



## RICHMOND COUNTY BOARD OF COMMISSIONERS

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105 W FRANKLIN ST, COURTROOM C, P.O. BOX 504  
ROCKINGHAM, NORTH CAROLINA 28380  
TELEPHONE: (910) 997-8211

**Kenneth Robinette**  
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Vice-Chairman  
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Clerk to the Board

May 8, 2020

Dear Richmond County Citizens,

On April 6 Richmond County joined over 50 other North Carolina counties and most states across the United States by approving by unanimous vote by the Board of Commissioners the ad valorem method of distribution of sales tax revenue.

Since this vote several newspaper articles, social media and some municipal officials have called into question the wisdom of this decision. If we understand the concern of the municipalities offered due to this change in valuation method, they agree that the County is entirely within its rights to make the change. They do not dispute that County taxpayer's benefit from that change. They contest that the municipalities should now have to bear a more appropriate level of responsibility for their job of provision of municipal services.

After decades of benefit from the prior method of valuation the cities are hardly in a position to contest the County's change in method. The former Hamlet City Manager has advised earlier regarding the ad valorem change that it was taken care of in the new upcoming budget. After taking advantage of the old valuation method for years Rockingham surely has a huge fund balance sufficient to cover a decrease in their sales tax revenue for years and years and not raise taxes at all.

The crux of their complaints appears to revolve around hurt feelings for failure to be notified of this change so that they could marshal their arguments against the change prior to a vote that the County is legally entitled to do.

Communication is a two way street.

There certainly was no communication by Hamlet and Rockingham with County leaders prior to their decision to dump their unwanted ETJ's upon the County. The County didn't whine when the municipalities chose to do this. We knew these municipalities were operating within their legal rights to do this, like it or not by us. Just as we operate within our legal right now. When you call us out to better communicate you should do so mindful of the equitable doctrine of clean hands.

Going forward, we see the ad valorem method of sales tax distribution as a fairer approach for the citizens of Richmond County. Why?

Sales tax revenues are generated when items are purchased here in Richmond County, such as buying gas here, or a new car or staying in a local hotel. SALES TAX IS PAID HERE BY VISITORS AS WELL. Sales tax is only one component of the tax structure. This sales tax is forwarded to the NC Department of Revenue and a portion is then returned to the counties for utilization and disbursement. Not all of this money arrives free and clear of government regulation. For instance between 2 and 3 million dollars of sales tax revenue Richmond County receives each year is administered by the County but earmarked for capital expenditures in public schools.

A property tax increase will require Richmond County taxpayers to bear the full burden of ever increasing costs the County faces. Higher property taxes generally result in higher rental prices, mortgage expenses and higher cost to existing business and industry. You have to keep in mind that the tax rate for property taxes is an important factor when Richmond County is working to recruit a new industry.

On the County side, County Manager Land has done a very good job in asking County departments to hold the line on costs and run as efficiently as possible. Our fund balance has gone from 9 % to almost 17% since his arrival. This has been accomplished even though 80% of the Richmond County budget is non- discretionary expenditures such as Richmond County Schools, Social Services, Richmond Community College and our local Health Department.

Earlier in the week there was an article in the newspaper advising we had ignored a February letter from the Local Government Commission. Nothing could be further from the truth. The LGC monitors fiscal control and responsibility for all county and municipal governments and the State of North Carolina itself. We have a great working relationship with the people at the LGC. It would be foolish as a government entity to ignore them.

We received a letter from the LGC on February 17. We responded back to them with a letter on February 20. The letter wasn't initially received by the LGC office, and immediately upon discovery of this we followed up with an email and certified mail letter again. This letter confirmed that Richmond County intended to make plans to phase out use of the county enterprise fund to balance the budget. We confirmed to the LGC in that letter our intention to move forward with solving the issue by switching to the ad valorem method of sales tax distribution.

Other rural counties across the state have struggled with mandates and increased costs as have we. This switch to the ad valorem method of distribution of sales tax helps address deficiencies of the past.

Much has been said lately about the wide disparity of projections on how much sales tax revenue Richmond County will receive under the new formula. Our projections determined by the County Manager are fairly conservative considering actual Richmond county sales tax revenue experience over the years.

We don't dispute the projected numbers put forth by the City of Rockingham and the Department of Revenue BASED ON THEIR DATA USED. Why? In the May 6 article in the Richmond County Daily Journal regarding sales tax it appears the sales tax revenue used to determine their projected sales tax revenues are based on sales tax revenues in Richmond County in fiscal year 2018-2019. Rockingham and NCDOR are doing their modeling based on a short window of time and based on arguably one of the strongest economic periods in history in the County and State. This also includes abnormally high sales tax revenues from the successful Epicenter event.

In our opinion that method simply does not produce a normal snapshot of our Richmond County sales tax revenue year in and year out. We wish the projections touted were correct. It would mean we could do a lot more. We find Rockingham and the NCDOR not insincere with their projections but we believe their use of short term revenue levels to base their projections on future sales tax revenue fail to consider current events, creating long term budgeting error. With the pandemic and current virus induced recession, with 33 million jobs lost nationwide, we believe the next several years will be even further out of line with City of Rockingham and State projections and we prefer to project sales tax revenues from a more conservative point of view for

budgeting purposes. Time will tell as to who is the closest to reality in these projections. We will adjust future years accordingly.

Going forward under the new ad valorem method our Board agrees we will;

1. Work with municipalities to better open channels of communication and build trust.
2. Accept the Department of Revenue sales tax allotment
3. Work to mitigate losses to municipalities.

To better understand and facilitate 3 above and in order to gain a clear and accurate picture of all taxation and fees in Richmond County to assist us in the above pledge, the Board supports Commissioner Watkins and Commissioner Bostic's call for a comprehensive study to look at all issues in an effort to provide the most fair and equitable system of taxation for ALL of our citizens. The Board views the cost of such a study not as an expense but as an investment in our county's future. It will be an investment in open and transparent government, an investment in verified accuracy of County and municipal financial data (not limited to sales tax data) and confidence by all of our citizens in our long term plan for prosperity in our county. It will require the full cooperation and participation of all County and municipal governments. Richmond County pledges full binding cooperation. At that point findings can be used to facilitate meetings to determine the fair tax burden for all including individuals, business and industry.

The question is whether or not the cities and towns will join us?

Our long term goals for this County have always focused on TRANSPORTATION, EDUCATION and JOB GROWTH.

With the help of many citizens such as former DOT Commissioners G.R. Kindley and Pat Molamphy and Senator Tom McInnis the transportation component is almost a completed reality. The final leg of I- 73/74 is under construction as we speak to the Pee Dee River Bridge.

Good things have been happening here with the arrival of new, vibrant industry in the last several years. Commitment to a new 600+ acre industrial park and the preliminary work already going on with the successful application for grants is positive progress.

I certainly hope one legacy of this change we have voted for will be our ability to better serve our public school system and community college. It is the most critical component for recruiting jobs for our people. The Board of Commissioners must lead on education. This vote exemplifies that leadership.

With the widening gap in opportunity in rural vs. urban North Carolina we are too small as a county to fight between ourselves. This will ultimately do irreparable damage. I ask that we all move forward like Raiders on Friday night, not as naysayers on Monday morning. It will make a difference in all of our lives.

Kenneth Robinette  
Chairman, Richmond County Board of Commissioners