

General Fund Revenues

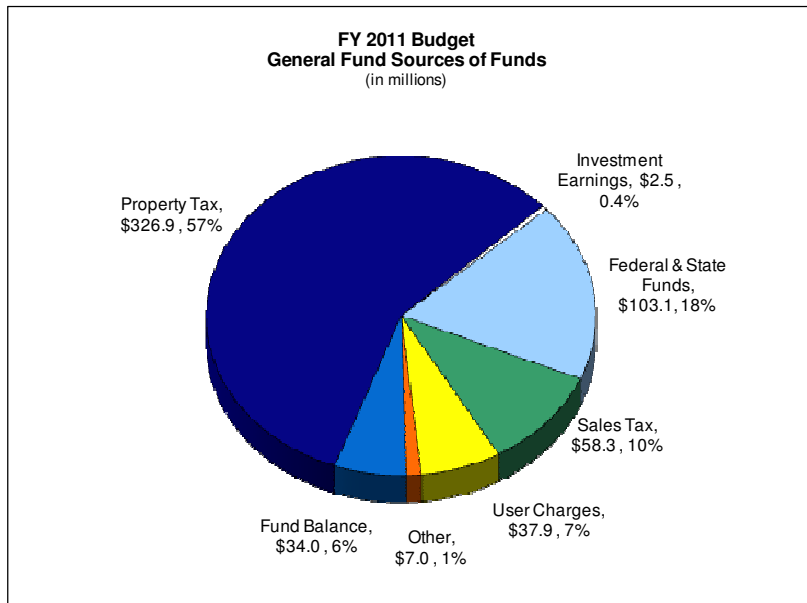
General Fund revenues and appropriated fund balance for FY 2010-11 total \$569,740,000. This is \$16,370,932 million less than the budget approved for FY 2009-10. Property Tax revenues will account for 57% of the total revenue budget next fiscal year. The next largest sources of funds for general county operations are Federal and State Funds (18%) and Sales Tax revenues (10%).

Summary of Revenue Sources

	FY 2009 Actual	FY 2010 Adopted	FY 2010 Amended	FY 2011 Adopted	vs. FY 2010 Adopted	
					\$ chg	% chg
Property Tax	\$324,164,020	\$327,800,000	\$327,800,000	\$326,908,523	(\$891,477)	-0.3%
Federal & State Funds	\$104,460,867	\$98,913,634	\$103,742,396	\$103,115,039	\$4,201,405	4.2%
Sales Tax	\$70,445,947	\$64,265,000	\$64,265,000	\$58,250,000	(\$6,015,000)	-9.4%
User Charges	\$39,981,539	\$38,759,856	\$38,146,486	\$37,941,151	(\$818,705)	-2.1%
Investment Earnings	\$5,823,122	\$3,220,000	\$3,220,000	\$2,507,500	(\$712,500)	-22.1%
Other	\$21,976,922	\$10,018,412	\$10,228,393	\$7,023,447	(\$2,994,965)	-29.9%
	\$566,852,416	\$542,976,902	\$547,402,275	\$535,745,660	(\$7,231,242)	-1.3%
Fund Balance	\$ (17,957,619)	\$ 43,134,030	\$ 49,543,002	\$ 33,994,340	(\$9,139,690)	-21.2%
Total All Sources	\$548,894,797	\$586,110,932	\$596,945,277	\$569,740,000	(\$16,370,932)	-2.8%

