

# LEE COUNTY

NORTH CAROLINA

Committed Today for a Better Tomorrow

## Fiscal Year 2008-09 Budget at a Glance

Total Property Valuation: \$4.697 billion  
Proposed Tax Rate: \$.75  
One Penny Generates: \$455,610

### General Fund- Revenues

	Amended 07-08 Budget	Recommended 08-09 Budget	Adopted 08-09 Budget	Increase/ (Decrease)	% Increase/ (Decrease)
Ad Valorem Taxes	\$34,095,010	\$35,261,850	\$35,261,850	\$1,166,840	3.42%
Local Option Sales Tax	\$8,746,900	\$8,352,222	\$8,352,222	(\$394,678)	-4.51%
Other Taxes & Licenses	\$448,500	\$428,500	\$428,500	(\$20,000)	-4.46%
Intergovernmental Revenues	\$9,035,781	\$9,092,569	\$9,092,569	\$56,788	0.63%
Permits & Fees	\$372,000	\$362,000	\$362,000	(\$10,000)	-2.69%
Sales & Services	\$2,742,960	\$2,342,717	\$2,342,717	(\$400,243)	-14.59%
Investment Earnings	\$450,000	\$450,000	\$450,000	\$0	0.00%
Miscellaneous	\$414,959	\$404,668	\$404,668	(\$10,291)	-2.48%
Transfers In	\$4,727,298	\$5,273,310	\$5,273,310	\$546,012	11.55%
Fund Balance Appropriated	\$2,840,902	\$2,398,966	\$2,398,966	(\$441,936)	-15.56%
<b>Total Revenues</b>	<b>\$63,874,310</b>	<b>\$64,366,802</b>	<b>\$64,366,802</b>	<b>\$492,492</b>	<b>0.77%</b>

### General Fund- Expenditures

	Amended 07-08 Budget	Recommended 08-09 Budget	Adopted 08-09 Budget	Increase/ (Decrease)	% Increase/ (Decrease)
General Government-Total	\$8,172,543	\$7,613,662	\$7,633,685	(\$538,858)	-6.59%
Public Safety-Total	\$7,071,338	\$7,493,234	\$7,555,033	\$483,695	6.84%
Economic/Physical Devel.-Total	\$1,646,216	\$1,904,892	\$1,784,892	\$138,676	8.42%
Health and Welfare-Total	\$18,669,866	\$17,036,856	\$17,041,908	(\$1,627,958)	-8.72%
<i>Public Health</i>	<i>\$3,546,678</i>	<i>\$3,342,010</i>	<i>\$3,342,062</i>	<i>(\$204,616)</i>	<i>-5.77%</i>
<i>Mental Health</i>	<i>\$250,000</i>	<i>\$250,000</i>	<i>\$250,000</i>	<i>\$0</i>	<i>0.00%</i>
<i>Social Services</i>	<i>\$12,402,356</i>	<i>\$11,117,236</i>	<i>\$11,117,236</i>	<i>(\$1,285,120)</i>	<i>-10.36%</i>
Education- Total	\$17,860,157	\$20,101,350	\$20,101,350	\$2,241,193	12.55%
<i>School Current Expense</i>	<i>\$13,502,134</i>	<i>\$15,602,134</i>	<i>\$15,602,134</i>	<i>\$2,100,000</i>	<i>15.55%</i>
<i>CCCC Current Expense</i>	<i>\$2,008,397</i>	<i>\$2,192,590</i>	<i>\$2,192,590</i>	<i>\$184,193</i>	<i>9.17%</i>
Cultural and Recreational -Total	\$2,247,678	\$2,071,561	\$2,071,561	(\$176,117)	-7.84%
Debt Service-Total	\$7,177,200	\$7,357,427	\$7,357,427	\$180,227	2.51%
Reserves- Total	\$1,029,312	\$787,820	\$820,946	(\$208,366)	-20.24%
<b>Total Expenditures</b>	<b>\$63,874,310</b>	<b>\$64,366,802</b>	<b>\$64,366,802</b>	<b>\$492,492</b>	<b>0.77%</b>

## FISCAL YEAR 2008-2009 PROPOSED BUDGET RECOMMENDATIONS

### GENERAL FUND REVENUE

In order to achieve a self-sufficient operation, this proposed budget includes the receipt of \$64,417,098 in revenue to support General Fund activities for the 2008-09 fiscal year. Estimates of revenues for budgetary purposes are gathered from a variety of sources. To estimate revenues for the coming year, the County Manager and Finance Director consult with the Tax department and other department heads. These individuals play an important role in providing estimates of revenue from program-related fees; state and federal grants; licenses and permits; sales and services; property tax and sales tax. Past trends, current and future economic conditions along with the input of County department heads were used to establish revenue projections for the coming year.

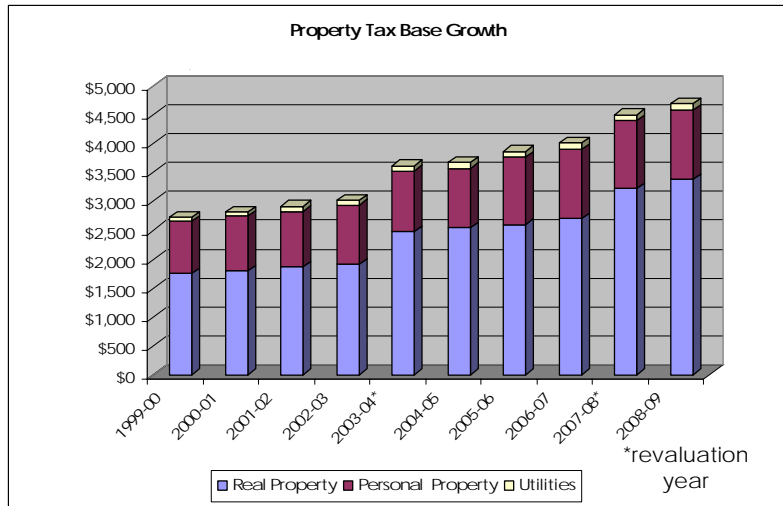
As that greater than 69 percent of the government's revenues are derived from two sources, the property tax and sales taxes, it is important to understand the significance of the projected revenue proceeds. The following table should help show the projected growth in the two revenue sources and the County's reliance on each as a percentage of total expenditures.

