

February 21, 2013

Ms. Sharon G. Edmundson  
325 N Salisbury Street,  
Raleigh, NC 27603-1385

Dear Ms. Edmundson

The County Commissioners share your concerns raised in your letter dated February 11. This is why in creating this year's budget the Board further reduced budgeted revenues and expenditures. The Board also increased the tax rate to meet certain unexpected capital needs in the school system. Improving the financial condition of the General Fund is a primary concern for the Board. As of the end of January property and sales tax collections are exceeding budgeted levels. It is the intent of the Board to grow the fund balance over several years to an acceptable level. A copy of the budget ordinance for the 2013 fiscal year is attached.

A three-year plan to correct the fee structures in the Water Districts has been completed. With the third increase in rates, both Water Districts are expected to have positive cash flows in the 2013 fiscal year. Water District II will not have a positive fund balance on the modified accrual basis at the end of 2013. The fund balance will increase and will continue to grow under the current business model. This was a conscious effort by the Board of Commissioners to transform the Water Districts into financially self sustaining operations.

The Public Works Fund is another area of specific concern. For years the Landfill yielded nominal financial results. Any profits from the C&D waste were used to subsidize the transfer station to keep household costs down. The County's C&D facility is highly dependent on the housing market, specifically two modular home manufacturers. Due to the recession, one of those facilities closed and the other significantly reduced its operations. The County increased rates over the last three years but the revenue loss due to volume decreases has outpaced any revenue gains from the increased fees. The County currently is analyzing operations to verify what types of waste streams should be tried to grow and what types to shrink. The goal is to consolidate and reduce non-profitable waste streams while growing areas with profit potential. At this time there are very few limits for which options are going to be explored for operations in the public works fund. Correcting the financial condition of the public works fund will take time but the Board of Commissioners is committed to the process and the results. Scotland County will continue to provide additional information on these topics to the LGC. In addition if you seek specific information, please contact me or Finance Officer Charles Nichols.

Sincerely,

Kevin Patterson  
County Manager