

CHAPTER 12 - FINANCING

Introduction

The County Commission, by WV Code, is responsible for maintaining annual fiscal stability to address the service needs that must be met through the revenue and expenditure process. Accurately monitoring this process serves to provide more efficient operations, prioritize anticipated projects and better coordinate scheduled improvements that may involve additional funding from other sources including the state, federal or other local governments. Increased growth and the demands of the populace require the identification of necessary or desired improvements and appropriate and allowable funding sources.

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 providing services to the tax base at an affordable rate, it also plays a significant role as Morgan County seeks to enhance its current circumstances and encourage future growth. In order to ensure that required and desired services stimulated by growth are adequately funded, it is desirable to develop and maintain a method of planned capital improvements with methods of collecting funds over time that include costs associated with both operations as well as capital outlay.

Revenues

The Comprehensive Plan component that relates to finances requires understanding revenue generation in the county. There are generally two types of revenue: those funds collected from taxes, fees and shared tax revenues 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 portion. 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 (24%) of the property tax collected. The remaining amount

is distributed primarily to the Board of Education (75%), with a small amount (1%) going to the state and municipalities.

Currently, the property tax rate is at the ceiling defined by law. Taxes simply cannot be raised. Therefore, property tax revenue may increase in only two ways: actual increase in general property values as defined by market forces and/or an increase in the number of commercial properties that are assessed at a higher rate.

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. If development, employment and population once again begin to increase, this category should increase as well. It is also possible for the County Commission to increase or add various fees for services although they are limited by code to fees in the area of public safety: fire fee; ambulance fee and 911 fee.

A much smaller portion of the revenue stream includes various funds the federal government may make available as well as revenue 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. This fund has been in significant decline over recent years.

Table 12-1 General Fund Revenues

<u>Revenue Type</u>	<u>Fiscal 2015</u>	<u>% of Total</u>
Property Tax	\$3,843,439	53%
Other General Funds	\$2,797,826	38%
Shared Revenue Fund	\$550,567	8%
<u>Coal Severance Fund</u>	<u>\$59,518</u>	<u>1%</u>
Total	\$7,251,350	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 and demand for increased services have occurred over time, additional line item expenses have been created to account for such services.

The 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 related services like bailiffs. One further line item that has been added to the general fund expenses is the capital projects expenses. Additional funds may be found to fund new projects by shifting expense priorities.

Table 12-2 General Fund Expense

<u>Expense Type</u>	<u>Fiscal 2015 (millions)</u>	<u>% of Total</u>
General Government	\$5,197,080	66%
Public Safety	\$2,237,391	28%
Health and Sanitation	\$35,000	1%
Culture and Recreation	\$169,225	2%
Capital Projects	\$175,982	2%
Total	\$7,814,678	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 are 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 services, 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 a designated portion of property taxes collected by the county, licenses and fees, other taxes, state and federal funds and miscellaneous sources. Of these revenues, property and other taxes are 39% and licenses and fees are 31%, fines and parking meter revenues 18%.

Current primary expenditures are approximately: administrative 20%, public safety 29%, garbage department 24% and streets 15%.

Town of Paw Paw

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 Paw Paw include a designated portion of property taxes collected by the county, licenses and fees, other taxes, state and federal funds and miscellaneous sources.

Expenditures include administration as the largest portion, followed by streets and police; the remainder being 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 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 replacements to be planned in advance. These projects typically include more permanent facilities such as public buildings, roads, bridges and 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 re-evaluated. This process allows for annual removal of completed projects and addition of new projects, which may alter priorities based on need. Morgan County does not have a Capital Improvement Plan at this time although such development is included in the objectives.

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 Pines Opportunity Center and its campus (the former War Memorial Hospital building) which includes 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 and Union Streets. 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 not used by the Town is rented out. 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. The Town also owns three cemeteries as well as property outside of the town limits.