**Table #1 – Major Revenue Sources**

	FY 2007-2008	FY 2008-2009	Difference	% Change
Tax base	\$ 4,506,845,741	\$ 4,697,010,500	\$ 190,164,759	4.22%
Tax rate	0.75	0.75	0.00	0.0%
Ad valorem rev.	32,754,410	34,170,700	1,416,290	4.32%
<i>% of total exp.</i>	<i>52.29%</i>	<i>53.05%</i>	<i>.76%</i>	<i>1.45%</i>
Sales tax rev.	10,734,100	10,460,647	(273,453)	(2.55%)
<i>% of total exp.</i>	<i>17.13%</i>	<i>16.24%</i>	<i>(0.89%)</i>	<i>(5.19%)</i>

Of the 4.22 percent increase in the tax base, 2.13 percent has been realized in FY 2007-2008 from fewer appeals being filed and fewer exemptions being granted than was anticipated at this time last year. The remaining 2.09 percent adjustment is attributable to growth from new construction. As illustrated above, the tax rate for FY 2008-09 is recommended to remain at 75 cents per \$100 of valuation. Natural growth of the tax base should realize \$1,416,290 of additional ad valorem tax revenue to support the proposed \$64,417,098 budget.

Growth in this revenue source permits the local tax base to produce \$455,610 for each penny of tax rate levy. Therefore, based upon a collection rate of 97 percent, real, personal, and utility tax revenue for FY 2008-09 is projected at \$34,170,700.

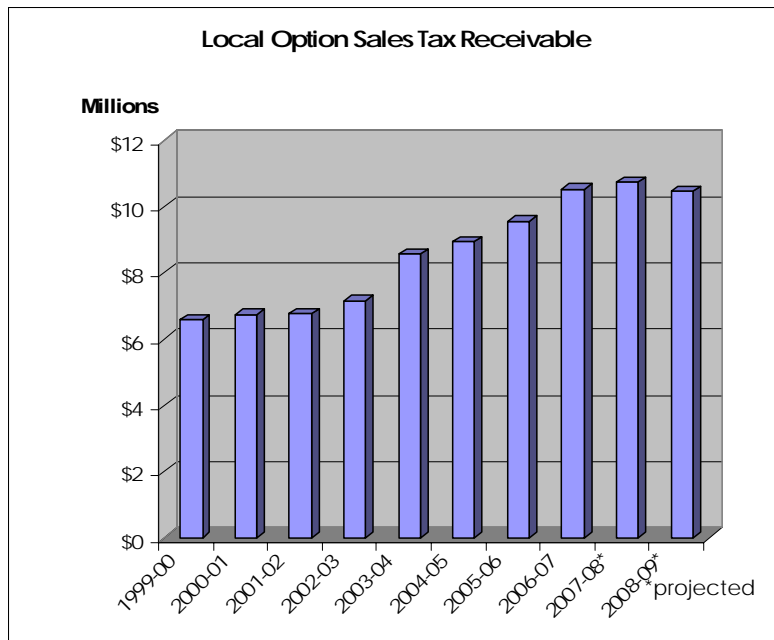


Sales tax revenues are the County's second largest single revenue source. However, Medicaid relief

approved by the Legislature last year will have an impact on this revenue source beginning in FY 2008-09. The current sales tax rate in North Carolina is 6.75 percent. Of this, two and one-half percent is returned to the County. In Lee County, the total county-wide sales tax collections are distributed between the cities in the County and Lee County government based on the population in each government unit. The County's share of 1.5 percent is unrestricted. The other 1 percent is legally split into two .5 percent taxes and has certain restrictions placed on the proceeds by General Statutes.

Currently, 30 percent of the first .5 percent sales tax and 60 percent of the second .5 percent sales tax must be used for school related projects or debt service related to school projects. School sales tax collections are now used to fund debt service incurred by the County for the Lee County School System.

On average, the various sales tax sources are projected to grow by 2.5 percent. However, due to Medicaid relief changes, total local option sales tax revenue is projected at \$10,460,647, a \$273,453 decrease from the FY 2007-08 budget amount. Effective October 1, 2008, one-quarter of the County's portion of sales tax will be transferred to the State making the State's portion of the current 6.75 percent tax



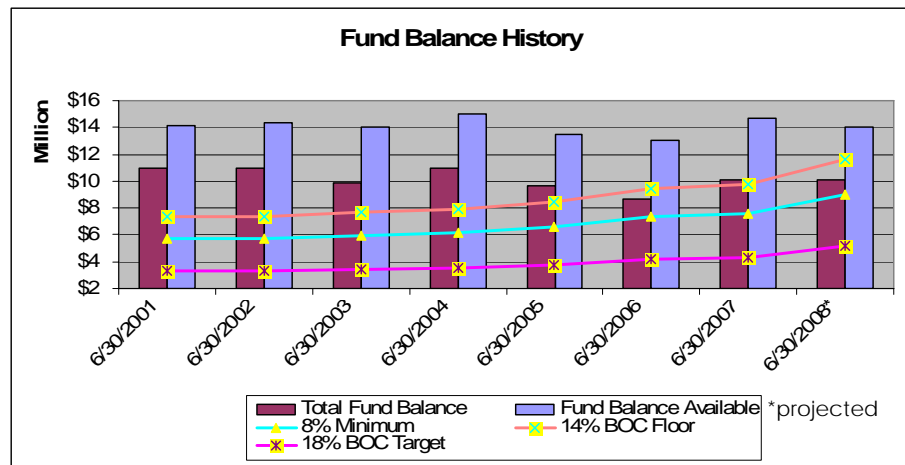
rate 4.50 percent and the County portion 2.25 percent. The County is projected to lose \$830,394 in FY 2008-09 from this change. As part of the sales tax rate adjustment, counties must also hold cities harmless for their revenues losses. The County's Article 39 sales tax distributions are expected to be decreased by \$400,084 for this change. In October 2009, another one-quarter percent of sales tax is shifted to the state from the counties and cities.

