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## OFFICE OF THE COUNTY MANAGER

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May 31, 2011

### COUNTY OF CUMBERLAND BUDGET MESSAGE FY2012

TO: The Chairman and Members of the Board of County Commissioners

I am pleased to submit the recommended County budget for Fiscal Year 2012. The recommended countywide budget is \$527,052,180, an increase of 3.29% over the current year's countywide budget and includes multi-year capital projects of \$121,625,155. The recommended FY2012 General Fund budget is \$291,406,154 and represents an increase of \$5,451,668, or 1.91% more than the FY2011 adopted General Fund budget.

The budget includes a recommended countywide property tax rate of 74.0 cents per \$100 valuation, the same as the current year. Each one cent on the tax rate is projected to generate \$2,072,901 in real, personal and motor vehicle taxes.

#### **FY2011 General Fund Fiscal Highlights**

The Governmental Accounting Standards Board (GASB) issued GASB Statement No.54 *Fund Balance Reporting and Governmental Fund Type Definitions* effective for fiscal periods that began after June 30, 2010. This statement requires that Special Revenue funds be supported by a dedicated source of revenue, other than General Fund transfers. In order to comply with this statement, the County moved three adopted FY2011 Special Revenue funds into the General fund: Economic Development Incentive Fund; Water & Sewer Industrial Expansion Fund; and the Property Revaluation Fund

#### **Revenue**

- *Ad Valorem Tax*: Real and personal property tax collections are projected to be 100.67% of budget with motor vehicles collections at 101.96% of budget, resulting in a \$1,258,476 gain.

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- *Sales Tax*: For the first eight months of FY2011, actual collections are down 2.5% from the prior year. While gross sales tax distributions are up \$3.4 million, abnormally large tax refunds to non-profit organizations have driven net distributions down.
- *Other Revenue*: Revenue for the Register of Deeds and Inspections Departments are above initial estimates and other fee-based revenue sources are on target to at least meet budget projections.

### **Expenditure Highlights**

- Overall spending at year-in is estimated to be approximately 94% of budgeted expenditures.
- Projected results of FY2011 current operations, revenue over expenditures, are expected to result in a deficit of \$851,418. Additionally, another \$9,140,189 from fund balance has been obligated for: Hope VI, Detention Center expansion, FY2011 adopted one-time expenditures, and FY2010 encumbrances and re-budgeted grants. The planned use of the one-time fund balance and results of current operations will result in a combined deficit of \$9,991,607.

### **FY2012 General Fund Budget**

For the last several years, departments were asked to reduce their operating budgets. As the starting point for developing the FY2012 budget, management used the FY2011 adopted budget less any one-time expenditures. Departments were also directed to look for ways to streamline their operations and limit requests for supplemental funding. This budget sustains current service levels and does not require any reductions in force or employee furloughs.

### **Revenue Highlights**

- *Ad Valorem Taxes*: Current year ad valorem taxes are budgeted at \$152,150,943, an increase of \$3,174,167 (2.13%) over the current year's budget. This is based on a countywide valuation of \$21,334,340,980, an overall collection rate of 97.16% and 73.4 cents of the 74 cents countywide tax rate. Note: The remaining .6 cent is budgeted in the Detention Center Capital Project Fund.
- *Sales Taxes*: Sales taxes are budgeted at \$34,833,928, an increase of \$250,632 (0.70%) over the current year's budget.
- *Fund Balance Appropriated*: As in prior years, the County limited the appropriation of fund balance to an amount that is sustainable and which complies with the fund balance policy. Of the \$291,406,154 General Fund budget, \$282,625,627 is funded by recurring or one-time revenue. The remaining \$8,780,527, shown below, has been appropriated from fund balance.

- \$4,980,269 from unassigned fund balance for general expenditures
  - \$1,434,359 from unassigned fund balance for one-time expenditures
  - \$434,074 from Health Department's fund balance for debt service on the new Health Center
  - \$500,000 from the Water & Sewer Industrial Expansion assigned fund balance as a contingency for small projects
  - \$1,231,825 from assigned communications fund balance for communications improvements
  - \$200,000 from assigned maintenance & renovations fund balance for needed maintenance at the detention facility.
- Fund Balance Assigned (not budgeted): Although not included in the recommended budget, the following assignments of fund balance are recommended:
    - \$1,175,000 for future tax software upgrades
    - \$6,274,760 for Detention Center expansion
    - \$2,258,117 for renovation & maintenance projects
    - \$2,392,949 for economic development incentives
    - \$4,877,818 for water and sewer industrial expansions
    - \$439,884 for future property revaluation

### **Expenditure Highlights**

- Current expense funding for the county schools is recommended at the FY2011 budgeted amount of \$76,220,676. The current school funding formula is set to expire June 30, 2011.
- Current expense funding for Fayetteville Technical Community College (FTCC) has been increased \$321,737, for operations of a new building, for a total of \$9,163,305. In addition, \$3,500,000 of debt proceeds has been budgeted for renovations to Lafayette Hall HVAC system and various roof replacements. Another \$555,795 has been budgeted for general capital needs.
- Detention Center Expansion: This budget expands upon the current detention center expansion plan by continuing to set aside .6-cent of the property rate in a capital project fund, by adding \$2,391,868 million from the FY2010 fund balance that exceeded the county's 10% reserve policy, and reallocating \$3,882,892 from the previously identified former Health Department Renovation reserves. Additionally, \$500,000 has been budgeted to fund construction costs. Strategically, we intend to recommend that \$1,000,000 be budgeted in FY2013 and \$1,500,000 in FY2014 for construction, and \$1,500,000 thereafter to partially offset additional Detention Center operational costs.
- Funding for community organizations was held at current levels or less.
- Replacement of 15 full-sized Sheriff's patrol vehicles and three additional vans for

Social Services are recommended at a cost of \$526,739. One vehicle is recommended in the Solid Waste Fund at a cost of \$27,500.

- Ten new positions were requested and seven were recommended in the General Fund at a cost of \$214,191 including benefits.

Challenges abound, and they will be met head-on as they occur. We continue to explore innovative ways to provide services in the most effective and responsible manner. We look forward to working with the Board to meet these challenges.

I want to express my gratitude to department heads for their support in holding the line on expenses in the current year and in their requests for FY2012.

I also thank the finance staff, management team and other staff for their work in producing this budget.

Respectfully submitted,

A handwritten signature in black ink that reads "James E. Martin". The signature is written in a cursive style with a large, sweeping initial "J".

JAMES E. MARTIN  
County Manager