



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

**FY 2011-2012**

June 7, 2011

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

This proposed fiscal year 2011-2012 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 2011-2012 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 26, 2011 and a public hearing will be held on June 7, 2011.

The Board of Commissioners met on May 17, 2011 to discuss and evaluate budget and capital project priorities for fiscal year 2011-2012. The county has been facing challenging economic conditions over the past several years that have negatively affected county revenues, but because of the Commissioners strong leadership and sound fiscal management, Cleveland County has been able to present a balanced budget with no tax increase and no reduction in county funded services.

### **General Fund Budget**

The projected tax base for fiscal year 2011-2012 is \$6,725,000,000. This is a projected increase of \$175,000,000 in value over the previous year, which translates into \$967,575 in new revenue at a 57 cents tax rate and a 97% collection rate. Sales tax revenues are projected to stabilize this year but will still not rise to the levels from several years ago. Overall service-related fee collections also seem to have reached the bottom and are increasing slightly over last year. We have recently seen a slight increase in residential building permits. We hope this trend continues through the coming year. We must continue to recruit new businesses to our community. Growth in the tax base and sales taxes must increase to match our mandated spending requirements or our current allocated funding levels will be difficult to sustain over time.

The budget includes an increase in the hourly rate for the County Attorney from \$175 to \$220 per hour. This rate has not increased since July 1, 2007.

### **Human Services**

The overall appropriation of county funding for the *Department of Social Services* is \$4,323,824 for a decrease in funding of 4.99% over the previous year. This decrease is primarily the result of the department's efforts in creating operational efficiencies.

The *Health Department* budget reflects an overall decrease of 0.37% for a total county appropriation of \$3,689,336. A Social Worker I, two Public Health Nurse IIs, and a Public Health Nurse II (50%) have been added to the Health Department. All of these new positions are fully funded by Carolina Access grant funds. This budget also includes a reduction in force of a Computing Consultant I position (012.538.2052).

Due to the depressed economic conditions that exist throughout the nation and the state, all of the county’s human service agencies are experiencing an increase in caseload volume. The high unemployment rate is also resulting in a higher number of citizens without health insurance coverage which directly affects the need for increased government assistance. Although the client caseloads have increased, county employees are working diligently to maintain services at the same staffing levels.

**Landfill (Enterprise Fund)**

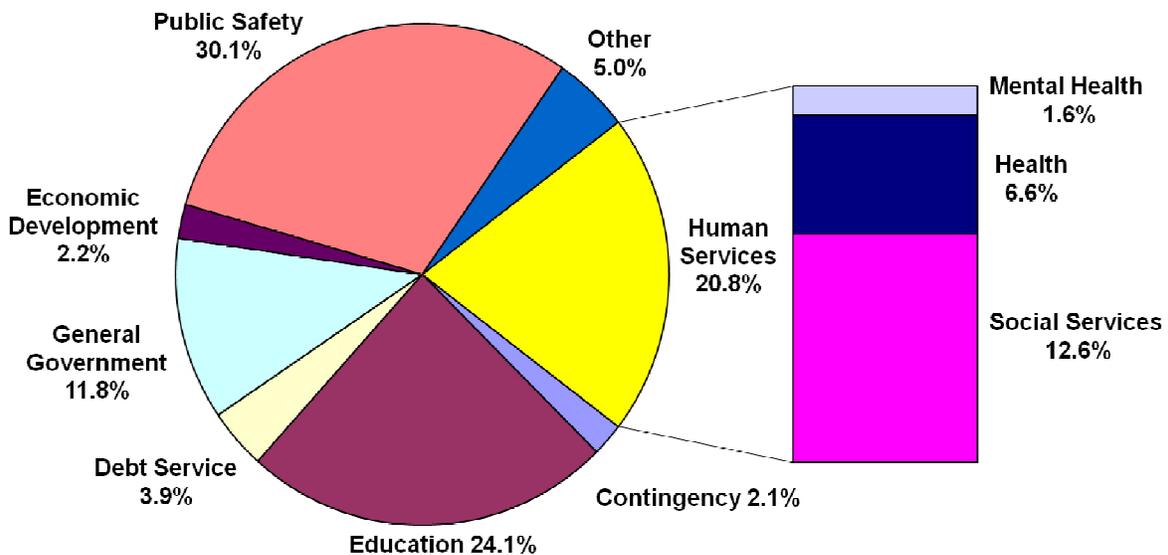
The annual base household fee to operate the convenience centers will be increasing from \$50 to \$60. This is the first time that this fee has been increased since being instituted over twenty years ago. Those that have municipal garbage collection will see an adjustment in their fees in proportion to the change in the base fee rate. We have been working on finalizing plans for the recovery and beneficial uses of the methane gas produced by the landfill. This renewable energy resource will be converted to electricity or used by a local industry as a heating source.

**Public Safety**

The *Emergency Medical Services* department budget is allocated a total of \$5,420,099. This department budget reflects an increase of .64%, with most of the additional funds consisting of part time salaries, billing company fees, and minor equipment purchases. A new ambulance and a quick response vehicle (QRV) are also included in the budget.

