

# Budget Message

---

May 20, 2013



Honorable Chairman and Members of the Cabarrus County Board of Commissioners,

I am excited to submit to you the recommended Cabarrus County Operating Budget for fiscal year 2014. This budget was prepared in accordance with the General Statutes of North Carolina and the Local Budget Fiscal Control Act. The Board's established mission, vision and strategic goals provided valuable structure and guidance in the preparation of this balanced budget. Included in this comprehensive document are the expected revenue projections and proposed operational expenses for the 2014 fiscal year.

Beginning in November 2012, all levels of staff worked together to implement a 360 degree review of the relevancy, effectiveness and efficiency of Cabarrus County programs and services. This included research, evaluation and consideration of changes in staffing levels, consolidation of departments' programs and/or services, and privatization of services—some of which are included in the proposed budget. At the core of this budget is a balance of needs with modest adjustments to operations that will move Cabarrus forward in the best interest of our residents.

I recommend a General Fund Budget of \$212,940,116. This is a proposed 2.55 percent increase in spending over the FY2013 amended budget. **To fund this budget as proposed will require the Board of Commissioners to adopt an ad valorem tax rate of 70 cents.** The proposed budget maintains existing levels of spending in most departments and allows for some growth in areas with increased service demands, especially law enforcement and human services, in order to meet the current and future needs of Cabarrus County residents.

The proposed FY2014 budget revenue projections are based on the current economic reality and economic forecasts, which indicate positive signs of growth in coming years.

## **Short Term Economic and Operational Impacts on County Budget**

1. Due to positive economic growth, we expect a 2.55 percent increase in revenues for FY 2014.
2. During the Board of Commissioners' retreat in February, Professor John Chesser shared current trends and projections of expected growth in our County and throughout the region. He magnified the importance of preparing for the impact of growth—an increased need for public services.
3. Cabarrus County has experienced an increase in both commercial and residential growth over the last year. Increased activity in our Register of Deeds and Construction Standards departments supports theories of continued growth in building and, potentially, population during the next year.
4. Cabarrus County's unemployment rate is currently decreasing and on May 1, was at 8.3 percent. The decrease is encouraging; however, we need to continue to research and create economic opportunities that will further lower unemployment in the coming year.
5. Fuel and energy costs have increased, which will continue to affect the County's operating budget.

# Budget Message

---

6. The Federal Sequestration can potentially affect federal funding levels for mandated services within the Human Services department. We predict the reduction in federal funds will require an increase in County funding to maintain current service levels.
7. The financial impact of federal health care and state Medicaid reform is unknown at this point. However, increased eligibility in both programs has the potential to strain already maximized workloads and service levels within our Human Services department.
8. Enrollment in Cabarrus County and Kannapolis City school systems continues to grow and more students are considering post-secondary education opportunities through Rowan-Cabarrus Community College. To meet the increased demand on resources, both public school systems and the community college prioritize capital projects as an imminent need.
9. Surrounding counties are adding staff in order to meet the demands of an improving economy. This puts Cabarrus in competition to recruit and retain employees with the specialized experience necessary to provide high-quality services.

We have carefully weighed the aforementioned factors and considered their impact on programs, services, staff and productivity. The proposed budget ensures staffing levels and expenditures will address increased workloads, offer market-competitive salaries to our employees, and meet the needs and expectations of our residents.

To create balance, the proposed budget includes some revisions to County operations.

## **FY2014 Budget Highlights, Priorities, Issues**

1. As Cabarrus grows, our staff continuously and diligently implements new and innovative strategies to maximize outcomes. Sometimes, this means the realignment and restructure of positions to meet the County's operational needs. Just as we did in FY2013, the County has combined assignments to create full-time positions that more-appropriately meet future demands of particular programs and services.
2. Cognizant of future County senior-level management needs, I propose creating assistant director positions within the General Services and Human Services departments; areas accountable for critical incident response. Adding personnel will increase oversight and reduce the disproportionate responsibilities that currently fall to the department directors. The assistant director will take responsibility for a large portion of daily operation management within each department, allowing the director to concentrate on overarching policy and customer service strategies. These positions will also assist the County in meeting the Board's succession planning goals.
3. The consolidation of our human service-related departments (DSS, Transportation and Aging Services) will become effective July 1. The proposed budget includes the addition of several new positions to address current and future challenges with oversight and workload within the department
4. Additional staff for the Sheriff's department is also included in the budget proposal. The additions will address public safety concerns identified by the Sheriff and the recent staffing study. These new positions will allow the Sheriff to move toward a civilian 911 emergency communications division and reassign more sworn officers to the department's patrol division. It adds a clerical position to process increased demands in gun/concealed weapon permits and works in partnership with the Town of Midland to add four patrol officers to that area of the County.
5. The budget recommendation includes a 1.5 percent Cost-of-Living Adjustment (COLA) and reinstatement of performance-based merit increases, per the Board of Commissioners' policies. The proposal also includes funds to perform a market/position

# Budget Message

---

study that will compare County salaries against competitive salaries for organizations in our region and state. This is a necessity as we strive to keep our valued employees and recruit quality future employees.

