

What is a Budget?

The County is “body politic and corporate”, a political subdivision governed by the General Statutes of the State of North Carolina.

The County provides a wide variety of services to its 139,000 plus residents. County services are financed through a variety of taxes, fees, intergovernmental assistance and charges for services. In order to plan for the delivery of effective services and efficiently manage the revenues which support those services, the County adopts an annual budget.

Governmental entities are often asked by their constituencies, “What is a budget?” The answer to this question can have different meanings to different counties, cities, states or agencies. All governmental agencies prepare a budget. The variety of budgetary systems and philosophies is limited only by the number of governmental entities which prepare a budget.

Union County’s budget should be viewed as a tool to help plan, manage and control expenditures for the coming year. Using the budget as a guide, residents of the County can see how resources are allocated and what programs are to receive priority funding.

As A Policy and Planning Tool

The annual budget is the County’s service and financial plan for the year ahead, a strategic tool that matches the services desired by the community with the resources required in order to provide those services. As such, the budget is a plan of financial operation incorporating estimates of proposed expenditures for a given period and a proposed means of financing. The effective period of a budget is a single fiscal year. The budget should also be looked upon as more than a

financial plan, for it represents the process by which legislative and administrative controls are established.

While the budget provides a legal framework for the expenditure of funds, it also provides the basis for fiscal procedures, a systematic reexamination of internal operations for improved efficiency and economy, a delegation of operating authority and responsibility and a basis for central controls. Therefore, in addition to the budget’s usefulness in planning, it also acts as an estimate of the future, and as the fiscal year unfolds, becomes the basis for monitoring and controlling both the County’s fiscal position and the levels of service provided.

So, the budget is much more than just a legal requirement or a financial plan for raising and spending money. It is County Commission’s primary mechanism for describing the scope of services to be performed and the improvements to be made during the year. The budget is the major fiscal policy document of the County.

The budget process does not end with the adoption of the completed budget, but rather continues throughout the fiscal year. Budget preparation and implementation is not a seasonal event, but a year round process of review, analysis and reassessment.

Development of the Budget

The budget is prepared over a five- to six-month period. The process begins with a “goal-setting and planning retreat” of the County Commission. The forum provides the County Commission with an opportunity to develop a number of goals and set forth the Commission’s work plan priority for the coming and ensuing fiscal years. Revenues, expenditures, fund balances and major initiatives are

Basics of Budgeting

projected for the four to five-year financial plan. Potential additional resources are identified. The process is followed several months later by obtaining more current and accurate estimates of available revenues and beginning fund balances. Coincident with the development of the revenue estimates, the anticipated expenditures for the current year are analyzed.

At the beginning of the annual budget process, departments and agencies review with the County Manager program priorities, propose new initiatives and focus on developing a budget and work plan consistent with County Commission's goals. The County Manager formulates a level of expenditure recommendations designed to maintain services and meet the Commission's policy goals during the next fiscal year. These estimates are developed in the budget preparation phase and are based on numerous considerations including compliance with federal, state and local regulations, Commission goals and priorities, known cost factors for operating expenses, proposed changes in the employee compensation plan, cost increases in various employee benefits such as medical and workers' compensation and a conservative projection of general economic fluctuations.

Once all the anticipated expenditures have been taken into consideration, the challenge then becomes adjusting the expenditures to the available revenues. This process typically involves cutting

some requested new initiatives while expanding others to meet the community's priorities.

Budget Approval

The North Carolina Local Government Budget and Fiscal Control Act governs the annual budget calendar, preparation, submission and review of the budget. The fiscal year begins on July 1. The County's budget calendar, which is on the following page, is somewhat more restrictive than the Act requires.

The County Manager, who also serves as budget officer, is required under the Act to submit the budget with a budget message to the County Commission not later than June 1. Following budget submission, the County Commission receives public testimony and reviews the service and expenditure proposals contained in the proposed budget. Also, during this period, copies of the budget are filed with the County Clerk, public library, news media and the County's web site. The County Commission holds an advertised public hearing and may make further changes to the budget. The County Commission may adopt the budget and establish appropriations not earlier than 10 days after having received the budget from the County Manager and after it has held the required public hearing. Because appropriations are the legal authority to spend money in the new fiscal year, the budget must be adopted before July 1 each year.

