



**COUNTY MANAGER'S BUDGET MESSAGE**

**FY 2007-08**

May 23, 2007

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

This proposed fiscal year 2007-08 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 2007-08 budgeted revenues and expenditures are balanced and maintain the current property tax rate of 58 cents per \$100 of property valuation. The budget will be open for public inspection on May 23, 2007 and a public hearing will be held on June 5, 2007.

The Board of Commissioners met on March 14, 2007 to review and affirm the budget goals for fiscal year 2007-08. Departmental budget presentations were held on April 12, 2007. The major budget initiatives as agreed upon by the County Commissioners are: (1) No tax increase; (2) Address Medicaid issue; (3) Community College funding; and (3) 3% cost of living increase for county employees. This budget attempts to address your primary budget goals while maintaining sound fiscal practices.

**General Fund Budget**

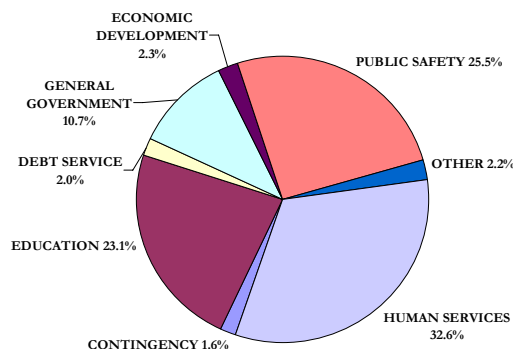
The projected tax base for fiscal year 2007-08 is \$6,025,000,000. This is a projected increase of \$175,000,000 in value over the previous year, which translates into \$974,400 in new revenue at a 58¢ tax rate and a 96% collection rate. We estimate sales tax revenues will increase by \$400,000 as consumer spending statewide continues to grow. Fees for services are expected to grow by approximately \$400,000. These items account for the vast majority of the general fund increase of \$1,988,865 or 3.65% over last year. With the property tax base growth at 2.99%, we will not be able to sustain this funding level in the future unless growth in the tax base increases to match our mandated spending requirements.

**Human Services**

The overall appropriation of county funding for *Social Services*, including public assistance is \$14,042,989 for a 1.83% increase over the previous year. Two positions in this department which were previously temporary assignments will be converted to full time with a majority of the funding coming from the State.

The *Health Department* budget reflects an overall increase of 6.85% for a total county appropriation of \$3,498,136. A new employee in the landfill is budgeted in this department which will be funded by enterprise funds.

**Cleveland County Expenditures  
FY 2007-2008 Primary Fund By Function**



**Public Safety**

The Emergency Medical Services department is budgeted a total of \$4,789,790. Although this department budget reflects an increase of 7.17%, most of the funds are comprised of salaries, billing company fees, and minor equipment purchases.

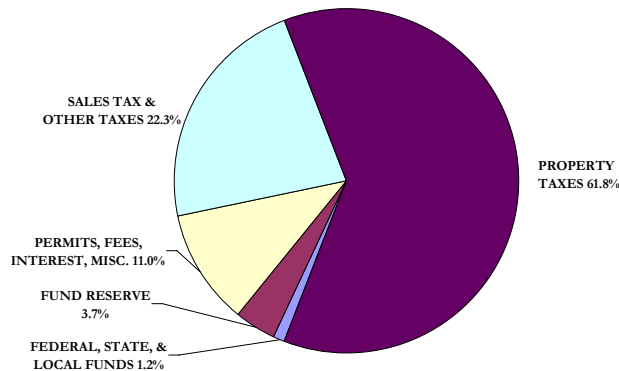
The Sheriff's Office and the Detention Center appropriation totals \$7,461,157 for an increase of 4.75%. The only specific equipment costs compared to the previous year's budget is the addition of one more new vehicle.

**Tax Administration**

As stated in the introduction, this budget maintains the current property tax rate at 58 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. A three-quarter of 1% early payment discount will continue to be offered for those taxpayers who pay during the month of August.

In fiscal year 2008-09, the budget will include a property revaluation. The tax administration department has been diligently preparing to complete the adjustment numbers by November of this year to be effective January 2008.

Cleveland County Revenues  
FY 2007-2008 Primary Fund By Source



**Fees**

Our departmental fee schedule has been evaluated carefully and as a result several departments have included a revised fee schedule in this year's budget. These fees are being recommended to maintain a competitive fee schedule in comparison with other counties and municipalities in the region. A copy of the detailed schedule is included in the budget.

*Environmental Health* - A fee schedule increase is proposed in several areas of service ranging from \$10.00 to \$50.00. In addition, there is a new fee schedule for the recently state mandated well regulation program.

*Building Inspection* – This department's proposed fees are based primarily upon the type of construction (new, residential, or commercial) and the square footage of the structure.

*Emergency Medical Services* - The proposed fee schedule is changing with most services increasing around \$25.00 due to increases in the Medicare allowable rate.

*Hazardous Materials Response* - The Cleveland County Emergency Management Office coordinates the response of governmental agencies and the general public to natural and manmade disasters. These responses involve costly equipment and manpower. The proposed fees for a response will be charged to the owner or agent of the owner who is liable for the containment and removal of the hazard.

**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. As implemented last year, the employees who are eligible for merit will be provided justification for why they received or did not receive a merit.

Earlier this year, staff met with healthcare consultants who advised us that our health insurance costs would be projected to increase by 15%. To slow this growth and provide more options for employees, a Health Savings Account (HSA) option was provided along with a traditional PPO. Employees will have the ability to manage their own accounts which roll over from year to year if unused. In conjunction with our health plan, we will continue to promote our employee wellness clinic and pharmacy program as affordable options. Our direct reimbursement dental plan has been operating effectively for many years. Premiums for this plan have increased only a couple of times in the past 20 years. 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 by \$100,000 over the previous year. The total appropriation of \$27,130,213 equates to almost \$1,600 per pupil funding, which is an increase of 2.85% over the previous year. Restricted capital projects funding also increased by a total of \$100,000.

