

# County of Scotland

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Ms. Sharon G. Edmundson  
Local Government Commission  
325 North Salisbury Street  
Raleigh, NC 27603-1385

January 30, 2012

Dear Ms. Edmundson,

Thank you for your letter dated January 25th. The Board of Commissioners is well aware of your concerns.

Scotland County was hit harder by the recession than predicted. The previous Board of Commissioners tried to maintain levels of service by using fund balance without increasing taxes. When the budget process for 2012 began the fund balance for the 2011 fiscal year-end was projected to be 5.77%. The current Board of Commissioners decided that no fund balance would be used to balance the 2011-2012 fiscal year budget. Every program would be considered for reduction or elimination, and revenues would be projected conservatively.

The current Board of Commissioners understood the financial condition of Scotland County and made the budgetary decisions necessary to address it. In developing the 2012 budget every department, every program and every project was reviewed for reduction or elimination.

As a result the Board of Commissioners reduced the County's budget in the general fund from \$41.6 million to \$37 million, a reduction of \$4.5 million or 11% of the total budget. Cuts were made in every department, and nonessential programs in human services departments were all but eliminated.

Staff was reduced. County employees were furloughed for six days, representative of a 2.5% reduction of salaries for all employees. Longevity pay was eliminated. 401(k) contributions were reduced from 3.75% to 2%. The Commissioners reduced their salary by 50%. Every department took a hit.

Revenue projections were based on a more conservative model. The 2011 revaluation showed an increase in the Scotland County's valuation with a revenue neutral tax rate of \$.975. The Board of Commissioners voted to increase the tax rate to \$.99 and institute an aggressive tax foreclosure program. 2012 will be the first full year of this program. Even with an increase in the tax rate and the foreclosure program the County reduced the budgeted tax collections by \$1.1 million.

Sales tax revenues rapidly declined over the last three years from 2009 until 2011. The County budgeted a 23% decrease in sales tax revenues. During that same point in time sales tax actually dropped 36%. The county used information from the state and the NCACC to develop revenue projections over the last three years. The actual decline was simply far greater than anyone projected.

For the 2012 fiscal year the NCACC and the states' economist projected slight increases in sales tax revenues statewide. Continuing a conservative path the Board of Commissioners instead budgeted an additional 6% decline in sales tax revenue for the 2012 fiscal year. As of December 2011 collected sales tax revenues are on par with last year. If this trend continues, revenues will exceed budget by \$300,000.

The Board of Commissioners increased EMS and Building Inspections fees. The board is monitoring federal budget discussions to see how they will impact revenues for human services.

The Public Works Fund continues to be an area of concern. The Board of Commissioners significantly increased rates over the last three years. With the recession stalling new home and commercial construction, local construction-related industries significantly decreased production. Scotland County has also suffered numerous plant closings. These factors negatively impacted the volume and revenue at the County's landfill. As a strategy to deal with the loss of revenue the County applied for and received a permit modification allowing for the vertical expansion of the landfill. The landfill expansion will increase its useful life and extend the amortization of the closure costs over 30 years. The County Commissioners continue to look for methods to reduce costs in Public Works. One example is to develop methods to reduce costs at the waste collection centers.

The Board of Commissioners have been working to adjust the water districts financial condition. Minimal new customer growth over the last several years indicates the size of the water districts might have peaked.

In the last two years the County Commissioners increased the base water rate from \$16.50 to \$22.00. Additional rate increases are being considered to match other regional water systems. An expansion at Scotland Correctional Institution, the system's largest water customer, increased water demands. With these changes, it is projected the water districts will show an increase in cash and fund balance this year. The Board of Commissioners will continue to monitor the water districts to ensure they are profitable going forward.

The Board of Commissioners understands the financial condition of Scotland County is important to every citizen. The Board of Commissioners are the fiscal stewards for the citizens of Scotland County. Demonstrated by the 2012 budget, the Board is dedicated to making decisions and taking actions necessary to meet the needs of the citizens of Scotland County.

The Board of Commissioners and staff look forward to working with the Local Government Commission and welcome any recommendations or best practice standards the Local Government Commission can provide. The Board of Commissioners and County staff intend to cooperate with the Local Government Commission to resolve this and any other concerns that might arise.

This letter was approved at the regular meeting of the Scotland County Board of Commissioners on February 6, 2012.



Bob Davis, Chairman



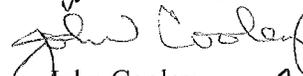
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