

BUDGET MESSAGE
FY 2008/2009
May 20, 2008

This proposed budget is submitted to the Iredell County Board of Commissioners in accordance with the North Carolina Local Government and Fiscal Control Act.

INTRODUCTION

Several major factors have had an impact on the budget for FY 08/09. Fuel costs have gone up 37% in the General Fund and ICATS budget. It is estimated to go up 71% in the Solid Waste budget. In addition, we have seen the Consumer Price Index (CPI) increase at its highest rate since 1990, and based on year to date numbers, may be even higher for 2008.

Even though we have seen a slight leveling of new construction, Iredell County is still experiencing rapid growth and the demand for services is being impacted both by the rapid growth as well as the worsening economy. For these reasons, and others, the proposed budget is based on a lower growth rate in revenues and an increased demand for services.

EXPENDITURES

The proposed General Fund Budget of \$169,612,420 is up 7.16% over the original 07/08 budget, but when compared to the budget as it was revised during the budget year, it is an actual decrease of about \$2 million. Notwithstanding this last statement, and considering a CPI of approximately 4%, the budget increase, as proposed, is just a little over 3%. The proposed budget is about as flat as one can make it and still operate efficiently and effectively.

Personnel – The proposed budget reflects an increase of less than 1% or only 8 new positions. For FY 07/08, the board approved 46 new positions or a 5.2% increase. All but 1 of the recommended positions is for public safety and 1 is for the Recreation Department which is experiencing a very high demand for its programs. A comparable increase in revenue will help offset the cost of the new position.

Also included, are funds to provide all employees an across-the-board increase on average of 2.5% and performance increase on average of 2.5% with the latter being awarded on their anniversary date if they qualify. It is also proposed that we continue with the program of evaluating 1/3 of the classifications each year and adjust the salary ranges if the market dictates.

As a percent of the total, employee salaries and benefits remain the same as in 07/08.

Capital Expenditures – Not including upcoming capital improvements, capital expenditures requested for 08/09 amounted to \$5,331,287. This proposal only recommends \$3,081,292, or \$1.5 million less than last fiscal year. As you review Schedule C, you will see that the majority of the increases are for technology improvement except in the Sheriff's Department where over \$500,000 is for new vehicles.

One way to summarize the real impact of the expenditures for FY 08/09 is to look at the proposal by function (Chart 2). As a percentage of the budget, the amount appropriated for schools went from 50% to 51.37%; the amount for public safety went from 18% to 19.81%, and Human Services went from 15% to 13.46%. That left a balance to operate all the rest with 15.36%, down from 17%. I feel it is fair to say in most areas county government is being called on to do more, but with less. To further emphasize this point, the total amount appropriated for operating expenses decreased from 23% to 22% (Schedule E.)

In addition to the above, the proposed budget also has \$160,000 set aside for operation of the new Troutman Library which is expected to be completed sometime in 2010. Additional funds will need to be allocated in the following year budget.

The amount transferred into the Parks' Reserve Fund is increased from \$90,000 to \$230,000. That will bring the estimated fund balance to \$835,000.

Schools – As it was stated earlier, almost 52% of the county general fund goes to support education. This year the proposed education budget is 11.96% increased over FY 07/08, going from \$66,149,615 to \$74,059,583. It is anticipated that the public schools will see an increase in ADM (Average Daily Membership) of 455 students, from 27,649 in 2007 to 28,104 in 2008. The budget recommends a 7.79% increase in the per pupil rate going from \$1,360 to \$1,466 for current expenses.

Certificates of Participation issued for public education during FY 2008 totaled \$106,640,000, and \$5,300,000 in General Obligation Bonds were issued for Mitchell Community College. These financings increased total debt outstanding for Educational purposes to \$265,200,000. Interest payments on the 2008 COPs totaling \$6,175,616 and principal and interest on the 2008 MCC General Obligation Bond of \$486,693 are included in the 2008-09 budget.

This completes the highlights of the expenditures side of the budget, so now let's look at how all of this will be paid.

REVENUES

To a large degree, Iredell County has been spared the drastic reduction in revenue that has fallen on some of the counties in North Carolina. Nevertheless, we have not seen the increases we have experienced in previous years. The proposed budget is based on a 3% growth in the property tax. This is the lowest it has been in years. Hopefully, this is a temporary slow down, but the future still remains very uncertain. It is anticipated that we will collect 96.8% of the taxes billed in the year they are due, but this could change if the economy continues to worsen.

Sales Tax – Receipts are also not growing at the rate they have in the past few years. Instead of seeing double digit growth, we expect 6% growth in the 1¢ tax, and only 3% in the two ½ cent taxes. The receipts from the 2002 half cent tax will be reduced since the state will be taking part of it in exchange for the Medicaid buy out. Our estimate of the net on this exchange will be a gain of \$1,600,000 for FY 09. In total, we expect a 4% increase in revenues to go to balancing the 08/09 budget. This means that it will be necessary to balance the budget with a \$5 million

appropriation from the fund balance. However, as you can see on Schedule A, this will still leave an unreserved, undesignated fund balance of \$23,634,230 or 13.93%. This is well within the guideline set by the commissioners. If the economy improves, or if the tax base continues to grow, this appropriation may be reduced for future years. If the opposite occurs the board will need to take a look at additional funding options. A quarter percent sales tax is estimated to generate almost \$5 million, or the equivalent of a 2.56 cent ad valorem tax. This is not necessary now, and whether it will be in the future depends on the rate of growth we experience and the value of that growth in relation to the increased cost in services.

New Fees – The budget as proposed does incorporate some new or increased fees in Inspections and EMS. Also, the Solid Waste fees will increase for the most part to offset a new \$2.00 per ton State of North Carolina Solid Waste Tax. The County is required to collect the tax and remit the proceeds to the State.

CONCLUSION

It is recommended that the Iredell County Board of Commissioners approve the proposed 2008/2009 budget as presented. If so approved, this will leave the ad valorem (property tax) rate at 44.5 cents per \$100 evaluation based on the Tax Assessor's estimate of \$19,750,300,000.

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