

**PITT COUNTY BOARD OF COMMISSIONERS
GREENVILLE, NORTH CAROLINA
JUNE 10, 2002 MINUTES**

The Pitt County Board of Commissioners met on Monday, June 10, 2002, at 7:00 PM in the Commissioners' Auditorium, Pitt County Office Building, 1717 W. 5th Street, Greenville, North Carolina.

Commissioners present:

Tom Coulson, Commissioner
Randy Royal, Commissioner
Glenn Bowen, Commissioner
Mark Owens, Jr., Chairman
Beth Ward, Vice Chairwoman
David Hammond, Commissioner
Terry Shank, Commissioner
Tom Johnson, Commissioner

Absent was:

Eugene James, Commissioner

Staff present:

Scott Elliott, County Manager
Melonie Bryan, Director of Financial Services
Loretta Lewellyn, Budget Administrator
Susan Banks, Clerk to the Board
JoAnne Burgdorff, County Attorney
John Bulow, Assistant County Manager

Call to Order

Chairman Owens called the meeting to order.

Invocation and Pledge

The invocation was offered by Commissioner Johnson.
The Pledge of Allegiance was led by Commissioner Coulson.

Information Provided with the Agenda

Chairman Owens stated that Commissioner James asked to be excused because he was under the weather.

Approval of Agenda

Motion:

Motion to approve agenda as submitted.

Motion made by Commissioner David Hammond.

Motion seconded by Commissioner Randy Royal.

Motion Passed Unanimously.

Items for Report

Presentation of Fiscal Year 2002-2003 County Budget and Manager's Budget Message

Meeting Notes

Mr. Elliott presented the following Manager's Budget Message:



June 10, 2002

To the Pitt County Board of Commissioners and Citizens:

I respectfully submit the recommended Fiscal Year (FY) 2002-2003 Budget for Pitt County, North Carolina. The budget has been prepared in accordance with the North Carolina Local Budget and Fiscal Control Act and General Statute 153-A-82. The budget identifies revenue and expenditure estimates for FY 02-03. This budget attempts to maintain Pitt County's tradition of high quality services in light of the many fiscal challenges the County has faced in the past year as well as the challenges that are ahead in the new year.

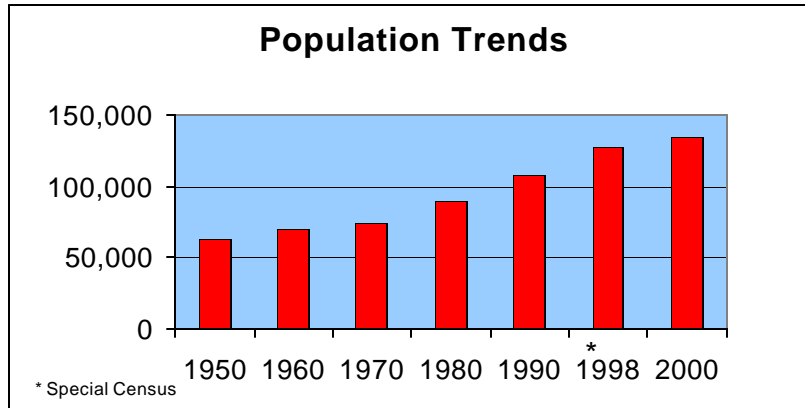
As your recently appointed Manager, it is my privilege to have participated in the budget process and to present the proposed budget for FY 02-03 totaling \$175,265,780. This budget represents an increase of 0.78% when compared to the current year's amended budget. The General Fund, the County's main control fund, is projected at \$80,523,498 or a 6.07% increase from the current year. At the Board's direction, the County property tax rate to support the FY 02-03 budget remains at 68 cents per \$100 of valuation. The distribution of these funds will be with 66½ cents supporting general fund operations and 1½ cents directed to Industrial Development. With the budget's adoption, a new 3-cent Emergency Medical Service "Special Tax District" will also be implemented July 1. This new district tax will be implemented through compliance with all the necessary public hearings, notices and receiving supporting resolutions from affected municipalities.

Highlights:

- Includes no property tax increase
- Fully funds Education Compact
- Implements a 3-cent EMS Special District Tax
- Reduces spending within General Fund departments to balance budget
- Utilizes a portion of Hospital Portfolio to balance budget

This past fiscal year has been a year like no other in recent memory. Pitt County had planned for a lean year, choosing to rely on the County's reserves rather than implement a tax increase on an economically strapped public. Then, the terrorist attack on our nation occurred on September 11, 2001, and the nation's economy changed from bad to worse. Pitt County responded in late fall by making internal reductions to counteract an anticipated \$1.3 million revenue shortfall due to decreased sales tax revenue and anticipated loss of investment earnings—all resulting from a nationwide recession. Then in January, reacting to the State's fiscal crisis, Governor Easley chose to hold local government reimbursements for the second half of the year. This amounted to an additional loss in revenue of \$1.1 million for Pitt County government which, we are now certain, will not be returned by the State. These external factors, including the continued recovery in our County from the hurricane/flood disaster of 1999, have created a significant challenge. However, Pitt County has acted in a fiscally responsible manner to the forces that

have affected us. To the extent possible, the Board of Commissioners has seen to it that they have not placed an additional burden on already strained citizens while continuing the needed levels of service. It will be an uphill battle for the next couple of years as the national economy improves and we are able to free ourselves from the catastrophic events that have held us hostage from progressive growth.



