

June 2, 2025

To: The Honorable Chair, Board of Commissioners, and taxpayers of Perquimans County

I respectfully submit the proposed budget for Perquimans County for the Fiscal Year 2025-2026. The budget has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act. The budget identifies the estimated revenues and expenditures for the Fiscal Year 2025-2026.

Proposed Tax Rate

As in years past, the County's budget process calls for department heads and other agencies to submit budget requests to the County Manager. In total, the requests amounted to approximately \$27.4 million. That's almost \$2.7 million dollars more than anticipated revenues for the upcoming fiscal year. The tax rate would have to be 13 cents higher to fully fund all requests of Perquimans County for the next year.

Total taxable value increased from \$2,011,226,681 to \$2,038,025,494 or 1.33%. Budgeted sales tax revenues are expected to increase by over \$100,000 from last year's budgeted amount. I project that we're going to use around \$622,000 out of fund balance appropriation for the fiscal year 24/25 budget. The proposed FY 25/26 budget allocates \$1,863,175 out of fund balance.

The County remains in excellent financial condition (as evidenced by our most recent audit) but is feeling the effects of inflation and increased personnel costs. Perquimans County will continue to make substantial investments in school spending, public safety, and personnel. However, three factors have severely affected the expenditure projections for the upcoming fiscal year. First, costs

for the Albemarle District Jail will increase by over \$400,000. The decision by the jail board and staff to reduce the number of federal prisoners housed has significantly reduced projected revenues for the jail. This means more cost to each of the member counties. Second, the initial interest-only loan payments for the new Intermediate School kick in this fiscal year. The total payment for the upcoming year equals \$469,755. Third, the roof replacement for the EMS building, in conjunction with the construction of the new 911 center, will likely approach over \$200,000 in cost. These factors, exceeding \$1 million dollars, require us to implement austerity measures for the new budget. The proposed tax rate for fiscal year 25-26 remains unchanged at 52 cents per hundred dollars of value. When compared to other Counties in the region, Perquimans' tax rate will remain among the lowest in northeastern North Carolina.

General Fund Budget Summary

The General Fund budget is \$24,649,109 for 2025-2026, an increase of \$409,968 from the current year's amended budget of \$24,284,141.

General Fund Revenues

Property taxes account for most of the general fund revenues, and I've already mentioned the conditions as it relates to real property taxation.

Sales tax revenues are the second largest source of County general fund revenues. Budgeted sales tax revenues are projected to increase by a total of \$100,000 compared to last year's budgeted amount, for a total of \$2,900,000.

\$635,000 is forecast to be added to Perquimans' sales tax allocation to reflect the additional services taxed by the General Assembly in 2016. This is an increase of \$5,000 from last fiscal year's proposed budget. Medicaid hold harmless payments from the State, which are tied directly to sales tax calculations, are projected at \$424,406 this year, the same as collected in FY 24-25. Expected Land Transfer Tax revenues in FY 2025-26 are \$960,000.

General Fund Expenses

Most of the departmental operating budgets remain similar to the current budget year. By way of comparison, the largest General Fund expenses by department or agency are as follows:

| <u>Department/Agency</u> | <u>Proposed FY 25-26</u> | <u>% of Total GF</u> |
|----------------------------|--------------------------|----------------------|
| Perquimans County Schools | \$5,051,603 | 22% |
| Social Services | \$3,290,126 | 13% |
| Sheriff | \$2,871,436 | 11% |
| Emergency Medical Services | \$2,867,047 | 11% |
| 911 Communications | \$1,629,091 | 6% |
| Albemarle District Jail | \$1,304,687 | 5% |

School Funding

As presented by the Board of Education and school staff earlier this spring, the Perquimans County School System has requested \$3,786,268 for school current expense, an increase of \$186,268 over last year's County appropriation of \$3,600,000. This represents a 5% increase from the previous fiscal year's budget allocation. The local current expense requested increase centers mostly around additional personnel and benefit costs.

The proposed FY 2025-26 County budget maintains the local current expense budget at \$3,600,000. Being that the Perquimans Schools will receive an additional \$374,902 in low-wealth funding over last year's budget, this is more than enough to fund the additional requests of the County. Also, the County took on additional debt service in the amount of \$469,755 for the new Intermediate School. This year's payment is interest-only and will increase in the years to come. Maintaining the current level of funding and paying the new debt service payment continues a significant contribution by the County Board of Commissioners to fund new facilities, instructional services, support services, athletics, maintenance and utilities. The school capital outlay budget is the same as the requested amount; \$625,000.