Basics of Budgeting

December	January	February	March
1) Finance prepares budget instructions.	1) Budget workshop for agencies to review budget process.	1) Agencies prepare new year budget initiatives and capital requests. 2) Agencies and Finance prepare current year estimates and new year base operating requirements 3) County Commission holds goal setting planning retreat and establishes work plan priorities.	1) Agencies submit new capital requests, new initiatives and program priorities to the County Manager 2) Agencies and Finance submit current year estimates and new year base operating requirements to the County Manager. 3) County Manager and his staff review capital and new initiative requests.
April	May	June	July
1) County Manager meets with agencies and determines program priorities and begins development of recommended budget.	1) Board of Education submits requested budget. 2) County Manager finalizes recommended budget. 3) County Manager presents the recommended budget to the County Commission.	1) County Commission conducts workshops to review the recommended budget. 2) County Commission holds a public hearing on the budget. 3) County Commission formally adopts the budget ordinance for the next fiscal year.	1) Beginning of new fiscal year. 2) Budget for the new fiscal year is implemented. 3) Adopted budget document is printed and distributed.

Budget Implementation and Monitoring

Once the County's budget is adopted it must be implemented, closely monitored and professionally managed. Quarterly reports, monthly monitoring procedures and various accounting checks and balances are utilized to ensure legal

compliance with the appropriation authorizations.

The budget contains estimated revenues to be received and anticipated expenditures. Revenues are constantly monitored throughout the fiscal year to detect significant fluctuations in receipts.

If upon close examination of the budget, it is discovered that revenues are not

Basics of Budgeting

sufficient to support planned expenditures or planned expenditures are exceeding original projections, the County Manager reports such to the County Commission. The Manager also makes recommendations for addressing the budget imbalance. If an unforeseen spending need arises or revenues are not sufficient to support planned expenditures, the County may transfer money from contingency or other activities or appropriate money from its reserves.

Basis of Budgeting

The County budgets revenues on a cash basis and expenditures on a modified accrual basis. Revenues are recognized in the accounting period in which they become available. Expenditures are recognized in the accounting period in which the liability is incurred, except for bond principal and interest, which is reflected as an expenditure as it becomes due. This basis of budgeting is used for all funds of the County - governmental and proprietary.

Budgetary Amendment and Control

The appropriation authorization of the County Commission is generally at the

agency level. Prior year's carryover encumbrances and designated reserves are re-appropriated by the County Commission based on audited financial statements. Encumbrances and designated reserves increase the agency level budget. Unanticipated revenues require appropriation by the County Commission prior to their expenditure. Generally, appropriations that are unspent at the end of the year lapse into fund balance. The County Manager, as the County's statutory designated budget officer, is authorized to transfer funds among line-items within each departmental appropriation; and has certain limited authority to transfer funds between agency appropriations with a report to the County Commission. Major amendments to the overall appropriation level of an agency, requires the approval of the County Commission.

Although the legal appropriation is at the agency level, control of expenditures is exercised at various levels within each appropriation. Directors are authorized to allocate available resources as they deem appropriate within several expenditure categories consistent with the County's work plan.

Fund Accounting

The accounts of Union County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts comprised of assets, liabilities, fund balance, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent. The various funds are grouped into three broad fund categories and several sub-fund types. The fund categories are summarized below:

Governmental Funds

Governmental funds are those used to account for the County's expendable financial resources and related liabilities (except those accounted for in proprietary and similar trust funds). The measurement focus is upon determination of changes in financial position, rather than upon net income. The following are the County's governmental funds:

General Fund - The General Fund is the principal fund of Union County. This fund accounts for all financial transactions except those more appropriately recorded in another fund. This fund includes the majority of County services including public safety, inspections, planning, recreation and parks, human services, education and administrative functions. Revenues come from sales and use taxes, property taxes, user fees, permits and licenses, and other sources of revenues.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of funds for, and the payment of, installment financing debt

principal and interest associated with the Detention Facility.