The *Sheriff’s Office* budget reflects an increase of 3.02% for a total appropriation of \$5,745,932. This budget includes the addition of 11 new Sheriff’s vehicles to replace current high mileage vehicles.

**Cleveland County Expenditures**  
 FY 2011-2012 Primary Fund By Function



The Detention Center appropriation is increasing by 4.91% for a total allocation of \$3,218,877. Last year, due to the 152 bed expansion at the Detention Center annex, the budget included the addition of 14 new staff members. As a result in the increased population, food, laundry, utilities, and health care costs have risen in the new budget. We have been working closely with the Sheriff’s Office administration to keep costs down as much as possible, but with the new jail expenses some increases in operational costs are unavoidable.

Mobile data terminals have been purchased for all emergency vehicles in the Sheriff’s Office, Emergency Medical Services, and Emergency Management. These terminals will give emergency personnel instant data access while in the field. The budget will include funding for the operation of this important public safety communication equipment.

**Volunteer Fire Service Districts**

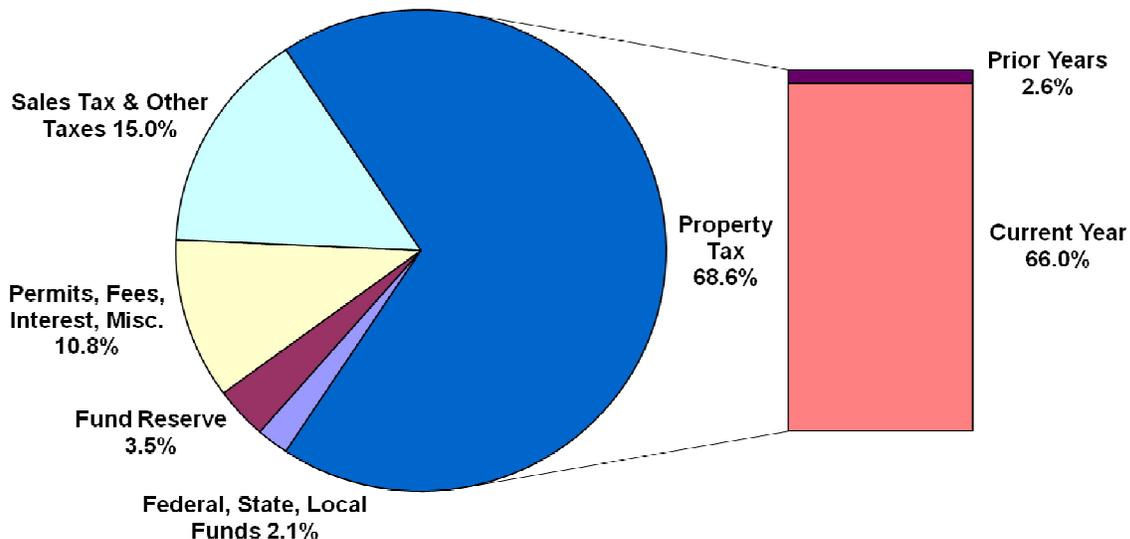
All fire service district tax rates will remain unchanged from last fiscal year. It is often difficult for many volunteers to be available to respond to calls during the day, so it may be necessary in the near future to explore the probability of having some paid staff during daytime hours. This county is fortunate to have a well trained and well equipped fire service. Our volunteers are enthusiastic in their desire to provide outstanding service to the citizens of Cleveland County.

**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%.

# Cleveland County Revenues

FY 2011-2012 Primary Fund By Source



**Human Resources**

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

In lieu of a pay increase, county employees will receive bonus vacation hours based on years of service. The years of service will be determined as of July 1, 2011. The bonus vacation hours may be used like any other vacation time. The hours will be pro-rated for part time employees in permanently budgeted positions.

<b>Years of Service</b>	<b>Bonus Vacation Hours</b>
<b>1-10</b>	<b>24</b>
<b>11-25</b>	<b>32</b>
<b>25+</b>	<b>40</b>

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 continue to remain stable due primarily to the savings of the HSA plan. We are fortunate in that we have been able to maintain our increase in premium costs over the past several years in the single digits. For next year, the premiums paid by the county on behalf of the employees will rise by only 3%.

With the rising utilization of our dental program, this budget includes an increase in our dental premiums. The premiums for individual employees will increase by \$1.00 per month, but will continue to be paid by the county. Dependent coverage, paid by employees, will also experience a small increase. The employee plus one dependent option will increase by \$1.00 per pay period and employee plus family coverage will increase by \$1.50 per pay period.

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. The budget includes the addition of a Physician Extender II (50%) and a Public Health Nurse II (50%) to our wellness clinic. Both of these positions are funded by our Wellness Program.

Due to the current economic conditions and the failure to reach targeted investment earnings, the North Carolina Local Government Employees' Retirement System Board of Trustees approved an increase in the employer contribution rate to 7.00% of payroll, which is a 0.50 percentage point increase. The new rate will be effective July 1, 2011. This is the second increase in the past two years.