In spite of the current fiscal crisis occurring at the local, state, and national levels, Pitt County continues to benefit from population growth. This growth has been as a direct result of the County's aggressive economic development efforts as well as natural population increase. The bar chart at left, illustrates the County's growth over the past six

decades and includes the special census count conducted in 1998 at the request of Pitt County.

BUDGET PROCESS

Departments submitted their FY 02-03 budget requests in the first part of April. Budget conferences were conducted individually with every department between April 22 and 25 to review their budget—line item by line item. From revenue projections and the information gained from departments, I was able to identify to the Board at a special budget workshop on April 25 that drastic reductions would need to be taken from the requests. My preliminary reductions were in travel, new positions, part time/temporary help, capital—including computers and vehicles, and funding to nonprofit agencies. As drastic as these reductions seemed, they were not enough to balance the needs with available revenue. This, however, did result in \$2.7 million in reductions. In order to balance the budget, an additional \$3.2 million in new revenue or additional cuts needed to be identified.

Also, at the same meeting on April 25, staff presented information in regard to changing the method of distributing sales tax revenue among the County and its municipalities. It was decided at this meeting not to change the distribution formula in the new fiscal year. Therefore, sales tax revenue will continue to be distributed on a per capita basis.

In mid May, departments were instructed to submit reduction scenarios that equated to 2.5% and 5% of their budget after the Manager's initial cuts. This agonizing task cemented the realization that both scenarios meant reductions in staff or services for many departments. These submissions were reviewed by the Manager and budget staff and much of the 2.5% scenario was incorporated into the Manager's budget balancing process. This second round of cuts identified an additional \$900,000 of spending reductions. At the Board meeting on May 20, the Commissioners were presented with a balanced budget for discussion at workshops that followed on May 21-23. Several balancing scenarios (A-D) were presented during this time with the Manager's budget implementing a combination of expenditure cuts, a 2-cent tax increase and use of fund balance below the 8% threshold. Other scenarios presented included various combinations without a tax increase up to and including 100% use of the hospital portfolio. An additional budget workshop was scheduled for May 28 at which time the Board expressed their desire not to raise taxes. The Board also took action at that meeting to liquidate up to \$6.2 million of the Hospital Portfolio for use as General Fund Balance and to be used by the Manager to

make adjustments and bring back a final recommendation. This message reflects adjustments (selective add-backs from the first two rounds of cuts) to the initial submission and represents the Manager's final recommended budget.

MAJOR BUDGET INITIATIVES

On April 15th, The Pitt County Board of Commissioners reaffirmed its commitment to the goals and objectives identified and adopted in 2001. These priority areas are:

- Long-Range Planning / Vision
- Education /Schools
- Community Safety / Emergency Services
- Facilities / Building Needs
- Human Services / Social Services
- Recreation & Parks

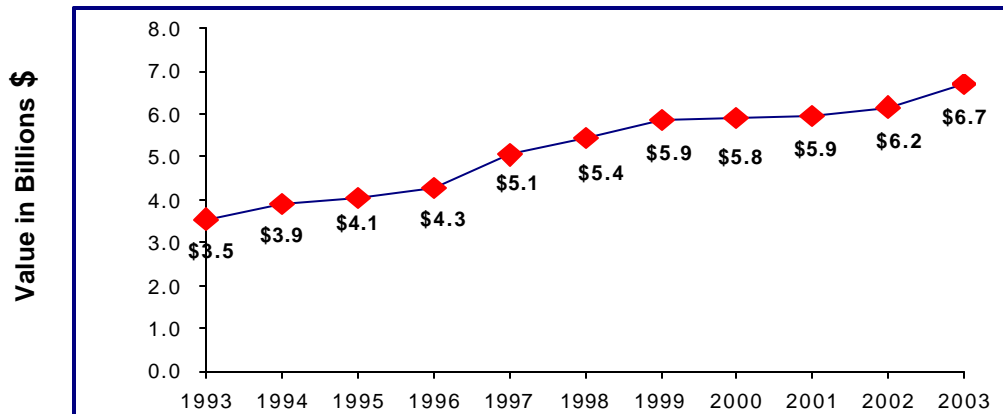
The recommended budget seeks to maintain the Board's priorities and to continue progress in meeting the ongoing needs of our citizens and provision of those public services mandated by State or Federal law. However, because of funding constraints, many capital projects as well as program expansion requests have been delayed into the future. Major initiatives included in the coming year's program of work include:

- Continue increased funding for education through the Education Compact with Pitt County Schools;
- Contract for performance of tax audits on listed and unlisted business accounts;
- Continue implementation of first in-house revaluation of all real property effective for January 1, 2004;
- Continue implementation of centralized phone system that operates over existing County network instead of leased phone lines, resulting in significant annual monetary savings;
- Continue flood recovery activities and finalize related hazard mitigation buyout program;
- Implement first year of countywide Emergency Medical Services in partnership with volunteer squads and municipalities, as applicable;
- Develop a countywide zoning ordinance for governing body consideration;
- Draft a Stormwater Management Plan;
- Organize an entity to implement the Water Resources Management Plan;
- Streamline permitting for citizens and increase coordination among departments through recently implemented coordinated permitting system;
- Assume operation of the Animal Shelter from the City of Greenville;
- Implement private insurance billing process in the Health Department;
- Continue increased first and third party revenue collections for Mental Health services;
- Complete development of existing industrial parks—Farmville Corporate Park and Worthington Industrial Park—to obtain "Certified Industrial Site" status;
- Work with the Public Schools to refine the system's 10-year capital needs;
- Work with Pitt Community College to plan funding of bond improvement projects and phase in required county matching funds; and
- Transition workers' compensation program to a truly self-insured program for Pitt County.

