

GUILFORD COUNTY

NORTH ❖ CAROLINA

COUNTY MANAGER'S OFFICE

May 11, 2006

The Honorable Carolyn Coleman, Chairwoman
Members of the Board of County Commissioners
301 W. Market Street
Greensboro, NC 27401

Dear Board of Commissioners:

Last year's budget message was about "Creating Momentum for Economic Prosperity." The message focused upon Guilford County's continuation in the development of its assets to enhance the County's position in the Piedmont Triad Region.

To that end, we continue to recruit new businesses and industries to transition the community to a more vibrant community. You have continued an open dialogue with the many cities and towns throughout Guilford County and our neighboring counties.

This budget builds a solid and lasting foundation for Guilford County citizens.

It is my pleasure to formally present to you, the Guilford County's Proposed Budget for Fiscal Year 2007 Operating and Capital Improvement Plan. The document serves as a resource allocation plan that meets the General Statutes of North Carolina by being balanced and prepared under the principles and rules of the Local Government Budget & Fiscal Control Act.

This budget is available for public inspection with the Clerk to the Board.

On February 11, 2006, the Guilford County Board of Commissioners held its annual retreat at the Adult Education Center in the Guilford Technical Community College News and Record Community Room.

The Board supported the following goals for the upcoming fiscal year:

- Enhance County Technological capabilities to maximize efficiency and improve service.
- Implement measures to improve customer service and response time capabilities.
- Aggressively pursue measures to achieve cost reduction while ensuring quality control.
- Support initiatives to encourage economic development and promote Guilford County as a community of choice.
- Develop existing workforce to maximize human capital efficiencies.
- Improve service delivery and capacity.

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The FY 2006-2007 recommended budget supports the County's work in meeting these goals. For example, the County is well on its way in implementing a new financial reporting system to replace its aging 30-year old mainframe system. The new system will allow the County to reengineer its processes in hopes of streamlining the organization.

The FY 2006-2007 Recommended Budget

This budget presents a resource allocation plan \$525,990,543, which represents an increase of \$15.5 million (3.0%) over the budget adopted for FY 2005-2006.

Recognizing the fiscal constraints facing the County over the next several years, most service area budgets represent "hold the line" spending plans. There are several areas, however, for which a "hold the line" approach would prove detrimental to County operations. We cannot waver in our efforts to secure a quality education for our young citizens, maintain public health and safety, and protect the welfare of our less fortunate citizens. These critical service areas are the cornerstones of any community.

To these ends, the recommended budget for fiscal year 2006-2007:

- Provides additional Education funding for the Guilford County Schools and Guilford Technical Community College.
- Provides additional Public Safety funding, including additional detention officers for the Guilford County Jails and additional Emergency Medical Services (EMS) positions for the new EMS station on Rock Creek Dairy Road.
- Ensures sufficient funding is available for Public Health services.
- Continues the County's commitment to increased funding for the Greensboro and High Point Libraries.

Major County Revenues

Total general County revenues – those revenues not assigned to a particular department, including property tax and sales tax proceeds – are expected to grow by just over \$9.9 million, or 2.6% over the amount approved for FY 2005-2006. A summary of these revenues is presented below.

Changes in General County Revenues	
Sources of Funds	Amount (millions)
Ad Valorem Tax Base Growth	\$ 6.9
Sales Tax Revenue	\$ 6.1
Interest on Investments	\$ 3.6
Other Revenue	\$ 0.7
State Hold Harmless Revenue	\$ (0.7)
Transfer from Other Funds	\$ (5.4)
Fund Balance Appropriated	\$ (1.2)
Total Change in General County Revenues	\$ 9.9

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The County's total tax base is expected to increase by 2.6% from \$40.60 billion to \$41.65 billion in FY 2006-2007. This equates to a \$6.9 million increase in property tax revenues at the current tax rate. Each penny of property tax will generate approximately \$4 million in revenue.

The growth in property values has slowed over the last several years – down from a high of nearly 5.6% in FY 2000. A review of the top ten property tax payers reveal a dramatic shift from textile, furniture and tobacco to a real estate development, technology, and utility economy.

<u>2005</u>	<u>1987</u>
Duke Energy	Southern Bell Telephone and Telegraph
Koury Corporation	Cone Mills
Lorillard Tobacco	Duke Power
BellSouth	Lorrillard Tobacco
IHFC	Burlington Industries
Starmount Company	Koury Corporation
RF Micro Devices	Sears, Roebuck, and Company
Highwoods/Forsyth Ltd.	Guilford Mills
Liberty Properties	Southern Furniture Exposition Building
Tyco Electronics	Gilbarco

After several years of volatile change, sales tax revenues are predicted to increase by \$6.1 million. This figure represents a 3.5% increase over estimated current year receipts. In addition, interest on the County's investment is anticipated to grow by \$3.6 million.

