

BOARD OF COMMISSIONERS

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www.onslowcountync.gov

May 30, 2009

Honorable Board of Commissioners
County of Onslow
118 Old Bridge Street
Jacksonville, NC 28540

Re: Budget Message
FY 2009-10 Recommended Budget

Dear Chairman Jarman and Commissioners:

In accordance with the Local Budget and Fiscal Control Act, and as Onslow County Budget Officer, it is my pleasure to present the FY 2009-10 recommended budget. This \$155,099,157 General Fund proposal reflects many months of work by the Board and staff. It also reveals a new direction for the County of Onslow. This budget represents a new foundation for the organization; the contents of this plan illustrate a core service government, yet account for a promising future based upon the Board's vision and desire to be practical and farsighted in its decisions.

This Board of Commissioners has taken a very proactive stance during its brief tenure; a new organizational vision and mission has been established, a thorough review of operational expenses was conducted, and a realistic Capital Improvement Plan (CIP) has been adopted. The Board is congratulated on their aggressive accomplishments thus far. However, the greatest challenge is now upon it; the Board's final consideration of the proposals contained herewith may ultimately prove to be the most important decision in recent history of Onslow County. This recommended budget represents the final phase of an attempt to set a new and sustainable course for the County of Onslow. This budget's goal is that the tax rate be sufficient to carry the County forward through FY 2014-15 without adjustment (barring unanticipated state mandates) for routine operating expenses, including education current expense funding. Therefore, *it is recommended that the FY 2009-10 ad valorem tax rate be set at \$.59 per \$100 of valuation*; an \$.087 increase over the present \$.503 rate.

Historical Perspective

Previous Board's of Commissioners have left the current Board with a challenge unlike any other in the County's history. Spending during the previous years greatly outpaced

County government revenue. Likewise, County services have not kept pace with the increased demands resulting from population growth. At the conclusion of the previous four (4) year elected cycle, the County increased current expense funding for the Board of Education by \$9 Million annually, issued \$147 Million in debt, and increased operational expenses without significant change in revenue. It is estimated that these decisions increased expenses by approximately \$18 Million annually. These expenses alone represent the equivalent of 15.7 cents of current property tax levy. At the time of revaluation in 2006, the tax rate was adjusted 6.55 cents above the revenue neutral rate, generating less than \$7 Million annually. This increase was not sufficient to satisfy the subsequently incurred expenses.

Since revenue was not available to pay for the above referenced spending, it should be understood that the much of these increased costs have been absorbed through reduced annual departmental operating expenses. The County departments are lean and have been operating with only essential funding for several years. It is hoped that this trend may be reversed in the near future.

In the current FY 2008-09 General Fund operating budget, the last of the previous Board's fiscal decisions, the County appropriated \$16.4 Million of fund balance reserves to fund operating expenses. It is suggested that if the Manager recommended FY 2008-09 budget was approved as presented (including the proposed \$.04 tax increase), this Board of Commissioners would not be facing the seemingly insurmountable challenge it presently confronts. Additionally, if the ¼% local sales tax would have also passed, it is doubtful a tax increase would be necessary for FY 2009-10.

Expenditure Challenges

The challenges faced while developing this budget are without precedent. Likewise, the methods employed to reach this recommended budget have not been previously utilized. The Board of Commissioners has been intimately involved in advising management staff as to the palatability of major change initiatives to reduce the cost of County government. With the Board's consent, the County eliminated 71 positions through a Reduction in Force (RIF) program. Additionally, employees with retirement eligibility were encouraged to leave County employment in an effort to control one of our two major expenses, employment cost.

The other major expense of Onslow County is education funding. This budget proposes significant changes in the County's relationship with the Board of Education so that more certainty and control may be exercised in funding public school operations. The funding formula proposed herein is considered both responsible and equitable when projecting the future cost of operating County government and the public school system. This matter will be discussed in more detail later in this communication.