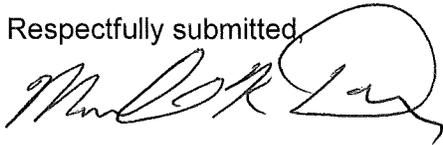
6. Additional school funding for capital- and energy-related needs are included in the FY2014 budget proposal.
7. An increased number of claims have again put a strain on the County's Employee Health Plan is this year. The result was a potential cost increase for FY2014 that experts projected would exceed 18 percent. Based on plan design changes approved by the Board of Commissioners in March for implementation in FY2014, we now project the County will experience only a 7.5 percent increase in health plan costs.

Cabarrus County's economy is trending in a positive direction, bringing with it an increased number of residents to whom the County provides services. To address this steady climb, we must identify and prepare for school capital and maintenance needs, and increased demands on our public safety and human service providers. The proposed FY2014 budget meets these top priorities with balance. It streamlines operations and works within a financially responsible business model to sustain and build upon the high-level of service residents of Cabarrus County have grown to expect from their local government.

In closing, I would like to recognize staff at all levels of our County government for their commitment to maintain and improve on the programs and services we provide. They have risen to the challenge of doing more with less during multiple years of economic uncertainty. I encourage the residents of Cabarrus to join me and show their appreciation for each one of them. It is through their hard work and dedication that we are able to make the vision of the Board a reality.

I especially want to publically thank Ann Wilson, finance director; Paarth Mehta, budget analyst; Becky Crabtree, accountant; Lundee Covington, human resource director; and our deputy county managers, Pam Dubois and Jonathan Marshall, for their long hours and hard work in preparation of this budget. I also want to express my appreciation to the Board of Commissioners for their support and leadership during the budget process and throughout the year.

Respectfully submitted,



Michael K. Downs  
County Manager

Note: This Budget Message is as presented prior to any approval by the Board. The final adopted budget totaled \$226,043,795 with the General Fund at \$213,461,012.

# Budget Message

## EXECUTIVE SUMMARY

The FY 2014 budget is proposed at \$226,043,795, a 3.23% increase over the FY 2013 amended budget. The proposed budget appropriates expenditures for each of the county's five annual funds:

### Revenues by Source and Expenditures by Category

	FY 2012 Actual	FY 2013 Amended	FY 2014 Adopted	Dollar Change	Percent Change
<b>Revenues</b>					
Ad Valorem Taxes	131,847,712	127,412,626	133,692,292	6,279,666	4.93%
Other Taxes	34,360,229	31,515,652	36,859,331	5,343,679	16.96%
Intergovernmental Revenues	21,168,480	21,083,444	20,318,465	(764,979)	-3.63%
Permits & Fees	3,556,244	2,940,296	4,075,800	1,135,504	38.62%
Sales & Services	19,792,073	19,184,003	21,994,835	2,810,832	14.65%
Investment Earnings	4,434,762	151,000	151,000	-	0.00%
Miscellaneous	709,447	260,003	252,954	(7,049)	-2.71%
Other Financing Sources	48,206,422	16,416,834	8,699,118	(7,691,716)	-46.85%
<b>Total</b>	<b>\$264,075,368</b>	<b>\$218,963,858</b>	<b>\$226,043,795</b>	<b>\$7,105,937</b>	<b>3.25%</b>
<b>Expenditures</b>					
Personnel Services	57,047,954	56,928,976	61,107,596	4,178,620	7.34%
Operations	203,251,959	159,163,096	161,619,619	2,482,523	1.56%
Capital Outlay	2,517,466	2,871,786	3,316,580	444,794	15.49%
<b>Total</b>	<b>\$262,817,380</b>	<b>\$218,963,858</b>	<b>\$226,043,795</b>	<b>\$7,105,937</b>	<b>3.25%</b>

The boxed figures include \$37,431,142 for refunding of debt.

Property tax revenues are projected based on a proposed rate of \$0.70 per \$100 valuation, the same as in FY 2013. The county assesses properties every four years. Properties were last assessed in calendar year 2011 and made effective January 1, 2012. They will be reassessed in calendar year 2015 and made effective January 1, 2016.

### Strategic Planning

The proposed budget supports the county's long term strategic plan. The strategic plan has five broad goals for the community, with 11 indicators of performance achievement. Thus far the county has met or is progressing toward meeting 9 or 82% of those performance indicators. Efforts are still underway to develop strategies and initiatives to meet the remaining 2 goals.

