

Budget Message



May 19, 2014

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

I am pleased to submit to you the recommended Cabarrus County Operating Budget for fiscal year 2015. This budget was prepared in accordance with the General Statutes of North Carolina and the Local Government Budget and Fiscal Control Act. The Board of Commissioners' 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 2015 fiscal year.

Beginning in October 2013, County staff worked together to implement a 360 degree review of the relevancy, effectiveness, and efficiency of all Cabarrus County programs and services. This review included research, evaluation and consideration of changes in staffing levels; and consolidation of departments, and privatization of programs and/or services. As in the past, some of these considerations are included in the proposed budget. At the core of this budget is a balance of identified public needs and general operations that will enable Cabarrus County to move forward in the best interest of our residents.

I recommend for consideration a General Fund Budget of \$209,684,590 which represents a 1.77 percent decrease in spending from the FY 2014 adopted budget. To fund the budget as proposed will require the adoption of an ad valorem tax rate of 70 cents. The proposed budget maintains existing levels or lower levels of spending in most departments and provides for growth in areas with increased service demands in order to meet the future needs of the County.

Short-Term Economic and Operational Impact on the County Budget

1. We are fortunate that the economy is experiencing positive economic growth, which is estimated to increase ad valorem and sales tax revenues by \$4 million in FY15. Based on past history of actual collections, projected estimates are less conservative than in the past. They do, however, meet the statutory requirements. We expect the change in sales tax regulations of the State to improve sales tax revenues; but this is very difficult to measure without historical numbers to compare. Although our current year experience does not appear to meet the revenue volume projected for FY2014, using projections from the State and the North Carolina Association of County Commissioners (NCACC) we expect the economy and the sales tax revenues to grow 3 percent for FY 2015.
2. FY 2014 one-time budgeted revenues related to lottery funds, the Tax and Tag Together program for the Division of Motor Vehicles revenues, and debt proceeds totaling \$7.8 million are excluded from the FY 2015 budget. This creates most of the net decrease of revenues for FY 2015, which is 1.77 percent.
3. During the Board's Retreat in January of this year, Professor John Chesser shared current trends and projections of expected growth in our County and throughout the

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metropolitan region. He magnified the importance of preparing for the impact of this growth and the resulting increase in need for public services, especially for the growing aging population.

4. Cabarrus County is experiencing an increase in residential, commercial and industrial growth and over the past year, this has resulted in increased activity in our Register of Deeds and Planning and Development departments. This supports Professor Chesser's theory of continued growth in construction and population during upcoming years. Certainly the recent sale of the Philip Morris site and the recent announcement of multiple industrial distribution/logistics buildings (shells) bode well for the economy of Cabarrus County and its future. We eagerly anticipate the growth and employment opportunities that these projects will bring to our county.
5. Cabarrus County's current unemployment rate is 5.8 percent. This decrease is very encouraging; however, we will need to continue to create more economic and employment opportunities for our citizens. To do this, our economic and workforce development efforts must continue to market our County, assist existing businesses and industries to grow, train our workforce, and remain flexible enough to adjust to the ever-changing needs of the market. Our community can only achieve this through the combined efforts of our local governments, public/private school systems, and our community college system.
6. The financial impact of Federal health care and State Medicaid reform is unknown at this time. Increased eligibility in both programs has the potential to strain already maximized workloads and service levels within our Human Services department and the Cabarrus Health Alliance. The implementation of the NC Fast and NC Tracks systems by the State have resulted in loss of efficiencies in our local human services operations. Our Department of Human Services is evaluating workloads and work flow in an effort to improve our efficiency and ability to provide services in a timely manner.
7. Operational and Capital needs of the Cabarrus County Schools, Kannapolis City Schools, and the Rowan Cabarrus Community College have continued to grow. As we move forward with future budget discussions, the County will need to establish a comprehensive funding approach that will have to balance the needs and time constraints of the school systems and the ability of the County to fund in an appropriate manner.
8. The Governor has outlined a proposal that will give new school teachers a base salary increase to \$33,000 in FY15 and a second increase to move their base salary \$35,000 in FY16. In addition, all remaining teachers will receive a 1 percent salary increase. The fiscal impact of this proposal on our locally funded positions is included in the proposed FY15 budget.
9. As the economy continues to improve and service expectations of our citizens continue to grow, we must continue to maintain competitive salaries and benefits of our employees to avoid increased turnover and training costs. At this time, per Board direction at the annual retreat, FY2015 does not include any cost-of-living or merit raises. The budget does include \$100,000 for salary adjustments for positions considered below market rate.

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Staff have carefully weighed the aforementioned factors and considered their impact on County programs, services, staffing and productivity. The proposed budget ensures that staffing levels, programs and services, and their associated expenditures will address increased workloads, create market-competitive salaries, and meet the needs and expectations of our citizens.

In an effort to create balance, the proposed budget includes some revisions to County operations.

FY2015 Budget Highlights, Priorities, and Issues

1. As Cabarrus County continues to grow our staff appropriately and diligently implements new and innovative strategies to achieve expected outcomes with available and sometimes limited resources. The proposed budget seeks to maximize these outcomes for our citizens by adding a new branch of our library in the Midland and /or southern Cabarrus area and an additional EMS station in the Concord Mills/Speedway area. Both facilities are scheduled to open in the fourth quarter of the fiscal year.
2. The recommended budget provides for the required workers compensation costs to be funded by the current expense budget rather than assigning future fund balance to ensure available funding as demands arise. This funding will be phased in through the general fund budget over the next two years.
3. As a result of the normal budget review process, staff reduced departmental current expenses by approximately \$2.7 million.
4. Additional funding (\$2,696,438) is proposed for annualized school salary increases and building maintenance for both school systems.
5. Employee Health Plan design changes, approved by the Board of Commissioners, implemented in FY2013 and FY2014 have helped reduce claims costs and avoid plan increases. Cost avoidance through plan changes in FY13 and FY14 were approximately \$3.7 million. In addition, employees experienced higher deductibles and loss of available co-payments resulting in the requirement of more personal out-of-pocket payments.
6. Proposed increase in health plan funding for the amount of \$234,000 is related to the Affordable Care Act.
7. As you will note in the Five Year Plan, in future years the County will experience more funding challenges as we begin providing additional capital and current expense funding to the schools.

Cabarrus County's economy continues to trend in a positive direction showing signs of increased revenues and employment opportunities within the County. While we hope to enjoy this trend for many years to come, the growth will also bring more residents and greater demands for County programs and services. The proposed budget meets these demands for the next fiscal year by streamlining operations and balancing the needs of County and school operations with the available financial resources in a way that allows both operations remain fiscally sustainable.