Revenue Challenges

Separate from the challenge of satisfying the substantial expenditure increases of the previous four (4) years, this recommended budget realizes revenue reductions when compared to the FY 2008-09 budget. While tax base growth is projected to net an additional \$1.7 Million, sales tax, fund balance appropriation, and one-time transfers into

the General Fund realize a reduction of \$9.7 Million. The change in sales tax distribution methods (due to Article 40 changing to a point of delivery distribution and the new 60/40 blend local method) alone account for a \$1.8 Million loss. In total, prior to the recommended tax rate increase, *available revenue for this budget is \$9.3 Million less that FY 2009.*

Further revenue reductions are anticipated due to negative actions by the North Carolina General Assembly. As creatures of the State, North Carolina Counties are directly subject to decisions made in Raleigh. This year we have seen the Governor withhold County revenue in order to balance the State's multi-billion dollar budget deficit. Unfortunately, State fiscal problems are anticipated to be even worse during the coming biennium; projections of a \$7-8 Billion shortfall are common. It is understood that Counties stand to lose several sources of state-shared revenue in the General Assembly's two-year budget. Most significant is the potential loss of Average Daily Membership (ADM) & Lottery proceeds, which for Onslow County account for approximately \$2 Million annually. The ADM funds are received from a portion of the State corporate income tax and are earmarked, like the lottery proceeds, for school facility construction.

There is also significant concern the State will not honor its 2007 negotiated Medicaid hold harmless payment of Article 44 sales tax revenue. As you may recall, in exchange for local government no longer having to fund a share of Medicaid expense (effective July 1, 2009), Counties forfeited 1/2% of (Article 44) local sales tax revenue. As that many counties, such as Onslow, would lose money on the trade (since the affected sales tax produces greater revenue than the relieved Medicaid expense), the State "guaranteed" that all counties would be held "harmless" from the loss and see a net revenue increase of \$500,000. Onslow County is projected to receive \$2.1 Million from this payment in FY 2010. Due to the State's current budget problems, this recommended budget does not include said revenue.

With respect to future State-shared revenue, management is extremely cautious when projecting future ADM, Lottery and Medicaid hold harmless payments. Therefore, the recommended tax rate does account for the loss of these sources in the coming two (2) fiscal years and appropriates a reserve for its replacement. However, due to the traditionally conservative budgeting of Deputy County Manager/Finance Officer Alvin Barrett, the County has approximately \$2.1 Million of prior year ADM and Lottery payments "banked" with the NC Department of Public Instruction. This revenue is projected to be received in the recommended FY 2010 budget. However, it is important that the Board continue to press the General Assembly delegation and Governor Perdue to refrain from seizing these County funds.

The Crossroads of Onslow County

As previously mentioned, this Board of Commissioners is confronting an inherited structural deficit to fund debt obligations incurred by previous Boards. Of the proposed 8.7 cent tax increase, 5.25 cents are necessary for annual payments on previously issued debt for school and justice complex construction projects. The remaining 3.45 cents are recommended in order to fund the Board's adopted CIP (\$.01), and account for future Board of Education current expense funding and the anticipated loss of State-

shared revenue (\$.0245). *Failure to fund the 3.45 cents of future costs will definitively necessitate another tax increase in FY 2010-11.*

Many Onslow County taxpayers will find this recommended budget unpalatable and potentially outrageous. The Commissioners are constantly bombarded with pleas, and many times threats, against any increase in ad valorem taxation. I submit to you that the individuals and groups represented do not fully understand the challenges of North Carolina County governments, nor understand the paternal relationship of the County with the State of North Carolina. I further submit that these individuals and groups are also unfamiliar with the history of taxation in Onslow County. It should be understood that the average Onslow County property tax rate during the past 30 years was \$.62 per \$100 valuation; far above the \$.503 current rate and modestly exceeding the \$.59 rate recommended herewith. In its peak year of 1981 the rate was \$.79; as recently as 2001 the rate was \$.69. It should further be known that the average rate for all North Carolina Counties is \$.63. When put in proper perspective, the recommended tax rate is far from unreasonable, but also reflects conservative spending and values.