# Budget Message

*Our vision for Cabarrus is a county where our children learn, our citizens participate, our dreams matter, our families and neighbors thrive and our community prospers.*

GOALS		ACHIEVEMENT STAGE
Goal 1	Preserve and enhance the quality of life by addressing growth with sound public policies that sustain resources, provide high quality services, and fund infrastructure needs.	PROGRESS
Goal 2	Achieve community-wide preparedness to protect public safety, respond to routine and catastrophic events, and maintain and restore the well-being of all residents.	PROGRESS
Goal 3	Use resources wisely and responsibly by protecting assets, minimizing risk, creating partnerships and using technology to maximize the value of county investments expenditures and services.	PROGRESS
Goal 4	Promote a fully engaged community with a shared understanding of its issues and challenges and working together to achieve its goals.	PROGRESS
Goal 5	Ensure that all citizens have equal opportunity and access to education, health care, and economic prosperity and encourage citizens to fulfill their potential and contribute to their community.	PROGRESS

**Budget Summary**

Overall, county revenues are projected to increase 3.23% for FY 2014. The total taxable property value is estimated at \$18,928,458,292, a 2.87% increase from the prior year. At the proposed rate, FY 2014 property tax revenues, excluding motor vehicles, are estimated at \$118,205,648 1.9% above the FY 2013 amended budget. Valuations for motor vehicles have increased 6.3%; therefore, motor vehicle taxes have been budgeted at an increase from FY 2013 amended budget at \$9,436,791 for FY 2014. Overall property tax revenues to include delinquent collections are projected at \$133,692,292, which represents a 4.93% increase over the FY 2013 budget.

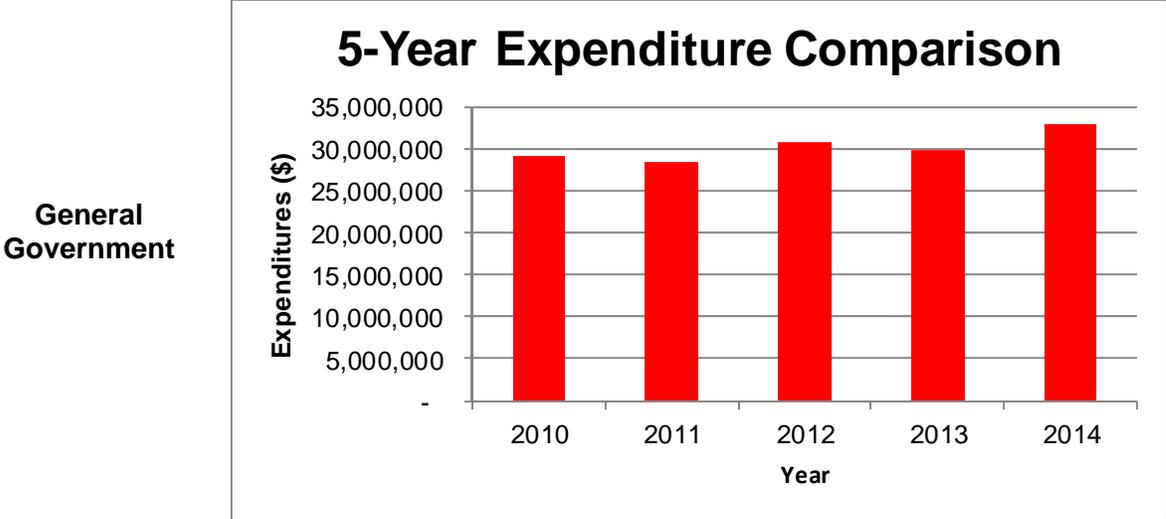
FY 2014 contains \$ 2,436,791 of one-time revenues that will be generated from the conversion of the DMV system from delayed billings to tax and tag billing together. This provides an additional four months of motor vehicle taxes in FY 2014. These one-time revenues have been used in the budget for one-time expenses which are included in the Capital Improvement Plan.

Sales tax revenues have continued to increase for the County, and state projections support a continued increase into the FY 2014 fiscal year. In addition, the volume of service and corresponding fees are significantly increasing in the Register of Deeds and Construction Standards Departments. Ambulance fee revenues are also increasing. Sources of declining revenues in FY 2014 relate to the one-time appropriations of fund balance during FY 2013 for various one-time projects, reduced state revenues and small reductions due to sequestration from the federal government.

The FY 2014 Budget includes a cost of living adjustment of 1.5%, health insurance increases of \$1,666,127 (21.58%) and unemployment increases which will be noted in all departments. The Local Government Retirement System also increased the local government contribution rate from 6.74% to 7.07% for general employees and from 7.22% to 7.28% for law enforcement officers. The FY 2014 budget returns to our policies regarding salary surveys and merits for employees.

# Budget Message

Overall, the FY 2014 recommended budget revenue and expenditures total \$226,043,795, a 3.23% increase from FY 2013.



