

May 23, 2011

Honorable James H. Pierce, Chairman
Halifax County Board of Commissioners' Members

Dear Chairman Pierce & Board of Commissioners:

In accordance with the "Local Government Budget & Fiscal Control Act," the attached budget is recommended for Halifax County Government for the upcoming fiscal year 2011-2012. Our County employees began working on this budget in the Fall of 2010 based on program needs and requirements, which included a detailed capital planning process as well as input from the Board of Commissioners during its Retreat and Budget Work Sessions. I would like to extend special appreciation to our management team, elected officials and department/agency directors for their dedication to a conservative and very fiscally responsible approach our challenging budget. As always is our goal, this budget continues to pursue the Commissioners' Mission, which is to *"Provide leadership and support for an effective county government that seeks to enhance the quality of life for all the people of Halifax County."*

This recommended budget for fiscal year 2011-2012 was developed in the same successful budget process we have used for the past nine fiscal years. Through our great fiscal responsibility, the County has been able to build and maintain its fund balance to a level that is greater than the Commission's designated range of 18% to 22%. I commend our County Departments for their ability to adapt to our ever-changing and challenging economic situation. County Staff are committed to providing efficient and effective services to our citizens at the very lowest cost to all taxpayers; we are taxpayers as well and wish to keep our tax burden low also.

As with the economic distress across the nation, as well as in North Carolina, all of our counties continue to experience unprecedented challenges to their budgets. Other nearby counties are requiring furlough days and are using nearly double the fund balance proposed with our FY2011-2012 budget. To our credit, Halifax County was proactive in initiating the difficult cuts 2 years ago, which allowed us to more easily adapt to the on-going economic downturn; obviously other counties took the "wait and see" approach with the hope of the economy turning around before they made major reductions. I am happy to report that we are able to maintain our current levels of service despite requiring departments to take an additional .25% cut in their budgets. Though we have experienced reductions in all areas of our major revenue streams, we are in a better position as compared to this time last year. This year our sales tax revenue is down by six percent as opposed to twenty-eight percent last year; our interest-earned accounts are down by forty-five percent as compared to seventy-eight percent last year. Fortunately our tax collection rate is slightly ahead of last year, so we have not been affected as much in our property tax revenues. This is a credit to our Tax Department staff; they were able to essentially maintain the tax collection rate with their diligent efforts and by establishing expanded payment plans to aid citizens in being able to pay owed amounts. Compared to last year (i.e. May 2010 to May 2011), our tax collection rate is up by 1.19%. For Halifax County being a Tier 1 county and with the current economy, this is truly an amazing feat.

Also, despite our Tier 1 status, we continue to have success in economic development. I applaud the Commissioners' forward-thinking and proactive approach in aligning the county to bring in future well-paying jobs. Along with support from our Economic Development Commission and the proactive approach from the Commissioners, we are poised to rebound quickly when the economic conditions improve. However, there will be a lag on seeing the fruits of these labors. Despite the uncertain economy, we must

continue to aggressively collect taxes and exercise conservative fiscal discipline. We must do all these things while still maintaining a good, responsive and customer-focused work force as well as an active economic development program.

Based on our sound approach to our budgets over the years, the county's financial reserves are currently well above the 8% level required by the Local Government Commission of the State of North Carolina and at a level greater than the goal set by the Board. I am proud that we have had sound budget practices over these last nine years, which has allowed for an increase in our Fund Balance, which in-turn allows the County to address emergency and crisis situations. Our current economy is a crisis situation for Halifax County and its residents. With our strong cash reserves, this budget allocates \$1.9 million from Fund Balance in order to maintain critical capital needs and services required of the County and to compensate for our reduced revenue projections. Use of fund balance is in addition to maintaining the cuts and reductions made by the departments during previous fiscal years. Despite the use of Fund Balance, our projected reserves will continue to remain at a level greater than the range established by the Board.

For fiscal year 2011-2012, we have had to make additional reductions with this budget and implement additional cost-cutting practices; however, we are maintaining our service levels to meet the needs of our citizens. For a perspective of what departmental reductions have been made: In fiscal year 2008-2009, we reduced departmental budgets by \$476,000; in fiscal year 2009-2010, we reduced departmental budgets by \$511,084; in fiscal year 2010-11, we reduced departmental budgets by \$357,000; in this proposed budget for fiscal year 2011-2012 we still managed additional cuts of \$87,076. The County's budget is as lean as it can get without cutting valuable services to citizens; knowing this however, I and the staff will continue to pursue cost-cutting measures.