Considering the anticipated use of \$566,724 of fund balance in the current year budget, it is projected that the year end 2008 available fund balance will be 16.26 percent of general fund expenditures. This proposed budget's use of fund balance reserves is significant, yet justifiable. A fund balance appropriation of \$2,398,966 is included as supplemental revenue for FY 2008-09. A list summarizing the requested and recommended fund balance uses by category are illustrated in the table below. A detailed list can be found in Exhibit 4.

**Table #2 – Fund Balance Uses**

Category	Requested	Recommended
Capital	\$ 765,824	\$ 574,547
Building Improvements	121,800	117,300
ADA Improvements	9,500	9,500
Facility Development	40,200	40,200
School Capital Outlay	<u>457,419</u>	<u>457,419</u>
Total	\$1,394,743	\$ 1,198,966

While the use of fund balance for one-time expenditures is not in and of itself a negative action, the ongoing annual use of fund balance is cause for contemplation. If this trend continues, the County risks increased scrutiny from the Local Government Commission and ultimately forced oversight by this regulatory body. A much better method for funding capital acquisitions is the use of a capital reserve fund. The Board did adopt a capital reserve appropriation policy that requires an annual contribution amount equal to one (1) percent of General Fund expenditures; this budget does appropriate said amount. Without such a fund, the depletion of fund balance is prone to continue. The Board also adopted a minimum fund balance policy that requires an amount equal to



14 percent of expenditures and strives for a target fund balance to expenditures ratio of 18 percent. In light of the ongoing appropriation of fund balance reserves, it is projected that FY 2007-08 will be the final year in which the activity will not breach the Board's 14 percent fund balance floor.

**GENERAL FUND EXPENDITURES**

Expenditures proposed herewith total \$64,417,098, an increase of .85 percent or \$542,788 more than the FY 2008-09 amended budget. The increase is attributable to normal inflationary influences and increases in education. Among the increases to the County operating budget is a Cost of Living Adjustment (COLA) of 4.4 percent to keep employee salaries on par with economic conditions. The Board of Commissioners wisely included a competitive employment provision in its financial policies that specifies the County's use of a specified Consumer Price Index (CPI) to determine increases to employee salaries. Adherence to this policy will help prevent the need for dramatic pay adjustments as required in prior fiscal years to address several years of stagnant or below average compensation adjustments.

Requests for 17 new positions were submitted for consideration for FY 2008-09. This budget proposes the funding of 9 of the requested positions. The table below illustrates said requests and those recommended for approval.

**Table #3 – Position Request Summary**

<u>Department</u>	<u>Position Title</u>	<u>Salary *</u>	<u>Recommended</u>	<u>Notes</u>
Administration	Deputy County Attorney	88,193	66,145	1
Elections	Administrative Support Assistant I	34,895	34,895	
IT	Computing Support Tech II	43,975	43,975	
Sheriff	Patrol Deputies (2)	91,426		
Sheriff	Dispatchers (2)	81,346	40,673	2
Sheriff	Gang Officer	51,511	51,511	3
Sheriff	Narcotics Officer	51,511	51,511	3
Jail	Jailers (4)	169,148	21,144	4
Emergency Services	Emergency Management Specialist	55,868		
Fire Marshal	Fire Inspector/Educator	49,521		
Extension	Family Consumer Science Agent	30,868		
Social Services	Income Maintenance Caseworker II	43,975	43,975	5
Total requested	17	Total recommended	9	
Notes: * Includes fringes (social security, retirement, 401(K) & insurance)				
1. Recommend filling the position in October 2008				
2. Two dispatchers recommended to be hired in January 2009				
3. Grant funded				
4. One jailer recommended to be hired in January 2009				
5. 50% County cost				

As an agent of the General Assembly, the County provides many mandatory human services programs of which the eligibility and cost are not determined locally. County revenue totaling \$6,250,814 is dedicated to these type required services; \$30,647,334 is dedicated to mandatory programs and services outside human service functions. A detailed list of mandated and non-mandated programs is provided in Exhibits 2 and 3. The County's inability to control the vast majority of the annual budget is an ongoing frustration that many outside of daily government affairs do not necessarily comprehend. However, legislation approved last summer will provide some relief from the County's required contribution to the State's Medicaid program. The legislation calls for the State to assume 25 percent of the County's Medicaid expenses beginning October 1, 2007, 50 percent as of July 1, 2008 and at July 1, 2009, the State will assume 100 percent of the County's Medicaid burden. The State did not pick up these expenses free of charge. In FY 2007-08, 60 percent of the Medicaid savings will be withheld from the County's allotment to the Public School Building Fund; however, the County is still required to provide those lost revenues to the school system. In FY 2008-09, counties and city forgo a ¼ cent per capita of Article 44 sales tax effective October 1, 2008, and in FY 2009-10, they forgo all of the Article 44 sales tax effective October 1, 2009. The legislation does provide a hold harmless provision for the cities that requires the State to withhold from the counties Article 39 sales tax distributions the revenues that the cities lose by forgoing the Article 44 revenues.

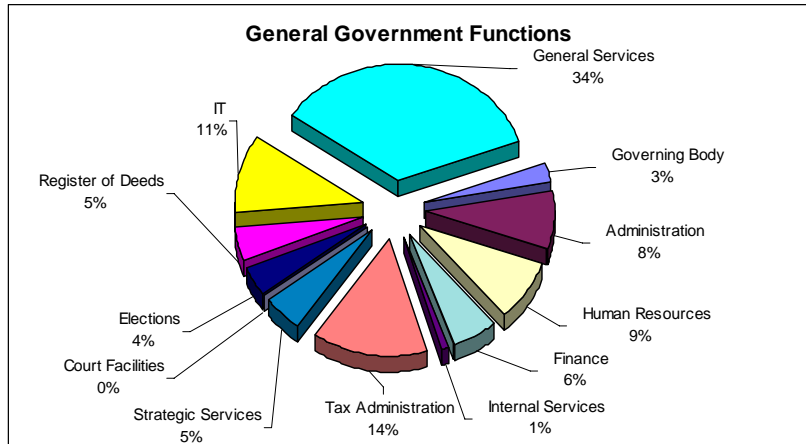
With so many variables playing into the Medicaid relief package, it is difficult to predict the actual savings. We do acknowledge that the package has helped the County maintain a very modest .85 percent increase in its expenditures when \$2,241,193 or 12.55 percent more has been allocated to education.

