramount and the implementation of the new Farragut system was showing promise in improving our tax collection rate. Coordinated and aggressive mechanisms including targeted collections based on data from the new system, credit card payment capability, debt setoff and legal intervention were realized. Payment plan guidelines were established based on the age and amount of the debt. Moving forward, staff will return to the previous momentum of improving our tax collection rate and ensuring our tax records are accurate.

Continue to aggressively apply for Grant Funding

Hyde County will aggressively apply for all funding opportunities to bring in revenues and improvements to the county. Housing improvements, upgrades to infrastructure and economic development opportunities will be sought and utilized. Water and flood control will continue to be a major focus to not only protect our homes but our economic centers. Grant funding will continue to fund major capital improvements to our drainage infrastructure systems.

Continuing to do More with Less

Hyde County has a dedicated staff with great talent and dedication to the citizens of the county. Service levels can continue to increase through low cost and no cost solutions. Last year, I promised to bring better convenience site service to Ocracoke and through some minor investment, a lot of communication and finding the right staff, I believe we have and will continue to improve that experience for our public.

Although funding may be less than desired this fiscal year, our goals can be accomplished with clear and consistent action moving forward.

Given the extreme disaster and challenges we have faced over the last year and will continue to face moving forward, Hyde County is still in good financial standing. Our fund balance continues to be healthy with this portion of our "rainy day fund" being utilized this year. We have certainly seen our fair share of rainy days in this past budget year.

I look forward to working with you all as your review and consider the options and to implement this budget while serving the citizens of Hyde County.

Respectfully submitted,

Kris Cahoon Noble
Hyde County Manager