

CHAPTER 12 - FINANCING

Introduction

It is important for the County to maintain annual fiscal stability in order to adequately address the service needs that must be met through the revenue and expenditure process. Monitoring this process serves to provide more efficient operations, prioritization of anticipated projects, and better coordination of scheduled improvements that may involve joint funding with the State or other local governments. As growth continues to occur throughout the County, it will also aid in identifying those improvements associated with new growth that may be more appropriately funded by that growth through such mechanisms as impact fees.

The Planning Commission's role as it relates to the fiscal budgetary process should be limited to the planning purposes in which such budgetary priorities may be affected. This Chapter will identify the structural make up of funding revenues, operational expenses, and capital outlay that primarily make up the budget as it relates to services and resources that largely affect current and future planning and development related activities.

County Finances

Although financing is primarily a function of the governing body and its annual review of revenue and expenses as it relates to adequately providing services to the tax base at an affordable rate, it also plays a significant role as Morgan County continues to experience outside pressures for increased growth in the future. In order to ensure that both general tax fund services and enterprise driven utility fund services are adequately funded, it is desirable to develop and maintain a method of planned capital improvements so that funds collected over time include costs associated with both operations as well as capital outlay.

Revenues

In order to develop as part of the Comprehensive Plan a component as it relates to finances, the Plan should first identify and understand where revenues are generated. There are generally two types of revenue: those funds collected from taxes, fees, and shared tax revenue which cover costs associated with general fund services; and those funds collected from necessary public facilities, which cover costs associated with those specific public enterprise systems. A third smaller fund is the Coal Severance Fund received from the State.

General fund revenue includes funds collected from property taxes, fees, commissions, rents, and interest, with property tax making up the largest percent. The Coal Severance Fund, received from the State also goes into the County general fund, much like other shared revenues received.

Property taxes make up a large part of the total annual revenue. However, the County Commission receives only a portion of the property tax collected. The remaining amount is

distributed primarily to the Board of Education, with a small amount going to the State and municipalities.

Other general funds, which include other taxes, fees, commission, rent, interest, and any other miscellaneous revenue, make up the second largest part of the County general fund revenues. As development, employment and population continue to increase over time, this category should increase as well.

The third largest revenue stream includes revenue sharing funds that are provided to the County from the federal government. This revenue makes up a small part of the overall annual budget. The remaining revenue is provided by the State through the Coal Severance Fund. This fund is paid to the State which in turn provides each County with a portion of the funds received.

Table 12-1 General Fund Revenues

Revenue Type	Fiscal 2005	% of Total
Property Tax	\$2,334,700	49%
Other General Funds	\$2,125,757	45%
Revenue Sharing Fund	\$238,382	5%
Coal Severance Fund	\$46,005	1%
Total	\$4,744,884	100%

Source: Morgan County Government

Expenses

There are several general categories for expenditures which are further broken down in the fiscal budget. These areas of general operational expenses include general government, public safety, health and sanitation and culture and recreation. As the need for increased services has occurred over time, additional line item expenses have been created to account for such services.

Two primary areas of expense continue to be general government and the various functions that make up public safety. Public safety includes law enforcement as well as some portion of judiciary and other services. One further line item that has been added to the general fund expenses is the Capital projects expenses.

Table 12-2 General Fund Expense

Expense Type	Fiscal 2005 (millions)	% of Total
General Government	\$2,665,643	57%
Public Safety	\$1,593,399	33%
Health and Sanitation	\$26,204	1%
Culture and Recreation	\$132,485	3%
Capital Projects	\$275,161	6%
Total	\$4,692,892	100%

Source: Morgan County Government

Municipal Finances

Although there are numerous locations that serve as community centers for neighborhoods throughout the County, there are only two municipalities that function as incorporated local government jurisdictions. These two municipalities are the Town of Bath, located in the Berkeley Springs postal service area, and the Town of Paw Paw, located along the Potomac River in the Cacapon region. Unlike other communities in the County these towns operate under their own charters, which allow them to create ordinances and levy taxes within the corporate limits. This ability also requires that the towns provide necessary public service, which in some cases either duplicate or replace services provided to all County residents by the Morgan County Commission.

Town of Bath

The Town of Bath is governed by a Mayor and five council members who are elected for two-year terms. The Town Recorder, who maintains town records and financial reports, is also elected for a two-year term. The Council is organized into seven functional committees, which are composed of three members each. The committees are finance, public works, water, ordinances, cemetery, grants, and public safety.