REVENUE ASSUMPTIONS

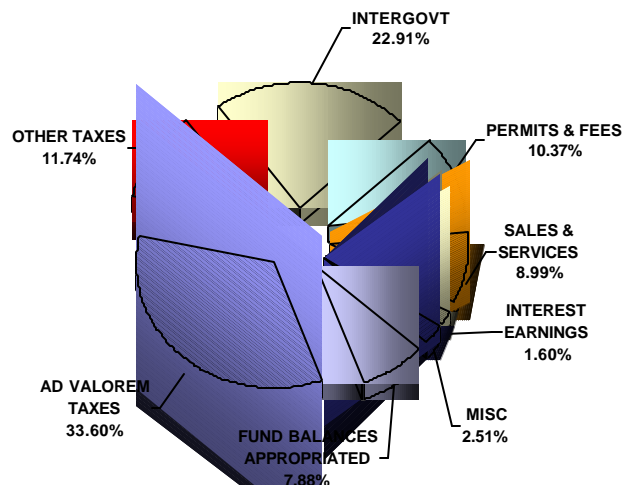
Ad Valorem Taxes – A 9% growth in the tax base is anticipated over last year, to a total \$6.7 billion in property valuation with an 8.2% increase in revenue expected. This equates to an additional \$3.3 million in ad valorem taxes. Pitt County is very fortunate to have steady and continuous growth in its property valuation. Replacement housing from Hurricane Floyd and flood damage will continue to come online this year. The property revaluation process that is currently underway will take effect January 1, 2004 and will be reflected in the Fiscal Year 2004-05 budget. Our 2002 sales to assessment ratio of 79.55% translates into a loss of potential revenue for the County until revaluation takes place. The following chart shows steady growth in the valuation of the tax base of Pitt County over the past 10 years.

Property Valuation for Tax Base



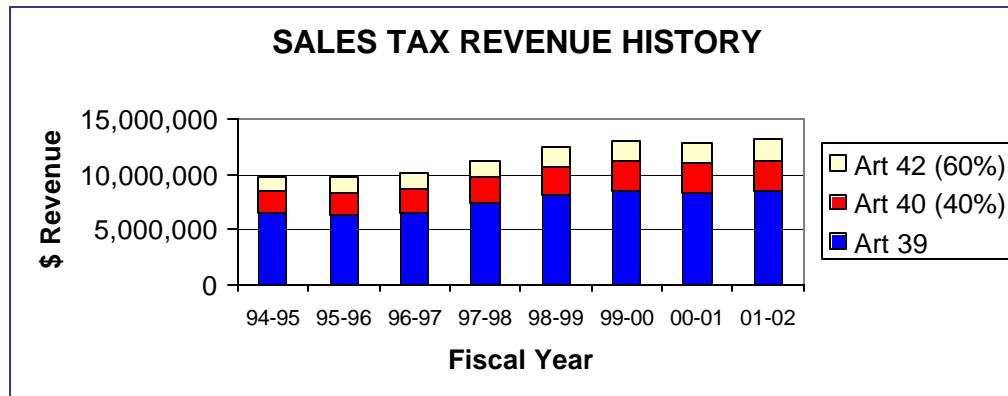
To offset the impact of economic conditions on the General Fund, it is recommended that the allocation to the Industrial Development Fund be further reduced this year. From the tax levy of 68 cents, 1½ cents versus the former 1¾ cents will be allocated for Industrial Development. The Industrial Development Fund is used to support economic and industrial development activities throughout the County. This reduction should not impede any known projects for this year.

As presented in the pie-chart at the right, Pitt County's largest revenue source comes from "Ad Valorem Property Taxes." Federal and State "Intergovernmental" revenue is second and "Other Taxes" is the third largest source.



Sales Taxes – Sales tax revenue did not meet economists' projections for the current year, therefore, a decrease from the currently budgeted amount is projected for the new year. The FY 02-03 estimate reflects a minimal 2% increase over the revised current year estimates. As the economy rebounds, sales tax growth will show improvement that will be evident in future years. Sales tax includes Article 40 and 42 taxes that are distributed per capita and

Article 39 taxes that are distributed on a point of sale basis. The chart below shows gradual growth in the mid-1990s with a leveling off over the last three years.



An additional ½ cent local option sales tax may come to pass for counties this year if accelerated by the General Assembly. Originally slated for July 1, 2003, this new tax would replace the State’s reimbursements for previously repealed local taxes, including intangibles, inventories, the elderly homestead exemption and local option food coupon tax. The State withheld reimbursements for the last half of the present fiscal year, and unless their budget picture greatly improves, would not have revenue to pay the reimbursements in the new fiscal year without creating new sources. To date, several counties including Pitt County have endorsed enacting this ½-cent sales tax to replace the reimbursements. Counties are to be held harmless by the State such that each jurisdiction receives revenue from the sales tax equal to the amount received from the reimbursements.