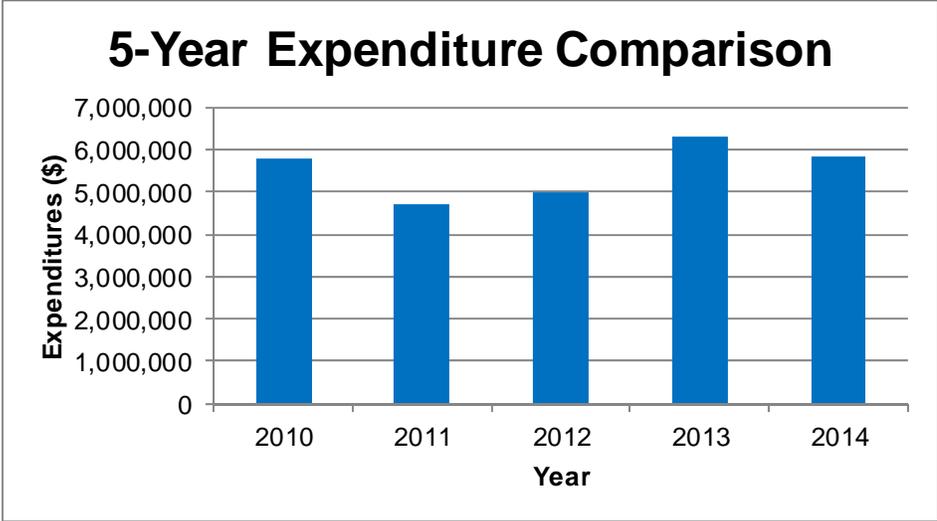
Spending in this service area is expected to increase 10.74% to \$32,953,767. This is due to increases in several areas including health insurance, contingency, legal fees, and DMV collection cost. General Government spending comprises 14.58% of the total budget.

FY 2013 accomplishments in this area include maintaining Bond ratings of AA+, Aa1 and AA+ and earning the GFOA award of excellence for both the budget and CAFR documents. Tony Harris, our Risk Manager received the National Risk Manager of the Year Award as well. Our Communications and Outreach team continues to receive awards at both national and state levels. In 2013 they took first place in two areas of the NC City and County Communicators awards. Our employees are our most important asset. In FY 2013 we were fortunate to be able to recognize 118 employees representing 3,450 years of service to Cabarrus County. Our employees continue to give back to the community, not just by public service, but personally as well. The Helping Hearts & Hands (Ch3) program is a clear representation of that. In FY 2013 employees contributed approximately \$45,000 to this annual fund drive to be donated to local nonprofit organizations in the county.

The FY 2014 budget includes a request for 5.38 new FTE's in the general government area. There are three positions proposed in the ITS department, one in the Register of Deeds department, an Assistant Director of General Services, and a fleet mechanic. Other changes in facility services reduced their FTE's by .63.

# Budget Message

## Culture & Recreation

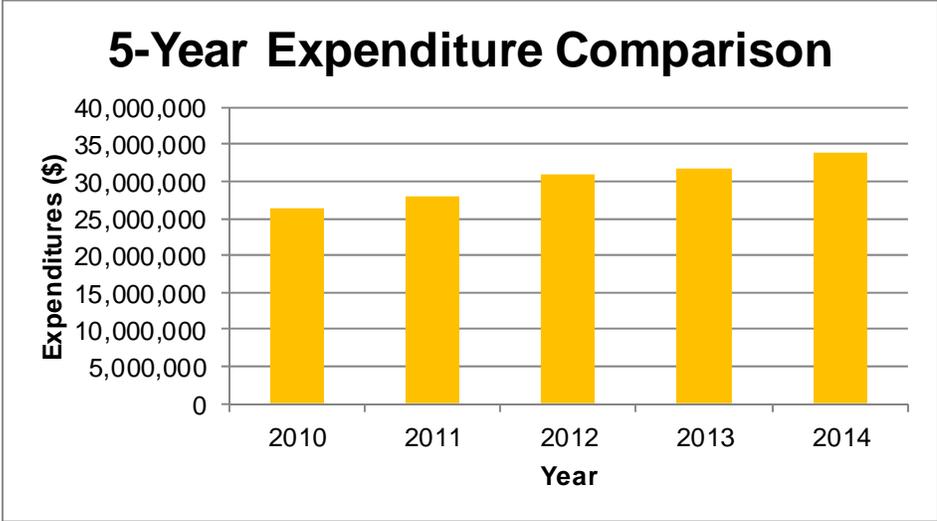


Participation continues to increase at the park and library facilities. Residents are choosing to recreate locally and stay closer to home for vacations. The FY 2014 proposed budget of \$5,835,770 represents a 7.32% decrease from the amended FY 2013 budget which can be attributed to one-time capital projects and non-recurring matching grants.

As a result of restructuring in the human services area, the county will be expanding services to seniors in park facilities and encouraging inter-generational activities as an expansion of Aging Programs.

FY 2013 was a year of awards for Cabarrus County programs. Cabarrus County Library Director, Dana Eure was awarded the Library Director of the Year award given by the North Carolina Public Library Director’s Association. The Cabarrus County Fair received twenty-one state, national and international awards breaking its previous record of awards.

