



## **COUNTY MANAGER'S BUDGET MESSAGE**

**FY 2008-09**

May 20, 2008

### **To the Cleveland County Board of Commissioners:**

This proposed fiscal year 2008-09 budget for Cleveland County has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act and General Statute 153A-82. The fiscal year 2008-09 budgeted revenues and expenditures are balanced with a proposed one cent reduction in the property tax rate to 57 cents per \$100 of property valuation. This reduction is based upon the calculation of a revenue neutral tax rate as a result of our recent property revaluation. The budget will be open for public inspection on May 21, 2008 and a public hearing will be held on June 3, 2008.

The Board of Commissioners met on January 22, 2008 to discuss and evaluate capital project priorities for fiscal year 2008-09. You provided direction to prepare a budget if possible with a 3% COLA for employees, full step increases for employees in the first two steps of the pay range, and authorized the implementation of a new health and wellness initiative. This budget attempts to address your primary budget priorities while maintaining sound fiscal practices.

### **General Fund Budget**

The projected tax base for fiscal year 2008-09 is \$6,335,000,000. This is a projected increase of \$252,456,924 in value over the previous year, which translates into \$1,395,834 in new revenue at a 57 cents tax rate and a 97% collection rate. Sales tax revenues are projected to remain flat as spending decreases due to a lack of consumer confidence associated with increasing gas prices, credit concerns, etc. Overall service fees are expected to also remain flat primarily due to a reduction in construction related activities. Emergency Medical Services fees on the other hand are projected to increase by \$200,000. With the property tax base increasing at only 1.68% each year over the past four years, our current allocated funding levels will be difficult to sustain unless growth in the tax base increases to match our mandated spending requirements.

### **Human Services**

The overall appropriation of county funding for the *Department of Social Services* is \$3,792,236 for an increase in funding of 6.40% over the previous year. Four new positions are added in the budget to the Department of Social Services: Two processing assistants will be employed to digitize departmental records and case files, which are 38% county funded; an Income Maintenance Caseworker, which will be funded at 100% by the State; and a Social Worker III, which is funded 36% by county funds.

The *Health Department* budget reflects an overall increase of 7.69% for a total county appropriation of \$3,767,015. The new landfill is scheduled to begin operation in the fall of 2008. The budget also includes the addition of two scale house operators and two heavy equipment operators during the time that both landfills are in operation in order to maintain services for both locations. To combat the county rabies problem and the unvaccinated animal population, a new Animal Control Officer is included in the budget as agreed upon by the board in the fall of last year.

**Public Safety**

The Emergency Medical Services department budget is allocated a total of \$5,075,877. Although this department budget reflects an increase of 5.97%, most of the funds are comprised of salaries, billing company fees, and minor equipment purchases. A new ambulance is also included in the budget.

The Sheriff's Office and the Detention Center appropriation totals \$7,915,150 for an increase of 6.08%. This budget includes the addition of 10 new Sheriff's vehicles to replace current high mileage vehicles. We are continuing our discussions with consultants on planning for the expansion of our jail annex and will submit a report and recommendation to you as soon as it is available.

