

**May 22, 2019**

The Martin County Board of Commissioners met in Special Session on Wednesday, May 22, 2019, 7:00 p.m. in the Commissioners' Board Room of the Martin County Governmental Center, 305 East Main Street, Williamston, North Carolina.

## **ASSEMBLY**

Chairman Tommy Bowen, Vice Chairman Dempsey Bond, Jr., Commissioner Elmo "Butch" Lilley, County Manager David Bone, Clerk to the Board Jessica Godard, and Finance Director/Deputy Clerk Cindy Ange were present.

County Attorney Richard James was not in attendance.

Chairman Bowen called the meeting to order at 7:00 p.m. The Pledge of Allegiance was led by Vice Chairman Bond. The invocation was provided by Commissioner Lilley.

Chairman Bowen recognized those in attendance, including Sheriff Tim Manning and Bear Grass Mayor Charlotte Griffin. Chief Deputy Drew Robinson was also in attendance.

## **AGENDA APPROVAL**

Commissioner Smith made a MOTION to approve the agenda as presented, with a SECOND by Vice Chairman Bond. The Board unanimously APPROVED the motion.

## **MANAGER'S PRESENTATION OF THE PROPOSED BUDGET**

County Manager Bone presented a PowerPoint presentation with highlights of the proposed FY 2019-20 Martin County Budget. The presentation included a budget development timeline of the previous budget related meetings. The Board had their first chance to see the proposed budget for 2019-20, and a copy would be available for public review in the office of the County Clerk.

NC General Statutes required the budget be submitted to the governing board by June 1st of each year. A public hearing was required, and would be held on June 12, 2019 at 7: 00 p.m. at the regular meeting. A budget must be adopted by July 1<sup>st</sup>, or an interim budget must be adopted.

The emphasis on the 2019-20 budget was to maintain services, absorb increased employment benefit costs, and minimize a tax increase. The budget was based on a 2-cent tax increase (from 79-cents to 81-cents). There was an expected loss of \$7 million in tax value (about \$50,000 in revenue). The cost of employee health insurance and retirement benefits was increasing.

There were two large capital projects that were not discussed in the budget: Courthouse renovations geared at one-point-of-entry (\$680,000) and a building for Emergency Management, Maintenance, and Sheriff (\$290,000). A preliminary draft suggested the need for a 4-cent tax increase, but the proposed budget showed a 2-cent increase. The total tax value decrease by about \$7 million, and sales tax revenues were expected to increase by about 2%.

The budget included approximately \$160,000 for a 2% cost-of-living increase for employees, which equated to approximately one cent on the tax rate. The budget did not include merit raises for employees. The budget also included funding for several new staffing positions. Those positions included:

- One new position in the Department of Social Services (which includes a 50% federal match)
- One new position in the Adult and Aging Services Department (the cost of which the Council on Aging had agreed to pay half)
- The conversion of two part-time Transit positions (which had been a challenge to fill) into a full-time position
- Creation of an Economic Development Director position. Martin County had contracted with Martin County Economic Development Commission (EDC) for economic development services. Under the new arrangement, which would start July 1, 2019, the County would have an Economic Development Director position, and Martin County EDC would contract with Martin County for the services of the Economic Developer.

The Board of Education requested \$6,110,255 in current expenses, which was an increase of \$320,097. There was an increase of \$94,000 included in the proposed budget. The Board of Education requested \$881,979 in capital outlay (not including the \$1 million investment in the Career Technical center), which was an increase of \$342,107. No increase in capital outlay was included in the proposed budget.

Martin Community College requested \$1,056,806 in current expenses and \$170,000 in capital outlay (total of \$1,266,806). Last year (2018-19), Martin County funded \$1,029,054 for current expenses and \$60,000 for capital outlay (total of \$1,089,064) for Martin Community College. The 2019-20 budget maintained the 2018-19 level of funding for Martin Community College – a total of \$1,089,054.

The 2019-20 proposed budget would keep funding for Bertie-Martin Regional Jail at \$1,346,486, the same as the 2018-19 funding level. The budget line item for youth detention would be maintained at \$70,000. There was a new line item for a Drug Recovery Court, with \$10,000 budgeted for 2019-20.

