



June 2, 2009

To the Cleveland County Board of Commissioners:

This proposed fiscal year 2009-2010 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 2009-2010 budgeted revenues and expenditures are balanced with a property tax rate of 57 cents per \$100 of property valuation. The budget will be open for public inspection on May 15, 2009 and a public hearing will be held on June 2, 2009.

The Board of Commissioners met on several occasions to discuss and evaluate budget and capital project priorities for fiscal year 2009-2010. We are facing economic conditions that we have not seen in decades. Because of your strong leadership and sound fiscal management, Cleveland County is in a position to ride out this economic downturn without any major impact to public services.

General Fund Budget

The projected tax base for fiscal year 2009-2010 is \$6,435,000,000. This is a projected increase of \$100,000,000 in value over the previous year, which translates into \$552,900 in new revenue at a 57 cents tax rate and a 97% collection rate. Sales tax revenues are projected to decrease by approximately \$2.5 million as spending decreases due to a lack of consumer confidence and an increase in unemployment. Overall service-related fee collections are expected to see a reduction in all departments. As fees for services decline, departments will be asked to work harder to control associated departmental expenses. With minimal increases in the property tax base, our current allocated funding levels will be difficult to sustain over time unless growth in the tax base and sales taxes increase to match our mandated spending requirements.

Human Services

The overall appropriation of county funding for the *Department of Social Services* is \$4,222,345 for an increase in funding of 11.46% over the previous year. This increase is primarily the result of a rise in the county's share of state-mandated costs. The implementation of the Northwoods document imaging software this past year has been successful and resulted in increased staff productivity. Because of the reduction in paperwork, employees are able to maintain larger caseloads without an increase in staffing.

The *Health Department* budget reflects an overall decrease of 3.46% for a total county appropriation of \$3,636,527. The Health Department is proposing to add one new federally funded Processing Assistant III to the Women/Infants/Children (WIC) department. This budget also reflects a reduction in force of four positions at the Health Department due to a decrease in grant funding or other budget constraints. These reductions include two Public Health Education Specialists (012.536.4221, 012.536.4218) and two Public Health Educator I positions (012.536.4220, 012.548.1272). It is noteworthy to mention that during this past year, the Health Department received recognition for achieving 100% compliance on all accreditation benchmarks and was awarded full accreditation status by the N.C. Accreditation Board.

Landfill (Enterprise Fund)

The construction of a new landfill has been in the planning process for the past several years. Now that it is complete, it will be fully operational in June 2009. The current fee schedule for the landfill will remain unchanged.

Public Safety

The Emergency Medical Services department budget is allocated a total of \$5,333,565. Although this department budget reflects an increase of 5.14%, most of the funds are comprised of salaries, billing company fees, and minor equipment purchases. A new ambulance is also included in the budget.

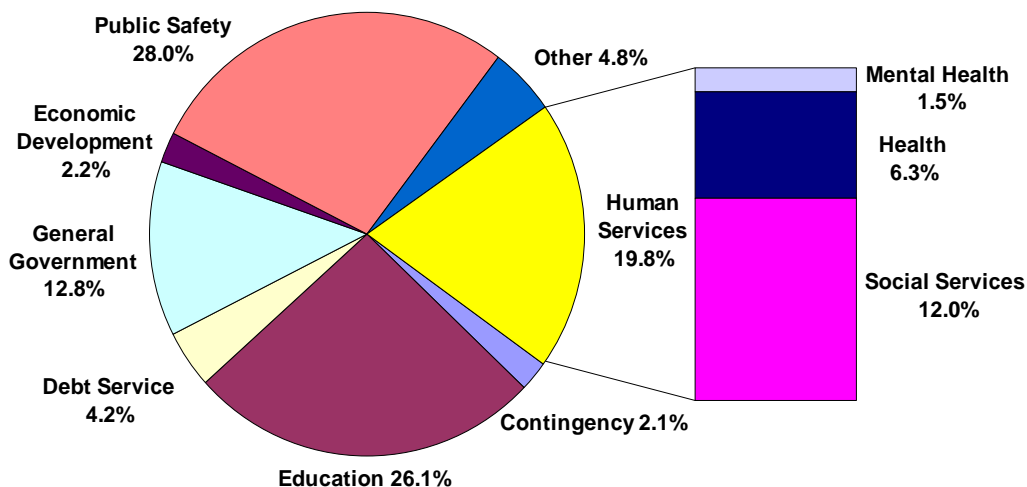
The Sheriff's Office and the Detention Center appropriation totals \$8,024,597 for an increase of 1.38%. This budget includes the addition of 10 new Sheriff's vehicles to replace current high mileage vehicles.

