



COUNTY OF HERTFORD BUDGET MESSAGE FISCAL YEAR 2020 – 2021

The Honorable Ronald J. Gatling, Chairman
& Hertford County Board of Commissioners:

Introduction

I am pleased to submit to you the County of Hertford, North Carolina proposed budget for Fiscal Year 2020 – 2021. The budget was prepared in accordance with North Carolina General Statute § 159.7, the North Carolina Local Government Budget and Fiscal Control Act. All Funds within the budget are balanced, and all revenues and expenditures are identified for Fiscal Year 2020 – 2021. Ultimately, this year's budget document presents the revenues and expenditures by function and purpose.

The budget is designed to function as a work plan in guiding departmental operations to incorporate and accomplish the goals and objectives established by the Board of County Commissioners.

Recommendation

The recommended County of Hertford Fiscal Year 2020 – 2021 Budget, which comports with the guidance of the Commissioners, is as follows: General Fund – \$26,782,157; Proprietary Fund Solid Waste – \$1,236,428; Proprietary Fund Northern Rural Water District – \$555,951; Proprietary Fund Southern Rural Water District – \$1,181,956; Proprietary Fund Tunis Wastewater District – \$36,499; Other Governmental Funds – \$390,623; Total

(inclusive of all, net of transfers) Funds – \$30,183,614. A tax rate of 84.0¢ per \$100 in valuation is proposed for Fiscal Year 2020 – 2021.

The Process

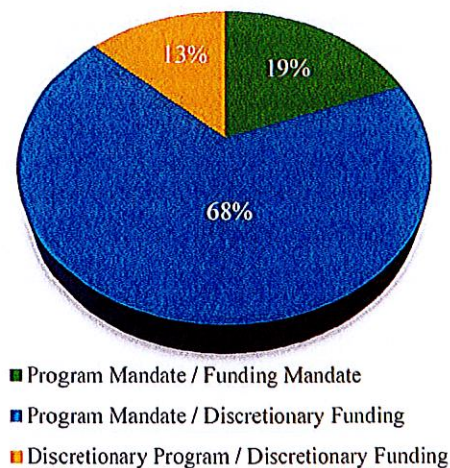
The annual budget document is one of the most important planning tools in local government as the organization strives to provide services commensurate with expectations and demonstrate accountability to the taxpayers. The process of developing, implementing, monitoring and planning is essentially a year-round effort. However, formally the County began in February 2020 with a goal setting retreat with the Board of County Commissioners. The Commissioners provided guidance and sage advice for the formulation of the Fiscal Year 2020 – 2021 budget document. The Commissioners' goals, which staff utilized for developing the budget plan are as follows:

- I. Maintain core service levels and adjust revenue projections based on the potential implications of the worldwide economic (partial) shutdown in response to the COVID-19 pandemic
- II. Remain competitive in the region to retain and recruit a highly skilled and qualified workforce
- III. Reestablish internal economic development functions & board
- IV. Establish tourism development authority
- V. Seek external funding sources to establish a Hertford County cultural museum

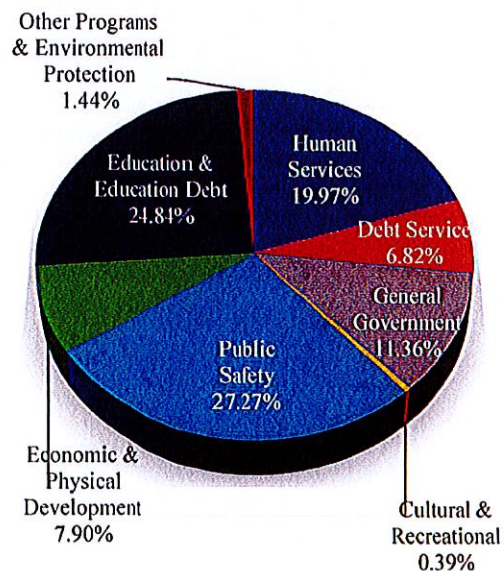
- VI. Start the planning process for constructing a parks & recreation complex with public swimming pool
- VII. Establish the Hertford County humanitarian award with an oversight committee
- VIII. Continue the summer internship program for local high school and college students
- IX. Continue seeking grant opportunities

Macro Overview

In North Carolina, there are fundamental requirements and obligations inherent for all one hundred (100) counties. Ultimately, a balanced budget must be adopted and all debt service(s) must be funded each year. Additionally, counties must appropriately and adequately fund all mandates. There are two broad categories of mandates: 1) Program Mandate / Funding Mandate, 2) Program Mandate / Discretionary Funding. The chart (below) depicts the funding mandates placed on Hertford County. As you will note, only thirteen (13%) percent is categorized as Discretionary Program / Discretionary Funding.