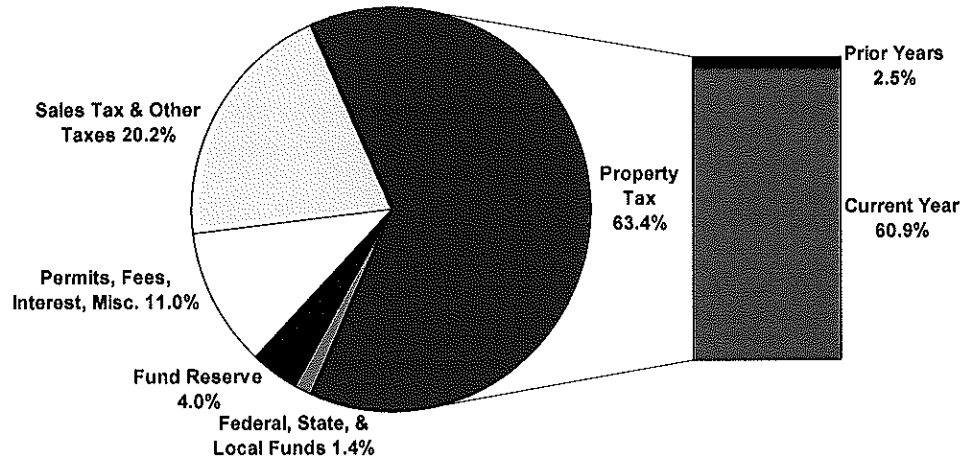
**Tax Administration**

This budget proposes a one cent reduction in the property tax rate to 57 cents per \$100 of valuation. The tax rates for the county-wide school district and the county fire district will also remain at 15 cents and 3 cents respectively. The early payment discount for taxpayers who pay during the month of August is recommended to change from the current discount rate of three-quarter of 1% to the new discount rate of one-half of 1%.

A new Paralegal position has been added to the tax department to expedite the collection of delinquent property taxes. The addition of this position is the primary reason for increasing the overall projected collection rate from 96% to 97%.

## Cleveland County Revenues

FY 2008-2009 Primary Fund By Source



**Revenue-Neutral Tax Rate – County**

The revenue-neutral tax rate for Cleveland County is calculated at .5663 cents. The recommendation is to round the county property tax rate to 57 cents per \$100 of property valuation.

| CLEVELAND COUNTY<br>REVENUE-NEUTRAL TAX RATE<br>FOR FISCAL YEAR ENDING JUNE 30, 2009 |                        |                       |             |                      |                      |                    |                 |
|--|------------------------|-----------------------|-------------|----------------------|----------------------|--------------------|-----------------|
| <b>Calculating Growth Factor</b>   |                        |                       |             |                      |                      |                    |                 |
| <b>Year</b>  | <b>Total Valuation</b> | <b>Growth</b>         |             |                      |                      |                    |                 |
| 2004-2005  | 5,785,238,049          |                       |             |                      |                      |                    |                 |
| 2005-2006  | 5,906,607,912          | 2.0979%               |             |                      |                      |                    |                 |
| 2006-2007  | 6,020,734,781          | 1.9322%               |             |                      |                      |                    |                 |
| 2007-2008  | 6,082,543,076          | 1.0266%               |             |                      |                      |                    |                 |
| Growth Factor:   |                        | 1.6856%               |             |                      |                      |                    |                 |
| <b>Calculating Revenue-Neutral Tax Rate</b>  |                        |                       |             |                      |                      |                    |                 |
| <b>Year</b>  | <b>Valuation</b>       | <b>Tax Rate/\$100</b> | <b>Levy</b> | <b>Base Tax Rate</b> | <b>Growth Factor</b> | <b>RN Tax Rate</b> | <b>New Levy</b> |
| 2005-2006  | 5,906,607,912          | 0.5800                | 34,258,326  |                      |                      |                    |                 |
| 2006-2007  | 6,020,734,781          | 0.5800                | 34,920,262  |                      |                      |                    |                 |
| 2007-2008  | 6,082,543,076          | 0.5800                | 35,278,750  |                      |                      |                    |                 |
| 2008-2009  | 6,335,000,000          |                       | 35,278,750  | 0.5569               | 1.6856%              | 0.5663             | 35,875,105      |

**Revenue-Neutral Tax Rate – Public Schools**

The revenue neutral rate for the Cleveland County Schools is calculated at .1464 cents. The recommended public schools tax rate would remain unchanged at the current rate of 15 cents per \$100 of property valuation.