Special Revenue Funds - The Special Revenue Funds are used to account for the proceeds from the Enhanced 911 Subscriber Fee, fire taxes and fees and the County's reappraisal program – all of which are legally restricted to expenditures associated with providing Enhanced 911, fire protection services and reappraisal activities.

Capital Project Funds - Capital Project Funds provide budgetary accountability for financial resources used for the acquisition or construction of major capital facilities and improvements, other than those financed and accounted for in proprietary funds. Principal resources for these activities include proceeds of general obligation bonds and transfers from other funds. The County has capital project funds for the following activities: general government, recreation and culture, and school improvements.

Proprietary Funds

Proprietary Funds are used to account for activities that are similar to those often found in the private sector. Proprietary Funds are separated into two categories: Enterprise Funds and Internal Service Funds.

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and net income is appropriate for capital maintenance, public policy, management

Budget Format

control, accountability or other purposes.

Water and Sewer Fund - The Water and Sewer Fund is used to account for all revenues and expenses associated with the County's water and wastewater operations.

Solid Waste Fund - The Solid Waste Fund is used to account for all revenues and expenses associated with operating the County's solid waste activities.

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the County, or to other governments on a cost reimbursement basis.

Health Benefits Fund - The Health Benefits Fund is used to account for the revenues and expenses associated with providing medical and dental program for eligible participants.

Workers' Compensation Fund - The Workers' Compensation Fund is used to

account for the revenues and expenses associated with providing medical and lost wages to employees who are injured while on the job..

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the County in a trustee capacity or as an agent for individuals, private organization or other government units.

Special Separation Allowance Fund - The Special Separation Allowance Fund is used to account for the accumulation of funds transferred from various funds for the payment of separation benefits to qualified county employees.

Agency Funds - The Agency Funds are used to account for funds held by the County for the benefit of Social Service clients, incarcerated individuals, Board of Education and various special taxing districts.

Basis of Accounting

All funds of the County are accounted for during the year on the modified accrual basis of accounting in accordance with North Carolina General Statutes. Under the modified accrual basis, revenues are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which a fund liability is incurred, if measurable, except for unmatured principal and interest on general long-term debt which is recognized when due.

Revenues are classified by funds and sources with the following categories being used in the budget document: ad valorem taxes, local option sales taxes, other taxes and licenses, intergovernmental revenue, permits and fees, sales and services, investment earnings and other financing sources.

Expenditures are classified by fund, department, category and object of expenditure. Expenditures are separated into five major categories: personnel; operating; capital outlay; contracts, grants and subsidies; and interdepartmental charges. The categories are defined below:

Personnel - Services provided by regular and temporary County employees. This category includes salaries and wages and fringe benefit costs such as social

security, medical, pension, 401K, workers' compensation and dental expenses.

Operating - Supplies and services used in the daily operation of County agencies. The category includes utilities, supplies, maintenance services, vehicle operations, communication services (printing, postage, telephone, etc.), travel and training expenditures, insurance coverage, professional services, public assistance and other services (rents, etc.).

Capital Outlay - Expenditures for the acquisition, construction, renovation or improvement of land, buildings, other structures or equipment. Equipment classified in this category costs \$3,000 or more and has a useful life of more than one year.

Contracts, Grants and Subsidies - This category includes expenditures for contracts, grants and subsidies.

Debt Services – Principal and interest payments on general obligation, revenue and installment financing contracts.

Interdepartmental Charges - This category includes expenditures from internal County service providers.

Contingency – Funds for unanticipated appropriations.

Interfund Transfers - This category includes the transfer of resources from one fund to another fund.

Revenue Assumptions

Overview

Different techniques and methods are used to assist the County in estimating future revenue sources. The following information outlines the various revenue assumptions used to project revenues for the 2003-2004 fiscal year.

Ad Valorem Taxes

The recommended tax rate is 55 cents per 100 dollars of property valuation with an estimated 98 percent collection rate for real property and a 90 percent collection rate for motor vehicles. The total projected tax base for FY2004 is estimated at \$10.811 billion representing an increase of \$502 million or 4.9% of FY2003's amount of \$10.309 billion. Every penny on the tax base generates approximately \$1.050 million.