<b>CLEVELAND COUNTY SCHOOL FUNDING WORKSHEET (ACCRUAL BASIS) April 30, 2007</b>						
<b>FISCAL YEAR</b>	<b>2008 <i>estimate</i></b>	<b>2007 <i>projected</i></b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>
Current Expense	9,908,213	9,808,213	9,808,213	9,808,213	9,599,895	9,591,540
Capital Outlay	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	1,000,000
Special Capital Projects	1,400,000	1,300,000	1,100,000	866,000	866,000	666,000
Supplemental Tax	9,300,000	9,075,000	8,972,776	8,743,152	8,229,246	8,069,183
Fines & Forfeitures	500,000	495,000	488,464	498,141	513,868	580,475
Sales Tax	4,022,000	3,905,000	3,828,164	3,634,624	3,561,726	3,307,847
<b>Total Funding</b>	<b>27,130,213</b>	<b>26,583,213</b>	<b>26,197,617</b>	<b>25,550,130</b>	<b>24,770,735</b>	<b>23,215,045</b>
Student Population	16,957	17,089	17,217	17,609	17,235	17,220
<b>Per Pupil Funding</b>	<b>1,599.94</b>	<b>1,555.57</b>	<b>1,521.61</b>	<b>1,450.97</b>	<b>1,437.23</b>	<b>1,348.14</b>
Amount Change	44.37	33.96	70.64	13.74	89.09	
<b>Percentage Change</b>	<b>2.85%</b>	<b>2.23%</b>	<b>4.87%</b>	<b>0.96%</b>	<b>6.61%</b>	

**Community College**

This budget includes increased funding of \$80,000 in current expenditures for the Cleveland Community College along with an increase in restricted capital of \$10,000. The increase in expenditures is a 7.55% increase over the previous year and will be helpful in moving the Community College up in the statewide comparison of county funding per budgeted FTE.

**Volunteer Fire and Rescue**

We are in the last year of a three year funding plan for the volunteer fire departments. The budget includes reduction in funding for the five volunteer rescue squads. All five rescue squads have expressed an interest in billing for services. This will shift a greater burden on payment for services versus funding from the general fund. 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**

There are several capital projects included in the budget summarized below:

- Airport terminal – Matching funds with the City of Shelby for terminal improvements– \$160,000
- EMS Base Station – To be located in the southern end of the county
- City of Kings Mountain – Matching funds for boat docks for Chris-Craft Corporation
- Council on Aging/Senior Center – Provide a \$140,000 loan to be paid back interest free over a 10 year period
- Health Department – Complete building renovations, complete landfill cell on Fielding Drive, and animal shelter renovations

Late this summer, you will be presented with a financial plan to pay for the remaining costs of the 800 MHz system. The costs are estimated at approximately \$6 million to complete the system. In addition, this budget will include a request for your adoption of a 5 year capital improvement plan.

**Medicaid**

We continue to remain optimistic that we will receive some relief from the Medicaid burden during this year's legislative session. Based upon projections through next year, the 15% of the non-Federal share of Medicaid paid by Cleveland County will have grown by \$3,109,188, or 62%, in 5 years. The General Fund Property Tax Levy will have grown by \$4,007,739, or 13%, over the same time period. Whereas the property tax levy is increasing, on average, about 2.5% per year, the average growth of Medicaid expenditures has exceeded 10% per year. Likewise, the adopted budget for the General Fund has increased \$10,951,090, or 15.5%, in the past 5 years, or about 3% per year.

<p><b>Medicaid costs have increased 62% vs. 13% for the property tax levy over the past 5 years.</b></p>
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In the fiscal year ended June 30, 2003, Medicaid expenditures absorbed 10 cents of the property tax rate. In the fiscal year ending June 30, 2008, the County expects to spend about 13.5 cents of the property tax rate toward Medicaid expenditures. This represents a 34% increase in the share of the property tax revenues being applied to Medicaid expenditures over 5 years.

**Economic Development/Tourism**

It has been an exciting year in economic development. The efforts of the Cleveland 20/20 Economic Development Partnership have resulted in the addition of several new major corporations, as well as existing corporate expansions, for a total of over 1,500 new jobs and an investment of almost \$80 million.

An emphasis on local travel and tourism is building in our community. This past year, our occupancy tax collections have continued to grow over the previous year. To continue this momentum, this budget appropriates the excess of our occupancy tax dollars over \$13,000 per month to fund travel and tourism efforts.

**Conclusion**

There have been many accomplishments over this past year. Cleveland County has collaborated with the City of Shelby to make needed improvements at the Shelby-Cleveland County Regional Airport. In addition, we have worked with the City of Kings Mountain to make improvements at Moss Lake to support the Chris-Craft Corporation. We are also looking ahead and preparing for the future by establishing permanent EMS bases in the county and constructing a new solid waste landfill to ensure our citizens have an environmentally safe place to dispose of their waste.

Although there are always challenges in any community, Cleveland County maintains a progressive attitude. We look forward to a continuation of the past successes which will sustain our local economy by creating jobs for our citizens and assist with maintaining a stable tax rate. Medicaid funding continues to be a focal point of our budget. Resolution of this issue will be imperative to create stability in our county budget. As always, our county departments and staff do an outstanding job containing costs while providing exceptional public services. We will assure you that we will continue to focus our efforts on being good stewards of our allocated resources.

Respectfully Submitted,

David C. Dear  
County Manager