## Public Safety

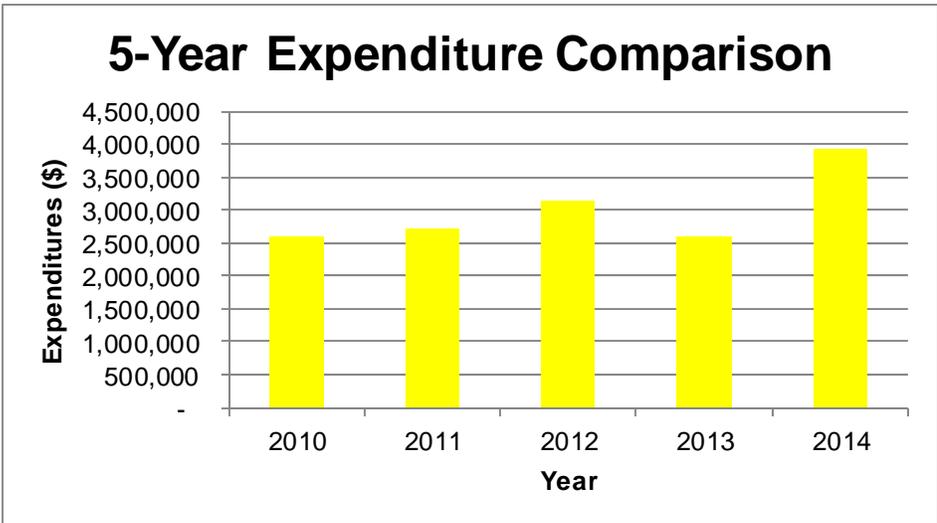


# Budget Message

Proposed expenditures for this service area are \$33,760,552 for FY 2014, a 6.23% increase from the FY 2013 amended budget. This equates to approximately 14.94% of the total proposed budget for the upcoming fiscal year. This increase is the result of increased demand for services from the Sheriff's Office, Jail, and Construction Standards. The population is growing and more public safety services are required in parts of the County where traditionally demand has been lower. As the economy improves, the demand for construction permits has increased as well. Neither trend looks like it will change over the next fiscal year.

Increases are associated with eleven new positions in the Sheriff's Department. This includes additional deputies to service the Town of Midland (the Town is covering half of these expenses), a new records clerk, and six civilian telecommunicators. The six telecommunicators will replace six sworn deputies who currently work in the Telecommunications Division. The sworn deputies will be spread out and moved to four different patrol squads. The Public Safety function also includes new positions for an assistant fire marshal and three more building inspectors as well as the vehicles and equipment for these positions.

**Economic  
&  
Physical  
Development**



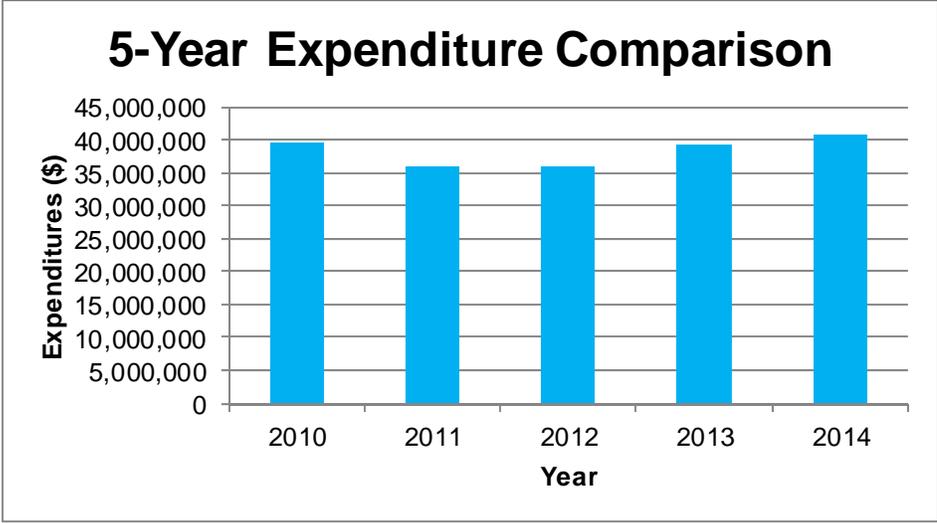
Spending within this service area is projected to increase approximately 50.74% to \$3,919,961. This increase is driven by the \$1,151,217 increase in the cost of economic development incentive grants previously awarded. The Elma C. Lomax Incubator Farm been added to this grouping of departments and represents an increase of \$114,089. These services account for approximately 1.73% of total expenses for FY 2014.

Cabarrus County received statewide recognition in two programs in FY 2013. The Council for a Sustainable Local Economy organized the first NC Statewide Local Economy Summit that drew 40 participants to discuss local economy issues and ways to grow the local economy in NC. In addition, the Soil and Water Conservation staff helped students place 1<sup>st</sup> and 2<sup>nd</sup> in the North Carolina Envirothon annual competition.

FY 2014 plans for this area include continuing to reassess and build upon our current local economy and economic development strategies, and develop consistent, coordinated strategies with our community partners.