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In closing, I would like to thank our entire staff for their commitment to maintain and always strive to improve the program and services we provide on a daily basis with limited resources. It is only through their hard work and dedication that the Board's vision and goals are achieved in an effective and efficient manner.

I would like to especially thank Ann Wilson, Finance Director; Paarth Mehta, Budget Analyst; Susan Fearington, Assistant Finance Director; Becky Crabtree, Accountant; Lundee Covington, Human Resources Director; Pam Dubois, Deputy County Manager; and Jonathan Marshall, Deputy County Manager for their hard work throughout the last six months in preparing this budget.

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 \$ 220,454,949, with the General Fund at \$ 209,643,419.

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EXECUTIVE SUMMARY

The FY15 budget was adopted at \$220,454,949, a 17.24% decrease over the FY 14 revised budget and a 2.47% decrease from the FY 14 original budget. The adopted budget appropriates expenditures for each of the county's five annual funds:

Revenues by Source and Expenditures by Category

	FY 2013 ACTUAL	FY 2014 ADOPTED	FY 2014 REVISED	FY 2015 ADOPTED	ADOPTED CHANGE	PERCENT CHANGE
REVENUES						
AD VALOREM TAXES	\$ 131,171,851	\$ 133,692,292	\$ 133,692,292	\$ 133,866,989	\$ 174,697	0.13%
OTHER TAXES	37,634,536	36,859,331	36,859,331	37,953,337	1,094,006	2.97%
INTGOVERNMENTAL - GRANTS/OTHER	20,991,016	20,318,465	19,969,860	20,543,966	225,501	1.11%
PERMITS & FEES	3,999,808	4,075,800	4,075,800	4,344,445	268,645	6.59%
SALES & SERVICES	21,347,106	21,994,835	21,873,822	20,345,515	(1,649,320)	-7.50%
INVESTMENT EARNINGS	10,924,622	151,000	151,000	151,500	500	0.33%
MISCELLANEOUS	1,105,994	252,954	424,213	222,423	(30,531)	-12.07%
OTHER FINANCIAL SOURCES	73,410,133	8,699,118	49,326,336	3,026,774	(5,672,344)	-65.21%
TOTAL	\$ 300,585,066	\$ 226,043,795	\$ 266,372,654	\$ 220,454,949	\$ (5,588,846)	-2.47%
EXPENDITURES						
PERSONNEL SERVICES	\$ 55,567,648	\$ 61,107,596	\$ 61,197,224	\$ 58,987,238	\$ (2,120,358)	-3.47%
OPERATIONS	222,563,200	161,619,619	202,687,299	160,184,923	(1,434,696)	-0.89%
CAPITAL OUTLAY	2,117,605	3,316,580	2,488,132	1,282,788	(2,033,792)	-61.32%
TOTAL	\$ 280,248,453	\$ 226,043,795	\$ 266,372,654	\$ 220,454,949	\$ (5,588,846)	-2.47%

The highlighted figures in FY13 include \$62,360,000 in refunding of debt and \$10,119,619 in investment earnings for debt refunding principal and premiums. FY 14 included \$ 40,464,840 for Fund balance appropriated in the Other Financing Sources of Revenues and \$ 29,506,500 million in contribution to the Capital Reserve Fund in the Operations Expenditures.

Property tax revenues are projected based on a proposed rate of \$0.70 per \$100 valuation, the same as in FY 14. 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.

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.

Budget Message

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

Overall Budget Summary

Overall, revenues across all annual funds are projected at \$220,454,949, a decrease from the adopted FY 14 budget of \$5,588,846 or 2.47% and a decrease from the revised FY 14 budget of \$ 45,917,705 or 17.24%. The FY 14 revised budget includes \$ 40,464,840 in fund balance appropriations. The largest fund balance appropriation was \$ 29,506,500 for the transfer to the capital reserve fund followed by \$ 5,600,313 appropriated for settlement of APFO lawsuits. \$ 5,101,108 was also re-appropriated in FY 14 for uncompleted projects from FY13.

The total taxable property value is estimated at \$19,364,626,398, a 2.3% increase from the prior year. At the proposed rate, FY15 property tax revenues, excluding motor vehicles, are estimated at \$121,357,066, an increase of 2.9% and \$3,151,418 above the FY14 revised budget. Valuations for motor vehicles however, have only increased .1%, (due largely to the new Tax and Tag Together system the state has implemented which uses a 6% lower values scale than Cabarrus County used) and therefore the budget for motor vehicle taxes for FY15 is only \$9,452,923. This represents a decrease of \$ 2,450,917 from the FY14 revised budget. This decrease is due to the inclusion of four extra months of revenue in the initial year (FY14) of the Tax and Tag Together program. Without that one-time extra revenue in the amount of \$2,467,049 the difference is an increase of \$16,132. Delinquent revenues are estimated to decline \$540,000 primarily due to the new Tax and Tag Together collection system. Overall property tax revenues to include delinquent collections are projected at \$133,866,989 which represents a .13% increase (\$174,697) over the FY14 budget.

Sales tax revenues have been volatile in FY14 due to refunds to nonprofit agencies. State projections support an increase in FY15. The proposed budget includes a 3% increase, (\$1,083,712) in sales taxes for FY15. In addition, the volume of service and corresponding fees are increasing in the Register of Deeds and Construction Standards Departments as the economy improves. The FY15 estimated increase in the Permits and Fees category is 6.59%. The FY15 budget also includes \$375,000 in Hold Harmless funding. This is the first year these revenues have been budgeted due to their volatility. We have received an estimate from the State this year which assisted our planning for this item more accurately. It is included in the Intergovernmental-Other category of revenues. Sources of declining revenues in FY15 relate to the \$40,464,840 in appropriations of fund balance during FY14 noted above, the use in FY14 of the remaining accumulated lottery proceeds of \$ 2.9 million, and \$ 2.7 million in Contributions from COPS available in FY14.

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These are reflected in the Other Financing Sources category of revenues. Miscellaneous revenues declined from the revised budget by \$201,790 primarily related to insurance reimbursements which were \$159,335 in the FY 14 budget and will only impact the FY 15 budget as (or if) received, and the loss of the Community Care Program grant of \$66,000.