**Veterans Services**

Last year, the Veterans Services office was redesigned and moved to a new location on the ground floor of the county administrative building. Our county veterans have commented that they have enjoyed the privacy of the new space. The numbers of veterans returning from active duty in the Middle East has risen over the past several years. The county staff has been doing an outstanding job in providing exceptional service to our local veterans.

**Public Schools**

The current expenditures for the Cleveland County School System will remain the same as in the previous year. The county allocation in the budget totals \$23,583,213 with the overall funding equating to over \$1,666 per pupil. The increase in per pupil funding is due primarily to a projected decrease in the number of students. Capital outlay will be reduced by \$250,000 and restricted capital projects will be funded at a total of \$1.2 million.

<b>CLEVELAND COUNTY SCHOOL FUNDING WORKSHEET (ACCRUAL BASIS) April 29, 2011</b>						
<b>FISCAL YEAR</b>	<b>2012 <i>projected</i></b>	<b>2011 <i>estimated</i></b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
Current Expense	10,408,213	10,408,213	10,408,213	10,408,213	9,908,213	9,808,213
Capital Outlay	1,750,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Special Capital Projects	1,200,000	1,400,000	1,400,000	1,400,000	1,400,000	1,300,000
Supplemental Tax	10,225,000	10,175,000	10,170,229	10,099,060	9,215,690	9,091,504
Fines & Forfeitures	500,000	500,000	580,292	590,056	640,742	561,027
Sales Tax	2,390,500	2,390,500	2,600,505	3,282,542	4,022,266	4,035,765
<b>Total Funding</b>	<b>26,473,713</b>	<b>26,873,713</b>	<b>27,159,239</b>	<b>27,779,872</b>	<b>27,186,911</b>	<b>26,796,509</b>
Student Population	15886	16147	16411	16768	16957	17089
<b>Per Pupil Funding</b>	<b>1,666.48</b>	<b>1,664.32</b>	<b>1,654.94</b>	<b>1,656.72</b>	<b>1,603.29</b>	<b>1,568.06</b>
Annual Amount Change	2.16	9.38	(1.78)	53.43	35.23	46.44
Annual Percent Change	0.13%	0.57%	-0.11%	3.33%	2.25%	3.05%

The new Shelby Middle School will be completed this summer and is scheduled to open for the new school year in August. Once completed, the old Shelby Middle School will be renovated to house the new consolidated school administrative offices and the student alternative programs.

**Community College**

The budget includes an allocation of \$1,415,129 in current expenditures for the Cleveland Community College. Funding for capital projects will remain unchanged. The construction of the LeGrand Center, located on the campus at the Community College, is progressing well and is anticipated to be completed in the late spring of 2012.

**Capital Projects**

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

- Farmers’ Market – Working on a joint project with the City of Shelby to create a new farmers’ market located in Uptown Shelby.
- 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.
- Detention Center Annex Expansion – Construction of the 152 bed expansion project is estimated to be completed in July 2011.
- Foothills Commerce Center – Working on a joint venture with the City of Shelby to develop an industrial park west of Shelby. A 100,000 square foot shell building in the park is under construction and is expected to be completed in August 2011.
- Historic Courthouse Renovations – Assisting with the renovation of the historic courthouse. The Earl Scruggs Center is scheduled to be completed in the spring of next year.

- Shelby Middle School – Working with the school board to build a new Shelby Middle School to open in the fall of 2011. Plans are to also renovate the current Shelby Middle School and consolidate the school administration and alternative programs.
- American Legion Baseball Facilities – Assisting with the renovation of the Shelby High School Baseball Stadium in preparation for the American Legion World Series in August.

**Economic Development/Tourism**

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

The county has continued to place an emphasis on local travel and tourism within our community. This budget is allocating \$95,000 for travel and tourism with a majority of funding coming from the local occupancy tax. Work continues on the Shelby High School baseball stadium which will host the American Legion World Series baseball tournament. As a result of the hard work of many dedicated volunteers, our community will see a tremendous economic benefit and national recognition. Along with the support of the county, private donors, and a \$1.5 million grant from the Economic Development Administration, Destination Cleveland County has begun renovations of the former historic county courthouse. The new Scruggs Center, once complete, along with the Don Gibson Theatre, will have a significant impact on the numbers of visitors to our county.

**Conclusion**

The county unemployment rate is currently 11.7%. Retail sales have begun to stabilize and local housing starts are improving but are not near the levels of several years ago. With economic uncertainty, this budget focuses on maintaining overall public expenditures at current levels. We are exploring all avenues to manage costs while providing exceptional quality services. With the County Commissioners' direction and leadership, we will continue to operate with no reduction in county funded services and no 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. We are currently working on several economic development projects which if successful will have a positive impact on our overall economy and unemployment 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 and manage our resources wisely while providing exceptional public services.

Respectfully Submitted,

David C. Dear  
County Manager