The increases in property tax, sales tax, and interest revenues are offset by a reduction in transfers from the Capital Improvements Fund to the General Fund. Last year, the Board approved the transfer of over \$5.4 million from capital funds to the General Fund. Roughly \$3.4 million of this transfer was the result of an adjustment in the way the County accounts for sales tax proceeds and school capital appropriations and will not be available next fiscal year. The remaining \$2 million was transferred from the County's reserve for future capital expenditures. I do not recommend continuing the transfer of capital funds to offset recurring General Fund expenditures. The County has a growing list of major facility construction and renovation needs and the funds in the reserve account should be used to help offset these large, one-time expenditures.

Major Expenditures

A summary of the recommended funding for the County's various General Fund service areas is included below:

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Major Expenditures					
Service Area	FY 05-06 Approved	FY 06-07 Recommended	\$ Chg	% Chg	
Education	\$ 188,198,079	\$ 207,462,786	\$ 19,264,707	10.2%	
Public Safety	\$ 72,358,843	\$ 77,067,366	\$ 4,708,523	6.5%	
Human Services	\$ 179,983,357	\$ 174,800,300	\$ (5,183,057)	-2.9%	
Policy & Executive Management	\$ 3,629,880	\$ 3,617,392	\$ (12,488)	-0.3%	
Administrative Support & Other County Debt	\$ 34,507,076	\$ 34,306,395	\$ (200,681)	-0.6%	
General Government	\$ 14,996,984	\$ 11,851,399	\$ (3,145,585)	-21.0%	
Community Services	\$ 16,791,378	\$ 16,884,905	\$ 93,527	0.6%	
Total	\$ 510,465,597	\$ 525,990,543	\$ 15,524,946	3.0%	

The proposed budget for Education, which includes the Guilford County Schools and GTCC, is \$19.3 million higher than the budget adopted for FY 05-06.

The proposed budget for "County" departments – excluding funding for the Guilford County Schools and Guilford Technical Community College (GTCC) – is \$3.7 million less than the amount approved for these departments in FY 05-06. This budget provides for the continued implementation of the County's performance based pay plan and no increase is planned for the County's cost of health insurance for employees.

Education

The single largest driving force of this budget is the recommended allocation for Education, which includes operating, capital, and debt service funds for the Guilford County Schools and Guilford Technical Community College.

An increase of \$15 million in operating funds is proposed for the Guilford County Schools. The County's appropriation will provide funding for increased student enrollment, the County's share of state salary increases, facility maintenance, and escalating utilities and fuel cost. The Board has continued to fund the schools at significant levels over the past several years.

The proposed allocation to Guilford Technical Community College is approximately \$730,000 higher than the previous year. The additional County funding will provide for increases in personnel costs, maintenance expenditures, and utilities. In addition, the increase in funding will allow the College to offer its employees a dental insurance benefit, helping to attract and retain qualified faculty and staff. Currently, employees at each surrounding college receive this benefit, as do employees of Guilford County Schools and Guilford County.

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Public Safety

The recommended expenditures for Public Safety departments are \$4.7 million higher than those of FY 05-06. Most of this increase will be used to fully fund the new positions for Law Enforcement and Emergency Medical Services (EMS) approved by the Board during the current fiscal year and to provide additional staff in these departments in response to critical service needs.

Last year, the Board of Commissioners commissioned a study of the Guilford County Jails (the Kimme Report). Included in the Kimme study was a recommendation to increase staffing at the detention centers. In response, the Board of Commissioners agreed to fund an additional 33 detention officer positions in FY 2005-2006 (eight in the adopted budget and 25 more added during the year). The recommended budget for FY 2006-2007 fully funds those positions, includes an additional ten detention officers (to be hired after January 1, 2007), and adds one personnel/recruitment position to help Law Enforcement reduce the time it currently takes to fill vacant detention officer positions. The budget also includes four other positions for Law Enforcement – two deputies, one office specialist, and one Computer Crime Administrator.

In addition to new positions for Law Enforcement, the recommended budget includes partial year funding for nine new positions for Emergency Medical Services. These positions will be used to staff the County's new EMS base on Rock Creek Dairy road, scheduled to open in late 2006.

FY 2007 will be the first year of the combined Guilford-Metro 911 emergency communications center. This joint project between Guilford County and the City of Greensboro was pursued in an effort to improve coordination of the various emergency response agencies and to decrease response times to the citizens. The County's contribution to the joint operation is included in the EMS budget and represents approximately 28% of Guilford Metro 911's budget.