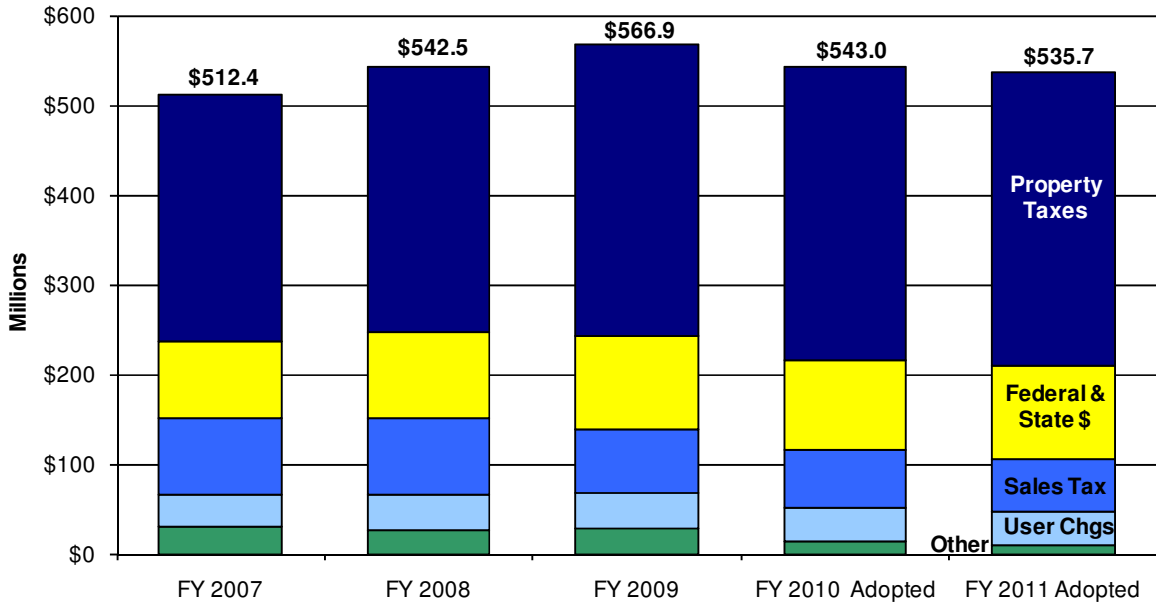
The FY 2010-11 budget maintains the general county wide tax rate at \$0.7374 for each \$100 of assessed property valuation – no increase over the current tax rate for FY 2009-10.

The budget projects declines in most revenue sources as a result of continued economic difficulties. Revenues from property taxes, sales taxes, user charges, investments, and miscellaneous sources are projected to decline by nearly \$11.4 million. This drop will be offset in part by an expected increase in federal and state funds of \$4.2 million.



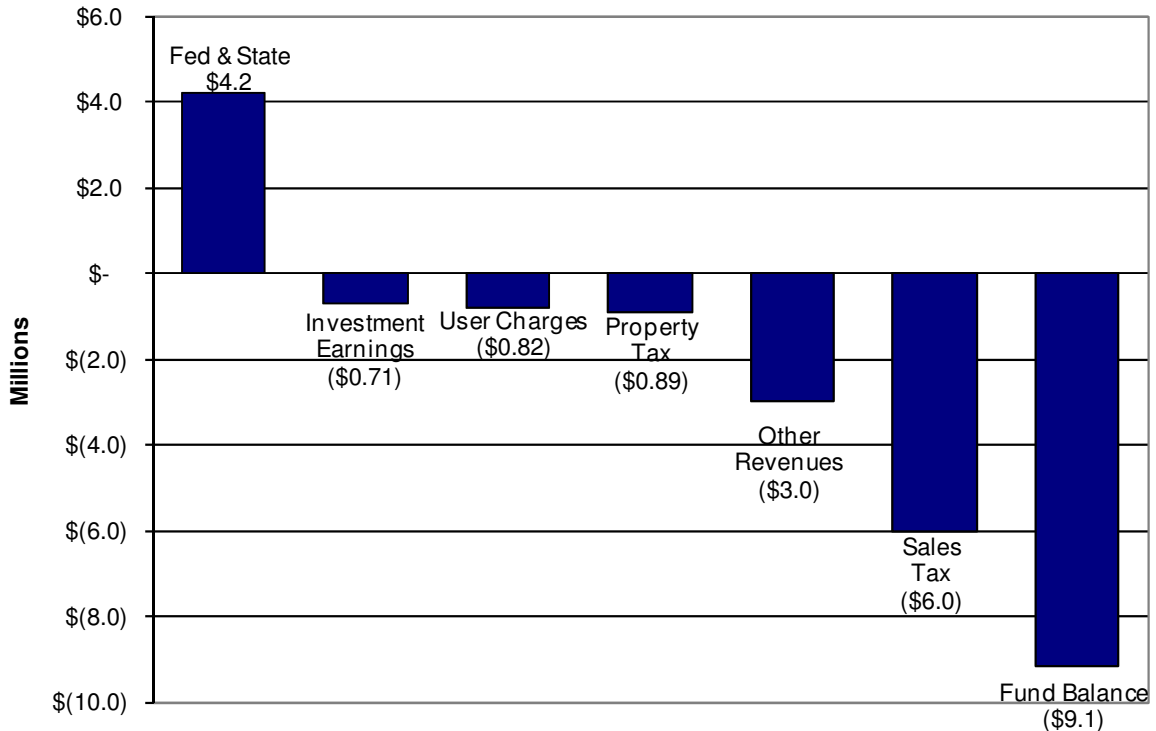
Approximately 86% of all general county revenues are generated from just three sources – property taxes (57%), federal and state funds (18%), and sales taxes (10%). Other revenues are generated by fees for various services, such as ambulance transportation and medical visits to Health and Mental Health clinics and appropriations of fund balance.