The FY15 budget does not include a cost of living adjustment or merit increases for staff. The local government retirement contribution remained flat at 7.07% for general employees and increased from 7.28% to 7.41% for law enforcement officers. Health and life Insurance costs were reduced from \$8,182 per employee to \$6,800 per employee resulting in a decrease in expense of over \$1.4 million. Overall, the FY15 recommended budget for revenues and expenditures totals \$220,454,949 for all of the annual funds; a 2.47% decrease from FY 14 adopted budget and a 17.24% reduction from the revised FY 14 budget. The largest increase in expenditures is in the area of schools. The Board approved a 1% increase for teachers making less than \$70,000 during the last five months of FY14. This cost is annualized in the FY15 budget at \$2,096,017. An additional \$467,285 was added for growth in enrollment. The budget also includes an additional recurring \$ 388,114 for building maintenance needs for the schools. Another addition included in the FY 15 adopted budget is the EMS co-station on Weddington Road. This is reflected for the last quarter of FY 15 as we await construction of that facility. The County utilized the state budget template for the Department of Human Services for the first time in FY 15. We are striving to improve the accuracy of our budget in this area. We have also developed position control reports to more tightly manage personnel costs as salaries and wages continue to be difficult to project.

Summary by Function

The chart below depicts the overall annual fund expenditure budgets by function over time. Three years of actual figures and two years of budgeted amounts are indicated. Discussion of major changes by function and graphs of these changes follow.

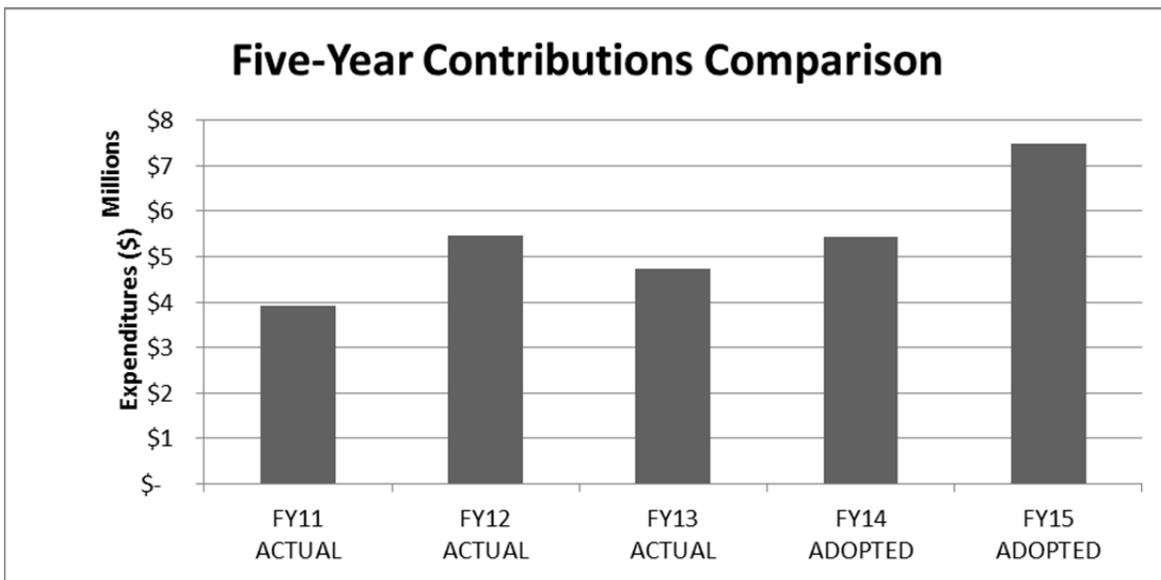
	FY11	FY12	FY13	FY14	FY15
	ACTUAL	ACTUAL	ACTUAL	ADOPTED	ADOPTED
Function					
Contributions	\$ 3,923,755	\$ 5,456,527	\$ 4,742,811	\$ 5,421,859	\$ 7,492,866
General Government	28,375,772	30,894,998	27,387,221	32,953,767	28,321,054
Public Safety	27,916,284	31,039,882	30,018,595	33,760,552	32,932,209
Economic and Physical Development	2,721,385	3,133,754	2,104,905	3,919,961	4,053,280
Environmental Protection	1,312,509	1,444,202	1,431,497	1,177,735	1,182,455
Human Services	35,883,933	35,884,225	36,199,305	40,861,954	38,752,736
Education	55,554,062	56,336,936	56,347,362	59,752,862	61,166,278
Culture & Recreation	4,654,139	4,957,215	5,657,409	5,835,770	5,243,887
Debt Service	63,549,335	93,615,221	116,359,347	42,359,335	41,310,184
Total	\$ 223,891,174	\$ 262,762,960	\$ 280,248,453	\$ 226,043,795	\$ 220,454,949

The highlighted figures in FY13 include \$72,479,619 for refunding of debt. FY 12 includes \$37,730,250 and FY 11 includes \$21,163,703 in refunding of debt.

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CONTRIBUTIONS

This function includes contributions to other funds and to other agencies and totals \$ 7,492,866 for FY 15. This is an increase of \$ 2,071,007, or 38.2%. Contributions of \$ 3,920,112 to the school capital projects fund, \$535,823 to the Pension Trust Fund, and \$ 357,830 to the Arena Fund are included here. Also included is the obligation to the City of Kannapolis per our interlocal agreement of \$ 1,509,504 and the sales taxes levied on behalf of fire districts of \$ 604,389. Contributions to JCPC for \$ 295,111, the medical examiner for \$ 98,000, the schools for Special Olympics \$ 55,930, the Forester for \$90,167, and the Arts Council for \$26,000 are included in this category as well. The major change from the prior year is the elimination of \$ 332,000 to the EDC, the elimination of \$ 125,000 to the Soil and Water capital project fund and the reduction of \$ 335,000 in the contribution to the Arena fund. This category represents 3.4% of the total of all funds spending.