Martin-Tyrell-Washington District Health requested \$410,312 in funding, but the 2019-20 budget would include maintenance of the current funding level of \$378,733. The 2019-20 budget included maintenance of the current funding of \$48,462 for mental health (Trillium). The Beaufort-Hyde-Martin (BMH) Regional Library requested an increase in funding of \$10,419, but the 2019-20 budget maintained the 2018-19 funding level of \$104,194.

With the creation of the Economic Developer position, the contribution to Martin County Economic Development decreased by \$160,853. There were three economic development investment grants included in the budget, including grants for Syfan, AR Textiles, and Weitron.

The Choanoke Area Development Agency (CADA) is the community action agency and community services block grant (CSBG) administrator serving Martin County. \$52,000 was

requested. Maintenance of the current level of funding (\$25,000) was included in the 2019-20 budget.

Martin County was providing each rescue squad with a flat funding level of \$27,500. Additionally, the County provided \$45 per call for rescue calls, as well as an additional \$5 per call increase for squads that provided Advance Life Support (ALS) services, rather than basic services. The proposed budget raised the flat funding level by \$5,000 per squad. Additional increases were based on call volume.

Major capital outlay expenses included the replacement of six vehicles in the Sheriff's office, one vehicle for Social Services, one vehicle for Buildings and Grounds and a new telephone system for the Governmental complex. No major building projects were included in the Building Maintenance Department. Martin County would be paying for additional operating expenses for the renovated Ray Street building (for Transit) and the new 911 center. No new debt service was scheduled for the FY 2019-20 proposed budget.

Two major capital projects were discussed in the 2019-20 budget development process:

- Courthouse renovations – geared towards one-point-of-entry (\$680,000)
- Building for Emergency Management, Maintenance and Sheriff (\$290,000)

Neither of those projects was included in the 2019-20 budget but may be considered in the future. Of note, the renovations to the courthouse also would require staffing and equipment costs of \$190,000.

The budget for the water districts was based on the maintenance of the current base water rate of \$50 per month. MCRWASA was maintaining the current wholesale rate of \$5.63 per 1,000 gallons. Water District #2 used more water in 2018 than in 2017. The amount of water the County was required to purchase was based on the average daily demand for 2018, so WSD #2 needed more funds from the County in 2019-20 to cover the cost. Revenues in Water District #1 did not cover debt service payments and expense in 2018. At June 30, 2018, District #1 owed the general fund \$156,053. Revenues in Water District #2 had not been covering debt service payments and expenses. Water District #2 was a younger district and had more debt. At June 30, 2018, Water District #2 owed the general fund \$1,071,325.

The County's savings consisted of the Fund Balance from the General Fund, as well as the Hospital Fund. The state required a minimum of 8% in the fund balance for cash flow. A Fund Balance policy was established on April 10, 2013. The policy was created with the intent of addressing the needs of Martin County in the event of unanticipated and unavoidable occurrences which could adversely affect the financial condition of the county. As of June 30, 2018, the Martin County available Fund Balance (according to LGC definition, not the CAFR) was approximately \$8.5 million (or about 30%).

The budget included a Fund Balance appropriation of \$1,270,777. Typically, the County did not use all of the Fund Balance appropriated in the annual budget.

The Hospital Fund consisted of lease payments paid in advance for a 30-year lease, which was entered into in 1998. 1/30<sup>th</sup> of these funds were considered "earned" for each year of actual use of

the hospital building. Accounting principles dictate that the County should not spend lease payments until they have been “earned”. In the hospital fund, as of June 30, 2018, the County had about \$13.5 million. The earned revenue in the hospital fund as of June 30, 2018 was about \$7.7 million. \$1,566,667 from the hospital fund was budgeted for 2019-20. \$1 million of that was for the Career Technical Center.

Note: In FY 2018, Martin County sold the shell building in the industrial park to Weitron. The shell building was built with a combination of Golden Leaf grant funds, US CIAP (federal) funds and local funds. When the property was sold, a pro rata share of the sale proceeds (\$1,062,693) was returned to the hospital fund.