# Budget Message

## Human Services

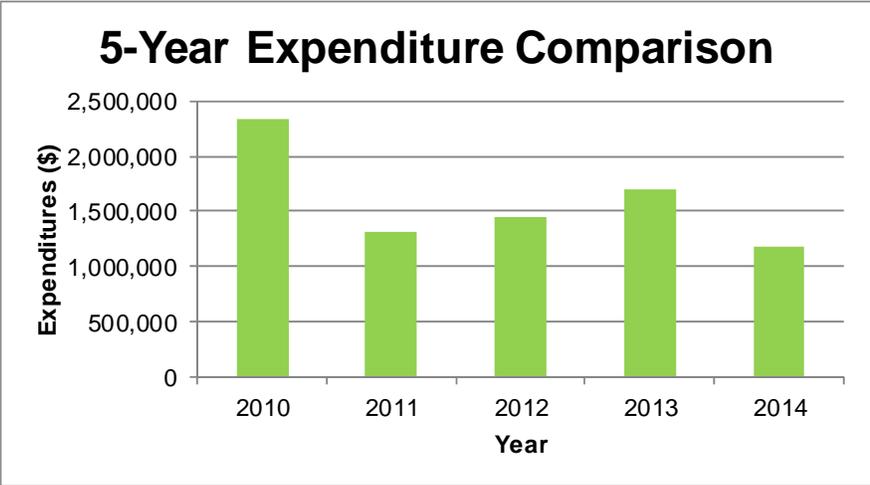


Budgeted at \$40,861,954, Human Services accounts for 18.08% of the proposed total spending for FY 2014. This spending level represents an increase of 3.83% above the FY 2013 amended budget. Human services continue to experience an increase in the demand for services at all levels, with shrinking revenues, specifically from the state. The federal sequestration reductions were also considered in estimating revenues for FY 2014. In FY 2013, some of the departments within this function were consolidated into one space. This space consolidation included Social Services, Transportation, Aging Services and DSS-Legal. In addition to physical consolidation, many of the services provided by this agency will be structurally consolidated in FY 2014. This re-organization has already reduced some operational costs, while also increasing the level of services. These efficiencies in service delivery have made accessing services more convenient to the public. Efficiencies are further defined in the FY 2014 proposed budget.

The FY 2014 budget includes eight additional personnel in economic services and two in child welfare. An Assistant Director of Human Services position is also included. Fortunately the state will reimburse the County approximately \$ 260,000 of these costs. Additional costs to add nine additional days for school health nurses while increasing their day from 6.5 to 7.5 hours and provide health insurance assuming ten nurses require it is also included in the budget allocation to the Cabarrus Health Alliance (CHA). In addition funding for an environmental health inspector is also included in the CHA recurring funding. The Board also approved a \$300,000 one-time allocation to the CHA in order to give them time to adjust to State budget cuts just announced.

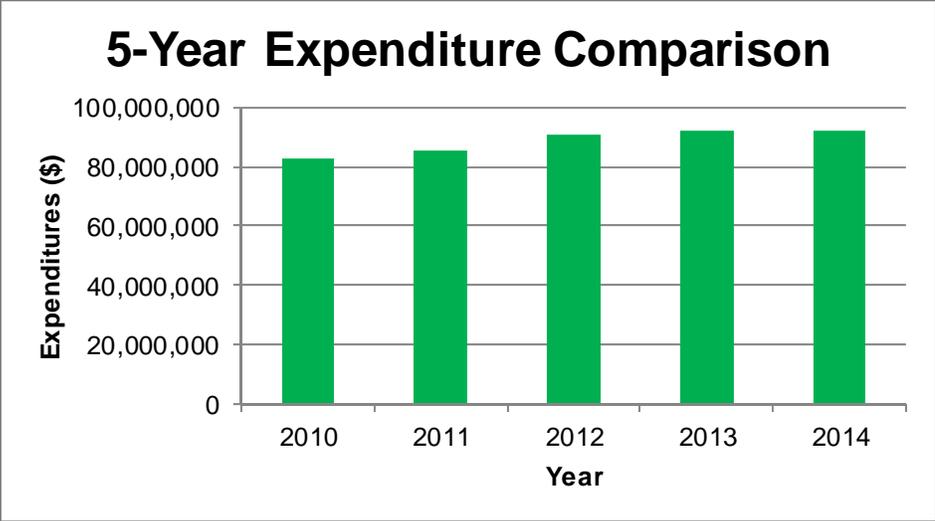
# Budget Message

## Environmental Protection



This service area accounts for less than 1% of the total budget at \$ 1,177,735. There is a proposed 30.56% decrease in its expenditures from FY 2013 which can be primarily attributed to reductions in operational and engineering costs at the landfill and one-time capital purchases in FY2013 in both the landfill and waste reduction departments.

