

Budget Message

FY 2009/2010

May 19, 2009

Introduction

Last year one of the biggest problems we were experiencing was the tremendous increase in the cost of fuel. This was also “fueling” an increase in the cost of goods and services the county must purchase to conduct business.

Also, at this time last year, we held the line where possible, or reduced where possible, and kept the increase to a little over 3% when the CPI is factored in.

Without a doubt, this has been the most difficult budget process the county has experienced in my recollection. Sales tax collections were far under budget and based on the last 3 months collected, it does not appear to be getting any better anytime soon. Last year we did estimate a lower growth rate than in previous years, but we did expect some growth. This year we are projecting reductions in our revenues in many areas, and no growth in others. Again, this will be the biggest challenge faced by the county in recent memory.

Expenditures

The proposed General Fund Budget is \$153,448,600. Compared to the 2008/2009 original budget, this is a \$15,143,250 decrease and is \$7,729,337 less than what was spent in 2007/2008. I can assure everyone there was not that much fat in those two budget years so in order to achieve this kind of reduction, it was necessary to make cuts deep into the muscle. Below are highlighted some of the areas that have been impacted the greatest.

Personnel – As shown on Schedule B, there are only 3 new positions being recommended. All three of these are in the Department of Social Services which has seen the effects of the recession as an increased demand for services. These 3 positions are partially funded by state and federal funds.

Five positions have already been eliminated and other positions are being identified for reduction or elimination. It is anticipated that we will identify another 20 full or part-time employees during this budget year. These reductions will have their greatest impact on FY 2010/2011.

There are no salary increases being proposed in the budget. This is disappointing for county employees, but most employees are understanding and supportive.

Capital Expenditures (See Schedule C) – This is another area that is taking a major cut. Last year, \$2.4 million was recommended for capital purchases in the General Fund. This year the recommendation is \$690,985. But giving credit where credit is due, this is only \$124,000 less than originally requested.

Evident in reviewing Schedule C, almost all of the capital expenditures in the general fund are for technical upgrades.

Education (Schedule E) – As in previous years, the largest expenditures in the budget is for education while the actual amount is decreasing in FY 2009/2010, the percentage of the budget has increased from 43.93% to 44.81%.

The schools saw a decrease in the estimate of students for FY 2009/2010 or a reduction in the ADM by 203. This will account for some of the reduction to the schools. As was stated in the fall retreat, the per pupil expenditures will be reduced to reflect the decrease in revenues. The ADM expenditure is dropped from \$1466 to \$1375 which approximately is a 6.2% reduction.

Revenues

This is where the real story is. Although a modest (3%) increase in property tax collections is estimated, that of course is much less than increases in previous years. And although it is estimated that delinquent tax collections will be down, the major decrease in revenues comes from a drastic drop in the sales tax. We are estimating that the one-cent tax alone will be down almost \$3 million, and that is an early projection. Based on the worst recent collections, it is possible for the collections to be even lower.

Collections of fees in the Register of Deeds are estimated to be almost \$1 million less than originally budgeted in the current year. EMS revenues should hold steady but a fee increase is recommended. We are low in the region and missing out on reimbursements from medical, Medicaid and third party payments.

It is also estimated that fees for Inspections will be down \$1.3 million. Confronting us here is the need to reduce costs because of a reduction in the demand for services but at the same time holding on to our qualified employees so we can be ready to ramp back up when the demand for services increase. The approach we have taken so far has been to reduce the hours to 32 hours a week, but this will not cover all the shortage so it may be necessary to eliminate some positions totally if the work load doesn't pick back up soon. The same holds true for Planning, Zoning, Erosion Control, Environmental and possibly Register of Deeds.

Conclusion

It is recommended that the Iredell County Board of Commissioners approve the proposed 2009/2010 budget as presented. If so approved, this will leave the tax rate at 44.5 cents per \$100 valuation based on the Tax Assessor's estimate of \$20,387,000,000.

To balance the budget, it will be necessary to utilize \$2 million of the unappropriated Fund Balance leaving a fund balance of 12.71% (see Schedule A).

Submitted by Joel Mashburn, County Manager