Following is a more detailed description of proposed General Fund expenditure activities by functional area. The Board should be aware that the requested operational budgets for the various County departments were very conservative and contained very few unreasonable requests. Appreciation is extended to the department heads for submitting practical proposals that considered the County's mission and its financial status. The Board should extend praise to each for their sincere dedication to the organization and their ability to provide high-quality services on somewhat less than adequate operational budgets.

### **General Government**

General government activities can be viewed as the administrative support and governing activities of the organization. Included in this category are the governing body and administrative management, revenue and finance functions, courthouse responsibilities, as well as, facility and technology support. Total expenditures in this category are down 6.25 percent or \$510,909. Much of this decrease is attributed to the County's completion of several large projects, time and attendance implementation, Voice over IP (VOIP) and Unified Messaging system installation, and window replacement and reroofing at the Lee County Government Center.

The responsibility of general government activities can be summarized as support services for the functional areas of County government. These back-office functions provide the revenue, administration, professional and technical support necessary to operate



local government. While largely unseen by the general public, these services are essential and must receive continued investment of County resources to ensure high achievement standards in all government departments. This budget proposes such investments in several of these departments.

The increase of constituent services has a direct and proportional effect on the need for quality general government activities. When new offices and employees are added, there is a need for increased support in facility maintenance, human resources and information technology services. Over time, if left unaddressed, these changes in government activities can overburden the general government staff designated to provide support. This is the case currently in the County's Information Technology (IT) department. The increased utilization and deployment of personal computing devices has increased demand on the IT department from a support ratio of 50 devices per technician in 1999 to over 180 per technician in 2007. This budget does recommend the addition of the requested Computer Support Technician II position to keep crucial County data and voice infrastructures operating at reliable levels.

In addition to the position proposed, the IT budget includes funding of a Voice over IP (VOIP) system for the Sheriff's department. The current legacy PBX system in place at the Lee County Sheriff's Office will be at the end of maintenance in March 2009. The proposed VOIP system would serve employees at the courthouse campus and be connected to the system in place at the Government Center. Redundancy would be provided should either location have an outage. The budget for FY 2008-09 does not include new phones; they will be requested in the FY 2009-10 budget.

To improve efficiencies in data/voice communications at the Enrichment Center, the IT budget includes \$15,000 to install fiber connectivity to the Enrichment Center. The total cost of the project is estimated at \$20,000; however, Senior Services will use \$5,000 of available grant funds to pay for part of the project. Expenditures related to ongoing subscription fees to telco providers can be eliminated, and the increased bandwidth will alleviate the need for a replacement file server at this location.

Included in the Human Resources department is the funding of health insurance for retired County employees. This budget recommends the appropriation of \$351,540

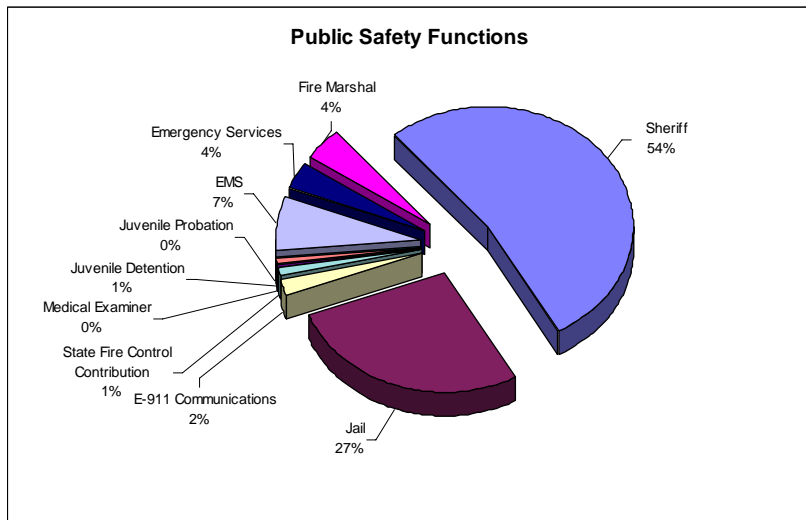
to cover the health insurance related retiree expenses. When this program began in 1996, the cost of individual employee health insurance was \$1,932 annually; for FY 2008-09 the expense is \$5,369. As of June 30, 2008, 59 employees will be participating in the retiree health insurance program. Another 22 individuals will become fully eligible at year end but have not announced retirement plans. Over the next five years, 13 additional employees will become eligible for the benefit; while 18 more would be able to participate but would leave the County under reduced local government retirement system benefits. With these numbers, the potential expense of this program will become increasingly burdensome.

This proposed budget includes funding of a Deputy County Attorney position. The position would assume the legal services for Social Services that are currently outsourced. Social Services would be billed for these services allowing them to file for federal and State reimbursements just as they do now. The position would also be able to assist current County Attorney Dick Hoyle at times. It is recommended that this position not be filled until October 1, 2008.

Elections' request for the addition of an Administrative Support Assistant I in FY 2008-09 is recommended. The proposed budget also includes \$53,720 for the operation of four (4) one-stop voting sites for the general election in November 2008. While grant funding has been received in FY 2007-08 to cover the majority of the costs for the four (4) one-stop voting sites for the primary election, the costs for the general election are being covered by County revenues.

**Public Safety**

Total public safety related expenditures are proposed to increase by 6.49 percent in the recommended FY 2008-09 budget. Included in this category are new deputies, new dispatchers, and equipment in the Sheriff's department, a new jailer in the Lee County Jail and a contract-specified cost increase in the Jail food services. Not



recommended in this budget is a request for an Emergency Management Specialist and a request for a Fire Inspector/Educator; however, significant capital investments are being made in these departments in FY 2008-09.

