

Manager's Budget Message

Fiscal Year 2021- 2022

Recommended Budget

This binder contains Hyde County's FY 2021-2022 recommended annual budget as required by North Carolina General Statute 159 and the Local Government Budget and Fiscal Control Act. Notice of this submission will be given to the media and the public, and a public hearing will be scheduled at the end of this presentation. A copy of this proposed budget and budget message will be placed on file with the Clerk to the Board at the Hyde County Government Center in Swan Quarter, at the Community Center in Ocracoke and on the Hyde County website to be available for public inspection.

I am recommending the board set the week of May 10-14 as budget workshops.

I recommend a Public Hearing be held on Monday, June 7, 2021. Additional workshops can be held prior to the required adoption on June 28, 2021.

Recap of the previous Fiscal Year

At the beginning of FY 2020-2021, the future was very uncertain in regard to Hyde County's economy due to unknowns in regard to Hurricane Dorian recovery and COVID impacts. Our budget year was conservative in regard to expenditures and revenue projections.

Last Fiscal Year, Hyde County's budgeted expenditures were cut below prior year levels to balance with the projected decreased revenue estimates. This budget was \$160,525 less than the previous year's General Fund budget.

Funding for the school system remained at prior year levels. Also, no county services or jobs were cut.

Last year, the same tax rate of \$0.77 per each \$100 of assessed valuation stayed in effect. However, the budget did utilize \$1,567,542.43 in fund balance.

That conservative strategy coupled with what was a surprisingly healthy economic year due to construction activity and a robust year for tourism, lead to increased revenues above projections for this current fiscal year.

Organizational Achieved Goals & Goals Moving Forward

The Fiscal Year 2021-2022 will represent my third year preparing and implementing Hyde County's annual budget. One of our most important and pressing goals in our first year together was to restructure the Tax Office and implement a new state of the art software platform that would improve our efficiency and tax collection rate. I am very happy to say that while updating and correcting records and processes is still a work in progress, the efficiency has improved our tax collection rate, our access and accuracy to public records, and customer satisfaction. The implementation of the Farragut software has been a true success.

Even prior to the completion of the Tax Department restructuring it became very evident that our current outdated and inefficient finance software platform would have to be updated immediately. Shut downs and the inability to access information, reports, and access to the system made what had been an inconvenience, an absolute necessity. Increased revenues due to conservative projections in last year's budget gave Hyde County the revenue it required to invest in a new finance software platform that will again allow Hyde County to reach a higher level of efficiency, increased productivity, and a higher level of employee and customer satisfaction. The OpenGov finance software will also offer an unprecedented level of access to public information; will allow online application, payment, and tracking of Building Permits and include a grant portal for the tracking of grant applications.

The Manager and a supporting team of staff are working diligently to implement the software with some portions going live over the summer. Our team will continue on this aggressive schedule until we are fully operational within the new OpenGov software platform. As a part of the software upgrade, the Manager is proposing the engagement of a Local Government Fellow to work with the Manager and staff to analyze and implement new financial processes that streamline our financial workflows and save time and money. The Fellow will work with Finance staff and Department Heads to make traditional processes like check requests and purchase orders more efficient and timely with less hand keyed and paper based processes.

In addition, a new Human Resources Director has been hired and we are utilizing this time to restructure our Human Resources Department. The goal is to convert this office from what would traditionally be considered a payroll department to a true Human Resources office that supports training and employee development, that works towards ensuring employee satisfaction, and productivity from the beginning of an employee's career through their entire work lifecycle.

Human Capital

Hyde County Government's most valuable assets are their employees. With over 170 full time employees, ranging in areas from Law Enforcement, Emergency Medical Services, Heath and

Human Services, Convenience Site workers, and so many other areas across the county, the facet of human resource management must be a key focus in our organization. One of the most complicated but integral aspects of the effective management of our employees is fair compensation across the board.

In February of this year, Hyde County's Public Utilities Director appeared before this board and requested that he be allowed to compensate his employees for the number of years of service each one held. Theoretically, under Hyde County's classification and pay plan, an employee starting at a hiring rate, and set at a minimum rate after a probationary period, would receive a small multiplier to their salary yearly in order to compensate that employee for that year of service to Hyde County. This practice has never been implemented and the greatest majority of employees, including many in the Public Utilities Department, had never received a Years of Service adjustment, placing them well below where they should be in regard to salary and grade. The Board voted to allow the Public Utilities Employees to receive credit for their Years of Service in their salaries and grades effective immediately from the Water Enterprise fund.

Immediately following that action, the Finance Department began working with Department Heads to calculate budgetary numbers for crediting all Hyde County employees with their Years of Service compensation. The budget before you represents employee increases for all those employees eligible for Years of Service salary upgrades.

This is the first step in fair and equitable compensation ensuring a healthy, well trained, and professional workforce with little turnover. Investment in our workforce will lead to greater efficiency and increased customer service and satisfaction. This investment makes Hyde County more competitive in employing talent and keeps us from losing our valued employees to neighboring counties or other organizations. We will continue to perfect our compensation practices into the coming year by looking at positions and compensation on a case by case basis for more competitive positions in health and human services and law enforcement specifically. We will also strive to implement organization wide human resource strategies and performance management strategies.

I believe we still have work to complete internally. I have kept budget allocations to outside nonprofit entities at a minimum allowing only 90% of each agency's request to be included in our budget. Ocracoke and Hyde County Youth Athletics will still be funded at 100% and all Volunteer Fire Departments funded at the same level as previous years including the full amount of local grant match for the State Firefighters Fund.