| <b>CLEVELAND COUNTY<br/>REVENUE-NEUTRAL TAX RATE<br/>FOR FISCAL YEAR ENDING JUNE 30, 2009<br/>PUBLIC SCHOOL COUNTY-WIDE DISTRICT</b> |                        |                         |             |                      |                      |                    |                 |
|--|------------------------|-------------------------|-------------|----------------------|----------------------|--------------------|-----------------|
| <b>Calculating Growth Factor</b>   |                        |                         |             |                      |                      |                    |                 |
| <b>Year</b>  | <b>Total Valuation</b> | <b>Growth</b>           |             |                      |                      |                    |                 |
| 2004-2005  | 5,785,238,049          |                         |             |                      |                      |                    |                 |
| 2005-2006  | 5,906,607,912          | 2.0979%                 |             |                      |                      |                    |                 |
| 2006-2007  | 6,020,734,781          | 1.9322%                 |             |                      |                      |                    |                 |
| 2007-2008  | 6,082,543,076          | 1.0266%                 |             |                      |                      |                    |                 |
| Growth Factor:   |                        | 1.6856%                 |             |                      |                      |                    |                 |
| <b>Calculating Revenue-Neutral Tax Rate</b>  |                        |                         |             |                      |                      |                    |                 |
| <b>Year</b>  | <b>Valuation</b>       | <b>Tax Rate / \$100</b> | <b>Levy</b> | <b>Base Tax Rate</b> | <b>Growth Factor</b> | <b>RN Tax Rate</b> | <b>New Levy</b> |
| 2005-2006  | 5,906,607,912          | 0.1500                  | 8,859,912   |                      |                      |                    |                 |
| 2006-2007  | 6,020,734,781          | 0.1500                  | 9,031,102   |                      |                      |                    |                 |
| 2007-2008  | 6,082,543,076          | 0.1500                  | 9,123,815   |                      |                      |                    |                 |
| 2008-2009  | 6,335,000,000          |                         | 9,123,815   | 0.1440               | 1.6856%              | 0.1464             | 9,274,440       |

**Fees**

A new State law requires that the tipping fee for municipal solid waste be increased by \$2.00 per ton. This increase will be remitted directly to the State, but the county's portion of the tipping fee will remain unchanged.

The State has also mandated that local health departments charge a \$50 fee for the inspection of temporary food establishments effective July 1, 2008.

The calculation of building permit fees for new construction of residential property will be changing effective July 1, 2008. Fees will be based on total square footage times the square foot multiplier (.87) times the regional costs multiplier (.548). Unfinished areas and garages will be calculated at 25% of this fee.

**Human Resources**

In order to stay competitive in the region, this budget includes a 3% cost of living increase for county employees. The merit pay system will be distributed at a rate of 25% full merits for eligible employees or up to 50% if distributed as half merits. The distribution of merits to employees will be determined at the discretion of the department heads. Employees who are eligible for merits will be provided justification for why they received or did not receive a merit. For those employees listed in the first two steps of the pay range, they will be given a full step increase on or near their anniversary date.

Last year, in order to stabilize our rising health care costs, we implemented an option for our employees to select a Health Savings Account (HSA) or a traditional PPO. Employees who chose the HSA played an integral role in helping to keep our health insurance costs down this year. For next year, the premiums paid by the county on behalf of the employees will rise by 5.5%. With the implementation of a new wellness program, our upcoming emphasis will be to promote a lifestyle of healthy eating and exercise. Employees will be encouraged to make healthy choices which will have a more positive effect on their individual health as well as the overall stability of our health plan. In conjunction with our health plan, we have continued to promote our employee wellness clinic and pharmacy program as affordable options. Our direct reimbursement dental plan has been operating effectively for many years; therefore there are no planned changes in our dental program.