The County of Onslow is at a crossroads; does it choose to continue with business as usual or will it change tracks and set a new course for the community. Business as usual could be described as allowing the cancer of fiscal irresponsibility to spread without treatment. Charting a new course is the equivalent of cutting the cancer from the body and making plans for productivity and accomplishment with its newly discovered future. This Board of Commissioners has the opportunity to replace discontent and regret with bullish optimism and self determination of its destiny.

Visionary Leadership

The Board of Commissioners should be applauded for the vigor in which it approached its first retreat in March 2009. This two day work session resulted in a new vision and mission for Onslow County Government and started a conversation that will hopefully result in a extensive strategic planning exercise. As Commissioners have heard in various formats from many sources, a common trait of successful organizations is an agreed upon vision, strategy for achievement and an action plan with measureable results. The County of Onslow would be well served by this process and resulting document.

One component of a strategic plan that the Board has already exercised the foresight to produce and adopt is a Capital Improvement Program (CIP). You will remember that this CIP does not include any funding for the construction of new school facilities. The Board decided that school debt would only be added to the CIP after said debt is approved by voter referendum. This farsighted approach not only places the burden and responsibility of school construction funding on the Board of Education, it also makes the fiscal cost associated with the voters' decision more transparent.

Additional foresight is shown in the Board's inclusion of the Administrative Office Complex (AOC) in the CIP. Current federal stimulus program provisions, as well as the 20-30% savings potentially available in the current construction market, provide an extremely attractive opportunity for the County. Not only could initiating the project in the next 12 months save the taxpayers between \$11 and \$20 Million over the life of the

financing, it can also act as a stimulus for the local economy by requiring significant local participation in the bidding/construction of the building. The Commissioners thought processes on these matters should be applauded for the vision and leadership displayed.

Cutting Expenses

The Board should also be commended for its steps thus far to gain control of the train that must have seemed to the new Commissioners to be leaving the track. From even before taking the oath of office, this Board has doggedly assessed and analyzed every service, program and line item of the County's budget. It has asked the hard questions of management and department heads to ensure that every taxpayer dollar is spent efficiently and on programs of value. The Board painstakingly reviewed more than 60 programmatic changes by way of the FY 2010 budget change forms, which weighed heavily on this recommended budget's content. At the conclusion of this process it became apparent that significant layoffs were inevitable if the County were to truly reduce expenses to essential levels. Therefore, the Board permitted the use of an Early Retirement Incentive Program (ERIP) and Reduction in Force (RIF) policy to provide management the tools necessary to reduce spending on non-essential services. As a result of these two programs, it is anticipated that the County will realize a minimum annualized savings of \$2.2 Million, which is projected in FY 2010 expenditures.

Before the positions for RIF were identified, the organization had to be redesigned to adequately address the Commissioners' emphasis on core services and enhanced customer service delivery. The new organization must also have an emphasis on public safety and efficient resource utilization. The organizational structure announced last week realizes this directive. The management team appreciates the support provided in announcing these changes; we firmly believe that the conservative principles of transparency, accountability, and streamlined service delivery will be realized.

Staff also implemented the Board's directive to restrain government expenditures in areas that could realize support from the private sector and do not reflect core-service values. Consequently, this budget eliminates the Youth Shelter and In-Home Aides Programs, phases out support and staffing of the Law Library in the Summersill Courts Building, reduces County beaver management services and eliminates the mobile home disposal assistance program. Staff did consider outsourcing vehicle maintenance responsibilities, but, based upon bids received, it was apparent that the County's Vehicle Maintenance Division can continue to provide service at a competitive rate.