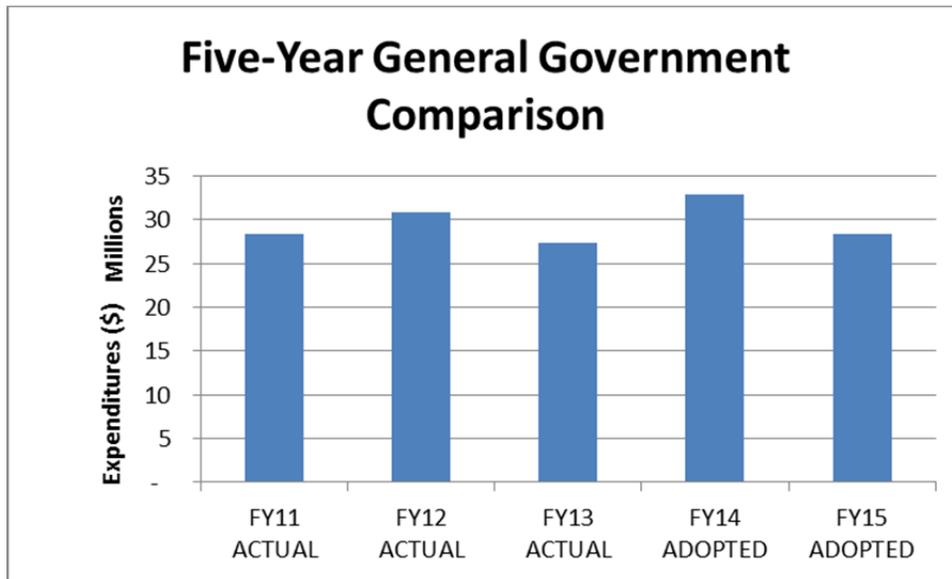


GENERAL GOVERNMENT

Spending in this service area is budgeted to decrease \$4.6 million, or 14%, to \$28,321,054 in FY 15. This is due to decreases in several areas including: Health insurance, \$1,429,575, Non-departmental, \$ 1,345,992 (which is composed primarily of reductions in salary adjustments of \$ 535,000, reductions in various contingencies of \$ 250,000 for fuel, legal and insurance settlements, and reductions in the Board contingency of \$ 378,428), General Services reductions of \$ 967,289, Information Technology Services (ITS) reductions of \$179,575, and County Manager reductions of \$164,425. General Government spending comprises 12.85% of the total budget.

FY 14 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. Not only is our financial position considered healthy, but also our County as a whole. We were recognized as having the Healthiest CEO in Greater Charlotte, leading us to be the 4th Healthiest Employer in the metro. Our Communications and Outreach team continues to receive awards at both national and state levels. In addition, our Information Technology Services department received three distinctions related to the strategic use of technology. The latest of these awards was presented by the National School Boards Association in relation to the County’s technology partnership with Kannapolis City Schools. Our employees are our most important asset. 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 2014 employees contributed \$42,139 to this annual fund drive to be donated to local nonprofit organizations in the county.

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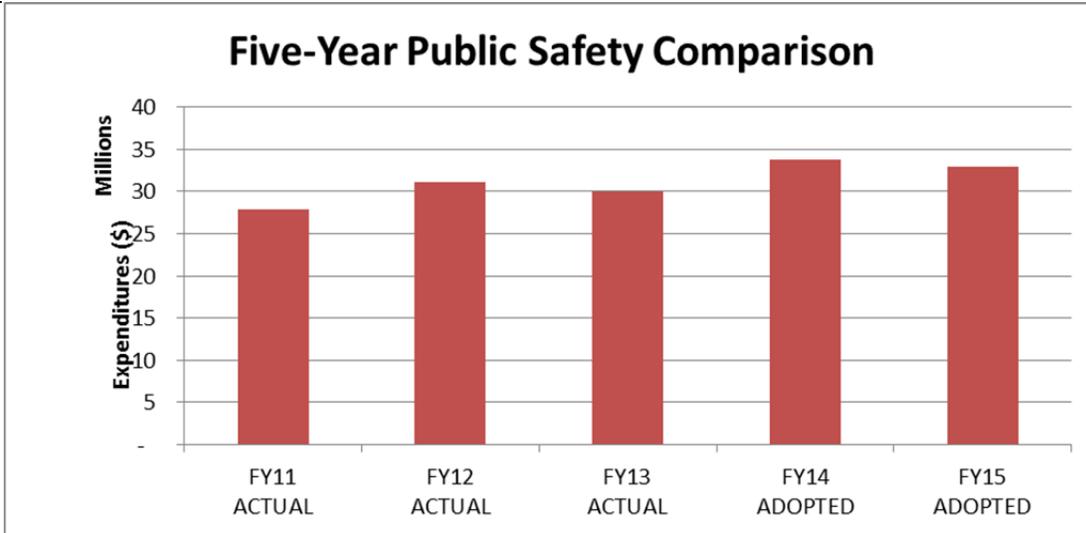


PUBLIC SAFETY

Expenditures for this service area are \$32,932,209 for FY 15, an \$828,343 and 2.45% decrease from the FY 14 adopted budget. This category represents 14.94 % of the total adopted budget for the upcoming fiscal year. This decrease is the net result of decreased budgets for motor vehicles (\$ 228,000), ambulances (\$ 126,000), and health insurance (\$ 418,810) and increased costs due to annualizing School Resource Officer staff and adding a plan reviewer and permit clerk in Construction Standards. The new EMS co-station is also included with 2.5 FTE's and additional costs of \$ 90,700. 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. Fortunately the Sheriff's department grew by eleven positions in FY 14 and the Construction Standards department staff grew by three inspectors to assist with the new growth. The additional 4.5 FTE's added to the public safety functions in FY 15 will help keep up with growth and customer expectations.

Furthermore, the additions will add to the recognition that we receive annually from the American Heart Association and Cabarrus County Schools for consistently exceeding core measures over time for the management of patients experiencing heart attacks. The new positions will help improve response times and the number of cardiac arrest survivors.

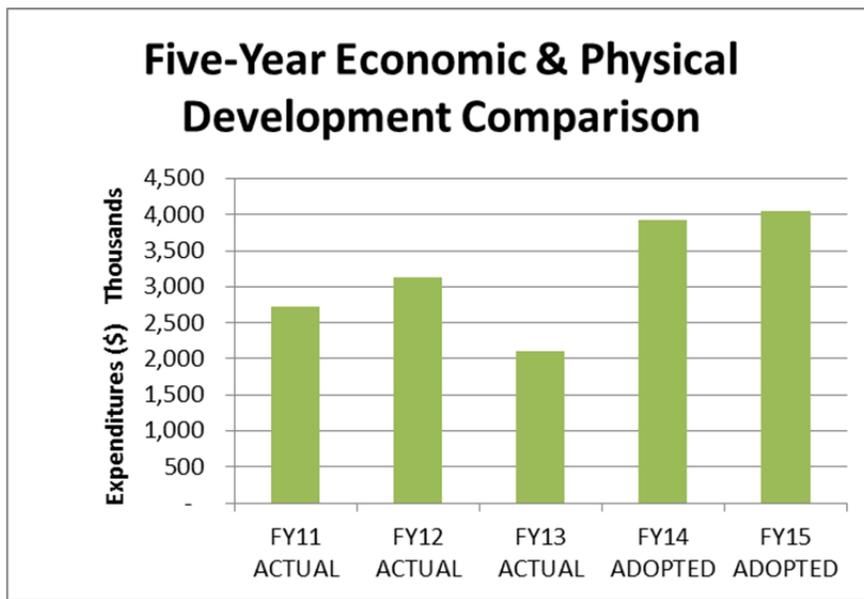
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ECONOMIC AND PHYSICAL DEVELOPMENT

Spending within this service area is projected to increase \$133,319 to \$4,053,280. This increase is driven by the \$279,783 increase in the cost of economic development incentive grants previously awarded and the elimination of the Educational Farm of \$ 114,089. These services account for approximately 1.84 % of total expenses for FY 15. The other departments of Community Development, Soil and Water Conservation, and Planning and Zoning, remained flat overall.