The Sheriff has submitted a FY 2008-09 budget request of \$4,213,301, an increase of \$42,476 or 1.07 percent. The request includes two (2) new deputies, two (2) new dispatchers, a Gang Officer and a Narcotics Officer. The last two positions are partially funded through grants for FY 2008-09 and FY 2009-10 and are



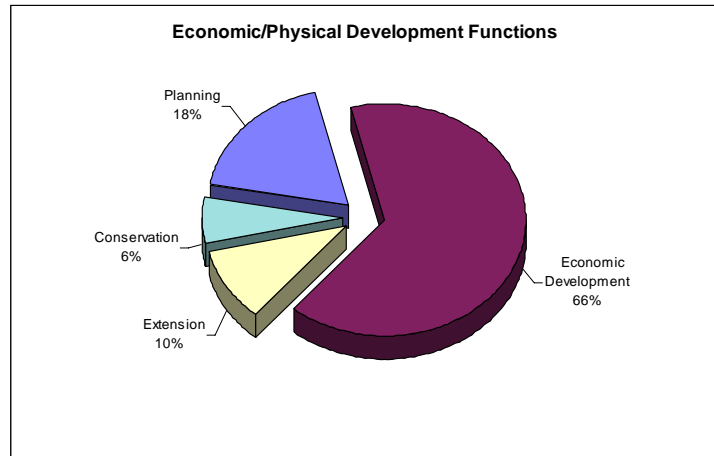
recommended in the FY 2008-09 budget. The recommended budget also includes funding for the two (2) dispatchers beginning January 1, 2009. At this time, funding of the two (2) additional patrol deputies is not recommended. The budget includes funding for replacement of five (5) vehicles and 21 mobile data terminals, as well as, vehicles and other equipment for new positions.

Costs of operating the Lee County Jail have increased \$269,329 or 15.03 percent. The Sheriff requested four (4) additional jailers for FY 2008-09. The recommended budget includes funding for only one (1) new jailer beginning in January 2009. The substantial reason for only funding one position is the increasing food costs in the Jail budget. While a 4 percent increase in the contract rate for meals is budgeted, the number of inmates being housed has increased causing a 36.27 percent increase in the food budget for FY 2008-09. The average number of inmates in the jail per day has increased 10.7 percent compared to the same nine month period last year. Through March 2008, the average daily population of the Jail was 127.33.

### Economic and Physical Development

Per contractual relationship with the City of Sanford, it is proposed that the joint Planning and Community Development department's budget continue to be funded by the County. This amounts to \$340,347 for FY 2008-09; a 5.0 percent increase from the current fiscal year.

Cooperative Extension's request for a Family Consumer Science Agent is not recommended at this time.



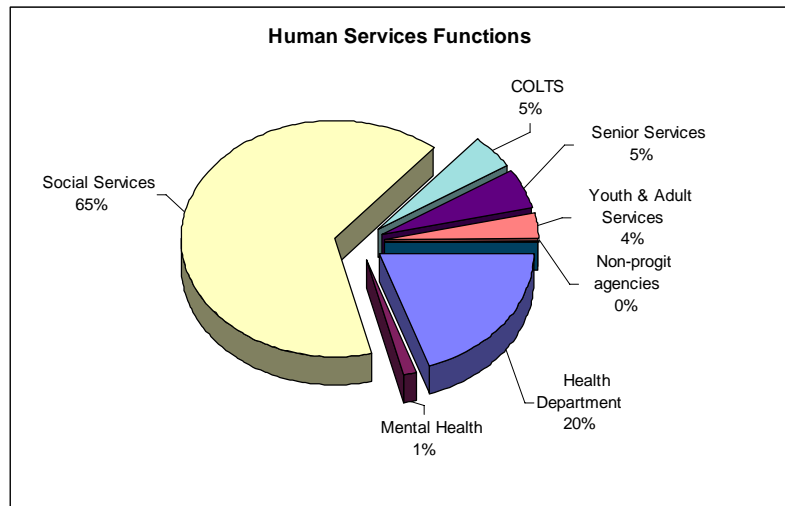
The most financially significant difference in this year's Economic and Physical Development budget is the increased appropriation for Economic Development. The budget is increasing 20.07 percent or \$201,949. Of the substantial increase, \$120,000 is appropriated to provide funds for improvements at the Industrial Park. Approved incentive contracts call for \$992,895 in payments in FY 2008-09, an increase of \$154,855 over current year amounts. However, due to construction delays and investment levels not hitting the appropriate amounts by January 1, 2008, the recommended budget includes only \$912,780 for incentives. The incentives are provided to new and expanding industries that have made a significant investment and employment commitment. The incentive program is managed by the Lee County Economic Development Corporation. A list of approved incentive contracts and the anticipated payment amount is provided on the next page.

**Table #4 – Approved Incentive Contracts**

Company	Annual Incentive	Incentive Expiration Date
Caterpillar	\$ 9,021	2011
Challenge Printing	\$ 16,855	2013
Frontier Spinning	\$ 65,142	2013
Lee Brick & Tile	\$ 73,369	2012
Moore's Machine Company	\$ 33,390	2014
Pentair	\$ 8,105	2011
Wyeth #2	\$270,683	2009
Wyeth #3	\$457,080	2011
Wyeth #4	\$ 59,250	2013

**Human Services**

Human Services budgeted by the County are proposed to decrease 8.12 percent from the FY 2007-08 budget; a \$1,515,990 decrease. Services budgeted in this category include Mental Health, Health, Senior Services, Social Services and Youth and Adult Services departments. The services that fall under this umbrella are vast and account for \$17,153,876, or 26.63 percent of the total FY 2008-09 recommended General Fund budget.