The Board placed a high degree of emphasis on public safety during its initial strategic planning conversations at the March retreat. It also expressed concern about the potentially excessive recurring funding of non-profit agencies. Accordingly, the recommended budget enhances Emergency Medical Services (EMS) by adding a Basic Life Support (BLS) team at a cost of approximately \$700,000, and reduces support of non-core related constituent agency and non-profit services. Funding for tourism and agency non-profits is recommended to be reduced from the FY 2009 amount of \$2,726,218 to \$2,303,565 for FY 2010, a 16% decrease.

Customer Service and Organizational Efficiency

The structural reorganization also permits greater efficiency in many areas of County government. Facility, grounds and park maintenance responsibilities have been combined into a single division of the newly created Operations Department; housekeeping personnel that were previously in multiple departments have been largely consolidated into the Maintenance Division; and, County funded information technology positions have all been consolidated into the Information Technology Division instead of residing in various user departments.

The most significant customer service and efficiency improvement resulting from the restructuring effort is the creation of a "one-stop" development permitting service. Under the direction of Planning and Development Director Scott Shuford, the Environmental Health Division of the Health Department will relocate to the Halsey Building. Ultimately, all permitting will be integrated via the Accela software package and customers will be able to apply for all development permits via a single access point and application process.

Another positive result of the reorganization effort is the relocation of several departments to more citizen friendly locations in County-owned facilities, thereby reducing rental costs by approximately \$70,000. As this is written, the County is pursuing further potential relocations that could net savings of an additional \$13,000-\$25,000.

Conversely, the reorganization does add responsibility to many departments. Due to the elimination of the Fire Marshal Division, the Sheriff's Department has been asked to handle arson investigations. Likewise, the Building Inspections Division shall take on fire plan reviews and inspections.

Senior Services Director Sheri Slater has been tapped to lead the new Citizen Services Department. In this role, Ms. Slater will lead four divisions, including Home Health/Hospice. The Board's commitment to returning this service to at least break-even status has the highest chance for success under Ms. Slater's direction.

The County's library, museum and recreation functions have been combined into the Cultural Services Department to be lead by Philip Cherry. The synergy created by this combination has already begun to pay dividends; the resource pooling that resulted enables each division to realize opportunities that were not possible as standalone departments.

Deputy County Manager Angela Cole has been instrumental in devising the organizational schematic. Her leadership will continue to be called upon as she assumes the role of Chief Operating Officer. In this new position she will manage seven (7) divisions that are comprised of nine (9) services that were previously departmental in status. This "super-department" will prove both challenging and productive in the combination of all physical operations of the County, plus Elections. Ms. Cole's professional approach to this reorganization is hereby acknowledged and greatly appreciated.

Major reform initiatives such as the one presently underway in Onslow County government always present unknown challenges. We do anticipate unintended

consequences from our restructuring and realignment effort. It is expected that information technology infrastructure at the Multi-Purpose Building will need upgrading and museum hours could be reduced. Changes at Youth Services will likely increase the burden on the Social Services Foster Care program, families will be left without shelter resources, the court system will be forced to place more juveniles in detention for minor infractions, and additional space may be leased for DSS employees (grant funded). Furthermore, the changes in departmental management and employee responsibility will require an extensive reclassification exercise that may require many months to implement. It should be understood that all reclassifications, regardless of their completion date, will be retroactive to July 1, 2009. Additionally, many adjustments will be made to this document after adoption to realign expense accounting with the new organizational model.

Personnel Considerations

As has been previously stated, one of the largest drivers of County expenditure is personnel. The Board has been rightfully cautious in its approach personnel matters; it is important that the County's employees have confidence in the Board and receive clear direction as to the Board's vision for the organization. The RIF and restructuring efforts have caused great anxiety in the workforce. We have attempted to communicate the County's challenges and plans, but it is impossible to ignore the human effect of the ongoing changes. Management kept a high priority on making whole the compensation program for current employees as a gesture of support and organizational stability.

