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June 12, 2025

VIA PUBLIC PRESENTATION AND HAND DELIVERY

Chairman Joe R. Ayers
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Commissioner Dempsey Bond, Jr.
Commissioner Jeremiah Taylor
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Cc: Julia S. Rease, Clerk to the Board

Re: County Manager’s Recommended FY 2025-2026 Budget

Commissioners:

Please accept this budget message in presentation and recommendation of the County Manager’s proposed budget for fiscal year 2025-2026 (“FY 2025-2026 Budget” or “Budget”). The FY 2025-2026 Budget totals \$46,690,488.00 for all County fund operations, capital improvements, and debt service.

Statutory Requirements

North Carolina General Statute § 159-11(b) requires the County Manager, as the budget officer, to submit a proposed budget and budget message to the governing body by June 1st of each year. On the same day that the budget is presented to the governing body, the budget officer shall file a copy of it in the office of the clerk for public inspection and schedule a public hearing.

This public hearing has been scheduled for the regularly-scheduled Board of Commissioners Meeting on June 11, 2025 at 7:00 p.m.

North Carolina General Statute § 159-13 specifies that no earlier than 10 days after the budget is presented to the governing body and not later than July 1st, the governing body shall adopt a budget ordinance. However, pursuant to North Carolina General Statute § 159-16, “[I]n the case adoption of the budget ordinance is delayed until after July 1, the governing board shall make interim appropriations for the purpose of paying salaries, debts service payments, and the usual ordinary expenses of the local government or public authority for the interval between the beginning of the budget year and the adoption of the budget ordinance.”

Budget Development Process

Departments and County Agencies met with the County Manager and the Finance Officer throughout the month of March for submittal and discussion of budget requests. Presentations to the Board of Commissioners of those requests were made on March 17th. Outside agencies seeking funding from the County delivered requests via mail and were afforded an opportunity for presentations of their requests to the Board of Commissioners on March 18th. On April 14th, the Board of Commissioners held a joint budget meeting with the Board of Education where Dr. Michelle White presented the budget request on behalf of the Board of Education.

General Fund, Enterprise Funds and Other Funds

The Budget is composed of revenues and expenditures for several funds, including the General Fund, the Water District (Enterprise) Funds and Other Funds. The General Fund accounts for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in other funds. Enterprise funds consist of a grouping of activities whose expenditures are wholly or partially offset by revenues collected from consumers in form of fees and charges. Enterprise funds are traditionally run more “like a business.”

Revaluation

North Carolina General Statute § 105-274 states all real and personal property located within its jurisdiction shall be subject to taxation unless it is otherwise exempted or excluded from taxation by law. North Carolina General Statute § 105-286 requires each county to conduct a General Reappraisal of all real property at least once every eight years. The primary purpose of any revaluation program is to provide equalization among all property owners, as well as among all classes of property.

Martin County’s most recent revaluation was concluded as of Jan. 1, 2025. The next revaluation should be completed by January 1, 2033. According to North Carolina General Statute § 159-11e in each year in which a general reappraisal of real property has been conducted, the budget officer shall include in the budget, for comparison purposes, a statement of the revenue-neutral property tax rate for the budget. The revenue-neutral property tax rate is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred. To calculate the revenue-neutral tax rate, the budget officer shall first determine a rate that would produce revenues equal to those produced for the current fiscal year and then increase the rate by a growth factor equal to the average annual percentage increase in the tax base due to improvements since the last general reappraisal. This growth factor represents the expected percentage increase in the value of the tax base due to improvements during the next fiscal year.

The revenue neutral property tax rate for this FY 2025-2026 budget is .0658.

Since property taxes are based on value, it is important to have all property valued periodically on a uniform basis, using a modern system of valuation. Property values change with time. Some values go up, some go down, and others remain static. Appraisals must be updated, or inequities in tax distribution will result.

Reappraisals cover all residential and commercial land and structures, which includes homes, apartments, condominiums, office buildings, stores and warehouses. Reappraisals do not include what is classified as individual personal property, such as vehicles, boats, airplanes, and business equipment. These property types are valued annually.

North Carolina General Statute § 105-283 requires appraisals to be made of each property's "true value in money" or "fair market value", which is the most probable price a property would bring in a competitive and open market. Property values for a reappraisal are determined by comparing what similar properties are selling for, what it would cost to replace one's property, the potential income or highest and best use of one's property, as well as many other factors that may affect value.