FY 2011 Revenues by Category
(excludes Fund Balance)



Excludes bond proceeds and assumes debt at amount in adopted budgets.

FY 2011 Revenues
Change from Prior Year Adopted Amount
(in millions)



Revenue from the property tax is the largest source of funds for Guilford County. For FY 2010-2011, the ad valorem property tax is estimated to generate approximately 58% of total General Fund revenues, or \$326.9 million. Current year taxes (i.e., taxes paid on time) are expected to generate \$323.4 million of the total revenues estimated for next year, while the remaining \$3,500,000 will come from payments made for taxes originally due in prior years. Overall, property tax revenues are projected to decline by approximately \$891,500 (-0.3%) from the amount originally budgeted for FY 2009-10.

FY 2009-10 Property Tax Revenues

Current year revenues generated from the property tax on real and personal property are expected to slightly exceed the budget for FY 2009-10. Motor vehicle taxes, however, are projected to be under budget by approximately \$1.5 - \$2.0 million. This decline in motor vehicle values is expected to linger into next fiscal year as consumers continue to postpone new vehicle purchases and the existing vehicle base continues to depreciate.

Estimating FY 2010-11 Property Tax Revenues

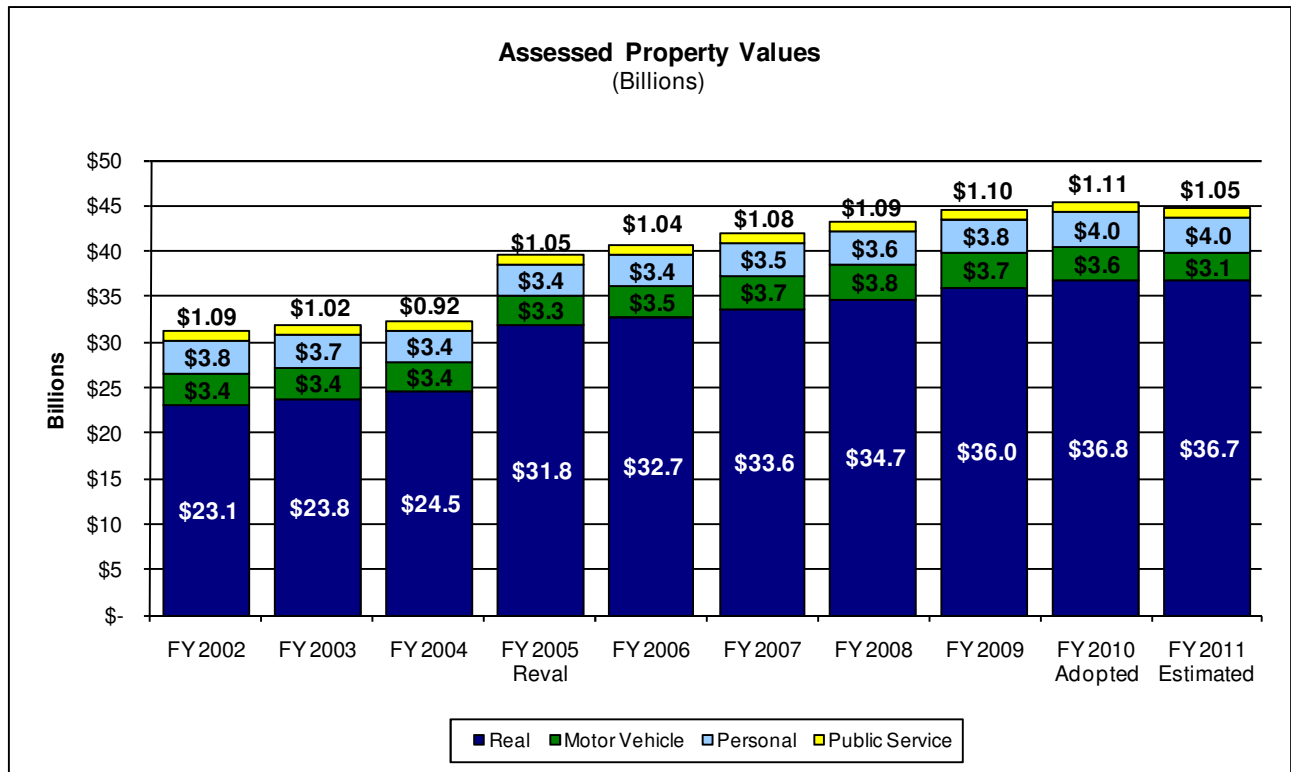
Property tax revenues are based on the assessed value of property in the county, the tax rate set by the Board of Commissioners, and a collection rate that represents the actual percentage of the total tax levy the county can reasonably expect to collect.