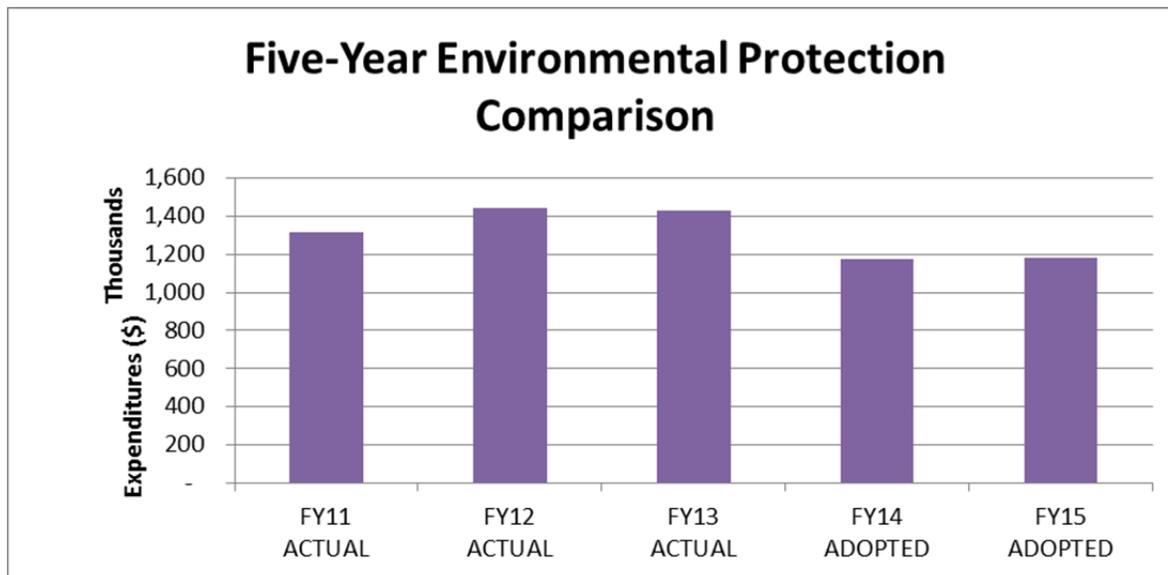
FY 15 plans for this area include continuing to reassess and build upon our current local economy and economic development strategies, and develop consistent, coordinated strategies with our community partners.



ENVIRONMENTAL PROTECTION

This service area accounts for less than 1% of the total budget at \$ 1,182,455. This category is relatively flat with an increase of only \$4,720. This is the result of the Landfill Fund decreasing approximately \$6,600 and the Waste and Recycling expenses in the General Fund increasing by approximately \$11,000.

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HUMAN SERVICES

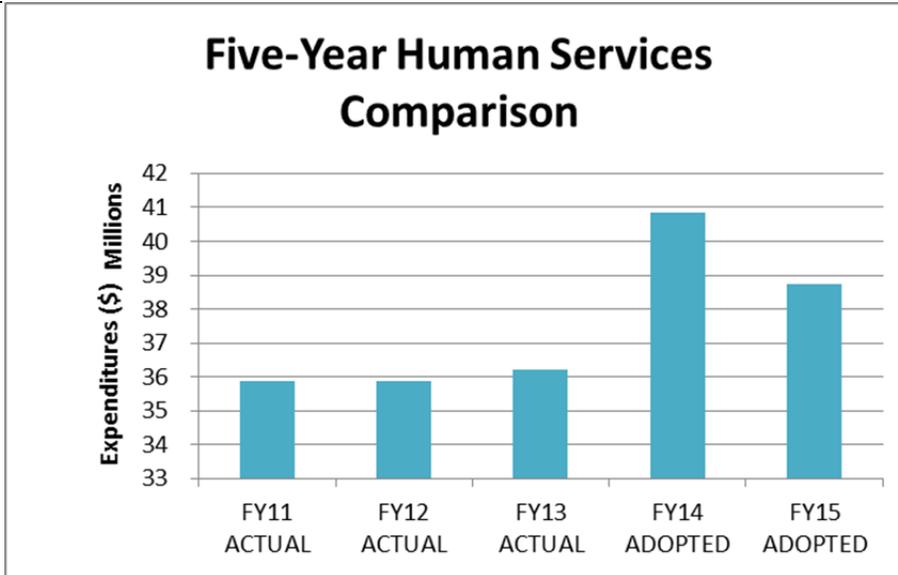
Budgeted at \$ 38,752,736, Human Services accounts for 17.58% of the total spending for FY 15. This spending level represents a decrease of \$ 2,109,218 or 5.16% from the FY 14 adopted budget. Human services continue to experience an increase in the demand for services at all levels. State revenues have unfortunately been shrinking. 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 were structurally consolidated in FY 14. This re-organization 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.

During FY 14 the State required the County to begin using the NCFAST system for Food and Nutrition eligibility services. The rollout was very problematic and is still causing a loss in efficiency in serving clients. The State will require the County to add Medicaid eligibility services on the NC FAST system in FY 15. We are hopeful that the system deficiencies will be worked out before the required rollout deadline. The County began using the state budget template in FY 15 to improve budgeting accuracy. Based on the template calculations and additional changes in our policy regarding child welfare placements, the child welfare budget was reduced \$448,307 in FY15. Other areas of reductions were in Transportation, \$541,331, Economic Services, \$558,470, CAP services, \$ 203,422, and Aging-Senior Services, \$ 101,825. The DSS-Admin budget increased approximately \$ 322,000 as a result of the advantages of coding to that department over direct costing realized through use of the template.

FY 15 includes no additional staff under this category. It is difficult to ascertain the long term effects of the new state software (NCFAST) and FY 15 will be a year of transition to the system and re-organizing based on the new flow the system requires. The County plans to outsource the massive mail center of the DHS center to improve efficiencies in their workflow. This will allow current staff to be re-purposed in the re-organization.