In the broadest of financial terms, Hertford County categorizes expenditures at the functional level. As with previous fiscal years, Public Education, Public Safety and Human Services continue to be the three (3) largest expenditure functions within the budget. The chart (below) depicts expenditures by function across the organization. The preceding illustrations convey the significance and magnitude of mandates placed on North Carolina counties. Approximately, eighty-seven (87%) percent of Hertford County's general fund budget is directly linked to mandates. Additionally, the charts demonstrate the Board of County Commissioners' commitment to Public Education, Human Services and Public Safety. Although many of the programs within these three (3) functions are mandated by the State and Federal governments, it is important to note that the Commissioners' guidance and decisions communicate a message of funding to meet the service level expectations and demands of the community. The funding commitments contained within the Fiscal Year 2020 – 2021 budget document meet and/or exceed the funding mandates associated with the program mandates.



Micro Overview

During the development of the Fiscal Year 2020 – 2021 budget document, we utilized a decision-making matrix, which consisted of a multitude of data points beyond the financial and budgetary variables identified as part of the standard budget development process. The basis of the matrix framework is fundamentally built upon the Commissioners' goals, objectives and guidance. Additional variables included in the matrix were statutory mandates, resources (training, technology, vehicles, facilities), stewardship, operational sustainability, client/customer service level expectation, replacement plans (public safety fleet, general government fleet and information technology infrastructure) and COVID-19 financial implications.

In order to illustrate the implementation and incorporation of the decision-making matrix, the following subsections are submitted for your review and consideration.

COVID – 19 Pandemic – The potential and probable repercussions on local governments across North Carolina may be significant and span a long period of time. These are unprecedented circumstances and times that all Americans are facing as a result of the partial economic shutdown in response to the pandemic. There are over twenty-five (25) million individuals who have filed for unemployment assistance. Economists predict that a wide range of businesses will never recover and that an even larger percentage will require years to regain the losses realized during the partial economic shutdown.

A primary source of revenue for North Carolina local governments is sales tax. As a result of businesses not being

permitted to provide goods and/or services as well as consumer confidence being down, economists predict that sales tax receipts could decrease significantly in Fiscal Year 2020 – 2021. As there is no benchmark in our history for such a worldwide pandemic, the estimated sales tax revenue loss projections range between five (5%) to fifty (50%) percent, which makes it challenging to accurately forecast revenue estimates while maintaining service levels in the upcoming fiscal year.

In an effort to maintain the long term financial viability of Hertford County based on the known variables as well as the advice from financial analysts and other experts, I am recommending a conservative reduction of ten (10%) percent for all articles of sales tax.

Public Education – The importance of funding the community's educational institutions is evidenced by the Board of County Commissioners' goals and guidance. The Commissioners appreciate and recognize the essential need for quality educational opportunities in Hertford County.

The Hertford County School System continues to perform as a leading educational institution for primary schools in North Carolina. Therefore, in spite of the budgetary implications associated with COVID-19, the Fiscal Year 2020 – 2021 budget proposes to maintain the operating contribution of Fiscal Year 2019 – 2020. Further, the Fiscal Year 2020 – 2021 budget proposal comports to appropriate \$1.223 million for annual capital needs as well as \$626,109 in debt service for the new Ahoskie Elementary School. Lastly, the combined total including operating, annual capital and debt service represents a local commitment of approximately \$6.21 million, which represents approximately twenty-four (24%) percent of Hertford

County's Fiscal Year 2020 – 2021 General Fund budget.

Roanoke Chowan Community College is a tremendous asset for our community. The community college serves as the keystone for the development and advancement of vocational trades, continuing education and economic development. In recognition of this vital role, the funding recommendation for Roanoke Chowan Community College is to maintain the Fiscal Year 2019 – 2020 current expenses (operational funding) amount for Fiscal Year 2020 – 2021. Lastly, it is recommended that an appropriation of \$125,000 be designated for the annual capital outlay needs of the Community College.

Public Safety – The Commissioners placed a high priority on adequately funding all functions within the public safety portfolio. The following funding recommendations for the Sheriff's Office, Animal Services and Emergency Management are respectfully submitted for your review and consideration.