Assessed Value of Taxable Property

Like all North Carolina counties, Guilford County levies a property tax on four general types of property: Real Property (e.g., houses, land); Motor Vehicles/Automobiles; Personal Property (e.g., boats, business machinery); and property held by businesses that is routinely moved among various jurisdictions in the course of normal business, such as property owned by utilities, railroads, and trucking companies (called Public Service property).

For FY 2010-2011, the total assessed valuation of all types of taxable property in Guilford County is estimated to be approximately \$44,820,000,000. This reflects a decrease of 1.4% from the valuation budgeted for FY 2009-10. While the value of real and personal property is expected to remain roughly the same as last fiscal year, motor vehicle values are projected to decline nearly 15% from the estimates used to prepare the FY 2009-10 budget. The change in values is based on the Tax Department’s review of activity since FY 2009-10 values were set and uncertainty regarding economic conditions during the next fiscal year.

Total Assessed Property Values										
All Property Types										
	FY02	FY03	FY04	Reval FY05	FY06	FY07	FY08	FY09	Estimated FY10	Estimated FY11
Value	\$ 31.3	\$ 31.9	\$ 32.2	\$ 39.6	\$ 40.6	\$ 41.9	\$ 43.2	\$ 44.6	\$ 45.5	\$ 44.8
%chg	4.4%	1.8%	1.1%	22.9%	2.5%	3.3%	3.1%	3.3%	1.9%	-1.4%
<i>Billions</i>										



As the next chart indicates, Real and Personal property values are estimated to remain relatively even with current year values. Motor vehicle values, however, are projected to decline by 14.8% as consumers continue to postpone new vehicle purchases and the existing vehicle base continues to depreciate. Public Service property values are projected to decline by about 5% from the current year's original estimate. Public Service values are established by the state at 100% of value. In the fourth year following a county-wide property revaluation, Public Service companies are eligible to request a reduction in value to better reflect the current sales-to-assessed value ratio in the county. FY 2008-2009 was the first year Public Service companies may apply for this adjustment. FY 2010-11 values have been reduced by 5% to reflect this potential adjustment.

	Percentage Change in Assessed Property Values				
	Type of Property				
	Real	Motor Vehicles	Personal	Public Service	Total
FY 2006-07	2.8%	8.4%	2.7%	3.2%	3.3%
FY 2007-08	3.4%	0.0%	3.1%	1.4%	3.1%
FY 2008-09	3.8%	-2.0%	4.9%	1.2%	3.3%
FY 2009-10 Estimated	2.0%	-2.6%	5.1%	0.0%	1.9%
FY 2010-11 Estimated	-0.1%	-14.8%	0.0%	-5.0%	-1.4%

Property Tax Rate

The FY 2010-11 budget includes a general, county-wide property tax rate of 73.74 cents for every \$100 of assessed property valuation – no increase over the current tax rate. In dollars, this means a property owner in Guilford County would pay \$737.40 in property taxes in FY 2010-11 for each \$100,000 of taxable property owned.

Property Tax Rates - General County										
<i>in cents per \$100 of assessed property valuation</i>										
	FY02	FY03	FY04	Reval FY05	FY06	FY07	FY08	FY09	FY10	Adopted FY11
Rate	67.42	67.42	71.35	61.84	64.28	66.15	69.14	73.74	73.74	73.74

In addition to paying the general, county-wide property tax, property owners may pay additional property taxes for fire protection (see the Public Safety section of this document) or municipal services, depending on where their property is located.

Collection Rate

When estimating property tax revenues, North Carolina counties must consider the fact that they will not collect 100% of the total taxes billed in a given year. To comply with this requirement, all counties apply a collection rate percentage to the estimated total property tax levy. The collection rate used cannot be more than the percentage of taxes actually collected during the prior fiscal year. In Guilford County, the overall collection rate was 98.17% in FY 2008-09 and, as of March 2010, was expected to be at a similar percentage by the end of the fiscal year.