This budget continues to address our most pressing capital needs by funding, among other things, debt service payments for the Enfield-Inborden School Project, the new Social Services facility and Water Service Line construction.

Important features of the budget proposal for Halifax County for fiscal year 2011-2012 are as follows:

- ❖ This budget continues County services at efficient, effective and adequate levels.
- ❖ This budget does not include a property tax increase.
- ❖ This budget does not include a .25% sales tax increase.
- ❖ This budget is based on an estimated property tax base of \$3,550,314,558 and a tax collection rate of 96.21%. The current tax rate of 68 cents per \$100 valuation will be minimally adequate to support the 2011-2012 budget.
- ❖ This budget does not provide an employee cost-of-living allowance (COLA) or Market Adjustment for a third straight year. It does continue to provide a competitive benefits package to include 100% paid premiums for Health Coverage for each full-time employee, a pay-for-performance evaluation system and maintains our Longevity Program.

- ❖ This budget required an average reduction of .25% in each department. A hiring freeze, previous staff reductions and suspension of reclassifications will remain in effect. No furlough days will be required.
- ❖ This budget did not require a reduction to any of the three graded school systems and Halifax Community College; all four systems received the same budget allotment as provided in FY2010-2011.
- ❖ This budget includes money to support economic development and contingency operations.
- ❖ This budget continues to require employees to use county vehicles for travel when available; this amounts to a savings of up to 70% in travel costs alone.
- ❖ This budget addresses an Emergency Medical Services shift schedule change which addresses the County's competitiveness with other locations and morale issues.
- ❖ This budget does fund critical capital outlay.

This proposed budget shows the County's ability to provide excellent services to its citizens. However this budget addresses items of which we, the County, have full control. With the economic issues facing both the State and Federal governments, the potential still exists that there will be additional unfunded mandates passed to the county-level from these governmental entities. We continue to be diligent in communicating our concerns to both our State and Federal Legislators to ensure they are aware of the potential implications of their decisions on our county.

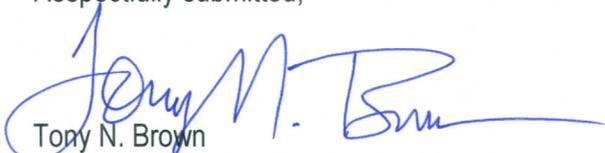
Our citizens get a great return on their tax investment in Halifax County. Compared to all 100 counties in the State of North Carolina, we still rank in the top 25% of counties with the lowest citizen tax burden. That is a feat we all can be proud of, especially considering we are a Tier 1 county and within that tier designation, we are #4 worst; which is actually an improvement from being #2 worst at this time last year.

As required by law, the budget will be available for public inspection in the Clerk to the Board's office and in the five (5) county public libraries for the required ten (10) days and a public hearing will be held on Monday, June 6th at 9:30 a.m. with final adoption scheduled for Monday, June 20th at 9:30 a.m. In addition, the proposed budget will be available on the Internet after this May 23rd meeting by visiting www.halifaxnc.com, click **eGovernment**, click **Online Documents**, scroll down to County Manager and click **FY 2011-2012 Proposed Budget Ordinance**.

Though we historically have had difficult budget situations, this budget planning process has been especially challenging for many reasons. A variety of issues culminated in causing Halifax County to have a particularly difficult budget year. A continued bad economy, lower sales tax revenues, a challenging tax collection rate, State budget reductions and changes to property tax laws are but a few of the multiple affects that made this budget even more unique. It continues to be a rewarding experience to work with County employees who amaze me with their innovation, hard work and dedication to serving the people of Halifax County. This strong sense of public service is evident in this fiscally sound budget. It is always my desire to provide strong leadership and take a fiscally sound approach to maintaining and improving the quality of life to ensure Halifax County provides a better place to live, work and play for all its citizens. Speaking for this team of employees, I am honored to present this proposed budget to the Halifax County

Board of Commissioners for fiscal year 2011-2012 and stand ready to assist you in continuing to move the County forward.

Respectfully submitted,



Tony N. Brown
County Manager