Five Year Financial Plan

The Five Year Financial Plan is a forecast of revenues and expenditures spanning a five year period beginning with the adopted annual budget for the upcoming fiscal year. By using a five year planning window, the County ensures that commitments, obligations and anticipated needs are met in a fiscally sound manner. The five year plan encompasses both operating and capital budgets.

The forecast uses the FY 2009 budget as a starting point for both revenues and expenditures in 2010. Similarly, forecasts for subsequent years rely on the previous year's revenues and expenditures for their starting points. Increases and decreases in revenues and expenditures are itemized for each year.

The General Fund

Proceeds from ad valorem (property) taxes provide over half the revenue in the general fund. Projections are based on a tax rate of $0.63 per $100 of assessed valuation for 2009. To further assess available revenue resources, student population growth, and core capacity levels of each school, necessary to determine future school construction need. The five year plan issued debt for four new schools, (two elementary, two middle, and a wing addition and vocational building renovation for A.L. Brown High School) June 2009, totaling $126.25 million in debt service. In order to fund this plan, tax rate increases are required of 2.00 cents in FY 2011, 2.50 cents in 2012, and a 1.00 cent decrease in 2013, for a net rate increase of 3.50 cents.

It is important to note the financial structure of the plan takes into account debt issues, cost of the projects, and interest rates in the market at the time the debt sales, and the overall effect on the County's tax rate.

Total revenues in ad valorem (property) tax category have been budgeted at $131,794,434, which represents a 1.43% for FY 2010. These revenues account for 65.81% of total revenue in the FY 2010 proposed budget.

Revenue for the North Carolina Research Campus (excluding personal property values) are projected and included in the plan based on valuation estimates found in the Tax Increment Projection Study. The anticipated payment for the County's share of the obligation is also included in the plan.

Fiscal Year 2010 sales tax revenue is budgeted at $27,885,243, a 17.6% decrease from FY 2009 estimates. Changes in sales tax can be effected annually by two primary factors. The first is growth in retail sales. The second is the method of distribution. The County has selected the ad valorem method for sales tax distribution in Cabarrus County. Sales tax revenues are distributed among the local governments and fire districts based on their respective property tax levies as a proportion of the whole. In addition to these two factors, this year the State is assuming the remaining half of the Article 44 one-half cent sales tax in exchange for Medicaid relief to counties starting in October 2009. This is the primary reason for the decrease in this revenue in the upcoming fiscal year. In subsequent years, sales tax revenue is projected a flat growth rate in FY 2011 and 1% FY 2012 to FY 2014.

From an expenditure perspective, increases are driven primarily by increased school current expense funding and new debt service. Current expense is increasing due to start up cost for newly constructed schools. In FY 2010, an additional $1.08 million in current expense is included for increased operational costs.

Additional debt service is added in all years of the five year plan. In FY 2010, the second full year of interest only debt service payments on the Housing Unit appears. The County issued Certificates of Participation (COPS) for several school projects which funding had been invested previously for either a land purchase, architect, and/or engineering. The June 2009 issue funded construction of the Lower Rocky River Elementary School, a middle school in the Southwest area of the County, AT Allen School replacement, Northwest area middle school, and a wing addition and vocational building renovation for A.L. Brown High School. School debt service will begin in FY 2012. In 2011, the County plans to build a parking deck to provide additional parking space in the downtown area to serve the County courthouse. The County expects the cost of the parking deck to be approximately $5 million and debt service will begin in FY 2012. Based on the five year plan, the County has projected to issue up to $88.465 million in debt and has anticipated an increase in the tax rate up to 3.50 cents for the construction of school projects requested by both school districts to meet their demands for classroom space during this five-year period.

Available cash resources through the utilization of Capital Reserve funding will provide for the addition of a new classroom wing at Boger elementary school in FY 2010. The County's contribution to annual operating expenses will increase as a result of the new school opening. Increases such as utilities, building and grounds maintenance, and other current operations will be handled through annual increases in current expense funding from the County.

Other annual expenditure increases are attributed to salary and benefit costs, increased operational costs for the Housing Unit, and other expenditures. The General Assembly approved Medicaid relief to counties in their FY 2007-08 budget, so the plan shows the elimination in FY 2010 of the remaining 3.7 million in payments for the County's share of Medicaid.

The Five Year Plan calls for capital improvement funding for necessary and long-overdue projects. A detailed schedule and description of these projects is found in the CIP located behind the Capital Improvement Plan tab of this document.

The spending levels specified in the Five Year Financial Plan are prudent and meet the needs of the County and the school systems while still maintaining adequate general fund reserves.

The plan anticipates tax rate increases to meet the demands of the debt service on new school construction, associated operational costs, and new students.

Board policy calls for a minimum unreserved fund balance equal to 15% of general fund expenses.
This financial plan adheres to that policy. (Board policy also calls for excess fund balance above
15% to be transferred to the capital reserve fund to aid in more pay-as-you-go projects and reduce the reliance on debt financing).

The Solid Waste Fund

Landfill and Waste Reduction programs constitute the Solid Waste Fund. Information presented in the five year plan is based on data provided by the December 2008 airspace analysis survey. A new survey is being prepared as of May 2009. Based on estimates and the anticipated closure of the Landfill in FY 2015, revenues are projected to increase after FY 2010 by 3.06% on average per year. A 2.5% increase in tonnage is anticipated in subsequent years. Operating expenses are projected to increase approximately 3% after FY 2010.

The Arena and Events Center Fund

This fund accounts for revenues and expenditures related to the Arena and Events Center and the Cabarrus County Fair. Expenditures in the Arena and Events Center Fund are expected to decrease by approximately 18.74% over the amended budget, to $1,672,321.

In May 2005, SMG, an arena management company, was hired to oversee and manage the Arena and Events Center (excluding the County Fair). In FY 2006, all costs related to the Arena and Events center were consolidated into one cost center.

For FY 2010, expenses include the County Fair, the contract with SMG for $856,647, and building improvements to be made by the County's General Services Department. Revenues for the County Fair are projected to increase by approximately 3% each year from FY 2010 until FY 2014, resulting in a surplus of revenues over expenditures. In addition to the proceeds from the County Fair, the Arena and Events Center will receive a contribution of $100,000 from the Cabarrus County Convention & Visitors Bureau and a $925,621 contribution from the General Fund during FY 2010.

The General Fund contribution amount is $173,947 lower than in FY 2009 due to a delay of building improvement projects and current economic conditions. The excess revenue over operations generated from the County Fair reduces the annual contribution required from the General Fund for the Arena. The County Fair is estimated to produce $44,526 in revenue over their expenses for 2010.

In subsequent years for the Arena and Events Center, the General Fund contribution to the Arena decreases by the $300,000 project in FY 2009 and another estimated $25,000 per year, as the operating deficit for the Arena is anticipated to decrease.