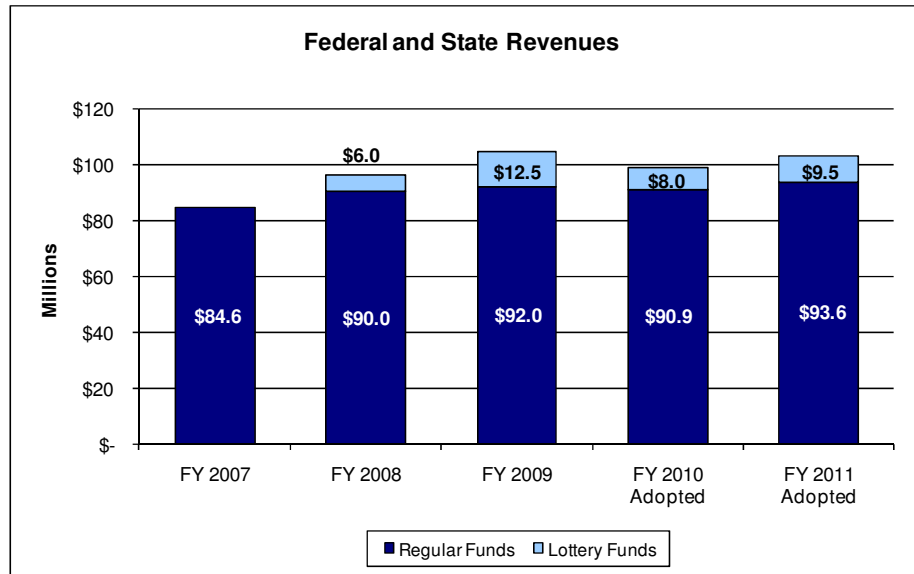
The FY 2010-11 budget assumes a collection rate of 97.85%, slightly below the estimated rate for the current fiscal year. As the level of economic activity remains uncertain, it is prudent to conservatively budget the county’s largest source of revenue. This approach guards against a decline in property tax collections and provides a margin of protection against declines in other revenues (such sales taxes) that are highly sensitive to changing economic conditions.

Federal and State Funds

\$103,115,039

Federal and state funds represent about 18%, or \$103.1 million, of total revenues anticipated in FY 2010-11. This represents an increase of \$4.2 million (4.2%) from the amount of federal and state funds included in the FY 2009-10 budget. Most of this increase is related to the allocation of lottery and American Reinvestment and Recovery Act funds to offset qualified debt service expenditures (see discussion below).

Nearly all of the federal and state revenue expected to be received in FY 2010-11 will be used to help fund the Public Health, Social Services, and Mental Health departments. These departments are responsible for administering a number of state and federal programs (see descriptions of their services in the Human Services section of this document) and receive outside funds for doing so.



Lottery Funds

FY 2007-08 was the first year the County began using revenues from the state lottery to fund additional debt service for construction projects of the Guilford County Schools. Lottery funds can only be used for debt service on borrowing conducted after 2003 or for selected school capital needs. The budget for FY 2010-11 assumes a total of \$9.5 million of lottery funds will be available next fiscal year. This includes approximately \$8.5 million of revenue to be generated during the year, as well as \$1 million of revenues from prior years held by the state for use by the County. (Note: In late June, the state passed a budget that reduced the overall amount of lottery funds allocated to counties. At the time this document was prepared, the full impact of this reduction on Guilford County’s FY 2010-12 budget was not known.)

American Recovery and Reinvestment Act Funds

In March, the County sold a total of \$165,000,000 of general obligation bonds for new projects authorized by Guilford County voters. Half (\$82,500,000) of the total amount issued was in the form of Build America Bonds, a new financing instrument authorized by the American Recovery and Reinvestment Act of 2009 (ARRA). As a result, the County is eligible to receive a federal payment subsidy in an amount equal to 35% of the interest payment on the Build America Bonds. This subsidy is estimated to be \$1,773,000 in FY 2010-11 and is included as a new revenue in the Debt Service budget.

Sales Tax

\$58,250,000

Sales Tax revenues are expected to generate \$58,250,000 next fiscal year, or about 10% of total county revenues. As a result of recently enacted Medicaid relief legislation (discussed below) and the impacts of recent declines in our local economy, this amount is 9.4% lower than the \$64,265,000 in revenue included in the FY 2009-10 budget.