This additional tax of 7.95 cents over FY03's 47.05 cents is projected to generate an increase of \$8.35 million in property tax collections over the 2002-2003 fiscal year. This increase in the property tax is attributable to a loss of State ADM funds and debt service costs associated with the voter approved bond referendums for education. Based on a tax rate of 55 cents per \$100 and a 98 percent collection rate, the FY 2004 budget will generate \$57,743,000 in current year's property taxes. FY 2003 property tax collections are projected at \$47,100,000.

The continuation of the schools special tax of 7 cents is recommended.

Local Option Sales Taxes

Revenues received from the one-cent and 3 one-half cent sales tax are estimated based on historical trends and projections by the State. Retail sales are projected to increase 1% for the one-cent sales tax

(Union County) and increase 3% for the 3 one-half cent distributions (statewide). This below average growth is attributable to the continued economic slowdown and uncertainty about when North Carolina will emerge from the recession. Overall, the County's share of original one-cent and 2 one-half cent sales tax revenues are projected to increase by about \$350K.

The recently enacted additional sales tax (also referred to as Article 44) is projected to generate about \$3.6 million. Article 44 revenues are projected increase at about 3%. This sales tax was enacted in FY03 to offset the State's elimination of the reimbursements for prior relief measures enacted by the State including the repeal of the intangibles tax, food stamp sales tax exemptions, senior citizens property tax exemptions and the inventory tax.

Other Taxes and Licenses

This category of revenue consists of real property transfer taxes, cable TV franchise fees and gross receipts rental taxes. Overall, FY2004 revenues are projected to approach \$1.5 million, an increase of about \$220K over the current budget. The largest portion of the increase is real property transfer taxes which are projected to increase from \$1 million to \$1.175 million.

Intergovernmental Revenues

This revenue source represents funds received from other governmental units.

Depending on the source and nature of the resource, occasionally restrictions are placed on the use of these proceeds.

ADM funds, which are used to help pay for school construction, are included in

Revenue Assumptions

this category of revenue. The Governor's proposed budget diverts the funds to State school operations for the biennium. While both the House and Senate versions restore the funding, recent State collections suggest that the legislature will have to modify their preliminary budgets. Given the continued deterioration of the State's budget and given that the Governor excluded the ADM funds, the FY04 recommended County budget does not include ADM funds. The County received between \$1-\$1.2 million in FY2000 thru FY2002. The FY2003 budget contained \$1 million.

This revenue category also includes court facility fees (+\$20K for FY2004) and ABC distributions (+\$3K for FY2004).

Other Revenues

The two largest revenue sources in this category include the hospital payment (\$1.4 million for FY 2004 with amount based on FY2003 actual payment) and investment income. Investment income is estimated based on the projected daily cash position of the County, declining assets available for investment, and future investment earning rates in the range of 1% to 1.5%. FY2004's estimate is about \$1.1 million representing a decline of \$500K from FY2003 budget.

Fund Balance

The appropriation of fund balance is necessary to balance projected revenues and expenditures. The level of appropriation is determined by the difference between recommended expenditures and estimated revenues for the upcoming fiscal year. The amount of recommended fund balance is both a function of the amount the County reasonably expects that it will not use by year-end (salary savings, revenues exceeding budget, expenditures coming in under budget) and the projected use of

fund balance to mitigate the level of tax rate increases.

Interfund Charges

Charges for goods and services from one fund to another fund within the County. Charges are projected based on historical trends or actuarially determined charges needed to finance liabilities.

Employee Contributions

Payment from employees and retirees for individual and dependent medical and dental insurance. Contributions are projected based on the estimated number of participants in the program and rates needed to finance claim liabilities.

