



COUNTY MANAGER'S BUDGET MESSAGE

FY 2012-2013

June 5, 2012

To the Cleveland County Board of Commissioners:

The proposed fiscal year 2012-2013 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 2012-2013 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 25, 2012 and a public hearing will be held on June 5, 2012.

The Board of Commissioners met on May 1, 2012 to discuss and evaluate budget and capital project priorities for fiscal year 2012-2013. 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 2012-2013 is \$6,950,000,000. This is a projected increase of \$225,000,000 in value over the previous year, which translates into \$1,244,000 in new revenue at a 57 cents tax rate with a 97% collection rate. Sales tax revenues are projected to continue 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.

Human Services

The overall appropriation of county funding for the *Department of Social Services* is \$7,624,984 for an increase in funding of 7.31% over the previous year. This increase is primarily due to a reduction in Federal and State funding for county mandated programs and services. These programs provide essential services for families and children.

The *Health Department* budget reflects an overall increase of 0.04% for a total county appropriation of \$3,690,936. A Pharmacist, Public Health Nurse II, and a Processing Assistant III have been added to the Health Department. All of these new positions are fully funded by Carolina Access grant funds.

Landfill (Enterprise Fund)

In the budget, there is the addition of a \$200.00 fee that will be charged for any banned materials that are brought into the Cleveland County Solid Waste Management Facilities. Any violations of these rules will result in the rejection of the load, additional acceptance fee of \$200.00 plus tipping fees and possible legal action. Some of the banned items include used oil, yard waste, whole scrap tires, and wooden pallets. While they may not be dumped in the landfill, many of the banned items are still being collected at the recycling centers.

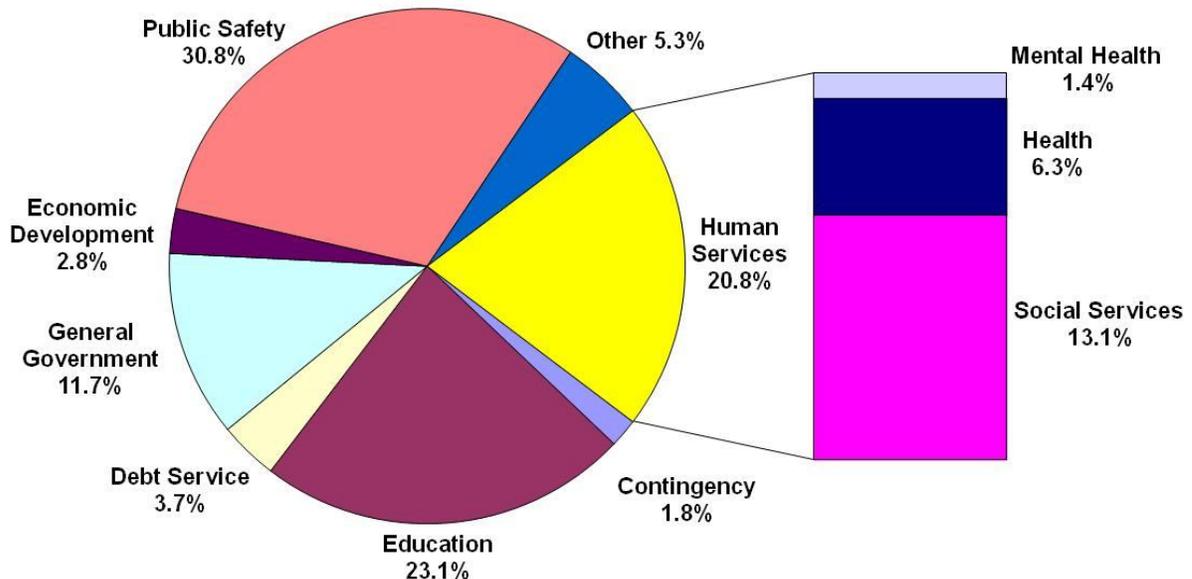
Public Safety

The *Emergency Medical Services* department budget is allocated a total of \$5,443,141. This department budget reflects an increase of 0.43%.

The *Sheriff’s Office* budget reflects an increase of 0.79% for a total appropriation of \$5,791,137. This budget includes the addition of 11 new Sheriff’s vehicles to replace current high mileage vehicles.