Building and Facility Initiatives/Capital Outlay

Due to the factors discussed earlier in this document, the only capital projects funded in this budget will be the remaining 20% payment for a new ambulance that was approved in the current fiscal year budget but will be delivered in the upcoming fiscal year (\$56,597); and the County has been asked to contribute a nominal match on the completion of the 911 Center in the amount of \$37,979. Any emergency capital requests may be funded by the County Manager through the Buildings and Grounds budget. It is my recommendation that the Board and new manager examine the budget as of January 1, 2026, to determine if limited funding of additional capital requests appears prudent at that time.

Personnel

The proposed FY 2025-26 budget contains a 2% cost of living adjustment to the salary schedule, but with a delayed effective date of January 1, 2026. Steps and merits remain active for this budget.

Included is a 2% 401k match for employees, and the continuation of longevity pay for those that qualify.

Perquimans County participates in the State Health plan, and health insurance rates are projected to cost \$9,029 per employee per year. This amount includes a projected 5% increase in rates beginning in January and \$25 per month per employee that the State charges employees for the base 70-30 plan. The health benefit alone remains a significant benefit to County workers.

The North Carolina Local Government Employees Retirement System employers' contribution will increase to 14.39% from 13.65% for FY 25-26.

Due to the factors discussed earlier in this document, there are no new County employee positions that will be added through the general fund budget. It is my recommendation that the Board and new manager examine the budget as of January 1, 2026, to determine if limited funding of additional employee position requests appears prudent at that time.

This budget does fund a salary study (\$40,000) that will examine the County's pay levels and levels of staffing to see how we compare to other relevant counties in North Carolina.

Other Noteworthy Items

- Funding for the County Fire Departments increases to \$115,000 each, up from \$110,000 per department last year. In recognition of the construction of a substation to cover all of their citizens and improve insurance coverage rates, Durants Neck will receive \$40,000 for the operation of the substation.
- Funding for the Perquimans County Library will be \$220,000.
- Funding for the Tri-County Animal Shelter will increase to \$144,805 to facilitate staff and building improvements.
- Due to staffing shortages and therefore, a reduction in Federal Inmate revenue, the Albemarle District Jail budget has increased by over \$400,000 for Perquimans County. The total budget is projected to be over \$1,300,000.

Water Fund

Perquimans continues to make significant investment in its overall ability to provide water to its customers. Perquimans will continue to purchase 150,000 gallons of reverse osmosis water from Pasquotank County that services customers on the Winfall plant side. The bulk water rate that Pasquotank County charges is \$7.77 per thousand gallons.

Water rates will remain at \$17.50 for a minimum bill and \$9 per thousand after the first thousand. There is a total increase in the budget projected of \$359,400. Salt and chemical supplies have increased significantly from year to year. Other capital expenditures include permits, design and plans for a new discharge location at the Winfall plant, expected to cost around \$325,000.

The total water fund budget for the Fiscal Year 2025-26 is \$3,019,300.

Solid Waste Fund

The proposed solid waste fee for FY 25-26 is \$190, no change from last fiscal year. This fee covers the cost of operating the five Convenience Site locations, the County's portion of the Perquimans-Chowan-Gates Transfer Station operating cost, and the tipping fee for the County's solid waste at the private landfill in Bertie County. All of these operational costs have increased significantly over the past couple of years. The total solid waste fund budget is projected at \$1,319,500.

Conclusion

I'd like to thank the Department Heads for their stewardship in this budget process. I would also like to thank the Board of Commissioners for your involvement in the budget discussions and for making difficult, but important decisions on behalf of the citizens of Perquimans County. Finally, I'd like to thank County staff: Brandon Shoaf, Assistant County Manager; Mary Hunnicutt and Rebecca Corprew- Clerk to the Board; Casey White- Human Resources; and Bill Jennings and Kim Bray of the Tax Office, for their assistance and guidance in this process. I'd especially like to thank Finance Officer Tracy Mathews. Without her help and expertise, this process could not have been completed as easily. She has been my right hand, and I will miss working with her on these budgets.

Normally, I have no truck for the sentimental, but I hope you'll allow me a moment to say that serving as your County Manager and helping to prioritize the people's business through the budget process will always be one of the highlights of my professional life.

I thank each of you for your consideration of this proposal and welcome any changes the Board deems appropriate.

At the request of the Chairman and Board of Commissioners, a public hearing has been scheduled for Monday, June 16, 2025, at 7:00 p.m. in the Perquimans County Library for public comment and to consider adoption of the budget.

Submitted by:

W. Frank Heath, III

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County Manager/Budget Officer