



COUNTY MANAGER'S BUDGET MESSAGE

FY 2010-2011

June 1, 2010

To the Cleveland County Board of Commissioners:

This proposed fiscal year 2010-2011 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 2010-2011 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 19, 2010 and a public hearing will be held on June 1, 2010.

The Board of Commissioners met on March 25, 2010 to discuss and evaluate budget and capital project priorities for fiscal year 2010-2011. Our county has been facing challenging economic conditions 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 2010-2011 is \$6,550,000,000. This is a projected increase of \$115,000,000 in value over the previous year, which translates into \$635,835 in new revenue at a 57 cents tax rate and a 97% collection rate. Sales tax revenues are projected to slightly decrease this year but will hopefully recover sometime in 2011. Overall service-related fee collections are expected to see a reduction in most 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 \$4,550,723 for an increase in funding of 7.78% over the previous year. This increase is primarily the result of a rise in the county's share of state-mandated costs. County funding will be increasing for foster care services and state aid to counties for administration purposes will be decreasing. Due to the poor state of the economy, the volume of clients at Social Services is continuing to grow. The demand for services is likely to continue until the economy improves. This budget does include two new Income Maintenance Caseworker IIs for Social Services. If the County Commissioners had not approved a new computerized client services system a little over a year ago, we would be facing the need to add more staff to handle this increased workload, but as it stands we are able to handle the increased volume of clients with very little change in staffing levels.

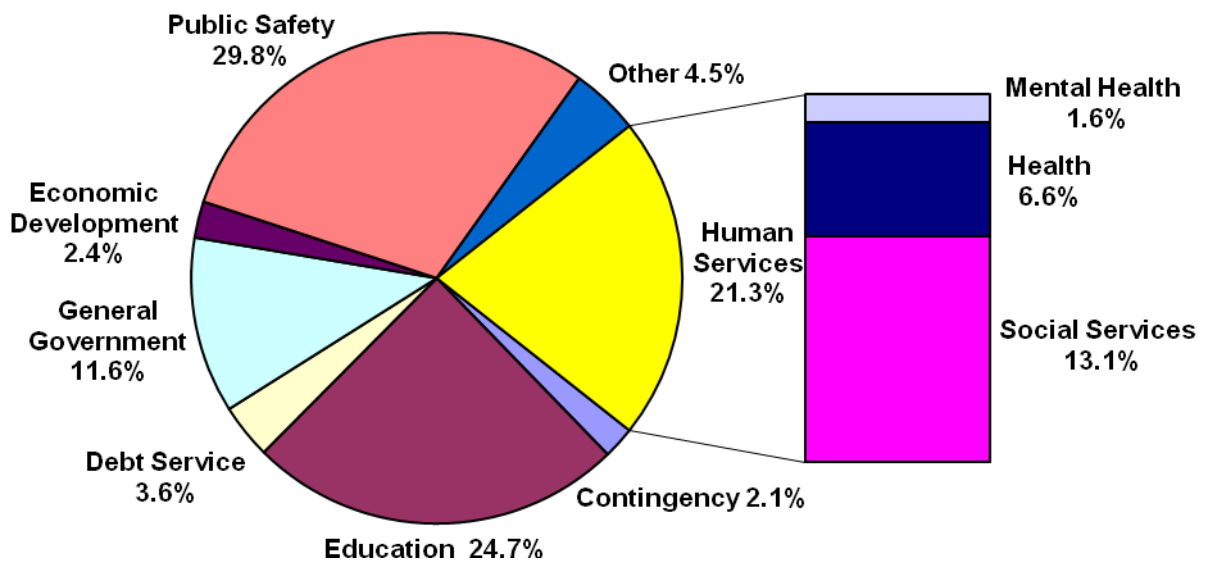
The *Health Department* budget reflects an overall increase of 1.83% for a total county appropriation of \$3,703,140. The Health Department is proposing to add four full time Public Health Nurse IIs, one Public Health Nurse I, one Public Health Nurse II (50%), and one new Computing Support Technician. These positions are grant funded; therefore when the grant expires the positions will be abolished. This budget also reflects a reduction in force of two Environmental Health Specialists (012.541.0039, 012.541.0055).