While this budget proposes no Cost of Living Adjustment (COLA) to employee salaries, we are pleased that benefits remain largely intact; only the health insurance cost share for employees is proposed to increase (from \$30/month to \$50/month for employees that do not participate in the voluntary health risk assessment). Additionally, this budget restores funding to begin the three (3) year process of position classification review as recommended by the 2005 Springstead study. This action is necessary to avoid the considerable disparity in competitive employment practices that the County found itself in four (4) years ago. Finally, this recommended budget does provide funding for meritorious employee performance by providing a maximum performance based increase of 3% upon appropriate supervisor evaluation.

While it is our priority to retain and reward employee performance, it has become necessary to consider a change in the compensation program for future employees. The fiscal weight of the retiree insurance program is not realistically sustainable in the current tax climate. The most recent actuarial study reports an outstanding obligation of \$18,103,508 to pay for current and former employee retiree insurance benefits. To assist in the administrative burden of this program, the current 2% administration fee for retirees is proposed to increase to 5%. The recommended budget further proposes the elimination of this benefit for all employees hired after July 1, 2009.

It is recommended to modify the entire menu of benefits for post July 1, 2009 employees. This proposal includes elimination of the automatic 401K contribution and reduction to the County match as well as mandatory cost sharing of health insurance premiums. Further proposed is the elimination of benefits for current and future part time employees that work less than 20 hours per week. Part time employees that work more than 20

hours per week will continue to receive pro-rated sick and vacation leave, but will lose 401K benefits.

Finally, the Board of Commissioners' health insurance benefit is discontinued as part of the recommended FY 2010 budget. The Board's sacrifice of benefit is commendable.

These adjustments in the employee compensation plan are proposed as that they are in the long-term best interest of the County. All of the recommendations contained herewith are made with aim of organizational sustainability.

Achieving Sustainability

Action and inaction by previous Boards of Commissioners has proved to be unsustainable. The much criticized eight (8) or more year planning process leading up to the current justice complex construction exhibits the consequences of indecision. Inaction left the County with a restricted use jail and a near million dollar annual cost of sending inmates out of county for housing. Furthermore, the decade-long conversation about the proposed Administrative Office Complex has left the County with environmentally unhealthy, substandard and overcrowded working conditions. This "kick the can down the road" mentality is precisely the reason this Board of Commissioners is faced with its present challenges.

Further challenge is presented with respect to the County's fiscal health. Recent use of fund balance reserve to pay for recurring expenses must cease. The County's bond ratings are presently good, but during a 2008 for rating adjustment review, agency representatives expressed concern over fund balance usage and gave little indication that rating improvement could be achieved. Traditionally, County department heads have reverted approximately 8% of annual appropriations, which is viewed as prudent stewardship by rating houses. FY 2009 has reversed that trend due to extensive budget reductions. Finally, the projected end of year FY 2009 fund balance reserve will be reduced nearly \$5 Million, which begins to place the County in a precarious position. The NC Local Government Commission (LGC) emphasizes fund balance stability; inadequate reserves can result LGC management of County fiscal affairs. Additionally, Onslow's coastal proximity necessitates a healthy reserve to ensure recovery from natural disasters. The FY 2010 budget must reverse this unsustainable fund balance utilization.

To reverse the course, it is important that the County focus on forecasting both operational and capital expenses for future budget years. The recently adopted CIP is an admirable first step. Accordingly, this recommended budget establishes a capital reserve fund to ensure that money is available to satisfy outstanding debts and provide allocations for future projects. This action is necessary to prevent radical variations in the tax rate. In order to appropriately plan the organization's fiscal requirements, thorough forecasting is required. However, for management to adequately understand Board and community's priorities and plan future year expenses, it is imperative that a multi-year strategic plan be adopted.