Revenues for the Town of Bath include property taxes, license and fees, other taxes, State and Federal funds, and miscellaneous sources. Of these revenues, property and other taxes are 39%; license and fees are 31%, fines and parking meter revenues 18% of the total revenues, categories and other respective share of the total budget outlays.

Primary expenditures are: administrative 20%, public safety 29%, garbage department 24%, and streets 15%. All of these percentages are approximate for 2005.

Town of Paw Paw

The Town of Paw Paw is governed by a Mayor and five Council members who are elected for two-year terms. The Town Recorder is also elected for a two-year term. The Council is organized into five functional committees of three members each. These committees are police, water and sewer, streets and alleys, cemetery, and ordinance and grievance. A sixth committee, the finance committee, is composed of all five Council members. A nine-member Parks and Recreation Commission is appointed by the Town Council to oversee operation and maintenance of the municipal park.

Revenues for the Town of Paw Paw include property taxes, license and fees, other taxes, State and Federal funds and miscellaneous sources.

Expenditures include administration as the largest portion, followed by streets and police, and the remainder used for street lighting.

Capital Outlay

Each local government is charged with the responsibility to oversee the maintenance and operation of local services. This process includes from time to time the replacement or expansion of local services due to either age of equipment and infrastructure or increase in need. These costs are typically associated with larger expenditures of public funds that are not considered part of the general operations expected to be covered within the fiscal budget. Therefore, most local governments prioritize these items in a long-term capital improvement plan.

Capital improvements should be planned separately from the annual operating budget due to the high cost of such items. Special funds must be borrowed, sought from grants or otherwise set aside in advance. In addition, facilities and major equipment can often be amortized over time, allowing for improvements or replacement to be planned in advance. These projects typically include more permanent facilities such as public buildings, roads, bridges, water and sewer systems. They may also include larger vehicle purchases such as fire and emergency service apparatus or police cruisers.

The method by which these purchases are scheduled is the Capital Improvement Plan, which covers a six-year period. The first year is the budget year under review for funding approval followed by five subsequent years in which funds are prioritized and set aside for future expenses. This plan is designed for review and update as part of the annual budget review and approval process. As each project is implemented, the remaining projects may be reevaluated. This process allows for annual removal of completed projects and addition of new projects, which may alter priorities based on need.

Morgan County

Buildings which are owned and operated by the Morgan County Commission for general government purposes are the Court House Complex and the Community Services Center in Berkeley Springs. The County also owns the Morgan County War Memorial Hospital building and other buildings that provide the public with various services. In addition the County has increased its participation in addressing the capital needs of other necessary public services that improve the health safety and welfare of its residents.

Municipal

The Town of Bath owns the Town Hall, which is located on the corner of Wilkes Street and Union Street. This building provides a meeting room for the Mayor and Council and office space for the Police Department, Town Clerk, and Water Department. Additional office space is provided for the Warm Springs Public Service District. Located behind the Town Hall is a garage used for equipment storage by the Streets department. The Town owns the Water Department facilities of the Berkeley Springs Water Works on Wilkes Street and the offices of the Warm Springs Public Service District. The Town also owns 3 cemeteries as well as property outside of the Town limits.

The Town of Paw Paw operates most of its municipal services out of its Town Hall. This includes offices for Mayor and Council meetings, Police Department, Water Department, and other administrative services. The Town also owns the water treatment facilities and the original Mayor's office and jail.

Other Government Entities

There are numerous other necessary services as well as public amenities provided throughout the County, which are identified as either private, volunteer, or public, that must be recognized as part of the financial process. These facilities may not be owned, operated, or funded by local government, but may exist through volunteer and donated efforts and/or public funds received through State and Federal sources. Although their make up and operational characteristics are outlined in Chapters 4 and 5, it is important to identify capital outlay expenses that may require future funding consideration and possible alternative funding opportunities within the fabric of the government financing process.

These services and amenities can be divided into two distinct categories, which include those enterprise services such as water, sewer, and solid waste which do typically operate on a fee for service basis, and those general services such as libraries, emergency services, schools, and parks which do not typically operate on a fee for service structure.