## Education Services

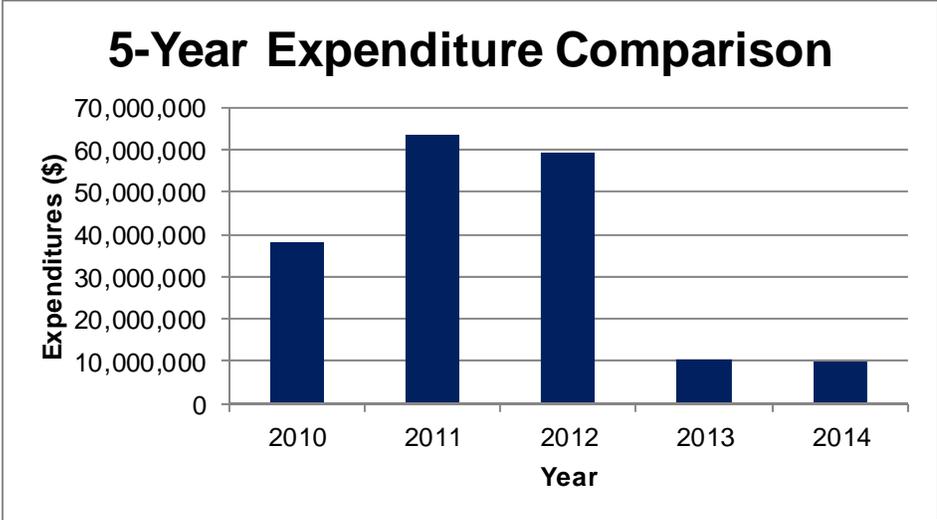


Public education is the largest service area within the county’s budget. Funding supports two public school systems and one community college. Operations, capital outlay and school debt make up 40.72% of the county’s total budget. The proposed budget within this function is proposed at \$92,041,642, a decrease of .45% from the FY 2013 amended budget. The County funded \$3,567,750 in one-time projects for education in FY 2013 through appropriations of fund balance. The FY 2014 budget includes an increase in current expense funding of \$1,433,094 in order to provide funding for their technology needs, \$679,330 in funding for new growth in ADM and \$ 138,891 for a 1.5% increase to locally funded staff supplements. The ADM funding calculation was changed to exclude funding for school nurses which is paid directly to the Cabarrus Health Alliance. This change required an additional allocation of \$25,450 to the Kannapolis City Schools to ensure each system’s per pupil funding was equal. Capital outlay for the Cabarrus County schools was increased \$1,500,000 for the purchase of a new site for an elementary

# Budget Message

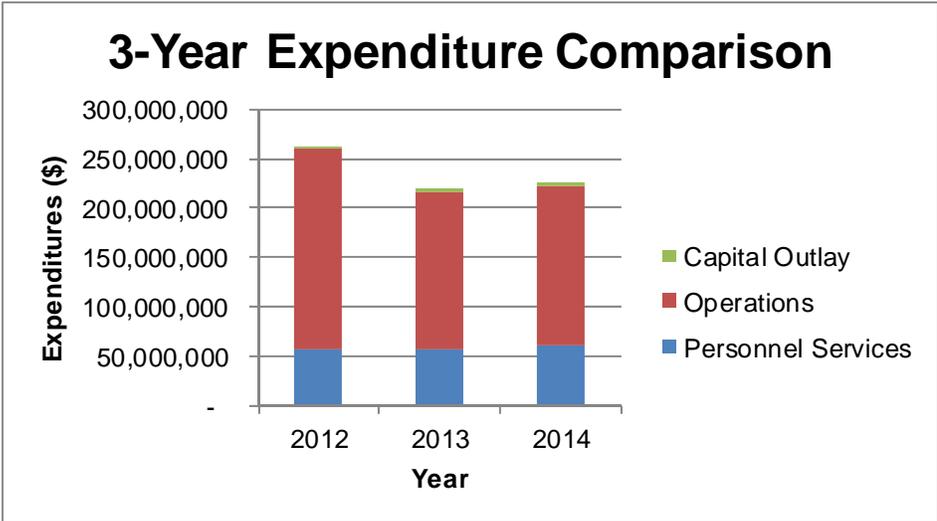
school. The Rowan Cabarrus Community College capital budget includes \$213,000 for various security enhancements and a new AC unit.

Other Debt Service



Other Debt service funding of \$10,070,555 represents 4.46% of the total budget, a 2.72% reduction from the FY 2013 amended budget. The Series 2005 and 2006 general obligation bonds were refunded on May 15, 2013 and this resulted in savings over the 13 years remaining on the bonds of \$6,205,125. The net present value of these savings after consideration of the costs of issuance of the bonds is \$5,522,531.

Expenditures by Category



The three-year expenditure comparison shows that the proposed FY14 budget rose slightly compared to FY13. These increases come primarily from increased personnel services and operational costs. Capital outlay is relatively stable.