Volunteer Fire Service Districts

All fire service district tax rates will remain unchanged from last fiscal year. Fire departments continue to place an emphasis on the recruitment and retention of their volunteer members. Commissioners agreed to support this effort by paying for the retirement for qualified members of the volunteer fire departments and rescue squads.

Cleveland County Expenditures

FY 2009-2010 Primary Fund By Function



Tax Administration

This budget proposes no change in the current property tax rate of 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 will remain at the current discount rate of one-half of 1%.

A new Paralegal position was added to the tax department last year to expedite the collection of delinquent property taxes. The addition of this position has been positive, resulting in increased collection rates.

Fees

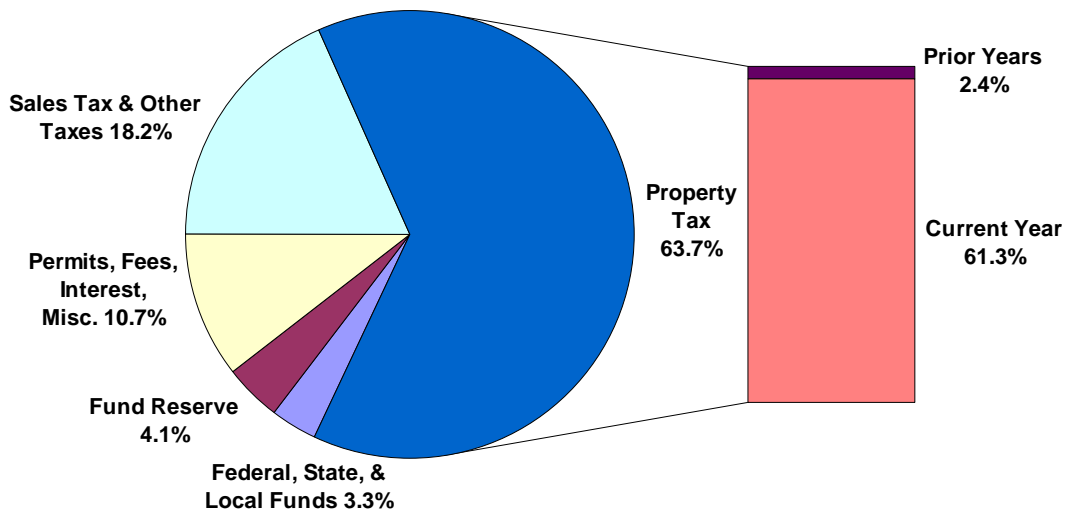
State law requires that all on-site wastewater pump systems be inspected every five years. The owner may also be required to have a certified on-site wastewater operator contract. Depending upon the size of pump system, the Health Department would be charging users \$125 to \$250 for the Environmental Health inspection fee. This fee would be comparable to fees charged by other counties for this service.

The Health Department is also proposing to increase the fee structure in the Animal Control department. A copy of the various fee types is included in the budget.

Due to increases in the Medicare allowable rate, proposed fees for ambulance transports by Emergency Medical Service (EMS) will increase proportionately. The new rates will still fall below similar fees charged by many of our neighboring counties.

Cleveland County Revenues

FY 2009-2010 Primary Fund By Source



Human Resources

In order to maintain a balanced budget, employee salaries will be frozen at current levels as of June 30, 2009. The budget does not include any pay increases for employees, including cost of living, merit, or standard rate increases.

We will continue to offer employees health insurance options with an opportunity to select either a Health Savings Account (HSA) or a traditional PPO. Our health insurance costs have stabilized due primarily to the savings of the HSA plan. For next year, the premiums paid by the county on behalf of the employees will rise by 9%.

The Wellness Program is a great benefit for employees that we began promoting several years ago. Employees are encouraged to make healthy choices which have a 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. Our utilization has risen somewhat over this past year; therefore there is a small increase of one dollar per month in the individual premium paid by the county on behalf of the employees.

Public Schools

The current expenditures for the Cleveland County School System will remain the same as in the previous year. The total appropriation of \$27,262,213 equates to over \$1,661 of local funding per pupil. The increase in per pupil funding is due to an increase in the property tax base as well as a decrease in the number of students. Restricted capital projects funding will remain the same at a total of \$1.4 million.