Sales Tax Components & Distribution to Local Governments

North Carolina counties are authorized to levy up to three individual local option sales taxes that total 2% (one 1.0% tax and two 0.50% taxes). These local taxes are in addition to the state's general sales tax rate of 5.75%, depending on the product purchased.

The actual amount of sales tax revenues returned to the local governments in the county depends on a number of factors, including Guilford County's share of the total state population, the strength of local collections, and sales tax performance statewide. Once the total amount of sales tax returned to the county as a whole is determined by the state, the amount of revenue a particular local government receives is based on the unit's property tax levy compared to the levies for all local units of government during the prior fiscal year. For instance, in FY 2009-10 the property taxes levied by Guilford County Government represented approximately 60% of all of the property taxes levied in the county. As a result, Guilford County can expect to receive about 60% of the total sales tax revenues returned to local governments in the county in FY 2010-11. This amount varies from year to year as both the assessed values and property tax rates change in various jurisdictions.

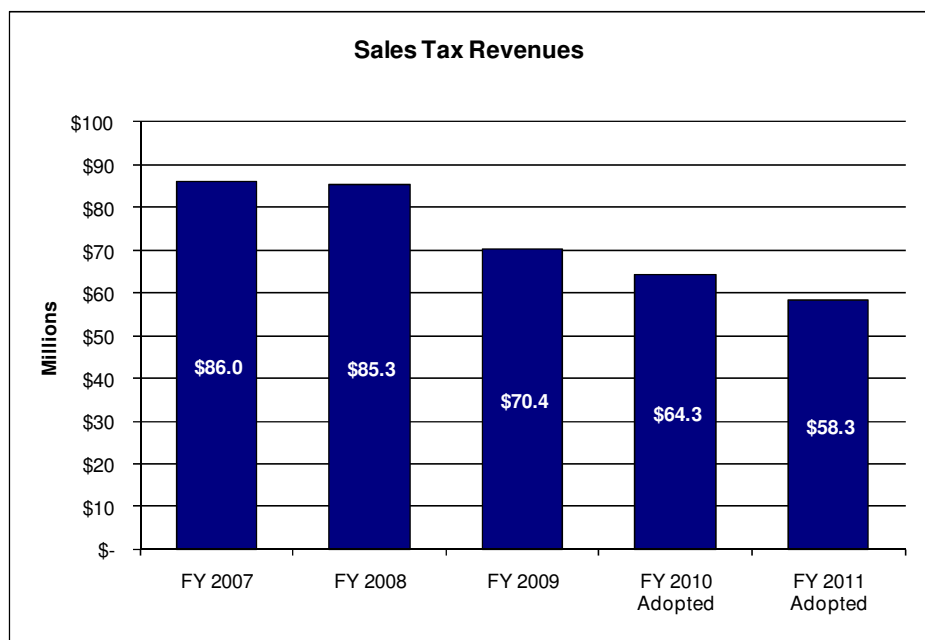
Impact of Medicaid Relief

Prior to October 2008, counties were authorized to levy up to 2.5% of local option sales taxes. As part of Medicaid Relief legislation approved several years ago by the General Assembly, the state no longer charges counties for a share of Medicaid costs in exchange for ceding the proceeds from a 0.5% local option tax to the state. The transfer of the related sales tax revenue to the state was complete in October 2009.

While counties lost a significant revenue stream, the state now assumes all of the counties' share of Medicaid expenditures. Because municipalities receive a portion of the sales taxes generated in their counties, the legislation also includes a provision that counties hold municipalities harmless from any sales tax losses. This hold harmless amount is projected to be nearly \$7 million next fiscal year. Based on the latest information available from the Department of Revenue, the net benefit to the county (reduction in estimated Medicaid expense, less losses in sales tax revenues, less hold harmless payments to municipalities) for FY 2009-2010 was estimated to be approximately \$11 million.

FY 2010-11 Projections

Economic issues at the state and local levels continue to impact retail sales. Despite a significant reduction in sales tax revenues in the FY 2009-10 budget, current year sales tax revenues were under budget by \$3.9 million through ten (of twelve) distributions from the state. Year-end revenues are expected to be approximately \$5 million under budget if no improvement in retail sales is experienced over



the next several months.