The 2006-07 fiscal year represented the second year of the County's membership with the Sandhills Center for the provision of Mental Health, Developmental Disability, and Substance Abuse (MH/DD/SA) Services. While the County's obligation to the new service provider is identical to that of the previous Lee-Harnett MH/DD/SA Authority, the per capita contribution is significantly higher than that of 75 percent of the member counties. For the 2008-09 fiscal year, the Sandhills Center has requested a contribution of \$252,000; a \$2,000 increase over the FY 07-08 appropriation. Regardless, and as the following table illustrates, it can be argued that Lee County citizens pay a disproportional amount for MH/DD/SA services. The Board of Commissioners may desire to initiate a conversation with the Sandhills member counties to devise a more appropriate cost-sharing relationship.

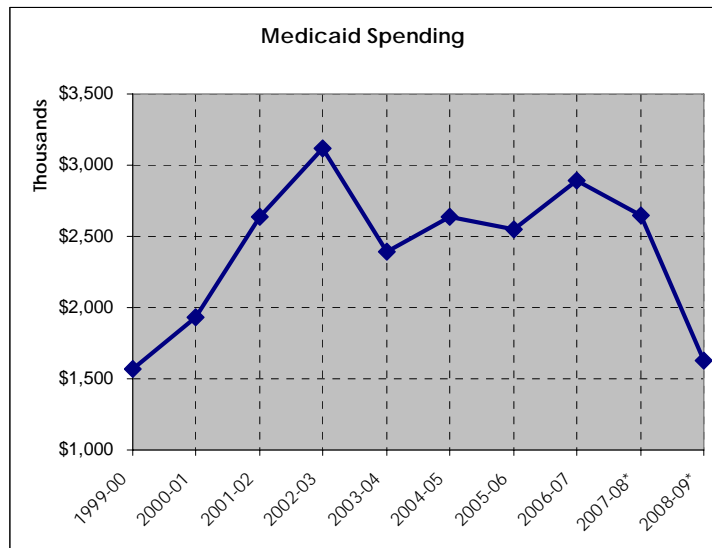
**Table #5 – Sandhills Center County General Funding**

County	FY 07-08 Allocation	FY 08-09 Request	Net Increase	FY 08-09 Per Capita
Anson	\$ 55,000	\$ 55,000	\$ -	\$ 2.11
Hoke	\$ 58,000	\$ 58,000	\$ -	\$ 1.32
Harnett	\$ 199,679	\$ 199,679	\$ -	\$ 1.88
Lee	\$ 252,000	\$ 252,000	\$ -	\$ 4.52
Montgomery	\$ 87,675	\$ 87,675	\$ -	\$ 3.15
Moore	\$ 298,107	\$ 298,107	\$ -	\$ 3.56
Randolph	\$ 1,001,565	\$ 1,001,565	\$ -	\$ 7.10
Richmond	\$ 150,000	\$ 150,000	\$ -	\$ 3.20
<b>Total</b>	<b>\$ 2,102,026</b>	<b>\$ 2,102,026</b>	<b>\$ -</b>	<b>\$ 3.96</b>

Health Department expenditures are decreasing \$170,943. Revenues for the Health Department are also decreasing 19.57 percent or \$359,351 resulting in an overall increase in cost to the County equal to \$188,408. As discussed previously, the revenues shortfall is due to a decline in environmental health revenues.

Social Services has requested an Income Maintenance Caseworker II to be responsible for intake and processing of Children’s Medicaid applications and for case maintenance for of a caseload of Medicaid cases. This position is being requested to ease some of the burden being carried by the existing staff caused by increased numbers of Family and Children’s Medicaid recipients being served. The last new Family and Children’s Medicaid position was added in October 2005. Total cases at that time were 4,139 with an average caseload of 539 for line staff and 400 for the lead worker. In December 2007, the total cases were 4,994 with the average caseload of 651 and the lead worker with 437. This is an increase of 815 cases, or a 19.5 percent increase.

Even with the State assuming 50 percent of the County’s Medicaid cost effective July 1, 2008, Medicaid is the second largest program expenditure in the Social Services budget. Medicaid costs in the FY 2008-09 budget total \$1,632,132, a \$1,447,383 decrease from the FY 2007-08 budget.



Youth and Adult Services division will again receive a much anticipated \$75,000 Runaway Homeless Grant in FY 2008-09. Additional changes in Youth and Adult Services include the merger of the Family Centered Casework function into the Hillcrest budget for FY 2008-09. In FY 2007-08 the Hillcrest Coordinator position was reduced to a half-time position; with the transfer of Family Centered Casework function to Hillcrest, the position is being increased back to full-time, and the Family Centered Casework position is being eliminated. The net result is a \$1,902 decrease in FY 2008-09 recommended budget.

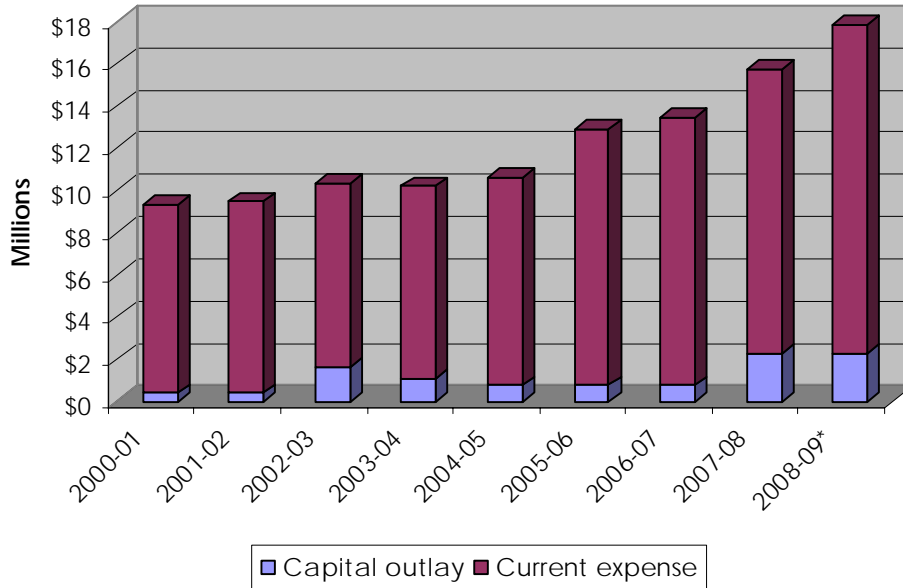
## **Education**

The five (5) expenditure budgets for the Education category are Lee County School System (LCSS) Current Expense, LCSS Capital, Central Carolina Community College (CCCC) Current Expense, CCCC Civic Center and CCCC Capital. These five (5) budgets combined represent 31.21 percent of total General Fund expenditures for FY 2008-09, which equates to a total Education appropriation of \$20,101,350; 12.55 percent greater than the 2007-08 fiscal year budget of \$17,860,157. Even though not at the requested level, increases proposed for education spending are higher than any other functional area of County responsibility.