Community Achieved Goals and Goals moving Forward

1) Water & Flood Control - Resilient Communities:

Over the past year, Hyde County has continued working to promote and sponsor water and flood control projects. The continued employment and sponsorship of the Hyde County Water and Flood Control Manager to continue to facilitate these and future projects is a major accomplishment towards reaching our goals in this area. Lake Mattamuskeet Restoration, along with projects in most drainage districts, have continued to fortify flood resiliency. Hyde's cooperative effort with Dare County to form a Highway 12 taskforce to address our hotspots and our cooperative effort with the Ferry Division to address shoaling will remain a top priority.

Hyde County will continue to promote active water management, aid and sponsor flood control activities, build and support the operation and upgrades of water control infrastructure, and promote flood resiliency and sustainability across all communities including housing elevation projects. The Manager and staff will continue to look for and support innovative ideas for solutions to transportation, industry, housing, and community resiliency.

Hyde County will continue to support rebuild activities on Ocracoke from the destruction of Hurricane Dorian through existing partnerships with OIRRT, the State Office of Emergency Management and the NC Office of Recovery and Resiliency.

2) Increased Broadband Access:

Hyde County will invest all available resources to the goal of increased broadband capacity across all of Hyde County. Increased broadband access is the key to success economically and within our communities and our school system. We will continue to work with regional coalitions of public and private entities to develop a road map for broadband build out and then work with federal and state partners for funding to make that build out reality.

3) Fostering Existing Industries in Economic Growth:

Hyde County will continue to foster and increase economic growth by utilizing an Economic Gardening approach that will focus on growing existing industries. Farm Employment is 9 times greater by percentage of overall employment in Hyde County than across our nation with Forestry and Fishing employment being 16 times greater by percentage than the national average. Hyde will continue to foster and support these industries. The last two years showed a substantial decrease of employment in the Retail/Arts/Entertainment sector in Hyde, however, that can be attributed to shutdowns of Ocracoke due to Dorian and COVID. That number is expected to rebound and increase as

the tourism industry on the island is robust and expected to continue in an upward trend. Hyde County will continue to support tourism efforts on the island and invest more time and resources on growing tourism on the mainland through continued support of Mattie Arts and increased support to a new rebranding effort of the Hyde County Chamber, including a new website to foster and support our local business growth and tourism industry.

Continued work towards maintaining open and reliable transportation including but not limited to work with the NC DOT Highway and Ferry Division along with other partners including but not limited to the US Army Corp and federal and state legislators will be focused on in both Goals 1 and 3.

Revenues

Ad Valorem Tax

The proposed budget increases the county ad valorem tax rate by \$.05 to \$.82 for each \$100 of assessed value but does not include an appropriation from Hyde County's fund balance. Over the previous two years, Hyde County has not increased the tax rate but has utilized fund balance to balance our budget, resulting in the NC Local Government Commission including Hyde County on their Unit Assistance List (UAL) and scrutinizing our decisions to use fund balance to balance our budget.

The 2021 estimated total taxable value is up from \$886,461,530 last year to \$906,574,861. Due to Hurricane Dorian, there is still a substantial amount of total taxable value to recover. The current gain is more than likely due to Ocracoke rebuild and repair and some properties on the mainland coming out of deferred value.

A collection rate of 93.6% was used to calculate the total valuation in last year's budget, however, this year our collection rate calculated and utilized is 96.18% representing an increase in our budgeted revenues.

Hyde's current sales assessment ratio is .88, which indicates that assessed values are lower than market values. Multiplying the tax rate by the sales-assessment ratio produces an effective tax rate that allows comparisons across counties.

Last year's effective tax rate for Hyde County was \$0.6720 which made Hyde County the 57th lowest in North Carolina in regard to rate, meaning there are 56 counties with lower tax rates and 43 with higher tax rates. This number is made more favorable by the fact there are no city or town assessments as Hyde County is unincorporated. While the increase in the tax value can not

be ranked before its implementation, it is believed that Hyde will still rank well below others for tax rate.

The Tax Administrator is currently in the process of releasing a Request for Proposal for the 2023 Tax Revaluation. It is believed with our low sales ratio, that Hyde will have significant gains in property evaluation after that reevaluation. At that time, the tax rate can be lowered to realize a revenue neutral position.

Sales Taxes

Sales tax projections for this budget include a 30% increase to realize more realistic figures based on last year's actual collections. Hyde County will continue to lose sales tax and public utilities tax because of our low sales ratio until our upcoming reevaluation. Sales tax revenue can increase after our reevaluation as the state bases redistribution of sales tax revenue on our sales ratio.

Expenditures

All expenditures are conservative except for the salary increases for the Years of Service. All other expenditures remain conservative.

The Manager is conducting a building and grounds assessment as well as a capital equipment/outlay assessment to have on hand when official guidance of the expenditure of American Reinvestment funding is released. A public meeting will also be held to solicit input on other needs within our communities that deserve to be considered for Reinvestment Act funding. No Reinvestment Act funding is included in this proposed budget and will be included in the budget through a project budget ordinance once appropriated. Projects that leverage other grant funds will be prioritized as well as ones that are critical to government operations as mandated.

This budget supports the Hyde County School System and all Volunteer Fire Departments to levels equal to that of previous years.

No county government services or jobs are cut in this proposed budget. Hyde County Government will strive to maintain and increase customer services and satisfaction through low and no cost measures and also continually look to identify federal, state and foundational grant opportunities to sponsor community projects.