**Public Schools**

Cleveland County is providing an increase in the current expenditures for the Cleveland County School System of \$500,000 over the previous year. The total appropriation of \$27,738,213 equates to almost \$1,658 per pupil funding, which is an increase of 3.60% over the previous year. Restricted capital projects funding will remain the same at a total of \$1.4 million.

| <b>CLEVELAND COUNTY<br/>SCHOOL FUNDING WORKSHEET (ACCRUAL BASIS)<br/>April 23, 2008</b> |                                  |                                 |                   |                   |                   |                   |
|---|----------------------------------|---------------------------------|-------------------|-------------------|-------------------|-------------------|
| <b>FISCAL YEAR</b>  | <b>2009<br/><i>projected</i></b> | <b>2008<br/><i>estimate</i></b> | <b>2007</b>       | <b>2006</b>       | <b>2005</b>       | <b>2004</b>       |
| Current Expense   | 10,408,213                       | 9,908,213                       | 9,808,213         | 9,808,213         | 9,808,213         | 9,599,895         |
| Capital Outlay  | 2,000,000                        | 2,000,000                       | 2,000,000         | 2,000,000         | 2,000,000         | 2,000,000         |
| Special Capital<br>Projects   | 1,400,000                        | 1,400,000                       | 1,300,000         | 1,100,000         | 866,000           | 866,000           |
| Supplemental Tax  | 9,655,000                        | 9,215,000                       | 9,091,504         | 8,972,776         | 8,743,152         | 8,229,246         |
| Fines & Forfeitures   | 500,000                          | 500,000                         | 561,027           | 488,464           | 498,141           | 513,868           |
| Sales Tax   | 3,775,000                        | 4,115,000                       | 4,014,005         | 3,828,164         | 3,634,624         | 3,561,726         |
| <b>Total Funding</b>  | <b>27,738,213</b>                | <b>27,138,213</b>               | <b>26,774,749</b> | <b>26,197,617</b> | <b>25,550,130</b> | <b>24,770,735</b> |
| Student Population  | 16,730                           | 16,957                          | 17,089            | 17,217            | 17,609            | 17,235            |
| <b>Per Pupil Funding</b>  | <b>1,657.99</b>                  | <b>1,600.41</b>                 | <b>1,566.78</b>   | <b>1,521.61</b>   | <b>1,450.97</b>   | <b>1,437.23</b>   |
| Amount Change   | 57.58                            | 33.63                           | 45.17             | 70.64             | 13.74             | 89.09             |
| <b>Percentage<br/>Change</b>  | <b>3.60%</b>                     | <b>2.15%</b>                    | <b>2.97%</b>      | <b>4.87%</b>      | <b>0.96%</b>      | <b>6.61%</b>      |

**Community College**

The budget includes an increase of \$150,000 in current expenditures for the Cleveland Community College. This appropriation equates to a 13.16% increase over the previous year and will be helpful in our ongoing efforts to move the Community College up in the statewide comparison of county funding per budgeted FTE. The capital reserve allocation for the Community College is funded in the budget at \$60,000.

**Volunteer Fire Service Districts**

The Number Seven Fire Service District is requesting to increase their tax rate from two cents to three cents. The Number Three Fire Service District is also asking to increase their tax rate from three cents to five cents. The Fallston Fire Service District tax rate will remain unchanged at five cents. The County Fire Service District tax rate will also remain unchanged at three cents. The new four year funding plan for the County Fire Service District will allow the fire district rate to remain unchanged for the next four years. Based upon current trends, we anticipate that in the future we may have to allocate some funding for paid fire personnel during the day time hours. We will continue to explore ways to encourage more new volunteers as well as maintain our current base of volunteers. These efforts will include lobbying for state incentives and exploring ways to help at the county level.