The Detention Center appropriation is increasing by 25.80% for a total allocation of \$4,051,761. The State recently implemented a voluntary program offering county detention facilities the opportunity to house misdemeanants that have been sentenced for a period of 91 to 180 days. In order to participate, the county has hired an additional 15 new detention officers. The revenues from this program will be used to offset their salaries and other departmental expenses. Along with this program and the expansion at the Detention Center annex, the budget includes additional expenditures for food, laundry, utilities, fuel, and health care costs. We have been working closely with the Sheriff’s Office to keep costs down as much as possible, but with the new jail expenses some increases in operational costs are unavoidable.

Cleveland County Expenditures
FY 2012-2013 Primary Fund By Function



Volunteer Fire Service Districts

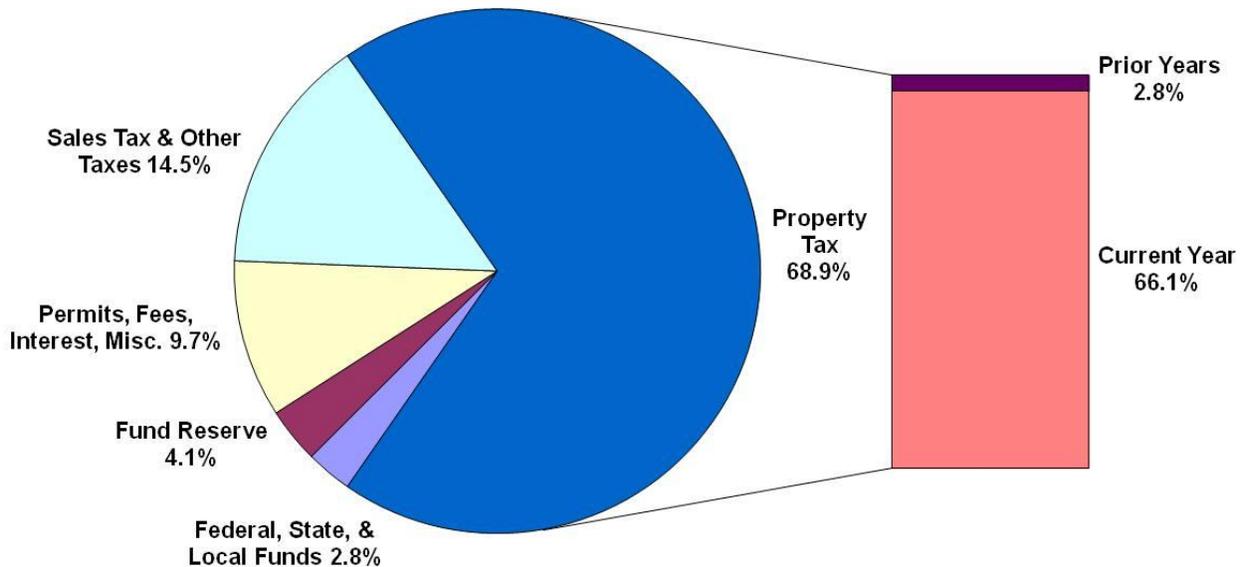
All fire service district tax rates will remain unchanged from last fiscal year. It is often difficult for many volunteers to be available to respond to calls during the day, so it may be necessary in the near future to explore the probability of having some paid staff during daytime hours. This county 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 2012-2013 Primary Fund By Source



Veterans Services

The Cleveland County Veterans Services office assists our 8,759 local veterans and their dependents in applying for pension, health care, compensation, and other benefits and services. Due to the economy and rising costs in health care, the Veterans Office has seen a 30% increase in applications for health care benefits. The county staff has been doing an outstanding job in providing exceptional service to our local veterans.

Human Resources

It has been several years since county employees have received the opportunity for a pay increase. This budget includes a \$500 bonus for all permanently budgeted full time employees with one or more years of service as of July 1, 2012. The \$500 bonus will be pro-rated for part time employees in permanently budgeted positions.

In addition to the bonus payment, county employees will receive additional vacation hours based on years of service. The years of service will be determined as of July 1, 2012. These vacation hours may be used like any other vacation time. The hours will be pro-rated for part time employees in permanently budgeted positions.

Years of Service	Bonus Vacation Hours
1-10	24
11-25	32
25+	40

Beginning this year, the county will provide employees with a Health Savings Account (HSA) as the only health insurance plan option. Our health insurance costs have remained stable over the past several years 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 4.5%. The dental program has been stable this past year so there will not be an increase in dental premiums in the budget.