The recommended budget includes various adjustments to EMS charges. The budget also includes the new Gibsonville Fire Protection District and recommends increases in the tax rates for four fire protection districts. A summary of the changes to EMS revenues is included in the Public Safety section of this document and the rates for the fire protection districts are included in the Other Funds section.

Human Services

The recommended budget for the County's Human Services departments (\$174.8 million) is nearly \$5.2 million *lower* than that approved for FY 2005-2006. This dramatic decrease in Human Services expenditures is the result of continued change at the state level regarding the delivery of mental health services. In short, public mental health agencies, including the Guilford Center, must transfer the provision of certain services to private providers by December 31, 2006. For the Guilford Center, this translates into a budget reduction of over \$7.3 million for FY 2006-2007, including the loss of fee revenue and, by the middle of the fiscal year, the elimination of 135 positions. The recommended budget reflects these decreases and provides for severance benefits for affected employees per County policy.

The decrease in Mental Health expenditures is partially offset by an increase of \$600,000 for the County's share of the Medicaid and Special Assistance to Adults programs – both mandated public assistance expenditures. At the time this budget was prepared, the General Assembly was considering a Medicaid Relief bill that would reduce the County's share of Medicaid expenditures from the current estimate and cap future expenditures at 2005-2006 levels. I will notify you as soon as possible if the bill is successful and savings are available to Guilford County.

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The recommended budget also includes additional local funding for the Health department to reflect the County's true share of public health expenditures. At the time last year's budget was passed, the Health Department indicated it could increase revenue to Guilford County by approximately \$1.8 million by charging fees for certain services rather than accepting a lower level of state reimbursements. As the Health Department began to implement these changes, it became apparent that it would not be able to charge the new fees. As a result, the FY 2006-2007 budget for Public Health includes an increase in County funds to compensate for a reduction in fee revenues and to fund increased health program costs. While I recognize the Board's desire to hold departments to FY 2005-2006 funding levels, I believe holding the Public Health department to last year's level of County funding would adversely effect the provision of public health services in Guilford County.

Finally, the proposed budget includes funding for a relatively flat Social Services budget. The historically small increase in expenditures is a result of, among other expenditure controls, staff efforts to reduce the number of children in foster care. Further, increases in outside revenues mean that while overall department expenditures are projected to increase by approximately \$250,000, the County's share of the Social Service budget will fall nearly \$300,000 from the budget adopted for FY 2005-2006. Four new positions are recommended for the department: one child protective services to assist in the educational achievement of foster care children and three positions in the food stamp area.

Capital Improvement Plan

The Capital Improvement Plan Committee met on several occasions to prioritize Capital Improvement Project requests for the upcoming fiscal year. The Committee placed high priority on the Courthouse renovations, addressing Social Services facility needs in High Point, and the continued upgrade of County technology.

In addition to these projects, the County continues to move forward with plans to address overcrowding at the Greensboro Jail, including the design of additions to the current facility. Future budgets must anticipate funding this capital project.

Recommended Tax Rate

The recommended tax rate for the ensuing FY 2006-2007 budget is \$0.6795 per \$100 of assessed value. A summary of the major changes in the budget and the associated change in the tax rate is included below.

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Changes in County Funds		
Appropriations	Amount (millions)	Tax Rate
Education		
Guilford County Schools	\$ 15.0	3.80
Guilford Technical Community College	\$ 0.7	0.18
Education Debt Service	\$ 3.5	0.90
Public Safety		
Law Enforcement:		
<i>Annual Impact of FY 05-06 staffing additions*</i>	\$ 1.9	0.47
<i>Partial Year impact of 15 new positions</i>	\$ 0.7	0.18
Emergency Medical Services		
<i>Partial Year impact of 9 new positions for new base</i>	\$ 0.3	0.06
Human Services		
Public Health	\$ 2.5	0.63
Public Assistance Mandates	\$ 0.5	0.14
All other County Services	<u>\$ (0.7)</u>	<u>(0.18)</u>
SUBTOTAL	\$ 24.4	6.18
LESS: Changes in General County Revenues	<u>\$ (9.9)</u>	<u>(2.51)</u>
Additional County Funds Required	\$ 14.5	3.67

Without an increase in tax base valuation, there will be limited resources to fund the desired services of the County citizens. We must be more aggressive in our approach to economic development to sustain the services and quality of life our citizens deserve. Our regional approach to economic development is a good one. We will continue to work with our large cities, small towns and neighboring counties for the betterment of not only Guilford County but the entire region.

We must not lose sight of the vision.

I wish to thank all the County departments for their budget work, our new budget director and the highly professional budget staff, support staff members, the County Executive Team and to each of you.

I and the staff stand ready to discuss any and all items of this budget.

Respectfully Submitted,

Willie A. Best
County Manager