Budgetary Trends

Trends in Assessed Valuation and Financing Capacity

Trends in assessed valuation are important in projecting the potential for revenue to fund current and future budgetary expenses. Valuation is the sum of personal property, real estate, and public utility valuations. The total, which is taxable, is determined by subtracting the valuation of all property which qualifies for the Homestead Exemption. Under the 1982 Tax Exemption Amendment, the first \$20,000 of assessed value is exempted from ad valorem taxes for resident owners who are age 65 or over or who are certified as permanently and totally disabled.

In comparing valuation over time it appears it has increased steadily since 1980, primarily as a result of increased assessments due to regional market demand. The taxable total however, increased less rapidly due to the Homestead Exemption. Property which qualifies for the exemption has been expanded over this period from the first \$5,000 to the maximum of \$20,000 of assessed valuation for qualifying properties.

Assessed valuation of public utility property represents the smallest component of the total. In 1980, Morgan County was 53rd among 55 West Virginia counties in property owned by public utilities. This ranking has increased since that time. There was actually a decline in 1980 of nearly \$53,000 in utility property due in large part to the discontinuation of over 30 miles of Western Maryland Railroad track in Morgan County. Since that time public utility valuation has increased.

Personal property valuation increased more rapidly than real estate from 1980 to 1990 and from 1990 to 2000. This increase has been due in large part to a higher disposable income from the migration of population. This component is subject at times to significant fluctuation due to its dependence on the availability of the average consumer's expendable income.

The most consistently increasing and influential component of total valuation is the value of real estate property. In 1980 the valuation for Morgan County was set at 63% of appraised value, and since that time has continued to increase. Appraised value is periodically reviewed and updated by the County Assessment Office.

Trends in Revenues and Expenditures

The change in general trends of revenues and expenditures over time is most accurately reflected in terms of annual budgetary comparisons and end fund balance. In looking at simply one side of the budgetary process there may appear to be large increases in revenue or expense, but those numbers should be compared within the budget year to better understand how the County has balanced the budget for a given period. Further, it is important to note in this review the percentage to which revenues are being collected as well as to what expenditures they are being applied.

In comparing tables 12-1 and 12-2, revenues continue to outpace expense. However, these tables which are further defined in the County's annual budget do not reflect the direct charges for services which totaled more than \$800,000 in 2005. As development occurs the County will continue to consider and adjust charges for service to ensure that general tax and other revenues are not subsidizing expenses and services that should be covered by separate charges.

Revenues

In reviewing revenue trends for the census years between 1980 and 2000 it appears the revenues from property taxes have produced an increasing proportion of total revenues. This is also true of local revenues from other sources due in part to a decline in revenues received from the State and Federal sources in terms of overall percentage of the budget. However, all sources have combined for an increase in total revenues for each census period. The fiscal health, however, is much better defined in comparing the County reserve or ending balance as it relates to consistency between annual revenues and expenses.

Expenditures

All expenditures are covered by annual revenues collected which is projected as part of the budgetary process. The General Fund, having the most revenue available, is used to cover most of the County's expenses. This includes a large number of line items within administration and other services provided by the County. During the period from 1980 all categories except the shared revenue funds experienced some growth in terms of overall percentage of each budget year. However, as shared revenue reflects capital outlay, this fund should fluctuate depending on debt needed to finance projects.

Table 12-3 Trends in Revenues and Expenditures

Type	FY 79-80	%	FY 89-90	%	FY 99-00	%	% Change
Revenue							
Property tax	270,081	49	1,027,779	26	1,731,448	53	4
Grants	0	0	0	0	0	0	0
Other	76,079	14	323,100	8	828,022	25	9
Coal Severance	27,653	5	N/A	0	N/A	0	0
Shared Funds	174,390	32	2,646,966	66	701,354	22	-10
Total Revenue	548,203	100	3,997,845	100	3,260,824	100	
Expenditures							
General Government	437,628	80	1,138,779	31	1,677,634	55	-25
Public Safety	110,575	20	271,559	7	730,152	24	4
Health and Sanitation	0	0	124,392	3	54,961	2	N/A
Culture & Recreation	0	0	52,503	1	106,796	4	N/A
Capital	0	0	2,193,492	59	441,575	15	N/A
Total Expenses	548,203	100	3,782,670	100	3,011,118	100	

Source: Morgan County Government

Bonding Capacity

Morgan County, through its County Commission, is empowered by the West Virginia Code to issue general obligation bonds “ for the purposes of acquiring, constructing and erecting, enlarging, extending, reconstructing, or improving any building, work, utility, or undertaking, or for certain other specific purposes relative to libraries, museums, schools, parks, civic arenas, auditoriums, exhibitions halls and theaters.” The Code further states that “ the power to acquire or construct any building, work, or improvement as herein provided shall be deemed to include the power to acquire the necessary lands, sites, and rights-of-way therefore”.