# Budget Message

## EXPENDITURES BY CATEGORY

	FY 2012 Actual	FY 2013 Amended	FY 2014 Adopted	Dollar Change	Percent Change
<b>All Funds</b>					
Personnel Services	57,047,954	56,928,976	61,107,596	4,178,620	7.34%
Operations	203,251,959	159,163,096	161,619,619	2,456,523	1.54%
Capital Outlay	2,517,466	2,871,786	3,316,580	444,794	15.49%
<b>Total</b>	<b>\$ 262,817,380</b>	<b>\$ 218,963,858</b>	<b>\$ 226,043,795</b>	<b>\$ 7,079,937</b>	<b>3.23%</b>

The expenditures by category table shows that the primary increase between FY14 and FY13 occurs in personnel services, followed by operations. These two categories account for \$6,661,143 (93.74%) of the increase from FY13.

### Personnel Changes

Service Areas	Budget FY 2012		Amended FY 2013		Requested FY 2014		Adopted FY 2014		Change	
	Positions	FTE's	Positions	FTE's	Positions	FTE's	Positions	FTE's	Positions	FTE's
<b>Grand Total</b>	<b>1,042</b>	<b>952.09</b>	<b>1,043</b>	<b>952.65</b>	<b>1,100</b>	<b>1004.95</b>	<b>1,068</b>	<b>979.14</b>	<b>25.00</b>	<b>26.50</b>

Personnel changes include an additional employee in the Register of Deeds department, three staff additions in the Information Technology department (ITS), an Assistant Director of General Services, a Fleet Mechanic, a Custodian (needed due to the cancellation of the maintenance contract for Sheriff department custodian services), three Codes Enforcement Officers, an Assistant Director of Human Services, eleven staff in Human Services, four Deputies to service the Town of Midland (the Town is paying for half of these expenses), six Telecommunicators (this will free up sworn deputies currently working as telecommunicators to work in patrol units), a new Records Clerk in the Sheriff’s Office and an Assistant Fire Marshal. Seven part-time Custodian positions are proposed to be combined to form 3 full time positions to assist in scheduling of their work.

### General Fund Expenditures by Funding Matrix Categories

The program funding matrix presents county programs in four categories based on legal mandates and contractual obligations. The following is a snapshot of the FY 2014 proposed budget as illustrated by the program funding matrix: The funding matrix is designed to show net County cost for each service area and its effects on the tax rate. The Sales Tax is especially difficult to allocate to each department; therefore, we include it as its own service area. For a more detailed view of the Funding Matrix by Category or Service Area, reference the Supplemental section of the budget book.

# Budget Message

	FY14 Adopted Total Cost	FY14 Adopted Total Non-Property Tax Revenue	Property Taxes	FY13 Amended Tax Rate	FY14 Adopted Tax Rate
<b>Funding Matrix Categories</b>					
Mandated service & mandated dollars	51,833,205	9,560,156	42,273,049	0.25	0.23
Mandated service & discretionary dollars	127,575,490	68,144,673	59,430,817	0.34	0.32
Discretionary service & mandated dollars	4,931,096	897,396	4,033,700	0.02	0.02
Basic administrative services	13,468,795	311,450	13,157,345	0.07	0.07
Discretionary service & discretionary dollars	15,652,426	4,297,121	11,355,305	0.02	0.06
<b>Total</b>	<b>\$213,461,012</b>	<b>\$ 83,210,796</b>	<b>\$130,250,216</b>	<b>0.70</b>	<b>0.70</b>

*Mandated programs by the state or an agreement, with required funding levels, are shown in green.* This category makes up 0.23 cents of the tax rate. This is a decrease of 0.02 cents from FY13. This is largely due to the decrease of 0.01 cents in Education Debt Service. Education Debt Service makes up 0.16 cents of the tax rate.

*Mandated programs with discretionary funding levels are shown in blue.* This category makes up 0.32 cents of the tax rate. This is a decrease of 0.02 cents from FY13. This is mainly due to the increased impact of expected sales tax in FY14 on the County tax rate. Sales tax is expected to help defray the tax rate by 0.1217 cents in FY14 versus 0.0965 cents in FY13. This offsets the tax rate by an additional .0252 cents. Also, Education Capital Outlay decreased the tax rate by 0.01 cents due to less one-time funding budgeted for FY14. Its portion of the tax rate is 0.02 cents. However, Sales Tax and Lottery revenues are expected to decrease from 0.11 cents to 0.10 cents. Other large services in this category are the Jail, Sheriff, Education Current Expense, and Cabarrus Health Alliance. All these services increased the tax rate in FY14.

*Discretionary programs with mandated funding due to contractual reasons or otherwise, are shown in pink.* This category makes up 0.02 cents of the tax rate. This largely stayed the same compared to FY13.

*Discretionary programs that serve as essential business support functions are shown in brown.* This category makes up 0.07 cents of the tax rate. This largely stayed the same compared to FY13.

*Discretionary programs with discretionary funding are shown in yellow.* This category had the most movement, increasing 0.04 cents from FY13. The Contingency and the Contribution to Capital Projects combined increased 0.01 cents. The other 0.03 cents of the change is due to fund balance not being budgeted for use in FY14.