The Wellness Program continues to be a great benefit for county employees. 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 North Carolina Local Government Employees' Retirement System Board of Trustees approved a decrease in the employer retirement contribution rate. Effective July 1, 2012, the new county budgeted rate will be reduced from 7.00% to 6.75%.

Cleveland County Library System

The Cleveland County Library System consists of two facilities that provide up-to-date library services to the people of Cleveland County. The main library in Shelby, located across from the Shelby City Park, is open 6 days a week. Besides the traditional library services, the main library provides free access to the Internet for the public as well as free access to the latest in ebooks and audiobooks. Over 150,000 people visit the main library every year and check out approximately 250,000 items. The Spangler Branch Library, located in Lawndale, serves the residents of upper Cleveland County. Offering all the same services of the main library but on a smaller scale, the branch is open 26 hours a week and circulates more than 30,000 items each year.

The Library Board of Trustees is recommending that the county approve an increase in overdue fines to twenty-five cents a day up to a maximum of \$10.00 per item. Effective July 1, 2012, this increase will make the fee structure compatible with other members of the NC Cardinal consortium.

Public Schools

The current expense allocation for the Cleveland County School System will remain the same as in the previous year. The county allocation in the budget totals \$24,058,213 with the overall funding equating to over \$1,744 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 \$200,000 and special capital projects will be funded at a total of \$1.2 million.

COUNTY OF CLEVELAND, NORTH CAROLINA SCHOOL FUNDING WORKSHEET (ACCRUAL BASIS) April 23, 2012						
FISCAL YEAR	2013 <i>projected</i>	2012 <i>estimated</i>	2011	2010	2009	2008
Current Expense	10,408,213	10,408,213	10,408,213	10,408,213	10,408,213	9,908,213
Capital Outlay	1,550,000	1,750,000	2,000,000	2,000,000	2,000,000	2,000,000
Special Capital Projects	1,200,000	1,200,000	1,400,000	1,400,000	1,400,000	1,400,000
Supplemental Tax	10,900,000	10,725,000	10,150,211	10,170,229	10,099,060	9,215,690
Fines & Forfeitures	500,000	500,000	506,623	580,292	590,056	640,742
Sales Tax	2,740,500	2,690,500	2,589,580	2,600,505	3,282,542	4,022,266
Total Funding	27,298,713	27,273,713	27,054,626	27,159,239	27,779,872	27,186,911
Student Population	15,651	15,886	16,107	16,411	16,768	16,957
Per Pupil Funding	1,744.22	1,716.84	1,679.68	1,654.94	1,656.72	1,603.29
Annual Amount Change	27.38	37.16	24.74	(1.78)	53.43	35.23
Annual Percent Change	1.59%	2.21%	1.49%	-0.11%	3.33%	2.25%

Community College

The budget includes an allocation of \$1,481,000 in current expenditures for 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 July 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 this multi-purpose facility.
- 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 has been completed in the park and is currently being marketed to prospective clients.
- Historic Courthouse Renovations – Assisting with the renovation of the historic courthouse. The Earl Scruggs Center is scheduled to be completed early next year.
- American Legion Baseball Facilities – Assisting with the renovation of the Shelby High School Baseball Stadium in preparation for another successful American Legion World Series in August.

Economic Development/Tourism

The budget appropriates \$161,000 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 \$104,352 for travel and tourism with a majority of funding coming from the local occupancy tax. Work continues at the Shelby High School baseball stadium to prepare for 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 from this event. Along with the support of the county, private donors, and a grant from the Economic Development Administration, Destination Cleveland County is continuing with the 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 number of visitors to our county.

Conclusion

The county unemployment rate is currently 10.8%. While the overall economy is still struggling, retail sales have been stabilizing over the past couple of years and local housing starts have been improving but are not near the levels of several years ago. With economic uncertainty, this budget focuses on keeping operating costs down while maintaining the same level of public services. The county departments have been 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.

We look forward to continuing our focus on the recruitment of new businesses and the retention of our current businesses. There have been several recent existing industry job expansions and new company announcements. 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 more 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 continue to work diligently to contain costs and manage our resources wisely while providing exceptional public services.

Respectfully Submitted,

Eddie Bailes
County Manager