The Lee County Board of Education's submitted budget represents a \$20,636,330 funding request, \$16,067,222 for current expense and \$4,569,108 for capital outlay. The current expense budget request is \$2,565,088 higher than last fiscal year (a 19 percent increase). Included is \$1,078,604 for continuation items, \$1,191,625 for new recurring costs related to the new SanLee Middle School, and \$294,859 is for "expansion" items that represent the initiation of new service levels or increased employee benefits. This budget recommends an appropriation of \$15,602,134 for LCSS Current Expense, an increase of \$2,100,000 or 15.55 percent. LCSS' capital outlay request totaled \$4,569,108 for FY 2008-09. Included in the requests are several projects related to the renovations at Lee County High School and to update the school system's information technology. The budget recommends funding \$2,242,887 of the request using \$1,465,619 from NC Lottery proceeds pending approval of projects by the Department of Public Instruction and \$777,2681 from County funds.

While not funding the LCSS at the requested level, the net total education appropriations in this proposed budget are the equivalent of 39.17 cents of the tax rate levy. The following graph illustrates the County's current expense and capital outlay funding history.

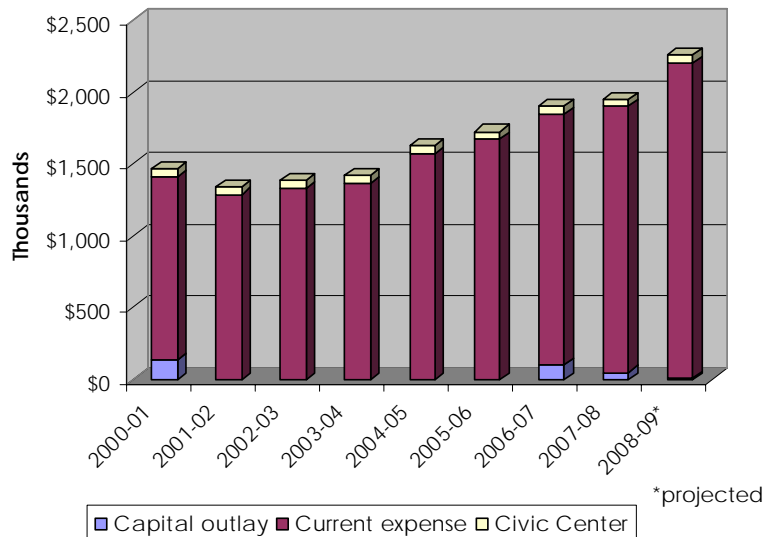
### Lee County School System Funding for Current Expense and Capital Outlay



\*projected

Central Carolina Community College requested an increase to their current expense funding for FY 2008-09, \$184,193 or 9.17 percent which is recommended in the FY 2008-09 budget. The Community College's request includes \$55,739 in funding for the Dennis A. Wicker Civic Center. This requested amount is equal to the FY 2007-08 appropriation. CCCC's capital request of \$8,000 is to cover one-third of the cost of a new vehicle for the President of CCCC and is recommended for funding.

### Central Carolina Community College Funding



\*projected

## Cultural and Recreational

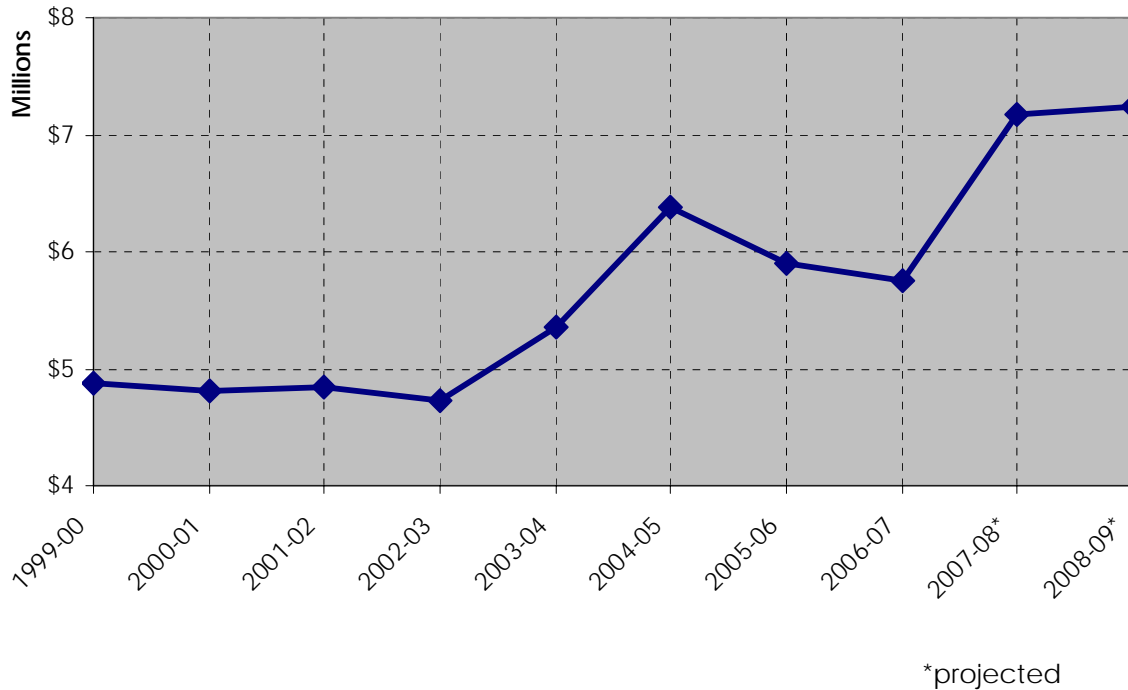
The Cultural and Recreational category of General Fund appropriations for FY 2008-09 reflects a decrease of \$156,751. The majority of this decrease is related to funding of one-time facility development items included in Parks and Recreation's FY 2007-08 budget.