Education funding accounts for 28% of the FY 2009-10 recommended budget and is always the largest driver of County discretionary spending. The previous Board of Commissioners committed to fund the Board of Education an additional \$3 Million per

year for three fiscal years. This \$9 Million obligation was satisfied and is made whole in this proposed document; school current expense funding is recommend at \$34,787,479, the same amount requested for FY 2008-09. However, in order to ensure the affordability of future current expense appropriations, it is proposed that a funding formula be adopted and be effective with the FY 2010-11 budget.

The funding formula presented herewith (Attachment A) proposes that education current expense appropriations be based upon a combination of the County's ability to pay, quantifiable school system performance, and capital improvement requirements. The goal of the formula is to achieve average North Carolina per pupil funding over a protracted period with acceleration possibilities correlated to student achievement. In other words, when the Board of Education shows the public improved performance the Board of Commissioners, in turn, will provide enhanced funding. Utilizing this formula, the County and school system are better positioned to project education funding over the long-term and political considerations are removed from the education budgeting process.

Justice Complex Considerations

The construction of the Justice Complex presents many fiscal and management challenges. However, the construction phase of the project is running exceptionally smoothly. Brennan Management Services is performing at a high level and does an exceptional job communicating with County officials. The utilization of the Justice Complex Construction Coordinator position is one of the many reasons for the project's ongoing success. However, in light of the County's fiscal predicament, it is not recommended that the position be funded after June 30, 2009. It is of opinion that the new County Manager, Jeff Hudson, and Purchasing/Contracting Officer Laura Jones are apt to manage the void created by this position's absence. Additionally, for matters requiring assistance beyond staff's capability, a construction management consultant may be retained on an ad hoc basis for unbiased advice.

As construction progresses, it will become exceedingly important that the Sheriff's Department begin planning for the operation of the new jail. The sophistication of this facility will necessitate new operating procedures, extensive employee training and a plan of transition from the old facility. It is highly recommended that the County contract with a consultant to lead this effort no later than the fall of 2009. Additionally, the County should begin discussions with other jurisdictions in need of overflow inmate housing. We have already informally discussed the possibility of housing a significant number of inmates from an area County; the Sheriff and new County Manager are encouraged continue efforts in this regard to realize supplemental County revenue.

Citizen Communication

Onslow county citizens rightfully demand transparency and accountability from its governments. Unfortunately, there seems to be great misunderstanding regarding the difference between local decisions and impacts of actions by the state and federal governments. The County of Onslow has very little discretionary control of local spending.

It is incumbent upon the County to implement additional measures to extend public outreach and education efforts. Utilization of G10 does not reach all of the County's citizens. Those with Charter television service get very limited coverage of County events. Therefore, as the Commissioners contemplate their strategic plan, it is recommended that the County secure another Public, Education and Government (PEG) access channel and create its own public affairs operation to produce television content. Furthermore, advanced utilization of the internet, the Connect CTY citizen communication product and other creative outreach efforts should be employed to ensure the transparency and accountability that citizens demand. The County needs to provide a vehicle for the dissemination of relevant, factual information to debunk the sensationally fictional content that seems to permeate the constituency.

Focus on the Future

I am personally excited about the future of Onslow County and feel honored to have been part of the organization for the past year. The Board of Commissioners could not have chosen a more qualified or better suited individual to serve as County Manager than Jeffrey L. Hudson. Mr. Hudson brings institutional knowledge, persistent leadership, and an intense love on Onslow County to the position. I look forward to assisting Mr. Hudson during the transition and will always be available for his counsel.