During the revaluation, professional appraisers analyze data by reviewing of properties and establish the estimated fair market value (i.e., the price a willing seller would receive from a willing buyer).

FY 2025-2026 Budget Overview

- **Tax Rate:** The Budget is based on a reduction in tax rate from .81 to a tax rate of .72 per \$100 valuation, plus the applicable fire district tax.
- **Revenues:** The County is anticipating revenues totaling \$40,481,288.00, which includes ad valorem tax collection of \$18,921,913.00, sales tax collection of \$5,999,463.00, and use of fund balance of \$2,661,694.00.
- **Raises:** The Budget includes a four percent (4%) cost of living adjustment (COLA) for employees.
- **Staffing:** The budget includes funding for no new, permanent positions.
- **Health Insurance:** The cost of the State Health Plan for employee health insurance is anticipated to increase this year. The overall increase is still unknown at this time.
- **Clerk of Court:** This 2025-2026 FY budget includes a sum of \$15,000.00 for the clerk of court to make repairs and improvements to the local courtrooms due to age and wear.

- **Board of Education:** The Board of Education requested \$7,076,910.00 in Current Expenses and \$6,242,400.00 in Capital Outlay. Proposed in the Budget is \$6,242,400 in Current Expenses and \$666,060 in Capital Outlay, which remains at a neutral level to funding that was included in the budget ordinance from FY 2024-2025.
- **Martin Community College:** Martin Community College requested \$1,150,950 in Current Expenses and \$60,000 in Capital Outlay. Proposed in the Budget is \$1,098,664 in Current Expenses and \$61,200 in Capital Outlay, which amounts to a 0% increase in what was included in the budget ordinance from FY 2024-2025.
- **Jail:** The 2024-2025 funding level for the Bertie-Martin Regional Jail of \$1,346,486 will be maintained in the Budget.
- **Martin County Sherriff's Office:** The FY 2025-2026 budget will include two new F150 trucks for the department at a cost of \$50,000 per truck. They are also investing \$33,000 into a new K9 as well as a tactical drone.
- **Health Department:** Martin-Tyrrell-Washington District Health received funding of \$477,807.00 in the budget ordinance for FY 2042-2025. The budget for FY 2025-2026 includes \$487,363.00, an increase of 2%.
- **Mental Health:** This Budget includes maintenance of the current funding of \$48,462 for Trillium.
- **Library:** This Budget maintains \$109,402 for the Beaufort-Hyde-Martin (BHM) Regional Library
- **Economic Development:** This Budget appropriates a contribution of \$99,167.00 to Martin County Economic Development Corporation.
- **CADA:** The Choanoke Area Development Agency (CADA) is the Community Action Agency and Community Services Block Grant (CSBG) administrator serving Martin County. Its mission is to assist low-income citizens achieve self-sufficiency. CADA requested \$30,000, which remains neutral to the budget ordinance for FY 2024-2025.
- **Rescue Squads:** In years prior to 2023-2024, the County utilized a funding model which included a flat funding level, plus additional amounts per call and additional amounts for advanced levels of service. In the years following the closure of Martin General Hospital the Budget has included additional funding of 1,358,190.00. This level of funding has not changed from FY 2024-2025 budget ordinance.
- **Use of Savings:** The budget includes a Fund Balance appropriation of \$2,661,694.00, which is a reduction of \$732,809.00 from the previous FY 2024-2025 Budget.

Use of Savings – Fund Balance and Pre-payment of Lease for Martin General Hospital

Fund Balance

The County’s savings consists of the Fund Balance from the General Fund, as well as the Hospital Fund. The state requires a minimum of 8% in the Fund Balance for cash flow purposes. The 8% Fund Balance requirement is the minimum amount needed for cash flow.

Martin County’s main source of revenue is the property tax, which is mostly collected between November and January. The County needs its cash reserves to pay for bills in July, August, September, and October. Additionally, the county needs to maintain a certain amount of reserves for unforeseen events, such as hurricanes.

A Fund Balance Policy was established on April 10, 2013 and is intended to address the needs of Martin County in the event of unanticipated and unavoidable occurrences which could adversely affect the financial condition of the county. This policy ensures the county maintains adequate fund balance and reserves in the county’s general fund balance to provide sufficient cash flow for daily financial needs, provide funds for unforeseen expenditures, and offset significant economic downturns or revenue shortfalls. The Board of Commissioners adopted a policy / goal of maintaining a Fund Balance of 20%.

