

BRENDA JONES FOX
County Manager



GUILFORD COUNTY ADMINISTRATIVE OFFICES

May 7, 2009

Guilford County Board of Commissioners

The Honorable Melvin (Skip) Alston, Chairman
The Honorable Steve Arnold, Vice-Chairman
The Honorable Katie S. (Kay) Cashion
The Honorable Carolyn Q. Coleman
The Honorable Bruce E. Davis
The Honorable Paul Gibson
The Honorable John Parks
The Honorable Kirk Perkins
The Honorable Linda O. Shaw
The Honorable Mike Winstead, Jr.
The Honorable Billy Yow

Mr. Chairman and Members of the Board:

In accordance with the General Statutes of North Carolina, I hereby submit for your consideration the proposed budget for Guilford County Government for the 2009/2010 fiscal year. A copy of this document has been filed with the Clerk to the Board and is available for public inspection. The budget is balanced and prepared under the guidelines of the North Carolina Local Government Budget and Fiscal Control Act.

Guilford County, the State of North Carolina, and the nation, as a whole, face unprecedented economic challenges. The decline in economic activity, both nationally and at local levels, has resulted in substantial shortfalls in certain County revenue streams for the current fiscal year. At the State level, the deficit is projected to exceed \$3 billion due to reduced sales and the associated drop in sales tax revenues, as well as a decline in income tax revenues. Locally, sales tax revenues and revenues from various fees are expected to fall short of budget projections. In addition, to address its own deficit, the State has withheld funding from the County, including a portion of County lottery funds, thereby exacerbating already difficult financial circumstances. At the same time, demand for certain County services, including emergency response, public health, and social services is increasing.

Skip Alston, Board of Commissioners' Chairperson, announced during the December 11, 2008, Board meeting that his goal was for the County to have a zero tax increase for the upcoming fiscal year. The Chairman's challenge to the staff was "to do more with less" and subsequently, the following committees were established to facilitate this process:

Effective, Efficient County Government: Chairperson, Carolyn Coleman

Budget Committee: Chairperson, Steve Arnold

County Attorney Search: Chairperson, Kirk Perkins

County Manager Search: Chairperson, Linda Shaw

Education: Chairperson, Bruce Davis

Substance Abuse & Drug Treatment: Chairperson, Kay Cashion

Jail Committee: Chairperson, Paul Gibson

The purpose of this process was to reallocate County resources to the highest priorities and transform old spending towards new purposes. This proposed budget follows through on that commitment. I commend all members of the Board for their willingness to participate so enthusiastically in all aspects of the committee process this year. It has made the budget task go more smoothly in spite of the difficult decisions that were necessary. I am truly grateful to all of you.

Guilford County Government will make reallocation of resources from lower to higher priorities an integral part of the way it manages in the new fiscal year and for the foreseeable future. Toward that end, and in accordance with the County's Reduction in Force Policy, I led a systematic and ongoing examination of all mandated and nonmandated services provided by the County. The goal was, and will continue to be, ensuring that County government programs remain relevant, effective and efficient. In this process, the County has thus far identified 72 positions in 14 departments for abolishment by the end of calendar year 2009. These actions represent a savings of approximately \$4.3 million. When added to the positions eliminated through the Vacancy Committee and other staff adjustments, the total number of positions that will be eliminated by the end of calendar year 2009 is 91.

Summary of Proposed Budget

The budget proposed for the General Fund for FY 2009/2010 totals \$585,010,815. This is \$1.1 million less than the budget adopted by the Board of Commissioners for the current fiscal year of 2008/2009. The proposed total number of County staff is 2,562, which represents a net decrease of 81 positions (85 eliminated as of the beginning of the FY 2009/2010, less four grant-funded positions approved by the Board during FY 2008/2009). As directed by the Board at its January retreat, the proposed budget requires no increase over the current fiscal year's tax rate of \$ 0.7374 per \$100 of assessed valuation.