The funding recommendation for the Sheriff's Office includes the following:

- funding the public safety vehicle replacement plan utilizing the Enterprise lease program and United States Department of Agriculture grant program
- funding to continue the replacement of body armor
- capital funding to replace the fire alarm panel at the Detention Center
- capital funding to upgrade/replace the door lock controls at the Detention Center
- continued funding for training and certifications

The Emergency Management funding recommendation focuses on service demand and capital investment. The recommendations are as follows:

- funding the public safety vehicle replacement plan for two (2) ambulances and one (1) quick response vehicle utilizing a conventional loan and the Enterprise lease program, respectively
- capital funding for stretchers and transport chairs
- continued funding for training and certifications
- maintaining the long-term viability of the County's partnership with the volunteer fire & rescue agencies is of paramount importance. In recognition of this crucial community asset, it is recommended that the funding contribution be sustained at \$530,015 (inclusive of all identified agencies and contributions)

The funding recommendations comprising the primary functions within public safety represents staff's effort to fulfill the directives and guidance offered by the Commissioners.

Economic Development – The Board of County Commissioners have identified addressing the need for a coordinated and comprehensive economic development strategy as a top priority. The Commissioners' guidance, action and funding demonstrate the wisdom and vision necessary to ensure the long term financial viability of Hertford County through retaining, recruiting and diversifying our business and industrial portfolio. Examples of the Commissioners' commitment to Hertford County's future include: 1) commissioning a comprehensive economic development program analysis & 2) funding the economic development office.

The measures described in the previous paragraph as well as the funding recommendation illustrate a continued commitment towards addressing the long term economic opportunities and needs in our community and greater region.

Fiscal Responsibility & Sound Budgetary Practices – Hertford County has a vetted track record for financial oversight and management, which demonstrates prudent stewardship of the citizens' money. The Fiscal Year 2020 – 2021 planning document is an example of sound budgetary practices and fiscal responsibility. As a planning tool, it has allowed the County to maintain a strong financial position while meeting the service demands and expectations of the community. In an effort to further bolster the County's long-term financial viability, staff will be formulating and presenting a fund balance policy for the Board's consideration. As mentioned previously, the recommended tax rate for Fiscal Year 2020 – 2021 is 84.0¢ per \$100 in valuation. As proposed, the Fiscal Year 2020 – 2021 tax rate represents a zero (0%) percent adjustment as compared with Fiscal Year 2019 – 2020.

Staff & Citizen / Client / Customer Focus – Hertford County is a service provider with an expansive portfolio of services and programs. As such, it is incumbent upon the organization to provide the staff with the appropriate resources, training and tools. In turn, this investment will position the organization to meet the service level expectations and demands of our clients and customers.

The Board of County Commissioners' acumen and sage guidance demonstrates a commitment to transparency and responsiveness worthy of emulation. The importance placed on client/customer

service by the Commissioners is evidenced by their funding priorities.

Hertford County Government has within its ranks hard-working, loyal, innovative and talented employees. These individuals are the center of gravity for this organization. Based upon the extraordinary efforts made by staff during the response to the COVID-19 pandemic, general economic indicators, regional market conditions and our need to remain competitive, I am recommending a revised 2.0% market adjustment for all staff based on the current Consumer Price Index and Commissioners' guidance. I have attempted to provide an equitable and balanced recommendation, which preserves a competitive compensation and benefits package while demonstrating value and validity to the taxpayers and general citizenry.

Summary

The Fiscal Year 2020 – 2021 budget demonstrates diligence, balance, leadership, sacrifice, prudence, responsiveness to the citizens' expectations and demand for services. Further, with purpose and assiduousness, the Fiscal Year 2020 – 2021 budget illustrates the incorporation of the guidance, goals and objectives identified by the Board of County Commissioners. The guidance, goals and objectives served as the keystones for the development of the budget plan. Staff meticulously worked to ensure that a rational nexus was made to incorporate all of the goals and guidance identified by the Commissioners.

It has been my privilege to serve as a small part in this team-oriented planning process. I want to express my gratitude to everyone who participated in the Fiscal Year 2020 – 2021 budget process. I want to especially

thank my colleagues for their insight, knowledge, commitment and dedication.

The guidance and leadership demonstrated by the Board of County Commissioners set the course in the formulation of the budget document. Your insight and tireless efforts will ensure that we maintain a high level of service and provide the tools, training and resources necessary for the staff to deliver those services.

Hertford County Government will move forward with the following: 1) improvements in the organization's broad spectrum of services: public safety, senior services, information technology and economic development; 2) substantial investment in education at both the K-12 and community college levels; 3) providing County staff with a competitive compensation and benefits package; and 4) the eventual shift to a performance outcome-based budget system. I look forward to a positive and progressive year with exceptional customer/client service delivery.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "D. B. Cotton". The signature is stylized with a large, looped "D" and a cursive "B".

David B. Cotton, ICMA-CM
Interim County Manager / Interim Finance Director