Revenue Assumptions

Table of Assessed Valuations and Collections

<u>Property Tax Base</u>	<u>FY2003</u>	<u>FY2004</u>	<u>% Change</u>
Real Property	\$8,101,970,000	\$8,556,154,975	5.6%
Personal Property	858,985,203	884,890,580	3.0
Elderly Exemption	(40,580,041)	(41,074,330)	1.2
Public Service	222,477,755	222,477,755	0.0
Motor Vehicles	<u>1,166,666,667</u>	<u>1,188,888,889</u>	<u>1.9</u>
Total	<u>10,309,519,584</u>	<u>10,811,337,869</u>	<u>4.9%</u>
98% Collection Rate on Real & Personal @ 1 cent	\$896,000	\$943,000	5.3
90% Collection Rate on Motor Vehicles @ 1 cent	<u>\$105,000</u>	<u>\$107,000</u>	<u>1.9</u>
Total	<u>\$1,001,000</u>	<u>\$1,050,000</u>	<u>4.9%</u>

Bond Referendums

Union County voters have approved three (3) school bond referendums since 1998. The amounts of those referendums and fiscal impact statements are detailed below.

1998 School Bond Referendum

A Resolution adopted August 31, 1998, by the Board of County Commissioners (BOCC) directed the filing of an application with the Local Government Commission (LGC) and stated “the County’s property tax rate *will* (emphasis added) increase by approximately 10 cents.” NOTE: the 10 cent rate was pre-2000 revaluation. Conversion to post-revaluation rate is 7 cents. The LGC is a State commission that regulates and monitors local government finances and approves the issuance of debt.

The application to the LGC for approval of the issuance of general obligations in an amount not to exceed \$52,700,000 executed September 3, 1998 contained the statement that “an estimated increase in tax rate by reason of (the) proposed bonds \$0.10.”

The *1998 Bond Referendum Information Brochure*, published and distributed by Citizens for Better Schools, stated “based on current projections, the \$52.7 million school bond would, in the worst case scenario, increase the property tax rate a maximum of 8.5 cents of the life of the bonds.”

2000 School Bond Referendum

A Resolution adopted August 21, 2000, by the BOCC directed the filing an application with the LGC stated “the County’s property tax rate resulting from issuance of the proposed bonds is not excessive.”

The application for approval of the issuance of general obligations in an

amount not to exceed \$55,000,000 contained the statement that “an estimated increase in tax rate by reason of (the) proposed bonds \$0.05.”

The *2000 Bond Referendum Information Brochure*, published and distributed by Citizens for Better Schools, stated “based on current projections, the \$55 million school bond would, in the worst case scenario, increase the property tax rate a maximum of five cents over the life of the bonds.”