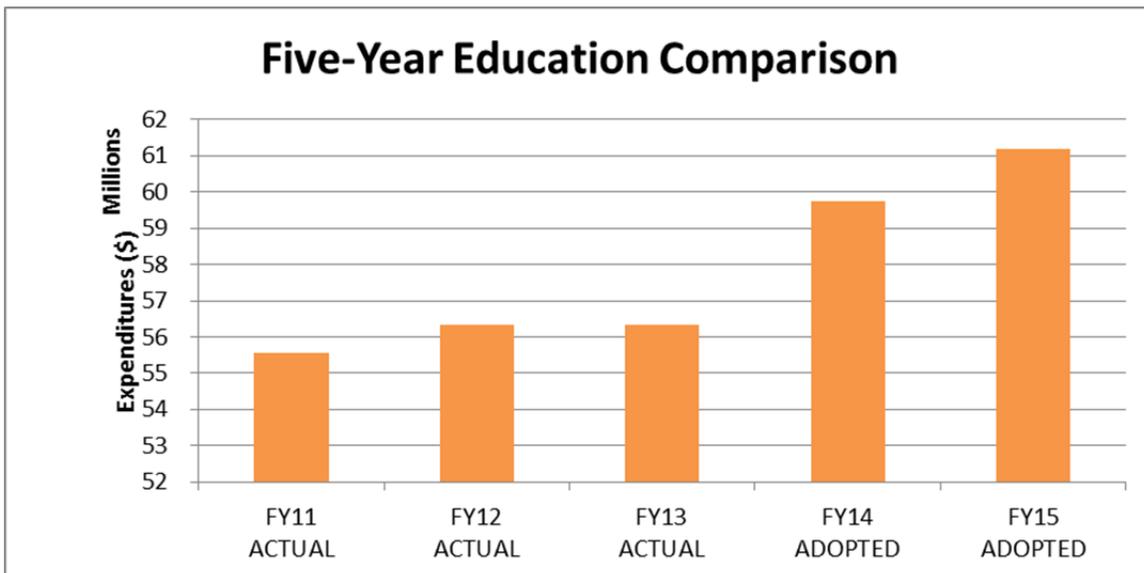
The FY 14 budget included eight additional personnel in economic services and two in child welfare. An Assistant Director of Human Services position was also added. The FY 14 budget allocation to the Cabarrus Health Alliance (CHA) included additional costs to add nine additional days for school health nurses and also increased their day from 6.5 to 7.5 hours. Funding to provide health insurance assuming ten nurses required it was also included. Funding for an environmental health inspector was also included in the FY 14 CHA recurring funding. The Board approved a \$300,000 one-time allocation to the CHA in FY 14 in order to give them time to adjust to State budget cuts then recently announced. This one-time funding was eliminated in FY 15.

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EDUCATION

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 42.04% of the County’s total budget. The proposed budget within this function is proposed at \$92,668,240, an increase of 0.68% from the FY 14 adopted budget. The FY 15 budget includes an increase in current expense funding of \$2,951,416 in order to provide funding for their 1% salary increases approved effective February 1, 2014, provide funding for additional enrollment and deferred building maintenance. Capital outlay in the General Fund for the Cabarrus County schools decreased \$1,500,000 in FY 15 since the purchase of a new site for an elementary school was allocated in FY 14. \$ 29,486,500 was transferred from the General Fund to the Capital Reserve Fund in FY 14 (per the county’s policy of transferring excess fund balance over 15% of the budget) of which \$16,000,000 was later transferred to a School Construction Capital Project fund for Northwest elementary school and \$ 2,000,000 for the Mount Pleasant Middle School replacement. The Rowan Cabarrus Community College capital budget in the General Fund in FY 14 also decreased \$ 113,000 to the normal annual allocation of \$100,000.



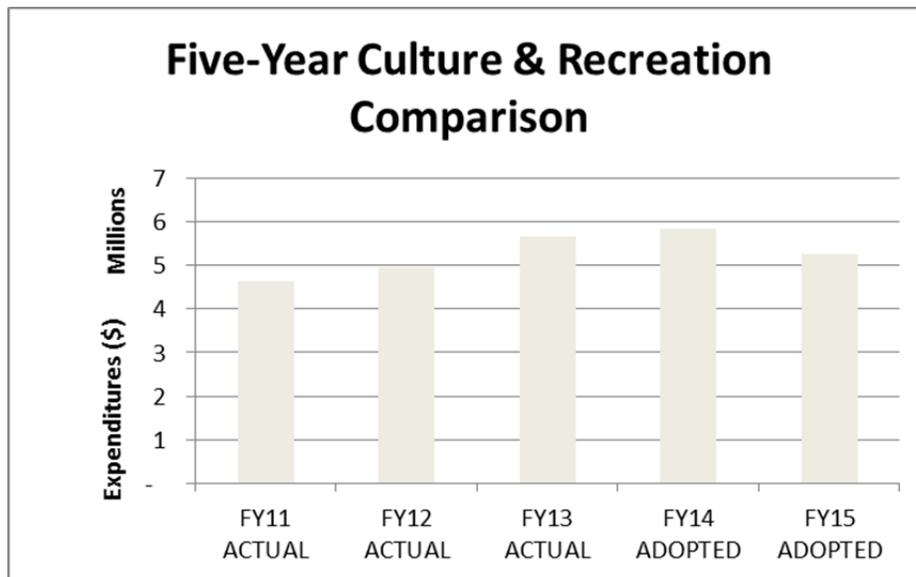
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CULTURE AND RECREATION

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 15 proposed budget of \$5,243,887 represents a \$ 591,883 or 10% decrease from the adopted FY 14 budget. Major changes include additional funding for circulation stock of all libraries to get us closer to the statewide average per citizen. The Concord Library however, lost four positions and the Active Living and Parks lost .567 FTE as well. The Arena budget decreased \$ 198,049 and the contribution from the General Fund to the Arena fund decreased \$ 335,000.

As a result of restructuring in the human services area, the county expanded services to seniors in park facilities and encourages inter-generational activities as an expansion of Aging Programs. During FY 14, the Senior Center was expanded and its programs were well attended and received.