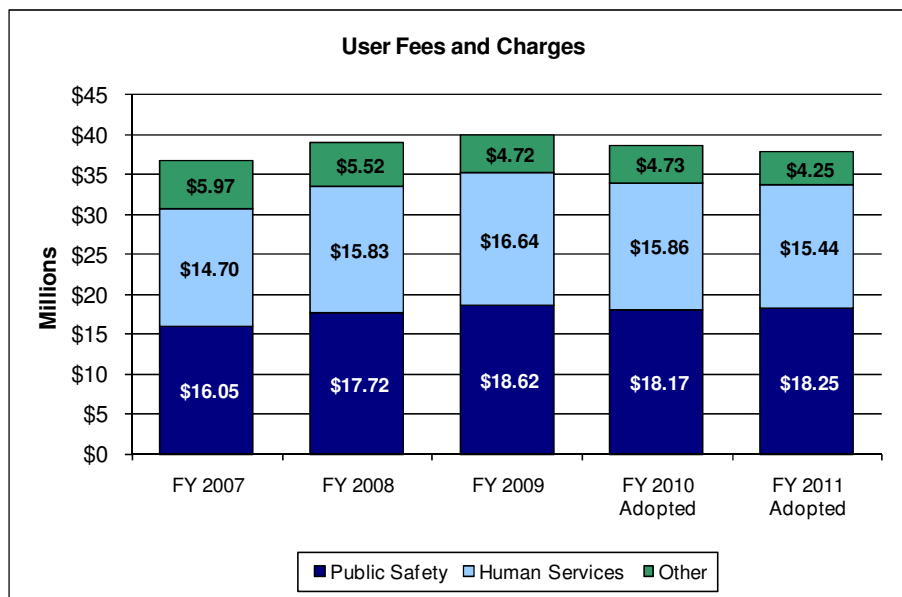
FY 2010-11 sales tax revenues are expected to decline by just over \$6 million from the FY 2009-10 budgeted amount. FY 2010-11 will be the first full fiscal year that the County has experienced without any portion of the 0.5% sales tax that was ceded to the state. Consequently, part of the anticipated decrease in sales tax is due to the complete loss of one of the County's local option taxes. The rest of the decrease is related to the poor economic conditions that are expected to continue into next fiscal year.

User Fees and Charges

\$37,941,151

Guilford County departments expect to generate approximately \$38 million from fees and other charges for services (approximately 7% of total revenues), such as fees for ambulance transportation and medical visits to the Health Department and Mental Health. Most user fees and charges are collected by Public Safety and Human Services departments. Other fees include inspections and permitting charges and fees paid to the Register of Deeds for various documents and transactions.

Total fees for FY 2010-11 are expected to be about \$819,000 less than the current fiscal year. Part of this decrease is the result of the weak economy and expected declines in fees related to construction and property transactions. The state's elimination of payments to the County for the housing and care of certain inmates awaiting transfer to the state prison system will also impact anticipated revenues. Finally, because no municipal elections are scheduled for next fiscal year, a significant reduction in revenues from area municipalities is expected.



The adopted budget includes a small number of fee changes for selected Health Department and emergency services programs. Please see the detail pages for the Health Department (in the Human Services section) and Emergency Services (in the Public Safety section) for more details.

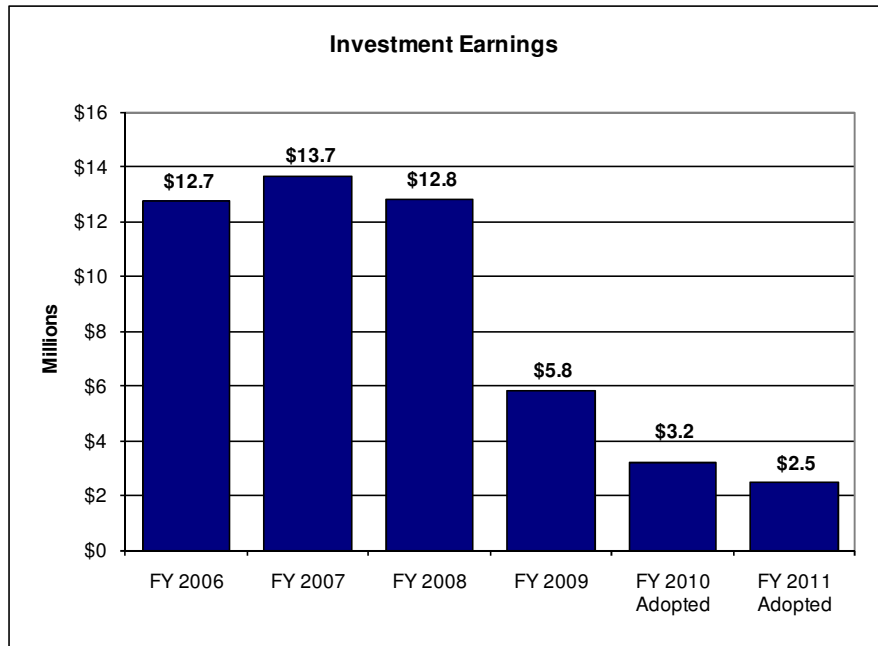
Other Revenues

\$9,530,947

Next year, Guilford County expects to receive \$9.5 million in Other Revenues for the General Fund outside the categories listed above. These revenues are from a number of sources, including