Expenditures

Significant changes in the proposed expenditure budgets for the County's service areas are described below:

Education

- Given the fiscal constraints facing Guilford County, the budget proposes no increase in the operating allocations for the Guilford County Schools (GCS), nor Guilford Technical Community College (GTCC). The recommended allocations are \$175,165,521 for GCS and \$11,752,690 for GTCC.
- The budget includes \$1.5 million for the capital needs of GTCC. Although this is \$500,000 less than the current fiscal year's appropriation, it represents and retains, the historical level of capital funding for GTCC. Last year's allocation included one-time funds of \$500,000 for infrastructure needs for the new northwest campus.
- The capital allocation for GCS is \$4 million. This is \$3 million less than the current fiscal year's appropriation. Over the last several years, Guilford County has issued \$300 million in bonds for school facility needs, with another \$327.3 million remaining to be issued from the bonds approved by voters in May, 2008. As a result of this increased financial commitment by the County, it is recommended that the annual capital appropriation for the upcoming fiscal year be reduced to a level of funding consistent with other comparable governmental units.
- An additional \$11.84 million is budgeted for increased debt service on school bonds, including an additional bond issue planned for December, 2009.

Human Services

- Funding for the County's human services will decrease by \$19.1 million (10.5%) in the proposed budget. Most of this decrease is the result of the elimination of \$11.8 million of Medicaid expenditures as a result of the "Medicaid - Sales Tax Swap" legislation approved by the General Assembly. Effective July 1, 2009, in exchange for ceding a portion of their sales tax revenues to the State, counties will no longer be required to participate in funding the Medicaid program. Although the County will lose sales tax revenue, this new funding arrangement will benefit the County as the Medicaid expenses to be eliminated exceed the loss in revenue.
- The budget proposed for Transportation reflects a decrease of nearly \$1.9 million. Effective in the new fiscal year, the County will only provide trips which are eligible for Medicaid reimbursement and trips for qualified elderly and disabled clients.
- The 2009 American Recovery and Reinvestment Act repealed a previous provision of the Deficit Reduction Act, which will allow the County to utilize incentive revenues to make up the County's match for expenses submitted for reimbursement. As a result, Child Support Enforcement will not require any County funds for FY 2009/2010 and the County will also realize an additional \$694,910 for the general funds from these changes.

Public Safety

- Funding for the County's public safety departments will decrease by approximately \$751,000.
- An additional \$300,000 is required per the new contract for the operation of the Animal Shelter. The County's share of this increase is \$150,000.
- No change is proposed to the property tax rates for the fire districts, although Julian Fire District requested an increase from \$0.091 to \$0.100. No increases were recommended.

General Government

- Additional funds are included in the Human Resources budget for increased retiree health care costs (\$1,250,000).
- \$2 million is included in the Human Resources budget for a contribution to the Local Government Other Post-Employment Benefits Fund administered by the North Carolina Department of State Treasury. The Annual Required Contribution for June 30, 2007 and June 30, 2008 is \$26,232,790. Additional annual contributions above the \$2 million will be required to adequately address this liability.
- The County Attorney's budget will increase by \$750,909 as it receives seven positions from other departments in an effort to expand the Legal department's capacity to handle the County's legal needs.

Community Services

- An additional \$1,300,000 is proposed for Economic Development Assistance to expand the County's economic incentive program.
- The proposed budget contains \$787,917 for various outside organizations that provide programs for arts, youth, and recreation. This is an increase of \$537,917 over the amount approved for similar agencies in the current fiscal year.
- The budget proposes a decrease in the support to the library systems of Greensboro (-\$400,000) and High Point (-\$90,000). The appropriations for Gibsonville and Jamestown will remain at the level of the current fiscal year's appropriation.

Future Capital Needs

- A Future Capital Needs funding schedule was developed in FY 2000/2001 that called for annual transfers from the General Fund to the County Building Construction Fund to offset the need for debt financing for capital projects. No funding was allocated for future capital needs in FY 2007/2008, nor in FY 2008/2009. The FY 2009/2010 proposed budget allocates \$10,118,000 from the General Fund for transfer to the County Building Construction Fund for future capital needs. This amount will bring the County up to date per the contribution schedule.

Revenues

Total revenues are expected to decline by \$17.4 million in the upcoming fiscal year. Most of this decrease is related to a drop in sales tax revenues, due to both a decline in retail sales and the ceding of a portion of revenues to the state. Changes in the County's major revenue sources are outlined below:

Property Tax

The assessed value of property in the County is expected to grow by approximately 1.9% (the lowest rate of growth since FY 2003/2004). This will result in a total Property Tax revenue budget of \$327.8 million, including late payments. This represents a budget-to-budget increase of approximately 3%.