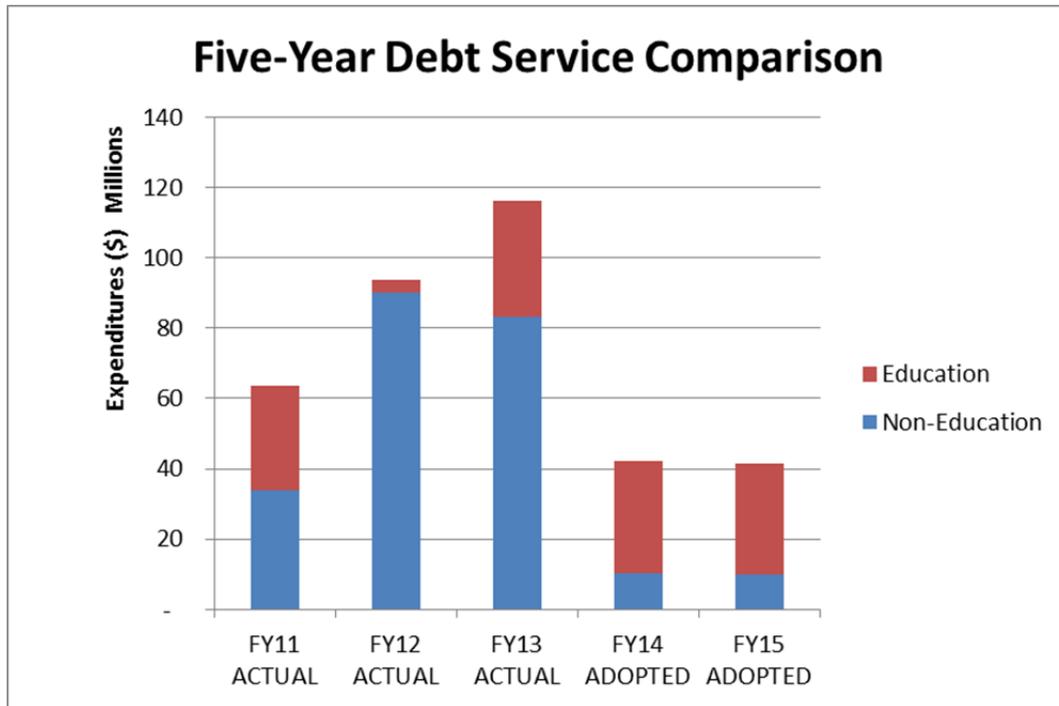
FY 14 was also a year of awards for Culture & Recreation programs. Betty Ritchie was awarded the “Friend of the Year” award given by the North Carolina Public Library Director’s Association, amongst other Library awards related to the Community Read and staff development. The Cabarrus County Fair received eighteen state, national and international awards just off the heels of its record-breaking year in FY 13. The Arena & Events Center also added to the mix of awards in FY 14 by landing the Prime Site Award and Box Office Stars Award by Facilities Magazine and Venues Today Magazine, respectively. Both awards reward customer service and management.



DEBT SERVICE

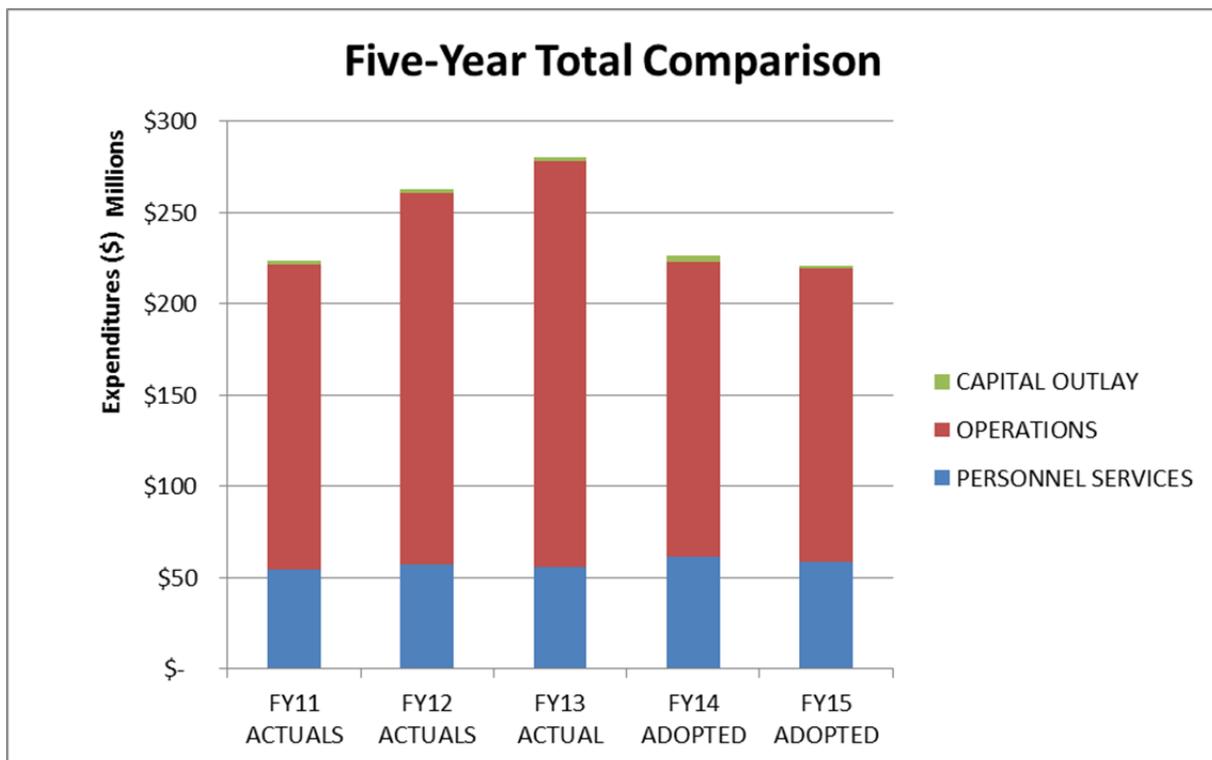
Debt Service represents 18.74% of the total budget at \$ 41,310,184. The two school systems have requested additional funding for new facilities and so has the Community College. During FY 14 the Board approved a new elementary school and replacement middle school to be built with cash. All three educational boards, representing the Cabarrus County Schools, Kannapolis City Schools and the Rowan-Cabarrus Community College requested bond resolutions be placed on the ballot for the voters in November, 2014. In May, 2014, Kannapolis requested to be removed from the bond and move forward with a short term financing. The FY 15 debt service budget has only the reductions based on the current amortization schedules of our debt. No new debt is proposed or included for FY 15. The five year plan does, however, include additional debt in order to fund two schools and an Advanced Technology Center for the community college. The debt service expenditures of FY 13 include \$ 72, 479,619 of debt refunding. FY 12 includes \$ 37, 730,250 and FY 11 includes \$21,163,703 in refunding.

Budget Message



ALL FUNCTIONS

The five-year expenditure comparison below shows that capital outlay and personnel services have remained relatively flat. The large movements across the years are mainly due to debt service. Note that the pattern of spending mirrors the pattern of spending for debt service.



Budget Message

EXPENDITURES BY CATEGORY

The three-year expenditure comparison below denotes that the adopted FY15 budget decreased \$5.58 million compared to FY14 adopted and a decrease of \$45,917,705 from the revised FY 14 budget. These decreases come primarily from the reduction of the budget for fund balance used to provide funding in FY 14 for the transfer to the Capital Reserve Fund of \$ 29,506,500, the appropriation of assigned fund balance for settlement of APFO lawsuits of \$ 5,600,313 and \$ 5,101,101 for the completion of projects begun in FY 13 and carried over to FY14. Another area of large decrease was in Health Insurance. The cost per employee was reduced from \$ 8,182 to \$6,800 which resulted in a reduction of over \$1.4 million. In addition many county departments cut operational costs and capital projects in order for the budget to balance at the current tax rate.