As governments expect the State to come through with some form of revenue for local governments, Pitt County has budgeted the State reimbursements as in the past, at just over \$2.9 million. If the sales tax is enacted, the money budgeted for reimbursements would be re-appropriated as sales tax revenue. Where the reimbursements have been a stagnate income source, the sales tax has potential for growth over time which will be of benefit to the County. If the State provides neither the reimbursements nor a tax, the County will have to tap additional Fund Balance to cover the \$2.9 million shortfall. The County’s projected fund balance will be at or near the Local Government Commission’s recommended level of 8%. Any shortfall from scheduled State reimbursements will need to come from either existing funds in the Hospital Portfolio, through reducing the 8% Local Government Commission set-aside to less than 8%, or through drastic mid-year budget cuts to all departments.

Fees – Increases are proposed as indicated below for fees in the areas of Solid Waste, Animal & Mosquito Control and Inspections.

	Present Fee	Proposed Fee
Solid Waste		
Non-Residential Waste, per Ton	\$45	\$46
Residential Waste, Annual	\$62	\$65
Animal & Mosquito Control		
Animal Control Pickup Fee, per Animal	N/A	\$10
Inspections		
<i>Building Permits</i>		
Residential & Commercial, per Square Foot	\$0.090 heated, \$0.045 unheated	\$0.095 heated, \$0.048 unheated
Renovations & Miscellaneous, per \$1000 Construction Value	\$1.85	\$2.00

Minimum Building Permit	\$28	\$30
Modular Homes	\$67	\$71
Mobile Homes	\$28	\$30
Courtesy or Change of Occupancy Permit	\$56	\$59
Re-Inspection or Demolition Permits	\$28	\$30
Plumbing Permit, per Fixture	\$5.60	\$5.90
	(\$28 minimum)	(\$30 minimum)
Mechanical Permit, per Unit	\$28	\$30
	(\$28 minimum)	(\$30 minimum)
Gas Piping Permit , per Fixture	\$5.60	\$5.90
	(\$28 minimum)	(\$30 minimum)
House Moving	\$67	\$71
Penalty (Start Work Without Permit)	Double the fee of permit	Double the fee of permit
	(\$56 minimum)	(\$59 minimum)
<i>Electrical Permits</i>		
Residential & Farm Buildings (Excluding Bulk Barns & Grain Bins)		
From 1 to 200 Amps	\$83.50	\$88.00
Per Additional Amps over 200	\$0.28	\$0.30
Commercial & Industrial		
From 1 to 200 Amps	\$112	\$118
Per Additional Amps over 200	\$0.56	\$0.59
Revision to Electrical Systems		
1 to 20 Outlets	\$28	\$30
Over 20 Outlets	\$39	\$41
Mobile Homes & Office Trailers	\$34	\$36
Temporary Pole Service	\$28	\$30
Temporary Power or Temporary Occupancy	\$56	\$59
Signs	\$34	\$36
Pole Service	\$34	\$36
Mobile Home Park Pedestal	\$28	\$30
Additional Pedestals	\$5.90 each	\$7.00 each
<i>Farm Service Permits</i>		
Bulk Barns & Grain Bins, 0 to 200 Amps	\$28	\$30
Additional Units, each service	\$5.90	\$7.00

It is recommended that all other fees assessed for County services remain the same.

Fire Taxes – Four Fire Districts have requested a tax increase for their service area as indicated in the chart below. The remaining 16 districts will keep current rates. All fire districts were established by vote of the citizens of that area.

<u>Fire District</u>	<u>Current Rate</u>	<u>Proposed Rate</u>
Bell Arthur	.0375	.0500
Black Jack	.0250	.0300
Gardnerville	.0500	.0750
Staton House	.0150	.0175

Emergency Medical Service (EMS) District Tax - The implementation of the new 3-cent countywide EMS tax (with the exception of the City of Greenville) is reflected within this budget. This emergency medical service tax is part of a comprehensive plan to upgrade and complement the volunteer emergency medical service in the County. A transport fee of \$400 will be continued

in the new fiscal year as adopted in the budget for this current fiscal year and implemented on January 1, 2002.

Hospital Portfolio and Other Hospital Revenue – The Pitt County Board of Commissioners voted in the budget workshops to transfer \$6.2 million of the \$30 million principal from the conversion of Pitt County Memorial Hospital to the County's unrestricted General Fund Balance. This \$6.2 million represents the increased amount that the County has funded the Board of Education under the joint Education Compact since its inception. This includes Fiscal Years 99-00 through the new year of 02-03. Given that the principal amount had initially been set aside to function like an endowment that would generate revenue for education and the interest had not been sufficient because of economic conditions, the Board felt that the principal should be utilized.

Continuous annual revenue realized from Pitt County Memorial Hospital includes a payment in lieu of taxes budgeted at \$1.35 million and \$475,000 to partially offset the County's escalating Medicaid costs.

Interest Earnings – Pitt County has two separate investment strategies to produce interest earnings. The first is the normal procedure that is allowed by the North Carolina General Statutes and requires that counties invest in very secure, very conservative instruments. For this coming year, Pitt County expects to earn approximately \$650,000 on an average investment of \$15 million. These funds are internally managed by the County's Financial Services Department.

