

# Budget Message

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May 18, 2015

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

I am delighted to submit to you the recommended Cabarrus County Operating Budget for FY16. The budget as submitted is prepared in accordance with the General Statutes of North Carolina and the Local Government Budget and Fiscal Control Act. The mission, vision and action plan of the Board of Commissioners has continued to provide valuable structure and direction in the preparation of this balanced budget.

County staff initiated the FY16 budget process in November of 2014, when staff reviewed programs and services for effectiveness and efficiency. Where appropriate, some of these findings are proposed for implementation in the upcoming budget. As in previous years, the construction of the proposed budget allows for appropriate funding of mandated functions of county government, as well as the programs and services expected by our citizens.

It is my recommendation that the Board of Commissioners consider a General Operating Budget in the amount of \$218,657,209 for FY16, which represents a 4.3% increase in spending from the FY15 adopted budget. To fund this budget as proposed will require the Board of Commissioners to adopt an ad valorem tax rate of 70 cents, the same rate as the adopted FY13, 14 and 15 budgets. The proposed budget meets current departmental needs and future needs of the County by maintaining existing or lower levels of spending in most departments, while providing additional supplements to areas with increased service demands. The plan also addresses growth within the school capital and current expenses and plans for their future needs.

## **Short-term Economic and Operational Impacts on the County Budget**

1. The National, State and local economies continue to experience positive economic growth, which is estimated to increase ad valorem and sales tax revenues by \$8,657,878 in FY16. We project 1.7% growth in ad valorem taxes and 3% growth in sales taxes when you compare projected actual FY15 to projected budget FY16. While our projections meet statutory requirements and conform to the projected range of the North Carolina Association of County Commissioners, staff continues to remain conservative in our approach to project for budgeting purposes.
2. Although North Carolina counties have collectively requested that the State Legislature reinstate lottery proceeds for school capital needs to their original percentages, this has not taken place. Therefore, counties will have to continue to fund projects with a larger

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proportion of local funds, which negatively impacts available funds for the County's and our schools' current expenses.

3. Cabarrus County continues to prosper as one of the nation's fastest-growing counties. The 2014 Census noted that our population is now 192,103, making Cabarrus the 11<sup>th</sup> most-populated county in the state.
4. The County continues to increase in residential, commercial and industrial growth. Because of this growth, the Register of Deeds office and the Planning and Development office have experienced an increase in activity. Over the last year and in FY16, the County has added several code enforcement officers to meet the demand of the new activity and to keep the building industry on schedule.
5. The Unemployment Rate in the county has continued to drop to its current level of 4.9%, which means we still have citizens out of work or underemployed. To address this issue, our economic and workforce development initiatives must continue in a positive direction. Our work to keep Cabarrus County a competitive community will allow our existing businesses to prosper and provides an attractive location and a "ready workforce" for companies wanting to expand and/or locate.
6. Operational and Capital needs of Cabarrus County Schools, Kannapolis City Schools and Rowan Cabarrus Community College continue to demand additional funding. Charter schools within the county are growing and receive County funding for their current operating expenses, as well. All of these have projected increased enrollments and funding needs.
7. The Governor and the State Legislature propose to fund phase II of their initiative to increase the base salary of new schoolteachers to \$35,000 per year. The proposed budget includes the fiscal impact of this initiative and the recommended merit increases for locally paid school employees.
8. The County has divested operations of two programs to the private sector, which allows for the reallocation of staff to address growing program needs, such as Economic Services and Emergency Medical Services. The two programs are the Community Alternative Program (CAP) and Non-Emergency Transportation. The County continues to evaluate programs and services to determine their effectiveness and the best method of delivery to our citizens.
9. Currently, there are two bills under consideration by the North Carolina Senate, both of which propose a new formula for sales tax distribution. If either of these bills become law, it will have a negative impact on the County's budget. Both propose to redistribute sale tax revenues throughout the 100 counties on a per-capita basis, rather than the current point-of-sale system.

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## FY16 Budget Highlights, Priorities and Issues

1. The Board of Commissioners has identified four focus areas that are important to them and Cabarrus County:
  - A. Transportation, Connection and Mobility
  - B. Programs, Funding and Services
  - C. Planning, Growth and Economic Development
  - D. Communication and Education

Accordingly, staffing and funding levels will target these areas in the FY16 budget and beyond.

2. New positions are recommended to meet the demands of our growing county and the expectations of our citizens for staff to provide effective and efficient services. Public safety, Construction Standards, Human Services, Information Technology and Communications are functions with additional staffing proposals.
3. Increased capital and current expense funding in the amount of \$3,120,020 for our schools is proposed to address the demands of growing enrollment, technology needs, and the combination of need for more facilities and maintenance of an aging inventory of buildings. However, the County will need to take on additional debt to fund several new schools and an increasing amount of maintenance and repair projects that were deferred over the last several years. The County is working with the schools to present a detailed plan of deferred maintenance and current facility needs and how to address them in the future.
4. Proposed staffing and operational hours for the Emergency Medical Services department address the increased number of calls and the staff's stress and fatigue in responding to those calls. These changes will include moving from the current 24-hour shift to a 12-hour shift. The transition will take place over two fiscal years, with 75% occurring in FY16 and the remaining 25% in FY17.
5. The Community Paramedic program is also recommended to provide our citizens with an additional level of care as they return home after stays in the hospital and begin their recovery process.
6. Funding and staffing for our Library System ensure that our branches remain open six days a week.
7. The County has completed compensation studies in an effort to bring employee salaries to a level appropriate and competitive in the market from which the County recruits. Additional funds based on the results of these studies are included in the recommended budget.
8. Increased funding to the Health Insurance Fund in the amount of \$1,300,000 to restore the full cost of employee benefits.

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Cabarrus County is trending in a positive manner. Residential, commercial and industrial development continues to improve. Our population seems to increase daily. Our unemployment rate is down to 4.9%. There are many other positive things moving forward in the county. However, even positive growth brings with it challenges and opportunities that we must address financially and operationally. The proposed budget meets these challenges and takes advantage of the positive opportunities that have presented.

In closing, I would like to thank our entire staff for their continued commitment to provide the very best services to the citizens of our county in the most efficient manner. It is only through their determination and commitment that we are able to carry out the Board of Commissioners' mission, vision, and goals for a growing and prospering county.

I would like to specifically thank Pam Dubois, Senior Deputy County Manager; Susan Fearington, Finance Director; Kristin Owens, Budget Analyst; Becky Crabtree, Budget Analyst; Jonathan Marshall, Deputy County Manager; and Lundee Covington, Human Resources Director, for their time and efforts 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 \$ 233,306,153, with the General Fund at \$ 220,591,741.