The expenditures by category table show decreases between FY14 and FY15 by category of expense. Personnel decreased by 3.47% which is the result of reduction in health insurance costs and elimination of several positions (which are slightly offset by new positions that generally cover all or nearly all of their costs with additional revenues). Operational reductions occurred throughout the departments but the largest areas were in the General Service's areas, \$ 696,555, and non-departmental area, \$ 706,502. This reflects reductions in various maintenance projects and of fuel, legal and insurance settlement contingency eliminations of \$ 250,000 and the Board contingency reduction of \$ 378,428.

The capital outlay decline of over \$ 2 million relates to the land that was budgeted in FY 14 for the new elementary school of \$1.5 million, a \$ 228,000 reduction of motor vehicles for the sheriff's department new staff and a \$ 126,000 reduction in ambulances.

	FY 2013 ACTUAL	FY 2014 ADOPTED	FY 2014 REVISED	FY 2015 ADOPTED	ADOPTED CHANGE	PERCENT CHANGE
EXPENDITURES						
PERSONNEL SERVICES	\$ 55,567,648	\$ 61,107,596	\$ 61,197,224	\$ 58,987,238	\$(2,120,358)	-3.47%
OPERATIONS	222,563,200	161,619,619	202,687,299	160,184,923	(1,434,696)	-0.89%
CAPITAL OUTLAY	2,117,605	3,316,580	2,488,132	1,282,788	(2,033,792)	-61.32%
TOTAL	\$ 280,248,453	\$ 226,043,795	\$ 266,372,654	\$ 220,454,949	\$(5,588,846)	-2.47%

Personnel Changes

	FY 2013 ACTUAL		FY 2014 ADOPTED		FY 2014 REVISED		FY 2015 ADOPTED		REVISED CHANGE	
	POSITIONS	FTE'S	POSITIONS	FTE'S	POSITIONS	FTE'S	POSITIONS	FTE'S	POSITIONS	FTE'S
ALL FUNCTIONS AND DEPARTMENTS										
GRAND TOTAL	1,041	952.2998	1,068	979.1418	1,078	988.1388	1,072	982.8968	(6.0000)	(5.2420)

Personnel changes include an additional permit clerk and a plan reviewer in the Construction Standards department due to increases in demand there. The department is estimated to produce revenues to more than cover the costs of these supporting positions. The other additions relate to the expansion of EMS services in the Weddington Road area through a new Ems co-station with four positions (but since they are only for one quarter of the year that equates to 1 FTE). These new approved positions total 3 FTE at a cost of \$179,233 which will be offset by \$172,483 in increased revenues. Thus the net cost is \$5,750.

The budget includes one position re-class for the Administrative Secretary of the Soil and Water unit to Resource Conservation Coordinator and increases the hours for the mail courier at the Midland Library and the Library assistants at Kannapolis Library. The total cost for these changes is \$ 12,545. The 12 eliminated positions or 8.567 FTE were as a result of board action.

Budget Message

General Fund Expenditures by Funding Matrix Categories

The program funding matrix presents County programs in five categories based on legal mandates and contractual obligations. The following is a snapshot of the FY 15 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 effect on the tax rate. 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 Program Funding Matrix section of this document.

	FY 2015 EXPENDITURES	FY 2015 NON-PROPERTY TAX REVENUE	FY 2015 PROPERTY TAX REVENUE	FY 2014 ADOPTED TAX RATE	FY 2015 ADOPTED TAX RATE	ADOPTED TAX RATE CHANGE
1 CENT = \$1,883,711						
PROGRAM FUNDING MATRIX CATEGORIES						
MANDATED SERVICE & MANDATED DOLLARS	41,904,519	16,604,878	25,299,641	0.13	0.13	-
MANDATED SERVICE & DISCRETIONARY DOLLARS	134,001,188	54,181,808	79,819,380	0.43	0.42	(0.0100)
DISCRETIONARY SERVICE & MANDATED DOLLARS	6,079,591	899,500	5,180,091	0.02	0.03	0.0100
CORE ADMINISTRATIVE SERVICES	13,354,247	852,883	12,501,364	0.07	0.07	-
DISCRETIONARY SERVICE & DISCRETIONARY DOLLARS	14,303,874	3,908,997	10,394,877	0.05	0.05	-
TOTAL	\$ 209,643,419	\$ 76,448,066	\$ 133,195,353	\$ 0.70	\$ 0.70	-

Mandated programs by the state or an agreement, with required funding levels, are shown in green. This category makes up 0.1343 cents of the tax rate. This is an increase of 0.0022 cents from FY14. This is largely due to the decrease in education lottery money which increases the tax rate by 0.0147 cents. However, less debt service for education reduced the tax rate by 0.0122 cents.

Mandated programs with discretionary funding levels are shown in blue. This category makes up 0.4237 cents of the tax rate. This is a decrease of 0.0250 cents from FY14. This is mainly due to the 0.0089 tax rate decrease in one-time capital for education. Furthermore, the impact of unrestricted sales tax in FY15 is expected to help defray the tax rate by 0.0033 cents more than FY14. Other large services in this category that decreased the tax rate were the Sheriff Administration & Operations (0.0047 cents); Child Welfare, Day Care, and Foster Care (0.0035 cents); Jail (0.0033), and the Cabarrus Health Alliance (0.0024). These decreases were offset by increases in Operating costs for Education (0.0086 cents) and Human Services Administration (0.0010 cents).

Discretionary programs with mandated funding due to contractual reasons or otherwise, are shown in pink. This category makes up 0.0275 cents of the tax rate. This is a decrease of 0.0010 cents from FY14, mainly due to the decrease for the Economic Development Corporation (0.0018 cents). However, this decrease was offset by an increase to the Economic Development Incentive Grants (0.0012 cents).

Discretionary programs that serve as core administrative services are shown in brown. This category makes up 0.0664 cents of the tax rate. This is a decrease of 0.0095 cents, largely due to a decrease in General Services (0.0061 cents) and Information Technology Services (0.0015 cents).

Discretionary programs with discretionary funding are shown in yellow. This category makes up 0.0552 cents of the tax rate. It decreased 0.0011 cents from FY14. The Non-departmental Salary Adjustments, Contingency, Library System, Contribution to the Arena and Events Center Fund and Miscellaneous revenues like Medicaid Hold Harmless combined decreased 0.0103 cents. This was offset by an increase to the contribution to capital projects of 0.0134 cents.