investment earnings, penalties for late payment of property taxes, excise taxes paid to the Register of Deeds, cable television franchise revenues, and grants and donations from various organizations.

The adopted budget for Other Revenues is 29% lower (-\$3.9 million) lower than the current year's budget. The largest single reduction (-\$1.17 million) is related to an amendment to the interlocal agreement between the County and Greensboro for the Guilford Metro 911 Communications Center that transferred all communications employees to Greensboro as of January 1, 2010. As a result, the reimbursement from Greensboro to the County for communications salaries will no longer occur. Although this is a decrease in revenues, a corresponding decrease in expenses is included in the Emergency Services budget.



Other notable decreases will be experienced by the Register of Deeds for property related excise taxes (\$631,000), weak investment earnings (\$712,500), and a change in the reimbursement formula for Child Support revenues (\$405,000).

Fund Balance (all sources) ***\$33,994,340***

In general, Fund Balance is the money that remains unspent after all budgeted expenditures have been made and revenues received. (The North Carolina General Statutes formally define fund balance as the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget year.) It is generated when collected revenues exceed actual expenditures, and is important for several reasons. First, it provides cash to pay expenditures in the early part of the fiscal year before taxes are collected. In addition, it provides a source of funds during the year that can be tapped if significant unplanned expenditures occur. Finally, it may be used by the Board during the budget development process to help fund certain items in the county budget.

The North Carolina Local Government Commission (LGC) recommends that counties maintain a minimum Fund Balance of 8% of General Fund expenditures to ensure sufficient funds are available to support operations and address unexpected issues. A Fund Balance of higher than 8% strengthens a local government's financial position as it provides a greater margin of protection for operations.

The FY 2010-11 General Fund budget includes a fund balance appropriation of \$34 million - \$9.1 million less than the amount originally appropriated in FY 2009-10. Most of this decrease is related to a reduction in the transfer of capital funds from the General Fund to the County Building Construction Fund for future capital needs, as discussed on the Capital & Technology page in the Support Services section (\$2.0 million vs. \$9.7 million). Just under \$21.2 million will be used for general county needs. Approximately \$8.6 million of fund balance is restricted and can only be used to repay certain debt service expenditures, while another \$2.18 is restricted for use by certain departments.

Available Fund Balance Analysis

Calculation of Recommended Reserve for the General Fund:

Adopted General Fund Expenditures	\$	569,740,000
8% Recommended Reserve	\$	45,579,200

General Fund Balance Analysis

Estimated Unreserved Fund Balance at 6/30/2010	\$	69,000,000
LESS: 8% Recommended Reserve	\$	(45,579,200)
Fund Balance available above Recommended Reserve	\$	23,420,800

LESS: General Fund Balance included in Proposed Budget	\$	(23,237,788)
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Additional Reserve above Recommended Reserve	\$	183,012
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Total Fund Balance by Planned Use

General	\$	21,188,324
Future Capital Needs	\$	2,049,464
Total General Fund Balance	\$	23,237,788

PLUS Amounts Restricted for Certain Uses

Departmental Operations	\$	2,180,135
Debt Service	\$	8,576,417
	\$	33,994,340

**Planned Use of Fund Balance in Adopted Budgets
(millions)**

Planned Use	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	%
								change
General	\$ 18.6	\$ 22.3	\$ 23.7	\$ 23.7	\$ 26.4	\$ 26.5	\$ 21.2	-20.0%
Departments	\$ 1.2	\$ 0.5	\$ 1.1	\$ 3.1	\$ 0.7	\$ 1.7	\$ 2.2	29.4%
Capital	\$ 4.9	\$ 2.2	\$ 1.0	\$ -	\$ -	\$ 9.7	\$ 2.0	-78.8%
Debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5.3	\$ 8.6	63.4%
Total	\$ 24.7	\$ 25.0	\$ 25.8	\$ 26.8	\$ 27.1	\$ 43.1	\$ 34.0	-21.2%