*Looking ahead:*

Martin County continues to lose population. Martin County would continue to experience financial challenges, due to the declining population. Martin County continued to struggle with debt service from Martin County Water Districts #1 and #2, as well as small customer base. This situation was exacerbated by the debt service and operational costs of the Martin County Regional Water and Sewer Authority (MCRWASA).

The budget relied significantly on the use of savings to balance the budget. Such a practice is not sustainable. Martin County would continue to struggle addressing the capital maintenance needs of the County, Martin Community College and Martin County Schools unless revenues improved. In order to retain and recruit high performing employees, Martin County would need to keep an eye on the market rate of salaries in nearby jurisdictions, particularly in public safety positions.

Martin County and the Martin County Economic Development Commission continued to make strides in the recruitment of new industries and expansion of current industries – Weitron opened its facility in 2019. Weitron needed rail access at its new facility. To provide rail access, Martin County pursued and was awarded multiple grants, including grants from the NC Railroad Company, NC Commerce, NC DOT, and the Golden Leaf Foundation. The rail enhancements provide rail access to other sites in the industrial park and would be attractive to additional industries considering investment in northeastern North Carolina.

I-87 was being developed as an interstate highway between Raleigh, NC and Norfolk, VA. Having the “future interstate” designation in place enhances the attractiveness of the region for economic development and industry investment. Furthermore, the NCDOT had applied for federal INFRA grant funding, which would expedite the development of the US-64 portion of the future I-87 corridor to interstate standards (could happen within the next five years).

In conclusion, County Manager Bone thanked the Commissioners and Martin County staff for their efforts in putting the proposed budget together. County Manager Bone stated it had been a tough year, and the ultimate goal was to maintain current level of services and maintain a small tax increase. The decline in population was a contributing factor.

Vice Chairman Bond asked if there was a way to know how the local economy was affected by the recent projects and construction in the County. County Manager Bone stated he could not put a dollar figure on the value of the investments and projects. The County had been pleased with the occupancy tax (had been a good year for the TDA financially), and there were other various

positive impacts on the local economy. Other projects and enhancements (such as projects at Martin Community College) would spark additional developments to further enhance the community.

Commissioner Lilley stated there were many citizens of Martin County that worked in Greenville/Pitt County and stated there could be many benefits to having major roadways between Martin County and Pitt County.

Regarding the Fund Balance, the current fund balance was at about 30% (goal was 20%). The balance had increased over the past 7-8 years. Commissioner Smith stated the Legislature was working on a state Fund Balance that would be available to local governments in times of need. That fund would take a lot of worry off of small communities in times of need, such as natural disasters/clean-up.

Commissioner Smith thanked County Manager Bone and staff for a job well done on budget preparation. Commissioner Smith stated Martin County was in a positive and strategic location regarding potential for economic development. Commissioner Smith also discussed the importance of supporting surrounding counties and communities. Vice Chairman Bond also recalled the NC DMV would be moving their headquarters from Raleigh to Rocky Mount and the possibility of these state jobs that would be available.

Commissioner Smith stated the importance of educating our children and the benefit of the future Career Technical Center. Commissioner Smith also discussed training for school counselors to be able to know what technical careers that were available in the community, and the value of technical skills/degrees. Chairman Bowen agreed, stating vocational/technical careers were important, and the recruitment for these programs was not as strong as it used to be.

## **COMMENTS / DISCUSSION**

County Manager Bone reiterated that a public hearing would be held at the June 12, 2019 regular monthly meeting. No other comments were offered at this time.

## **ADJOURNMENT**

With no further business to discuss, Commissioner Smith made a MOTION to adjourn the meeting, with a SECOND from Vice Chairman Bond. Chairman Bowen adjourned the meeting at 7:42 p.m. The next meeting would be held on Wednesday, June 12, 2019 at 7:00 p.m. in the Commissioners' Boardroom.

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Tommy Bowen, Chairman

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Jessica Godard, Clerk to the Board