As we contemplate the near term future, there are many matters that deserve the Board and Manager's immediate attention:

1. Employee morale: County employees have experienced a difficult period during the previous 18 months. Since the previous County Manager's termination, mistrust of the Board of Commissioners developed. Recent RIF and reorganization initiatives have further eroded confidence in leadership. The Board and Mr. Hudson must exercise considerable effort in restoring employee confidence.
2. Attracting and retaining quality employees: This recommended budget erodes employee benefits. Furthermore, without an annual COLA and the FY 2009 delay of Springstead study recommended classification review, competitive employment practices are in jeopardy. As a service organization, the County is only as good as the employees that work for it.
3. Taxpayer communication/understanding: The average Onslow County taxpayer will not understand why it is necessary to increase taxes 8.7 cents during a national economic recession. Furthermore, the average taxpayer may not realize that Onslow County citizens have largely been unaffected by the economic downturn. Sales tax receipts remain on budget and unemployment remains below the state average. This Board must take action that is in the best long-term interest of the citizens at-large. Communicating the reasons for this action is imperative.
4. Facility conditions: As discussed above and in many conversations with the Board, County facility conditions have reached a critical point. The Finance Office was inundated with mold (which has since been eradicated), the Social Services offices (most of which are rented) are overcrowded and of substandard condition,

and the County continues to rent office space for other services. Most importantly, IT infrastructure is housed without adequate fire protection.

5. Population growth: Onslow county is no longer a sleepy rural seaside community. Population growth is booming; this growth places great stress on County services and educational facility needs. Human services and public safety are often the most affected by growth. The County's strategic plan should focus on addressing these pressures.
6. Understanding citizen expectations: What is the acceptable level of service required by the taxpayer? The answer is a moving target at best. The strategic planning process will assist the Board in determining citizen expectations and how to address such systemically.
7. Volunteer Fire and Rescue services: Volunteer services are strained. Many areas of the County do not have the benefit of rated fire protection. Funding for these services is not adequate to meet the long term needs of fire and rescue response. The current fire and rescue study should assist the Board in determining options for the long-term success and sustainability of the volunteer service.
8. Communications infrastructure: The County's phone system may be politely called fragile and more accurately described as crippled. Investment must be made to realize a County-wide telecommunications system. Additionally, the 800MHz emergency frequency change-over is imminent. This budget provides funding to hire a consultant to advise the Board on a solution to satisfy all County first responder needs. The adopted CIP includes funding for the hardware and infrastructure necessary to satisfy the 800MHz requirement.
9. Courthouse security: The County has yet to adequately address courthouse security concerns. Funds have been appropriated the past two years, but the problem is still not yet resolved. While physical improvements are planned and ready to construct, the Sheriff expresses a lack of available Bailiffs to staff a secure courthouse.

Procedural Considerations

North Carolina General Statute (NCGS) 159-13(a) directs that the Budget Ordinance and tax rate adoption take place by July 1, 2009. On the same day that the budget is presented to the governing body, the Budget Officer is required to file a copy of it in the Office of the Clerk to the Board for public inspection and schedule a public hearing. In addition to the Clerk's office, a copy of this recommended FY 2009-10 budget is available at the Library's Main Branch on Doris Avenue in Jacksonville and online at the County's website, www.onslowcountync.gov. The public hearing for this recommended budget is scheduled for June 15, 2009, in the Board Chamber of Jacksonville City Hall. Additionally, community briefings of this recommended budget are scheduled below:

Date	Place	Time
June 2, 2009	Swansboro Town Hall 502 Church Street	6:00 PM

June 4, 2009	Belgrade Community Center 482 Springhill Road	6:00 PM
June 8, 2009	Richlands Town Hall 106 N. Wilmington Street	6:00 PM
June 10, 2009	North Topsail Beach Town Hall 2008 Loggerhead Court	6:00 PM

Work sessions for the Board of Commissioners are scheduled for June 8-12 at the Halsey Building on College Street at times to be determined. However, if the Board so desires, it is suggested that presentations by non-profit and constituent agencies be held Wednesday, June 10th from 9am until 3pm. It is hoped that deliberations will be complete and that the budget ordinance may be adopted at the June 15, 2009, regular Board meeting. In the following pages you will find a more detailed account of this FY 2009-10 proposed budget. I encourage you to review such and contact me if specific explanation is required.