Temple Theater and Arts Council recommended appropriations are equal to the appropriations for FY 2007-08.

## Debt Service

This proposed budget includes debt service totaling \$7,241,568, an increase of \$64,368 or .90 percent. The FY 2008-09 budget includes the first principal payment on the debt issued in 2006 for SanLee Middle School, Floyd Knight addition, CCCC renovations and repairs, Civic Center roof replacement and Tramway Road Park. Following is a graph that illustrates the County's total debt service expenditures over the past ten (10) years. Please note that of the County's total debt payment for the coming fiscal year, \$5,450,691, or 75.27 percent, is for Lee County School System facility construction. Funding for FY 2008-09 debt service payments includes \$806,235 from the Capital Reserve Fund based on the County's capital funding plan.

Debt Service Expenditures



## Emergency and Contingency

The County maintains an emergency and contingency account to budget for unexpected yet reasonable changes in the operation costs of governmental operations. This year's Miscellaneous Expense budget includes two (2) noteworthy items. The first is a \$100,000 appropriation for workers' compensation insurance contingency. These funds are budgeted to cover the projected increase in said insurance and potential costs related to the annual workers compensation audit.

The other noteworthy item in the Miscellaneous Expense budget is a \$640,000 contribution to the General Fund Capital Reserve account in accordance with the Board's adopted financial policies to annually fund said reserve by the equivalent of one (1) percent of General Fund expenditures. The adoption and adherence to this goal is a wise decision that will ultimately reduce the Board's reliance on fund balance to pay for capital acquisitions. It is hoped that as the County's financial condition improves, this goal will be increased to more adequately fund the capital projects of the government.

A complete accounting of all Emergency and Contingency appropriations is provided in the following table.

**Table #6 – Miscellaneous Expense Account Expenditures**

<b>Amount</b>	<b>Purpose</b>
\$ 40,000	Unemployment insurance contingency
\$100,000	Workers' compensation insurance contingency
\$640,000	Capital Reserve Fund transfer (per Financial Policy)

-----End of General Fund-----

## ROOM OCCUPANCY TAX FUND

The revenues from this fund are derived from a 3% surcharge placed on hotel/motel rooms within Lee County and are dedicated to the operation and capital improvements of the Dennis A. Wicker Civic Center. An appropriation of \$168,751 funds the request for the Civic Center.

## SPECIAL REVENUES SCHOOLS FUND

The restricted portions of Articles 40 and 42 sales tax proceeds are deposited in this fund as required by State law. Also, the proceeds from the Public School Building Capital Fund (ADM) and the NC Lottery are deposited in this fund for accounting purposes. A 2.5 percent increase in sales tax collections is projected, \$121,225.

A decrease of \$31,180 is projected in the Public School Building Capital fund. The use of \$1,465,619 in NC Lottery proceeds is included in this fund. These funds are

transferred to the general fund to service school related debt and capital outlay items.

#### **CAPITAL RESERVE FUND**

An appropriation of \$806,235 is recommended in this fund for the 2007-08 fiscal year to cover debt service costs in the General Fund. A contribution of \$640,000 is recommended to come from the General Fund in accordance with the Board's financial policies.

#### **EMERGENCY TELEPHONE SYSTEM FUND**

The Board established this fund during the 1996-97 fiscal year to account for the E-911 surcharge revenues collected by Windstream. During FY 2007-08, the State has taken over the collection of all E-911 surcharges and is distributing the funds to the cities and counties. An appropriation of \$343,424 is being transferred to the City of Sanford to compensate them for leasing equipment and paying other qualified costs for the E-911 Communications Center located in the basement of City Hall. The balance of the funds will be transferred to the County's General Fund to pay for qualified E-911 cost in the Strategic Services budget. The total appropriation from this fund is \$346,424.

#### **AIRPORT TAX RESERVE FUND**

On February 20, 2003, the Board of Commissioners approved a funding agreement for the Sanford-Lee County Regional Airport Authority. The agreement establishes a reserve fund based on the amount of property tax collected on personnel property located at the airport during each fiscal year. The first priority in the use of the collected funds will be for the operation and maintenance of the airport and airport capital projects. Excess funds may be used for public purposes that benefit both the city and county.

The Airport Authority has requested \$147,693 for FY 2008-09. This is an increase of \$92,696. The estimated tax base for FY 2008-09 will not produce enough revenue to fully support this request so a fund balance appropriation of \$28,616 is included in the FY 2008-09 budget.

#### **WATER DEBT SERVICE FUND**

This fund was established in FY 2005-06 to accept contributions from the City of Sanford to offset the remaining debt that Lee County Water & Sewer District #1 holds on the water system that was transferred to the City of Sanford in March 2005.



## **FIRE DISTRICTS FUNDS**

With the establishment of the Lee County Fire Advisory Board (FAB), this proposed budget does not include recommendations for the volunteer fire department budget requests. The FAB is considering the FY 2008-09 funding levels for each of the fire districts and will present their recommendation to the Board of Commissioners by June 1, 2008.

## **SOLID WASTE FUND**

The purpose of this fund is to account for revenues and expenditures in the Solid Waste enterprise budget. Total projected revenues for the fund are \$1,633,515 a 19.63 percent increase from the current fiscal year. The primary reasons for the increase is a large increase in white goods disposal fees and a large fund balance appropriation related to the closing of the C&D landfill. Solid Waste fees will remain the same in FY 2008-09.

**Table #8 – Solid Waste Fees**

FEE	CURRENT RATE	PROPOSED RATE	DIFFERENCE
(1) Disposal fee	\$40.00	\$40.00	\$0.00
(2) Collection fee	\$40.00	\$40.00	\$0.00
Total	\$80.00	\$80.00	\$0.00

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