Paw Paw operates most of its municipal services out of its town hall. This includes offices for the mayor and for council meetings, Police Department, Water Department and other administrative services. The town also owns the water and sewer treatment facilities and the historic 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 directly by local government, but may exist through volunteer and donated efforts and/or public funds received through designated taxes like the hotel/motel tax or 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 valuation 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. This increase has been due in large part to a higher disposable income from the in-migration of population. This component is subject at times to significant fluctuation due to its dependence on the availability and variation 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. Actual value has continued to increase since 1980 except for the decline in the national real estate market beginning in 2008 and only recently experiencing increases. Appraised value is periodically reviewed and updated by the County Assessor's 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 understand how the county has balanced the budget for a given period. Further, it is important to note in this review how much budgeted income is actually being collected as well as to what expenditures they are being applied.

Revenues

In reviewing revenue trends for the census years between 1980 and 2010, it appears the revenues from property taxes have produced an increasing proportion of total revenues. The primary reason for the increase in this period was due to increased valuation in the region and Morgan County. However, all sources have combined for an increase in total revenues for each census period as well as the most recent five years (2010-15). During this most recent five year period, Morgan County has seen a decline in property values which put financial pressure on the county to raise the levy rate to compensate for the lost revenue from the drop in valuations. The increase in property tax revenue is thus due to an increase in the tax rate as set by the County Commission. The fiscal health, however, is much better defined when real estate market trends, levy rates and the county reserves are considered as well as the consistency between annual revenues and expenses.

“Other” includes contributions and donations along with other miscellaneous revenue. Shared funds include grants, hotel/motel tax revenues and capital loans; and fluctuates depending on capital outlay and the debt needed to finance projects.

Expenditures

All expenditures are covered by annual revenues collected which are 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.

Table 12-3 Trends in Revenues and Expenditures

Type	FY 89-90	%	FY 99-00	%	FY 14-15	%	Change
Revenue							
Property tax	1,027,779	26	1,731,448	53	3,843,439	53	27
Other	323,100	8	828,022	25	2,797,826	38	30
Coal Severance	N/A	0	N/A	0	59,518	1	1
Shared Funds	2,646,966	66	701,354	22	550,567	8	-58
Total Revenue	3,997,845	100	3,260,824	100	7,251,350	100	
Expenditures							
General Government	1,138,779	31	1,677,634	55	5,197,080	66	35
Public Safety	271,559	7	730,152	24	2,237,391	28	21
Health and Sanitation	24,392	3	54,961	2	35,000	1	-2
Culture & Recreation	52,503	1	106,796	4	169,225	2	1
Capital	2,193,492	59	441,575	15	175,982	2	-57
Total Expense	3,782,670	100	3,011,118	100	7,814,678	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.

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, 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.

Tax Increment Financing (TIF) is secured by property taxes to fund economic development and job creation. TIF captures the projected increase in property tax revenue gained by developing a discrete geographic area and uses that increase to assist in paying for the project. This funding makes it possible to go forward with projects that otherwise would not be built. Projects can be the county's own development projects or projects brought to them by private developers. Establishment of a TIF requires County Commission approval. The additional tax dollars the county would receive from a TIF would be used to provide needed public services such as water, sewer, roads or fire department funding. Tax Increment Financing bonds or notes may be issued with the obligations paid back by the tax increment over a period of up to 30 years.

A Community Enhancement District (CED) may be established by the County Commission to provide a financing tool related to new development within a specific set of boundaries. In order to establish a CED, the owners of at least 61% of the property petition the County Commission to establish a CED. The CED is established as a public corporation that has the power to design and construct projects and assess the cost of the projects to the owners of the real property. Property owners in the CED are assessed an annual fee which is administered through the local taxing authority. These assessments are ordinarily done over a number of years and are applied to servicing debt such as bonds or other financing vehicles selected by the CED. Once the bonds are paid down, the fees are no longer assessed.

Revenues and expenses related to the above alternative funding sources are included in the budget category of Shared Funds.

Goals & Objectives

Goals

The key to achieving the goals outlined in this Comprehensive Plan is financing. Revenue and expense budgets, as well as capital improvement budgets, 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; and
- Evaluating on-going cost-effectiveness of all budgetary expenses.

Objectives

Steps to advance these goals include the following objectives:

- 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 the County Commission in developing a Capital Improvement Plan for capital project outlay.