The second investment strategy deals with the \$30 million in proceeds realized from the hospital transfer agreement, which by Board action will be reduced to \$23.8 million in the new budget year. The Board of Commissioners had established a policy using the interest earnings from these proceeds to help fund the Education Compact, but decided to deduct principal until economic conditions improve. Pitt County obtained special legislation to be able to invest these funds in typically higher yielding stocks and bonds and has retained five fund managers to manage the investments. The Local Government Commission has confirmed that Pitt County may replace the funds deducted from this special investment strategy at any point in the future, up to the \$30 million original principal.

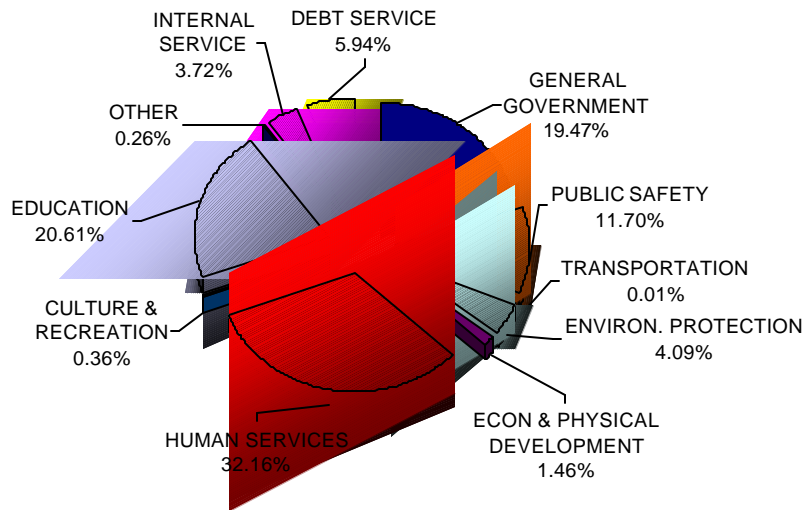
The asset allocation of these funds is 50% stocks (equity instruments) and 50% bonds (fixed instruments). Traditionally these type investments earn a higher yield over the conservative investments that the County is allowed. However, the national tragedy this year combined with poor economic conditions overall has impacted these earnings negatively for the short term. As the Country comes out of recession, these investment earnings will improve and outperform the in-house managed investments. For the coming year, we are expecting a conservative return and are budgeting \$1.5 million interest on the Hospital Portfolio.

Fund Balance – Approximately \$8.9 million in General Fund Balance is appropriated to cover expenses and balance the budget. Historically, Pitt County has tried to limit the amount of fund balance appropriated to be an amount that can be offset by conservative budgeting. However, the amount needed to balance the budget at this time is greater than can be offset through under-spending. The Board of Commissioners has directed that the County's Hospital Portfolio be tapped in the amount of \$6.2 million to be a part of the General Fund Balance to cover necessary expenses in the budget in lieu of a tax increase. The portion of the liquidated Hospital Portfolio not used to balance the budget will provide a cushion in the General Fund Balance in the event that State reimbursements or a substitute revenue do not come to pass.

EXPENDITURE HIGHLIGHTS

The County's expenditures are divided across several major service areas that are shown on the chart below. Human services—such as Health, Mental Health and Social Services account for

the largest proportion, with education funding—to Pitt County Schools and Pitt Community College—a close second.



The total County budget is projected to increase by just 0.78%, with the controlling fund—the General Fund—increasing by 6.07%. Three key budget drivers attribute to the majority of this increase. They are:

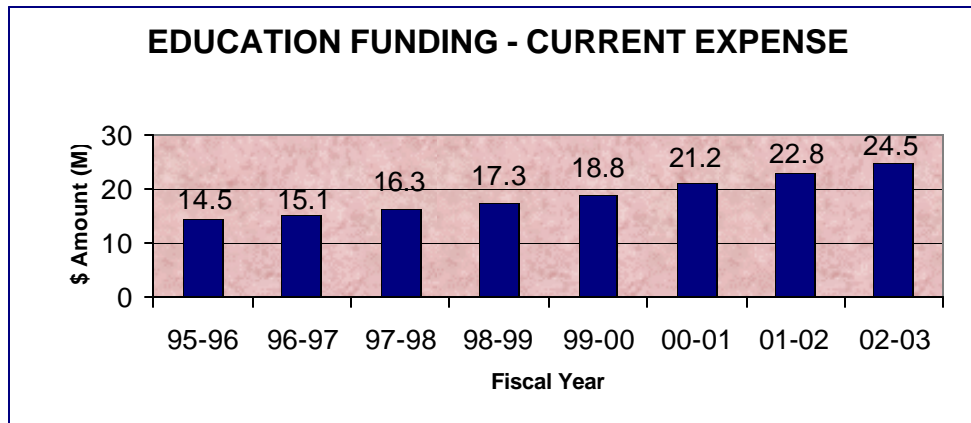
	<i>Increase Over Prior Year</i>
Education Compact	\$1,700,000 (7.21% Increase)
Medicaid	1,344,141 (25% Increase)
Health Insurance	<u>591,289 (11.3% Increase)</u>
	\$3,635,430

Capital purchases and travel/training expenses have been cut substantially throughout all departments. Other changes to the budget in the primary areas of County responsibility include:

General Government – The Tax Assessor’s Office is contracting for audits of the business accounts located in Pitt County to insure accuracy of listings and to discover those that may be unlisted. It has been several years since this type of audit has been performed. It is anticipated that findings will generate more than the cost of the contract and have the benefit of realizing recurring revenue.