2002 School Bond Referendum

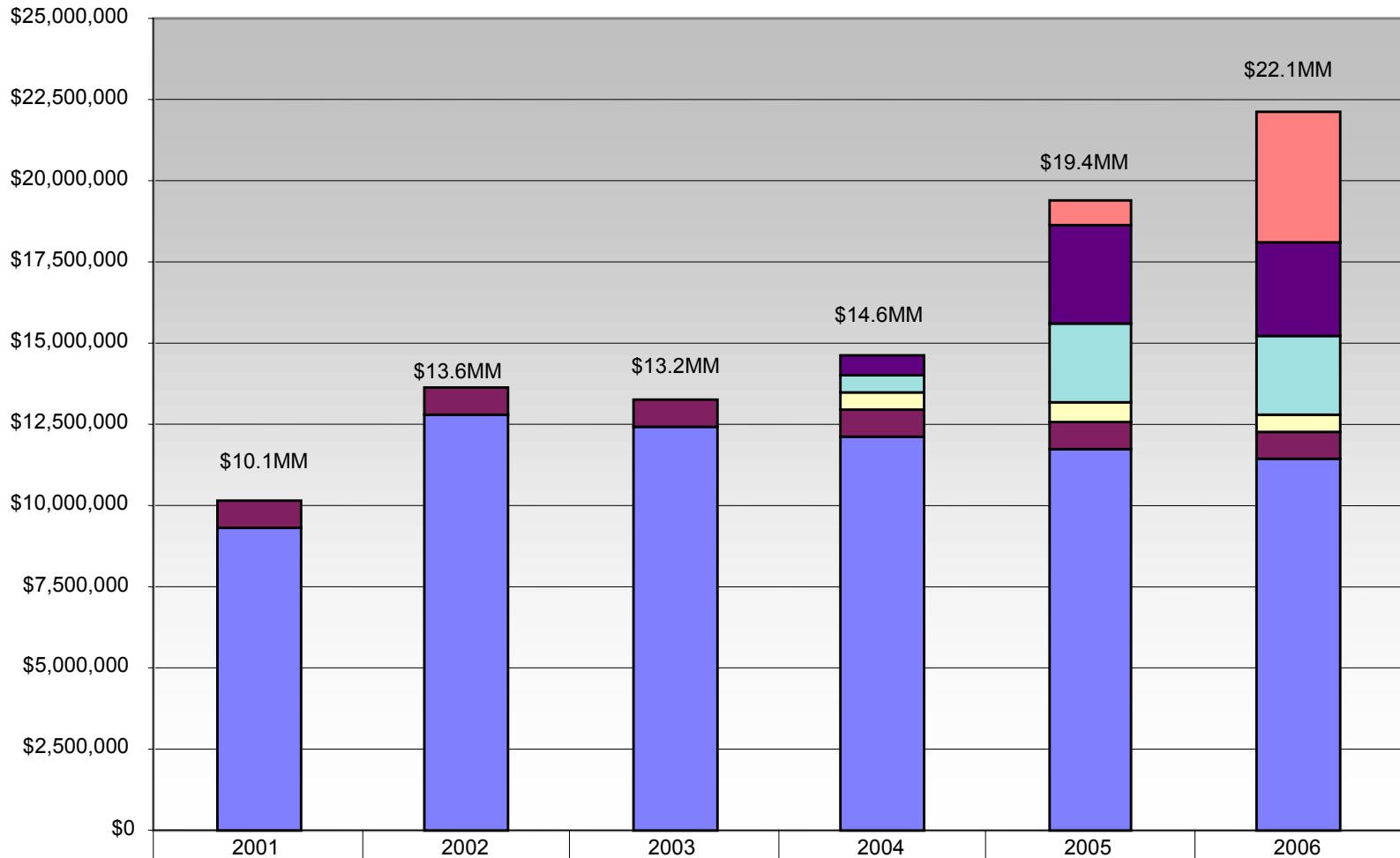
A Resolution adopted August 19, 2002, by the UCBCB directed the filing an application with the LGC stated “the bonds will require a property tax increase to pay principal and interest on the bonds, but the increase in taxes necessary to pay the proposed debt service will not be excessive.”

The application for approval of the issuance of general obligations in an amount not to exceed \$70,000,000 contained the statement that “an estimated increase in tax rate by reason of (the) proposed bonds \$0.04.”

The *2002 Bond Referendum Information Brochure*, published and distributed by Citizens for Better Schools, stated “based on current projections, the \$70 million school bond could increase the property tax rate by four cents.”

Union County Schools Debt Service

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	2001	2002	2003	2004	2005	2006
2002 Referendum					816,667	3,960,000
2002 Referendum				612,500	2,970,000	2,896,500
2000 Referendum				510,417	2,475,000	2,413,750
Walter Bickett ES				543,745	553,526	550,140
Installment Financing	840,327	840,327	840,327	840,327	840,327	840,327
General Obligation	9,304,513	12,789,894	12,393,413	12,067,059	11,744,149	11,407,986

w/o ADM

History of Tax Rates and County Property Tax Bills

10 Year History of County Tax Rates for Counties in the Region

	2003	2002	2001	2000	1999	1998	1997	1996	1995	1994
Cabarrus	0.56	0.56	0.56	0.59 *	0.70	0.66	0.61	0.57	0.62	0.58
Catawba	0.50	0.50	0.50	0.50 *	0.55	0.55	0.52	0.52	0.47	0.47
Gaston	0.92	0.92	0.83	0.83	0.83	0.85 *	0.84	0.79	0.79	0.79
Iredell	0.47	0.47	0.47	0.47 *	0.45	0.45	0.45	0.45	0.45	0.45
Lincoln	0.62	0.62	0.52 *	0.62	0.62	0.62	0.62	0.62	0.56	0.56
Mecklenburg	0.84	0.84	0.73	0.73	0.69 *	0.73	0.73	0.81	0.81	0.81
Rowan	0.64	0.64	0.64	0.64 *	0.64	0.64	0.64	0.64	0.65	0.60
Stanly	0.67	0.67 *	0.76	0.70	0.67	0.67	0.67	0.67	0.57	0.57
Union	0.47	0.47	0.47 *	0.66	0.66	0.66	0.66	0.66	0.66	0.66