Landfill (Enterprise Fund)

The county moved into our newly constructed landfill in January 2010. We are currently in the process of closing the old landfill. The fee schedule for the landfill will be rising by \$3 per ton due to the increased environmental costs associated with the old unlined landfill that we took over from the City of Shelby which ceased operations in the 1970s. We are continuing to explore the recovery and beneficial uses of the methane gas produced by the landfill. A proposal will be presented later in the year on the potential uses of this gas as a renewable energy resource.

Cleveland County Expenditures

FY 2010-2011 Primary Fund By Function



Public Safety

The *Emergency Medical Services* department budget is allocated a total of \$5,385,427. This department budget reflects an increase of .97%, with most of the additional funds consisting of part time salaries, billing company fees, and minor equipment purchases. A new ambulance is also included in the budget.

The *Sheriff’s Office* budget reflects a decline of 1.11% for a total appropriation of \$5,577,386. This budget includes the addition of 10 new Sheriff’s vehicles to replace current high mileage vehicles. With the retirement of the incumbent Sheriff in December, further adjustments may be necessary when the new Sheriff takes office.

The Detention Center appropriation is increasing by 28.66% for a total allocation of \$3,068,155. Due to the 152 bed expansion at the Detention Center annex, it is necessary to hire a total 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 addition of new inmates some increase in operational costs are unavoidable.

Volunteer Fire Service Districts

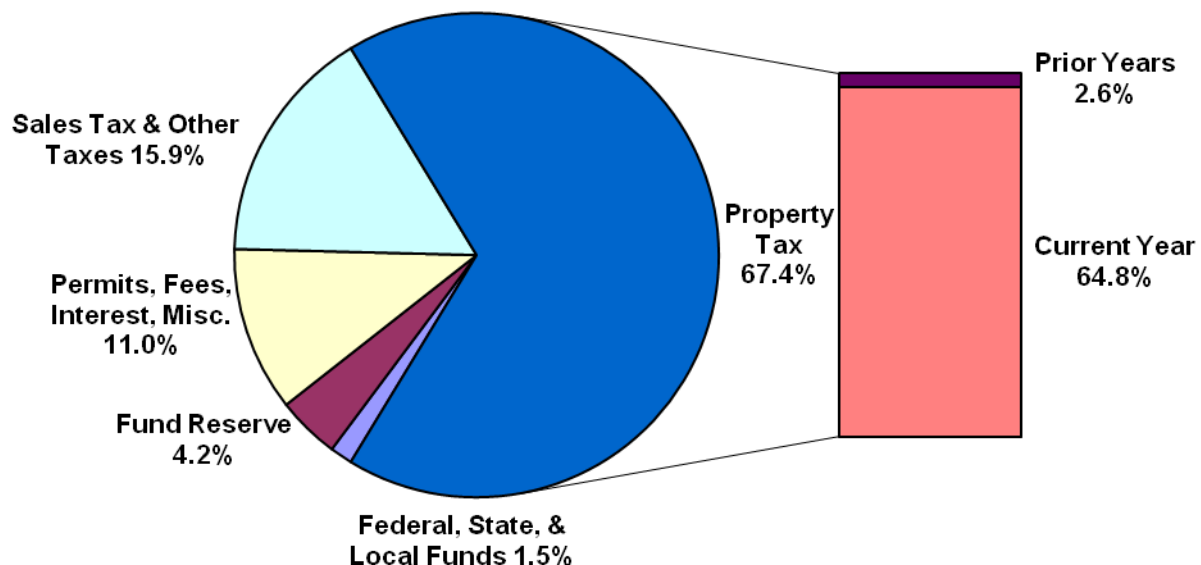
All fire service district tax rates will remain unchanged from last fiscal year. Fire departments continue to place an emphasis on the recruitment and retention of their volunteer members. It is often difficult to get volunteers during the day who are available to respond to calls, so in the near future we will need to explore the probability of having some paid staff during daytime hours.