The following table calculates each County service area's share of the total tax rate:

Allocation of Revenues and Tax Rate									
Expenditure	FY 09-10 Proposed Budget	Allocation of Revenue and Fund Balance					Allocation of Property Tax		
		Department Revenues	Lottery Revenues for School Debt	Earmarked Sales Tax for School Debt*	Share of General County Revenues**	Share of Current Share of Fund Balance	Share of Current Year Property Tax Revenues	Share of Property Tax	Share of Tax Rate (73.74 cents)
									73.74
Community Services	\$12,222,351	(\$898,160)			(\$1,566,756)	(\$694,841)	(\$9,062,594)	2.8%	2.06
General Government	\$25,694,311	(\$6,394,234)			(\$2,670,258)	(\$1,184,234)	(\$15,445,586)	4.8%	3.51
Human Services	\$162,812,538	(\$106,698,847)			(\$7,763,597)	(\$3,443,081)	(\$44,907,014)	13.8%	10.20
Public Safety	\$87,907,576	(\$20,454,145)			(\$9,332,504)	(\$4,138,876)	(\$53,982,051)	16.6%	12.26
Support Services	\$26,142,552	(\$2,240,248)			(\$3,306,998)	(\$11,584,622)	(\$9,010,684)	2.8%	2.05
All Debt	\$77,813,276	(\$392,046)	(\$8,000,000)	(\$14,875,209)	(\$7,546,702)	(\$8,596,890)	(\$38,402,429)	11.8%	8.72
Education	\$192,418,211				(\$26,621,977)	(\$11,806,592)	(\$153,989,642)	47.4%	34.96
Total	\$585,010,815	(\$137,077,680)	(\$8,000,000)	(\$14,875,209)	(\$58,808,791)	(\$41,449,135)	(\$324,800,000)	100.0%	73.74

* 30% of Article 40 & 60% of Article 42 Sales Taxes earmarked by statute.

** Includes unearmarked portions of sales tax; prior year tax payments, penalties, and interest; investment earnings; gross receipts tax; beer and wine taxes.

Sales Tax

Sales Tax revenues are expected to generate approximately \$64.3 million next fiscal year. As a result of recently enacted Medicaid relief legislation and the impact of recent declines in our local economy, this amount is \$13.3 million lower (-17.2%) than the \$77.6 million in revenue included in the FY 2008/2009 budget.

Lottery Revenues

The proposed budget includes \$8 million in anticipated lottery revenues. This amount is \$4.5 million less than the current fiscal year's budget.

Other Revenues

The proposed budget for Other Revenues is \$9.26 million less (-41%) than the current fiscal year's budget. Most of this decrease is the result of a \$6.625 million decline in investment earnings, primarily the result of weak interest rates. In addition, Register of Deeds revenues, which are generally tied to property transactions, have experienced a severe decline as economic activity slowed this year, particularly as it has affected the excise taxes on land transactions.

Fund Balance

The proposed budget includes an appropriation of \$43.1 million of Fund Balance, \$16 million more than was included in the current fiscal year's adopted budget. The amount planned for "general" uses (i.e., the amount not earmarked for a specific department or restricted for a certain use) is \$26.1 million, slightly less than the amount adopted for FY 2008/2009. Most of the increase in fund balance comes from allocating \$5.25 million of restricted bond premium funds for debt service and allocating \$10.12 million for future capital needs as discussed above. Additionally, the budget proposes an increase in the fund balance amount held for specific departmental uses.

Conclusion

In addition to my gratitude to the Commissioners, I want to express my sincere appreciation to my staff, County department directors and County employees. As everyone is painfully aware, these are difficult and uncertain economic times, requiring discipline and sacrifice in all aspects of government, business and life in general. I am fortunate to work with such a dedicated and adaptable group of individuals. Because of your cooperation and extra efforts, we have managed to save the County millions of dollars and to submit a proposed budget that is not only viable, but one which does not contain a tax increase, as mandated by the Board of Commissioners. I am proud of this accomplishment and of each of you who helped achieve it. Thank you all very much.

Respectfully submitted,

Brenda Jones Fox
County Manager