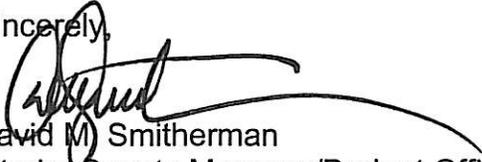
Acknowledgements

The drafting of this recommended budget has been far more difficult than we ever imagined. This document would not have been possible if not for the many hours of work and excellent advice from Deputy County Managers Alvin Barrett and Angela Cole. Additionally, the staff of the Finance Department and the many hours of work by Human Resources Director Pam Brame and her staff is acknowledged and appreciated. Finally, I express thanks to the department heads that understood the challenges faced and confronted these issues with the highest degree of professionalism. On behalf of the management team, we present this document as our recommendation for the future direction of Onslow County government.

If adopted in its present format, I am confident that the proposals contained herewith will position the County for a bright future. It is hoped that the coming year will restore that which was lost during FY 2008-09 and that the Board of Commissioners will lead with vision and provide County Manager Jeff Hudson the direction and support necessary to realize the County's Mission *"to provide residents, visitors and the business community with the highest quality public service in an efficient, courteous manner and to enhance the quality of life, work and play through visionary support and leadership."*

I appreciate the opportunity to serve the County of Onslow and look forward to watching its success materialize. Until then, County staff stands ready to support the Board through its budget deliberations.

Sincerely,



David M. Smitherman
Interim County Manager/Budget Officer

Onslow County Government Public School System Funding Formula

Purpose

Create an objective, set formula which sets annual local operational appropriations on a per-pupil basis to meet school system needs by taking into consideration the funding effort of Onslow County relative to the statewide average per pupil appropriation, the financial resource limitations of the citizens of the County, and levels of district-wide student achievement.

Objectives

1. Use third-party, objective and statistically-valid measures to determine formula components
2. Maintain Onslow's level of educational funding effort relative to the state average per-pupil appropriation as adjusted by Onslow's level of "Ability to Invest"
3. Reward school system performance based on student achievement

Formula Components

A *Determine the Maintenance Level*

Determine the maintenance level of local current expense fund appropriations necessary to maintain the County's current percentage level of per-pupil funding effort related to the State Low Wealth funding formula process.

B *Determine Annual Adjustment of County Funding Effort*

Provide incentive for higher system performance by adjusting the local funding effort relative to the County's "Ability-to-Invest" by differing amounts depending on the most recently computed district performance composite rate on state tested subjects. The performance composite rate is the measure of student performance at or above grade level. Adjustments would be as follows:

- Less than 60% at/above grade level: Flat fund at Maintenance Level
- 60% to 69.99% at/above grade level: 0.5 percentage point increase in level of local funding effort
- 70% to 79.99% at/above grade level: 1.0 percentage point increase in level of local funding effort
- 80% to 89.99% at/above grade level: 2.0 percentage point increase in level of local funding effort
- 90% to 100% at/above grade level: 3.0 percentage point increase in level of local funding effort

The incentive outlined within this component shall be utilized in the second year of this agreement and thereafter.

C *Determine Capital Budget Needs*

Determine the capital outlay requirement of the school system through review of the proposed Program of Work and the school system's adopted Capital Improvement Program (CIP).

Formula

FY 2010-11:

A+B+C = Total County Appropriation

Assumptions

1. All funding is contingent upon the School System maintaining 100% SACS/CASI accreditation.
2. Notwithstanding anything above, upon reaching the calculated "Ability to Invest" level, all local operational appropriations shall be capped at that annually adjusted level.
3. The formula shall be revised if the objective State measures used for computations are eliminated or become invalid.
4. The planning period shall be automatically renewed for a 4-year term if no affirmative action is otherwise taken by the County Commissioners.
5. The school system shall provide annual formula funding projections for a 4-year planning window no later than May 1st of each year.
6. No separate appropriations shall be made to cover operational cost increases associated with new facilities.