A year over year balance for the previous the ten years from 2014 through 2024 is as follows:

YEAR	TOTAL
2024	25,928,189
2023	\$19,456,612
2022	\$16,555,104
2021	\$14,836,484
2020	\$11,849,729
2019	\$11,510,902
2018	\$11,994,271
2017	\$11,972,890
2016	\$12,033,819
2015	\$10,599,984
2014	\$8,648,701

Prepayment of Lease for Martin General Hospital

Those funds held as the Hospital Fund consists of lease payments paid in advance for a 30-year lease for the Martin General Hospital building, which was entered into in 1998. 1/30th of these funds are considered “earned” for each year of actual use of the hospital building.

However, with the filing of the Chapter 7 bankruptcy case by Williamston Hospital Corporation, the Chapter 7 Trustee has rejected the lease with the County. Determinations as to remainder amounts of the advance lease payments will be made through the Chapter 7 case which remains open and ongoing in the United States Bankruptcy Court for the District of Delaware.

A year over year balance for the previous the ten years from 2014 through 2023 is as follows:

YEAR	TOTAL	EARNED, AVAILABLE
2024	12,635,682	\$9,122,226
2023	\$12,097,220	\$9,122,226
2022	\$11,831,387	\$8,29,726
2021	\$11,824,522	\$7,716,194
2020	\$12,819,154	\$8,144,159
2019	\$12,729,912	\$7,488,250
2018	\$13,546,770	\$7,738,441
2017	\$12,411,798	\$6,036,802
2016	\$12,380,235	\$5,438,572
2015	\$13,115,690	\$5,607,359
2014	\$14,806,697	\$6,731,700

Looking Ahead

A number of issues with potential budget implications are in the foreseeable future for Martin County. These issues include the following:

1. The closure of Martin General Hospital, through the Chapter 7 bankruptcy case of Williamston Hospital Corporation, placed current and future healthcare in Martin County at a critical juncture. The County is undertaking the process to understand what may be required of the Martin General Hospital building in order for a provider to open in its current state or what alternatives may be available.
2. Martin County continues to struggle with the debt service from Martin County Water Districts #1 and #2, as well as a small customer base. This situation is exacerbated by the debt service and operational costs of the Martin County Regional Water and Sewer Authority (MCRWASA). Martin County is a partner in MCRWASA, and Martin

County Water Districts #1 and #2 purchase treated water on a wholesale basis from MCRWASA.

3. The budget relies significantly on the use of savings to balance the budget. This situation needs to be continuously monitored over the next few years and appropriately managed so Martin County does not grow overly reliant on savings. We are working to reduce the amount of fund balance appropriations year on year.
4. In order to retain and recruit high performing employees, Martin County will need to keep an eye on the market rate of salaries, across all County positions, in nearby jurisdictions.

While Martin County has some challenges, a number of positive factors also provide some optimism for the future:

1. As part of this year's budget process the county manager and finance reviewed each departments request and provided funding where appropriate and necessary. In following the steps of the budgeting process, we are able to propose a lower tax rate for Martin County; we will propose to reduce the rate from .81 per \$100 valuation to a tax rate of .72 per \$100 valuation. We hope that the county can adopt this lower rate as way to enhance the quality of life of the tax payers in the county as well as enhance Martin Counties' appeal to those outside of the county.
2. Numerous improvements funded through grants are being made to the Martin County Airport (MCZ) which will assist in bringing aviation related business and tourism to the County.
3. The County has received a request for proposal for the Hospital from ECU Health. We will continue to nurture our relationship with ECU Health and provide any assistance that we can as the process moves forward.

Conclusion

I proudly started my role as the new County Manager on Monday May 19th. Beginning that day, the budget proposal preparation process started for FY 2025-2026. I am very grateful for all of the department heads for being willing to work with me on day one, and sit down and do thorough reviews of their proposed budgets. The process went well and I thank Cindy, Angela, and the Finance Office for all of the patience and work they put over the past few weeks. This office puts this proposal forward with the best interest of Martin County in mind.

Respectfully submitted,

A handwritten signature in black ink that reads "Drew Batts". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Drew Batts
County Manager