CLEVELAND COUNTY SCHOOL FUNDING WORKSHEET (ACCRUAL BASIS) March 18, 2009						
FISCAL YEAR	2010 <i>projected</i>	2009 <i>estimate</i>	2008	2007	2006	2005
Current Expense	10,408,213	10,408,213	9,908,213	9,808,213	9,808,213	9,808,213
Capital Outlay	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Special Capital Projects	1,400,000	1,400,000	1,400,000	1,300,000	1,100,000	866,000
Supplemental Tax	9,875,000	9,805,000	9,215,690	9,091,504	8,972,776	8,743,152
Fines & Forfeitures	500,000	531,000	640,742	561,027	488,464	498,141
Sales Tax	3,079,000	3,519,000	4,022,266	4,035,765	3,828,164	3,634,624
Total Funding	27,262,213	27,663,213	27,186,911	26,796,509	26,197,617	25,550,130
Student Population	16,411	16,768	16,957	17,089	17,217	17,609
Per Pupil Funding	1,661.22	1,649.76	1,603.29	1,568.06	1,521.61	1,450.97
Annual Amount Change	11.45	46.48	35.23	46.44	70.64	13.74
Annual Percentage Change	0.69%	2.90%	2.25%	3.05%	4.87%	0.96%

Community College

The budget includes an allocation of \$1,340,129 in current expenditures for the Cleveland Community College. This appropriation includes increased funding for utilities and maintenance for the Bailey Allied Health Building. Funding for additional capital projects will remain unchanged.

Capital Projects

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

- Conference Center/Early College High School/Continuing Education facility - Collaborating with the Cleveland County Schools and the Cleveland Community College to construct a multi-purpose facility. An architect has been selected and we expect to break ground by the end of this year.
- Shelby Middle School – Working with the School Board to prepare for a new Shelby Middle School. After the selection of a location, the goal is to break ground in early 2010.
- Public Safety Communication System – This project has been in the planning stage for over five years. With the efforts of the County Commissioners and staff, this state of the art 800 MHz communication system will be used by our local public safety agencies to improve interoperability locally and with other State and Federal agencies.
- Jail Annex Expansion – Construction is under way for this 152 bed expansion project with an estimated completion date of October 2010.
- EMS Base – South Cleveland – Completed the final payment in April to purchase the existing Number Three Volunteer Fire Station. We are converting this facility into an EMS base station with plans to move in some time in May. The mobile unit on site will be transferred to Polkville. The EMS unit located in the Polkville town hall will move into the mobile unit during the summer of 2009.
- County Landfill – The new landfill will be operational June 2009. In addition, we are working on a contractual arrangement to convert methane gas into a new energy source by the end of 2009.
- Industrial Park - West – Working in a joint venture with the City of Shelby to develop an industrial park west of the City. The land has been acquired by the City and is in the design phase. The City is working to make this site certified by the NC Department of Commerce. Efforts will also include the exploration of funding sources to construct a shell building in the park.
- Fuel Facility – Working with the City of Shelby on a joint project to save taxpayers by constructing a fuel facility for public vehicles on Grover Street.

Medicaid

The county obligation for Medicaid will end effective June 30, 2009. The Article 44 half-cent sales tax currently collected on behalf of the counties will be fully accruable to the State as of October 1, 2009. Even after this date, counties will continue to be required to replace municipal sales tax losses, including growth. In addition, counties will also continue to be responsible for Medicaid administration.

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. Travel, like many other industries, is down but we need to be positioned to take advantage of the opportunity to promote our community once the economy begins to recover. This budget is allocating \$90,000 for travel and tourism with a majority of funding coming from the local occupancy tax.

Conclusion

With unemployment at a 25 year high, our economy is in a state of turmoil. Retail sales have continued to decline and local housing starts are currently only at around 5 per month. Despite declining revenues, this budget focuses on controlling public expenditures at current levels. We are exploring all avenues to manage costs while providing exceptional quality services. Based on your direction and leadership, we will continue to operate without any increase in property taxes in the near future.

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. I would like to thank Chris Crepps, Finance Director and his staff for their outstanding work in assisting with the preparation of this budget. Our county departments and staff will continue to work diligently to contain costs while providing exceptional public services. As long as we continue managing our resources wisely, we can weather this economic storm and remain financially strong.

Respectfully Submitted,

David C. Dear
County Manager