This will be the first year that operation of Animal and Mosquito Control will come under General Government. Formerly, animal control officers and the vector control officer were under the direction of the Health Department. With the agreement that the County will take over operation of the Animal Shelter from the City of Greenville, these positions and functions will be merged under the direction of the Facilities and Development Services Department.

Education – The joint Education Compact developed by the Board of Commissioners and the Pitt County School Board will be in its third year. The Compact provides for increased funding and greater accountability over a five-year period with a goal of moving the Pitt County Public School System into the top one-third of North Carolina’s school systems in both funding and performance. With a very difficult year budget-wise, the Board of Commissioners held to their commitment to increase funding for education by an additional \$1.7 million over the prior year’s budget. The \$24.5 million current expense budget reflects a 7.44% increase. Funding trends for education are shown in the chart below.



The Board of Commissioners annually appropriates an additional \$750,000 for pay-as-you-go Category I, II, and III capital needs and an additional 10% (\$484,264) of Article 40 Sales Tax to fund regular school capital projects. Pitt County also provides free rent, utilities, and other services for school administration, valued at over \$365,000 annually. It is proposed that the County explore the option of executing a Service Agreement that would acknowledge these contributions by the County and positively affect the per pupil expenditure figure for the school system.

Human Services - The Department of Social Services' main increase came in the mandated participation in Medicaid. A 25% increase, or an additional \$1.3 million, is anticipated for Medicaid costs. The department's overall increase totaled only 1.2% over the prior year.

The Health Department's budget reflects an overall decrease of -2.19%, with a \$253,638 decrease in General Fund appropriation largely attributed to the shift of Animal and Vector Control costs to the General Fund. Four new State-funded positions have been included.

The Pitt County Mental Health Area Program will be in a transition period as the County reviews its options under State reform for mental health agencies. The Board of Commissioners has expressed its desire to have the agency become a County department rather than part of a multi-county authority. The Mental Health Committee working on mental health reform has been directed to develop a business plan based upon the Commissioners' directive.

In Mental Health's operational budget, nine positions in the Willie M program will be eliminated this year as this program is being outsourced. Three new State-funded positions requested by the agency are proposed for funding. As a minimal introduction to a chargeback for services, Mental Health will be billed \$100,000 this year as a partial recovery of the over \$1.2 million of in-kind contributions that the County has been providing. It is expected that this cost recovery should increase in future years. Mental Health's total budget increased by 11.26% over the prior year.

Public Safety - The Sheriff's budget is proposed to begin funding a former grant position—the Property Crimes Investigator—with 100% general funds in the new year. All positions frozen in the current year for budgetary reserves will be unfrozen in the new fiscal year.

This year's Emergency Medical Service budget strives to implement an acceptable level of rescue service throughout the County. To support the individual rescue squad budgets, a 3-cent countywide EMS tax (with the exception of the City of Greenville) is to be implemented effective July 1, 2002. Continuation of the \$400 fee per EMS transport enacted January 1, 2002 is also included in this budget. The proposal calls for funding the squads for capital payments and a

capital fund for new purchases. Funds for new capital purchases would be distributed using an application process administered by the EMS Advisory Commission. An additional appropriation of general fund hospital portfolio funds will be needed to adequately fund this program in its first "new" year of operation.

Personnel – A minimal 1.1% cost of living wage adjustment for employees reflecting the January 2002 consumer price index change has been budgeted. For employees who carry family health insurance, this pay adjustment will not offset the over 16% increase in the cost for coverage. Likewise, the County will realize a 16.4% increase in premiums for coverage of the individual employees as provided under the County's self-funded hospitalization plan.

Funding for implementation of Phase II of the Pay and Classification Study authorized in 1998 is included and should be sufficient to address the pay and classification concerns. This would include the certification system for deputies that was highlighted by the Sheriff during budget workshops as well as all other employees affected by the implementation of the Phase II - Internal Equity recommendations.

Unless supported by outside funding sources, most requests for new positions in this budget were not funded. Of 21.35 positions requested, eight positions are recommended—these are in the areas of Health and Mental Health and one in the Sheriff's Department.

CAPITAL IMPROVEMENT PLAN

An updated 5-year Capital Improvement Plan is presented as part of the annual budget process. Continuation funding is included for minimal recurring capital outlay, MIS projects, Pitt County Schools and Pitt Community College current annual projects and economic development (water, sewer, and gas) projects. Funding for projects in the Capital Improvement Plan such as the Courthouse Phase II and school buildings comes from a variety of sources. The County may use bank financing, current revenues, issued debt and/or grants to meet these capital needs. The debt service for the school project is completely covered using the school's earmarked sales tax proceeds and their capital building money from the State.

New projects have been forecast out into the future due to the financial constraints our County currently faces. Future building needs include facilities for Social Services, animal shelter, storage, schools, and recreation. The communications equipment for public safety continues to be a top priority with funding sources pending legislative changes to the E911 surcharge fee. Funding to develop a technology park is slated in future years as well as several other smaller capital projects.

