



Budget Message
Proposed Budget 2011-2012
Iredell County

Introduction

When the staff first started working on the budget recommendation for FY11-12, we were faced with an economy still in the doldrums and unemployment hovering at or above 10%. We were also faced with building a budget on a tax base that was worth less than it had been the year before. Although the Board of Commissioners had wisely predicted, back in FY09, that the economy would be slow in returning and had authorized us to dig into our savings for three years at a rate of \$2 million per year, there was also the need to cut expenses at a rate never here-to-fore called for. We have seen our budget fall from a high of \$165,591,850 in FY09 to a low of \$150,307,275 in FY11. Just in 2 years, the county has budgeted to spend over \$27 million dollars less than it would have spent if spending had continued at the same level as FY09. These reductions were only possible because needed expenditures were delayed. It is true that in the departments that are tied so closely to the building industry there has been a reduction in the demand for those services, but we have addressed that by reassigning employees to other jobs using grant funds to cover the cost or we have laid people off. In other departments, the demand for services has actually increased, yet we have seen a reduction in funding for those departments. This has been accomplished mainly by delaying the purchase of needed technical improvements or other capital items as well as delaying the hiring of personnel needed to meet service demands. Additionally, remaining employees have gone two years without any increase in pay, yet the work placed on them has increased. Not only has there not been an increase in pay, in FY10, all employees except those in emergency services took a 2% cut in pay.

Even though we have had to reduce budgets and services one major portion of our annual budget has continued to increase. Our debt service is an obligation that must be met regardless of our economic condition. It has gone from 12% or \$18,410,426 annually in

FY08 to 18% or \$27,023,048 in FY11. We have many new and renovated schools in the county which were much needed but the cost of the debt on those schools hasn't gone down just because the economy has.

Other areas of grave concern are facilities and equipment that are needed to provide an adequate level of emergency services. We have delayed purchasing new ambulances to the point that reliability of many of our units is in serious question. And even though we have seen a leveling off of the accelerated growth in population there are still areas of the county where we need to increase staffing and equipment to maintain an acceptable response time.

In addition to delaying the replacement of life saving equipment in EMS, we have done likewise in the Sheriff's office. There is an immediate need for over \$400,000 in vehicles and another \$840,000 in needed equipment and software, and of course, fuel cost for both EMS and Sheriff is accelerating at a rate not experienced in some time.

What has not been addressed in the budget of the last couple of years are the future capital needs of the county. Currently we have courts that have insufficient facilities much of the time, and a jail that is overcrowded everyday. Although it is the responsibility of the Sheriff to operate the jail and to bring before the commissioners the need for additional facilities, one only has to look at the numbers to know that the need for expanded facilities cannot be delayed much longer.

Education

Another area that has been extremely hard hit from all sides the last couple of years has been our schools. Since FY09, our funding for school current expenses has dropped from \$32,923,428 to \$29,292,900 or cumulatively the funds budgeted for schools have been reduced by over \$5.6 million. This is in addition to reductions made by the state to balance its own budget. The budget has been reduced, but there has not been a commensurate reduction in the number of children enrolled in our school systems.

If the Board approves the budget as proposed, funding for schools will increase to \$1387 per pupil still well below the \$1466 in FY09. This is necessary to maintain our standard of having two of the finest local school systems in the state.

Personnel

As I said earlier, county employees have gone two years without a pay increase of any kind. The budget as proposed will set aside 3.50% that will be granted as a pay adjustment either on an across-the-board or a merit or a combination as the board determines. The only new positions are four new in EMS, one in Recreation and one position that is presently unfunded will be brought back to full funding.

Appropriation of fund balance

Even though the Board of Commissioners had previously authorized the expenditure from the fund balance of \$2 million per year for 3 years, if that is done this year even at a revenue neutral tax rate, the fund balance will drop to 13.72%. That would be a sound decision if there were more signs that the economy is going to see an accelerated recovery, but the signs are just not there to support that conclusion. Therefore, the proposed budget does not recommend using any fund balance in FY12. To do so now could probably mean a heftier increase in the tax rate next year. Not only will we see the possible need to dig into the fund balance more next year, we will delay even further our ability to be in stable financial position to meet the capital needs that are coming, and the increase in service demands as the growth of the county picks back up.

Recommendation

For the reasons stated or summarized above it is recommended that the county commissioners approve a general fund budget in the amount of \$157,558,285. If you approve as presented, it will set the tax rate at 50¢ per \$100 in valuation based on a tax base of \$20,209,093,820 and a collection rate of 96.77%. In addition to the above, it is estimated that sales tax revenue will continue to see a slow and gradual increase but it may be years before we see a return to the amounts before the recession.

Even if this budget is adopted as recommended, it does not take us back to the funding level of FY08, and considering an average CPI of 2.3% from FY08, this budget is \$15,778,000 less than it would have been if we had been keeping up with the cost of living.

Conclusion

Obviously I had hoped that my last budget proposal would have been one that could have been more favorably accepted by the public. Thinking back to 1988 when I came here, I believed it to be necessary then to recommend a tax rate increase of 3¢ my very first year. The second year, it was necessary to recommend a 10¢ tax rate increase. This was necessary for a couple of reasons. One was because the fund balance in previous years had been allowed to drop below the 8% required by the state treasurer. Another reason is the state began shifting more of its funding obligations to the county. That is continuing even today.

Another reason for these increases was because of the need to start making significant funds available for school construction to meet actual and projected growth. Then there were also the changes in Medicaid eligibility placing a heavier burden on the county to fund its local share.

These tax rate increases were not popular, and some may argue that they were not necessary, but without them, I do not believe the county would have been able to accomplish all that it has accomplished and maintain such a balanced tax rate for so long. I believe that we are at a juncture similar to the one in 1989. No one wants to do it, but one must consider the consequences if it isn't done.

This completes my obligation to recommend a balanced budget as required by GS 195-11. I recommend its approval to you.

Thank you,
Joel Mashburn
Iredell County Manager