* Denotes year following most recent revaluation

Comparisons of County Property Tax Bills for Various Residential Properties (1)

	(2)	(3)	(4)
Wingate	\$612.20	\$610.81	\$629.24
Waxhaw	\$757.75	\$767.57	\$798.72
Wesley Chapel	\$579.78	\$580.34	\$643.84
Indian Trail	\$596.90	\$604.63	\$622.88
New Salem	\$464.92	\$470.95	\$585.46

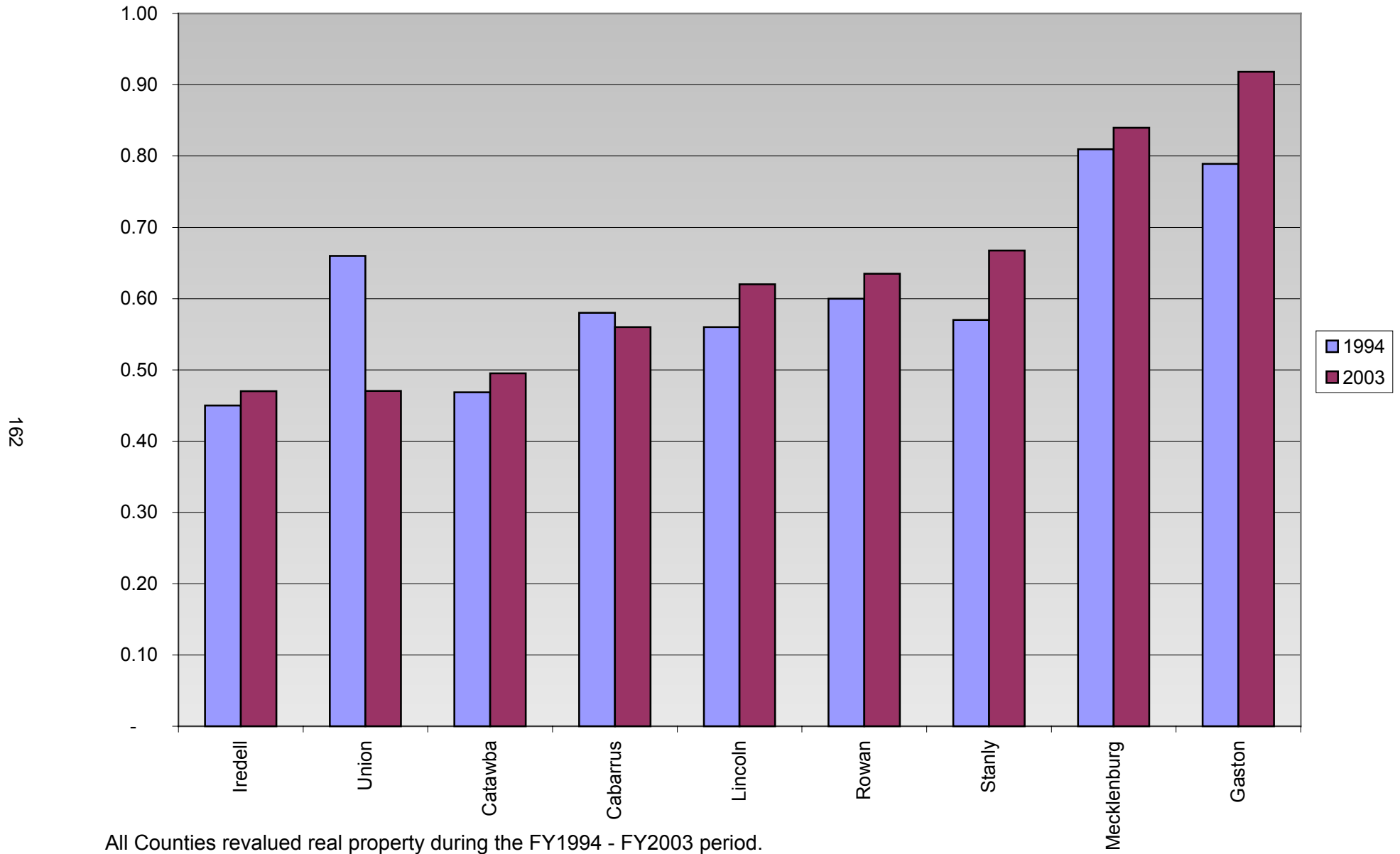
(1) Residential properties constructed in the 1976-1978 period, "C" grade construction, masonry exterior, approx. 1,500 main sq. ft., .5-1.0 acres