The County is authorized by the Code to become indebted to an amount equal to or more than two and one-half percent of the value of its taxable property as shown by the last assessment. However, an additional debt equal to no more than two and one-half percent of the value of the taxable property may be incurred for the erection and equipment of a courthouse or jail with funds from the government of the United States or any Federal or State government agency. Since the repayment of general obligation bonds is made from local tax revenues, this debt may not be incurred unless it is approved by three-fifths of all votes cast at public referendum.

Pursuant to the Industrial Development and Commercial Development Bond Act, the County is authorized to issue revenue bonds to provide funds to finance commercial and industrial development projects. These bonds are limited obligations of the County, which are payable from revenues received from the financed projects. The amount of bonds issued by the County in each fiscal year is determined by the programmed need for such funds.

Impact Fees

Chapter 7-20 of the West Virginia State Code provides for the assessment and collection of impact fees to offset the cost of commercial and residential development within counties. This would provide the County with a modicum of persistence in providing for capital improvements and other public services necessary to facilitate additional growth.

Morgan County would need to complete the following in order to implement impact fee strategies allowable under State Code 7-20:

- Provide information demonstrating that past or projected population exceeds one percent growth rate per year over a continuous five year period
- Adopt a countywide comprehensive plan
- Review and update the comprehensive plan at no less than five year intervals
- Draft and adopt a comprehensive zoning ordinance
- Draft and adopt a subdivision control ordinance
- Develop a formal building permit and review process system that regulates permit activity and includes state building code regulations
- Provide an improvement program that includes a list of particular sites within the County for development potential
- Provide an improvement program for capital improvements that will be funded by impact fees
- Develop a comprehensive capital improvements program

From this list it appears that the County does meet several of the mandated criteria as outlined in the State Code and is proceeding with the implementation of a number of other requirements listed. However, at this time it also appears that the two major items that would preclude the County from seeking approval to implement impact fees are the absence of a capital improvements program and comprehensive zoning ordinances.

Alternative Funding Sources

The Governor's Partnership Grant Program provides funding for local capital improvement projects which have received primary funding from other sources and need a secondary allocation from the State to complete the financing. Eligible improvements include labor and construction costs for improvements such as water, sewer, community buildings, and recreation facilities.

The Governor's Emergency Water and Sewer Systems Program is used for emergency equipment and repairs to water and sewer systems that experience disruption in service due to accidents or natural occurrence. Funds are available for 100% of the eligible costs up to a maximum dollar amount.

The Community Development Block Grant Program (CDBG) is provided to small cities to be used for a number of objectives aimed at improving the community character of primarily low

and moderate-income neighborhoods. This may be accomplished through acquisition, construction, reconstruction, or installation of necessary services, or other site improvements. For Morgan County, these funds are limited to improvements made in certified CDBG areas.

The Land and Water Conservation Fund is a Federal program under the National Parks Service that provides grants for eligible costs for such projects as parks, playgrounds, swimming pools, ice arenas, and similar outdoor recreational facilities. Eligible costs are limited to those that provide a direct recreation benefit and do not include accessory costs for fencing, stormwater management, or other required improvements.

Goals & Objectives

Goals

The key to achieving the goals outlined in this Comprehensive Plan is financing. Revenue and expense budgets, as well as grants and loans and other fiscal strategies are the means by which progress will be made. Goals include:

- Promoting methods of funding growth;
- Working to create a sound local economy as the fiscal foundation that will underwrite growth.

Objectives

Steps to advance these goals include the following objectives:

- Evaluating and supporting the collection of impact fees on new development;
- Supporting the implementation of programs that will increase government efficiency such as using more fuel-efficient vehicles in public transit (government cars and trucks, school buses, etc.);
- Encouraging the development of local employment opportunities and work force housing to ensure a broad local economic base;
- Considering how land that is set aside is calculated for promotion of farm easements; and
- Supporting creation of a capital improvements plan for capital project outlay.