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%. With the addition of the Paralegal position, our tax collection rate remains strong in spite of the poor economy. Later this coming year we will need to begin discussing the county's options for the next scheduled property revaluation.

Cleveland County Revenues

FY 2010-2011 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, 2010. 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.

Years of Service	Bonus Vacation Hours
1-5	8
5-10	16
10-15	24
15-20	32
20-25	40
25-30	48
30+	56

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. For next year, the premiums paid by the county on behalf of the employees will rise by 4%.

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.

Due to the poor economy 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 6.35% of payroll, which is a 1.55 percentage point increase above the current rate of 4.8%. This new rate will be effective July 1, 2010.

Veterans Services

As a result to the increased volume of veterans in the county, the Veterans Services office has been redesigned and moved to a new location in the basement of the county administrative building. In order to continue our priority in providing prompt and effective services for our county veterans, this budget has allocated a new Administrative Support Assistant to this department.

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 \$24,133,213 with the overall funding equating to over \$1,679 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 be the same as the previous year for a total of \$1.4 million.

CLEVELAND COUNTY SCHOOL FUNDING WORKSHEET (ACCRUAL BASIS) March 15, 2010						
FISCAL YEAR	2011 <i>projected</i>	2010 <i>estimate</i>	2009	2008	2007	2006
Current Expense	10,408,213	10,408,213	10,408,213	9,908,213	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	1,400,000	1,300,000	1,100,000
Supplemental Tax	10,325,000	10,200,000	10,099,060	9,215,690	9,091,504	8,972,776
Fines & Forfeitures	550,000	575,000	590,056	640,742	561,027	488,464
Sales Tax	2,440,500	2,679,000	3,282,542	4,022,266	4,035,765	3,828,164
Total Funding	27,123,713	27,262,213	27,779,872	27,186,911	26,796,509	26,197,617
Student Population	16,147	16,411	16,768	16,957	17,089	17,217
Per Pupil Funding	1,679.80	1,661.22	1,656.72	1,603.29	1,568.06	1,521.61
Annual Amount Change	18.58	4.50	53.43	35.23	46.44	70.64
Annual Percentage Change	1.12%	0.27%	3.33%	2.25%	3.05%	4.87%

The Board of Commissioners approved plans to build the new Shelby Middle School which is scheduled to open in the fall of 2011. Once completed, the old Shelby Middle School will be renovated to house the school administrative offices. There are also plans to renovate North Shelby School sometime in the near future.

Community College

The budget includes an allocation of \$1,415,129 in current expenditures for the Cleveland Community College. This appropriation includes increased funding due to the rise in student enrollment and for utilities and maintenance for new campus facilities. Funding for 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. The design of the facility has been completed. The financing and other fund raising efforts are in progress.
- Shelby Middle School – Working with the School Board to prepare for a new Shelby Middle School with plans to open in the fall of 2011.
- Detention Center Annex Expansion – Construction is under way for the 152 bed expansion project with an estimated completion date of January 2011.
- Animal Shelter – Final stages of an extensive animal shelter renovation and expansion are under construction.
- Foothills Commerce Center – Working in a joint venture with the City of Shelby to develop an industrial park west of the City. Efforts continue with the exploration of funding sources to construct a shell building in the park.
- Fuel Facility – Worked with the City of Shelby on a joint project to save taxpayers by constructing a fuel facility for public vehicles. This facility, located on Grover Street, opened the first of May.
- Shelby – Cleveland County Regional Airport Terminal - Working on a project with the City of Shelby to construct a new airport terminal to be completed later this year.

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 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 \$90,000 for travel and tourism with a majority of funding coming from the local occupancy tax. Cleveland County and the City of Shelby were recently awarded a four year contract to 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. Destination Cleveland County recently received a \$1.5 million grant from the Economic Development Administration to assist with the development of the Scruggs Center. Once complete, this facility 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 14.3%. Retail sales have continued to decline and local housing starts are currently very depressed. Despite declining revenues, this budget focuses on maintaining overall public expenditures at current levels. We are exploring all avenues to manage costs while providing exceptional quality services. Based on the 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