The one item that may require earlier attention is the required local match for Pitt Community College State bond projects. Once the Community College begins Phase 2 projects, local matching funds will be required. Staff will work with the Community College to further define the anticipated timeline for funding needs.

OUTLOOK

Pitt County struggles to maintain a desired level of service while facing the extreme economic conditions that are shared statewide, as well as nationwide to some extent. The County is relying on the future affect property revaluation will have on revenue in Fiscal Year 2004-05—two fiscal years away. We are also petitioning our legislators to relieve counties of their share of Medicaid by continuing the ½-cent sales tax set to expire June 30, 2003. Removing the uncontrollable Medicaid burden from the counties would allow us to focus on the services we provide and have control over. It is absolutely essential that the State provides a replacement revenue for reimbursements to local governments should they elect not to continue the reimbursements next

fiscal year. The withholding by the Governor of part of these funds in the current year amounted to controlling the State's fiscal crisis at the expense of local government and exacerbation of the fiscal woes on the local level. Pitt County has been more fortunate than most local governments in that we had sufficient reserves to carry us through this difficult time.

As we emerge from this period of recession over the next few years, it will be essential that the Board and management team carefully plan the growth that will be desired and expected by our residents. In addition, it will be important that the County systematically replenish the reserves that have been called into play during this time. With use of fund balance for recurring costs, we are perpetuating the problem, as the same need will exist next year, and funds spent this year are no longer available to fill the gap.

ACKNOWLEDGMENTS

As with the times, the budget has been an arduous process, but I have enjoyed rolling up my sleeves and quickly learning the County's business. I want to acknowledge the assistance from Pitt County department heads and their staffs in preparing conservative budgets at the onset, and then cooperatively providing reduction options when that was necessary. A special thanks is extended to Melonie Bryan, Director of Financial Services, and Loretta Lewellyn, Budget Administrator, for their dedication in developing, balancing and compiling the budget document and presentation material.

Respectfully submitted,

D. Scott Elliott
County Manager

Mr. Elliott reiterated that some of these costs are not one-time costs but recurring costs and in 2003-2004 it will not get any better. He acknowledged the assistance and work of Melonie Bryan, Director of Financial Services and Loretta Lewellyn, Budget Administrator for their dedication in developing, balancing and compiling the budget document and presentation materials.

Mr. Elliott presented the following table that illustrates changes from the recommended budget to the current proposed budget:

Revisions Made to Manager's Recommended Budget From Preliminary			
Dept	Description	Actual	Net Change to General Fund
<u>REVENUE</u>			
	Remove 2-cent Tax Increase		(1,275,571)
	Remove Rent to Schools		(150,000)
	Reduce Rent to Mental Health	100,000	(200,000)
	Reduce Investment Earnings		(350,000)
	School Security Contract	88,842	85,578
	Fund Balance Budgeted	8,944,138	3,721,313

			1,831,320
EXPENSES			
PCC	Operating Expenses		150,000
Sheriff	1 Property Crimes Grant Position		45,999
	Reinstate Funding for 1 Vacancy		40,248
	5 Vehicles @ \$22,000		110,000
	Pay Plan Classifications for Deputies (can be accommodated in Phase 2 Pay Plan Study Implementation already budgeted in Nondepartmental)		0
Detention Center	Reinstate Funding for 4 Vacancies		142,275
School Security	2 New SROs Under Sheriff's Contract - AG Cox & Farmville Central		88,842
Social Services	1 Vehicle	16,000	7,680
Health	2 Vehicles		32,000
	2 Positions Slated for RIF	55,961	46,729
County Manager	.25 Position Slated for RIF		8,135
	Car Allowance Restored		3,600
Cooperative Extension	1 Position Slated for RIF	14,212	6,918
Nondepartmental	Reserve for Travel		40,000
Mail Services	Part Time Temp Labor		11,055
Nonprofit/Affiliate Agencies	Increase Funding Level (See Nonprofit List)		44,600
Legal	Salary & Benefit Adjustment		8,389
Transfer to EMS District	Additional Appropriation		864,850
Transfer to Workers' Comp	To Create a Reserve within Self-Funded Workers' Comp Program		180,000
			1,831,320
Other Funds		Total	Net Change
State Grants	Juvenile Crime Prevention	355,256	266,291
	(budgeted in Grants & Mental Health)		

Recommended changes made to non-profit/affiliate agencies were the following:

Medication Center increased to \$5,540.
Farmville Child Development Center received \$10,000.
Pitt County Council on Aging increased to \$150,000.
Farmville Public Library increased to \$10,000.
Grifton Public Library increased to \$5,000.
Fountain Public Library increased to \$2,000.
Ayden Public Library increased to \$5,000.
Jackie Robinson League received \$2,000.
Stokes Recreation received \$2,000.
Bethel Recreation received \$2,000.
Ayden Town Hall – Roof Project received \$0.

*Additional EMS Funding for Fiscal Year 2002-2003

Mr. Elliott reported that under new position requests, there were 18 total new positions but only 8 were County funded. The remaining ten positions were State funded positions.