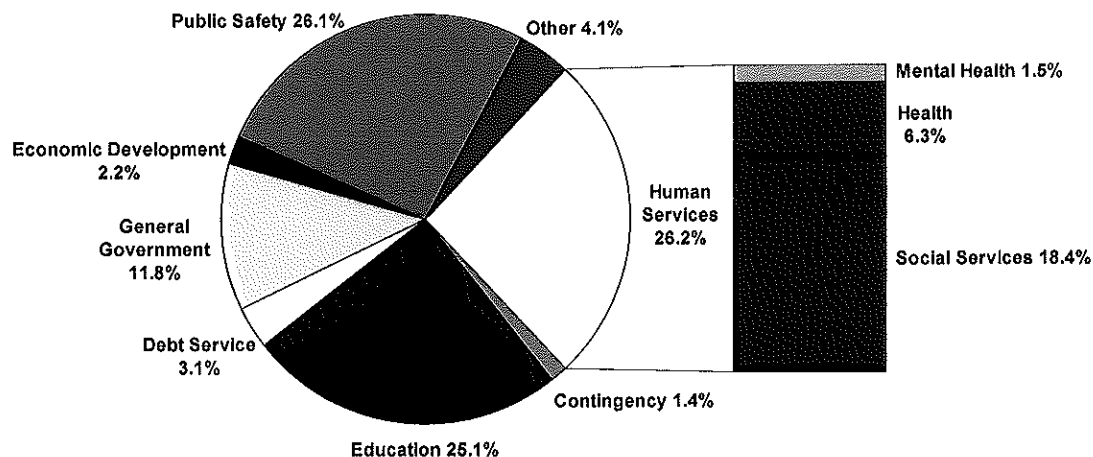
**Capital Projects**

This budget addresses several capital projects. These projects are summarized as follows:

- Old Courthouse renovation – Allocating approximately \$1.5 million over a 6 year period to renovate the interior of the old courthouse.
- Early College High School – Collaborating with the Cleveland County Schools and the Cleveland Community College to fund a temporary facility for this program. The county contribution would total \$416,000 over 5 years.
- Gateway Trails – In conjunction with the City of Kings Mountain, the county agreed to provide \$180,000 over the next three years to this project.
- 800 MHz Communication System – In December 2007, the county approved \$6 million to fund this system over a 15 year period. This project is scheduled to begin operation in June 2009.
- Jail Annex Expansion – While a cost estimate has not been completed, this project is anticipated to cost approximately \$6 million.
- Number Three Volunteer Fire Department – In November 2007, the county agreed to purchase the existing fire station for \$275,000 to be converted into an EMS base station. Renovations should begin some time in March 2009.

# Cleveland County Expenditures

FY 2008-2009 Primary Fund By Function



**Medicaid**

On Oct. 1, 2007, the state legislature approved a reduction in the county Medicaid share by 25 percent, from 15 percent of the nonfederal share to 11.25 percent. The State will assume 50 percent of the county Medicaid costs beginning July 1, 2008. Counties and cities will also forgo ¼ cent per capita of Article 44 (½ cent sales tax) beginning October 1, 2008, but counties will be required to replace sales tax losses for cities, including growth.

Projecting forward in fiscal year 2009-2010, the State will assume 100% of county Medicaid costs beginning July 1, 2009. Counties and cities will forgo all of Article 44 (½ cent sales tax) beginning October 1, 2009, but counties must continue the requirement of replacing municipal sales tax losses, including growth.

**Economic Development/Tourism**

The budget appropriates \$242,000 to the Cleveland 20/20 Economic Development Partnership to be used in the recruitment of new businesses, as well as existing corporate expansions. We continue to receive calls and visits from potential businesses considering locating to our area. We will also explore new and innovative ways to be more marketable to current and future businesses.

We have continued our efforts emphasizing local travel and tourism within our community. This budget is allocating \$100,000 for travel and tourism with a majority of funding coming from the local occupancy tax. Last year \$50,000 was earmarked out of the economic development budget for travel and tourism. This year the earmark for travel and tourism is \$40,000 but with a greater share of the occupancy tax going to this effort the overall budget is increasing by \$20,000. As a result, the economic development partnership will experience an increase in funding of \$20,000 also.

**Conclusion**

The county property tax base has increased an average of only 1.68% per year over the past four years. With the challenges of our economy and inflation over 4%, we are faced with the difficult task of meeting the demands for public services with limited resources.

We look forward to continuing our focus on the recruitment of new businesses and the retention of our current businesses. Creating and retaining jobs for our citizens will help stabilize our local economy as well as assist with maintaining a stable tax rate. As always, our county departments and staff do an outstanding job containing costs while providing exceptional public services. We assure you that we will continue to be good stewards of our allocated resources.

Respectfully Submitted,



David C. Dear  
County Manager