Sheriff – Property Crimes Investigator – 1 position (previously grant funded)

Mental Health – Substance Abuse Counselor I – 1 position
Substance Abuse Counselor II – 1 position
Human Services Clinical Counselor II – 1 position

Health - Community Health Assistant – 1 position
Licensed Clinical Social Worker – 1 position
Social Worker II – 1 position
Processing Assistant IV – 1 position

EMS District - EMS Positions (Paramedic, EMTs) – 10 positions

General Fund Revenue Recommended total was \$80,523,498 with a 6.22% change. A summary of expenditures by fund was also provided. The General Fund – Fund 10 totaled \$80,523,498. Other Funds included with the General Fund generated a total for expenditures of \$175,265,780 for a total increase of 0.78%.

Mr. Elliott also provided the Board with a copy of the Resolution to Create a County Service District to Provide Emergency Medical Services, the Resolution Declaring the Intent of the Board to Replenish Funds Used from the “Hospital Portfolio” to Maintain the Original Principal Amount of the Fund, and a copy of the Fiscal Year 2002-2003 Budget Ordinance as it currently was presented.

The Board discussed the EMS funding and positions. Mr. Elliott stated that he considered using private contractors for the EMS services in some areas but found it was more costly than to hire fulltime and part time staff to run the three squads that need immediate help. He stated that the squads assumed the debt on vehicles. The plan is to pay the EMS related expenses with the three-cents EMS tax. They will create a Rolling Stock Replacement Fund for vehicles and will develop assessment criteria on replacement of vehicles. There would be some uniformity to the Rolling Stock Fund and vehicles would be county-owned vehicles, bank financing mechanism. It will take \$240,000 to do this annually. The squad applies through an application process for use of these funds.

The Board then discussed the use of fund balance and/or the Hospital Portfolio to balance the budget. Ms. Bryan stated there is an anticipated \$15 million in fund balance on June 30, 2002. She said originally they proposed to use \$4 million of the fund balance, leaving \$11 million in fund balance but some of the fund balance is undesignated and unreserved. There was \$2.4 million of discretionary fund balance.

Mr. Elliott said they based this budget on the Board's instructions on May 28th to use up to \$6.2 million to balance budget from the \$30 million Hospital Portfolio fund. With \$41.3 million in unreserved fund balance and removing the funds from the \$11.3 million it brings it down to \$3.2 million. Mr. Elliott stated that this could cause problems with cash flow. With \$9 million being budgeted from fund balance and leaving \$8 million in fund balance which is equivalent to one month's expense, this causes staff some concern and a need to be able to use some of the Hospital Portfolio.

Commissioners' Comments

Meeting Notes

Commissioner Hammond spoke about increasing fees. Commissioner Hammond asked about revaluation. He asked about Little Willie Center's request. Mr. Elliott said that the agencies that appealed their budgets got additional consideration. The Little Willie Center was informed of their funding and no comment was received from them. Commissioner Hammond said he was pleading the case for the Little Willie Center. He said they were treated unfairly. Commissioner Hammond spoke about the increase of 16% in fees. Mr. Elliott said if the fees are reduced, then fund balance will have to be used to fill the difference. Commissioner Bowen asked about growth in property tax value compared to increase in costs of services.

Commissioner Bowen spoke about five programs getting an increase in funding. With nonprofits, he asked why increase their budget when this is such a bad budget year and everyone else is having to make cuts. He suggested they should receive the same amount of money they received last year. He asked if the 1.1% cost of living increase was proposed. He said that with the increase in the hospitalization for the families, the Board should give the employees enough money to cover the increase in the family plan instead of the 1.1% increase. The people with family plan will take home less this year than last year. The 1.1% cost of living increase costs the County \$365,000. Ms. Bryan said the average employee would not be able to cover their increase in hospitalization with the 1.1% increase. Commissioner Bowen said to give all the employees the same dollar amount.

Commissioner Bowen asked why staff restored the car allowance for the Assistant County Manager. He said he thought the Board decided to do away with the Assistant Manager's car allowance during this bad year. Commissioner Bowen questioned Planning's request for a 6/10th position. Ms. Bryan stated that they are part-time but receive benefits so they may stay with the job. Commissioner Bowen asked about proposed grant position in Sheriff's budget being funded. Does the Sheriff have as many deputies as they had last year this time? Mr. Elliott and Ms. Bryan said yes.

Commissioner Johnson asked about building payment in Ayden being funded in the EMS Budget. Mr. Elliott said in Ayden that was an expense on the books using their existing district tax, just like other squads were paying off vehicles. He said a long-term strategic plan needs to be considered for EMS. They need to look at the long term planning for countywide EMS and the funding of vehicles over a multi-year period. There is an increase of \$865,000 total proposed over previous EMS funding. No request for new vehicles. No other buildings in this budget. There is money in the budget for rescue squads for vehicles. Mr. Elliott said for Year One of the EMS plans this phase it is as balanced as possible. Each squad had different revenues and needs. He said the rollout of this plan is an accurate representation of how it should be adopted.

Chairman Owens said this is a good budget and done and a good job. He said the requests can not be filled because this board choose not to include a two cent tax increase.

Adjourn

Motion:

Motion to adjourn at 8:10 p.m. until tomorrow night at 7:00 p.m. for the public hearing.

Motion made by Commissioner Glenn Bowen.

Motion seconded by Commissioner Randy Royal.

Motion Passed Unanimously.

Respectfully Submitted,

Susan J. Banks, CMC
Clerk to the Board