(2) 2003 actual tax bill

(3) 2001 actual tax bill adjusted for CPI to 2003

(4) 1994 actual tax bill adjusted for CPI to 2003

Tax Rates (1994 and 2003)

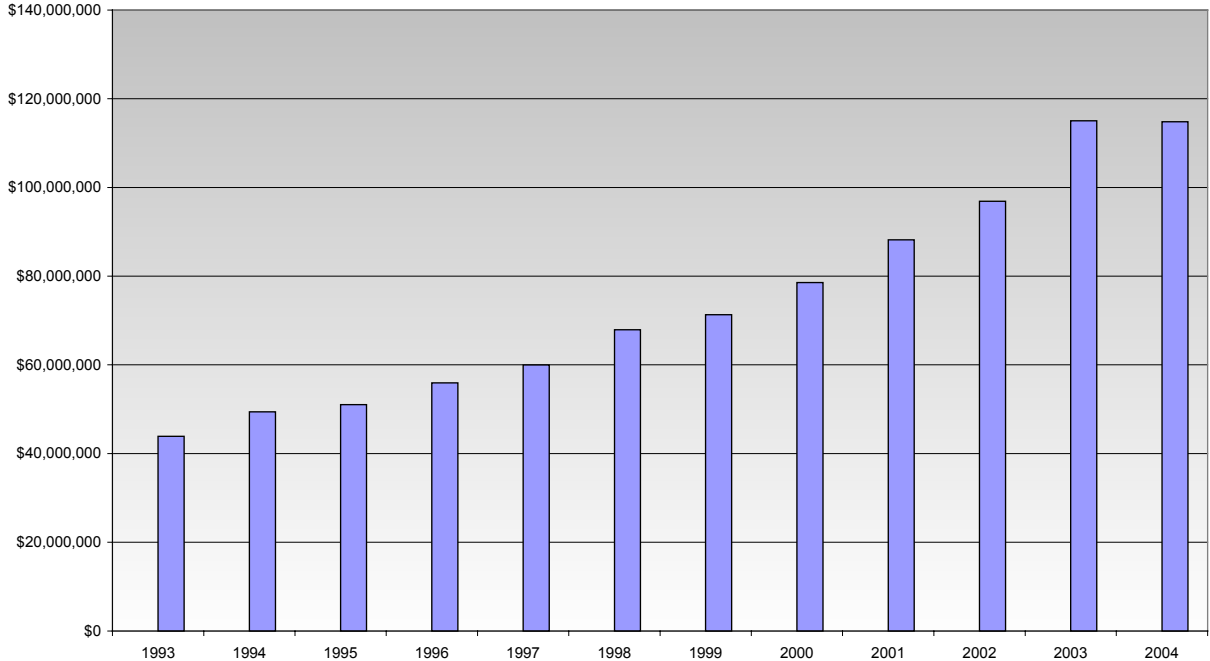


All Counties revalued real property during the FY1994 - FY2003 period.

History of County Budget

Fiscal Year Ended June 30	General Fund Expenditures*	Percent Increase over Prior Period	Percent Increase over 1993
1993	43,887,060	-	
1994	49,403,687	13%	
1995	51,029,734	3%	
1996	55,934,467	10%	
1997	59,960,405	7%	
1998	67,905,387	13%	
1999	71,308,760	5%	
2000	78,582,227	10%	
2001	88,202,610	12%	
2002	96,902,511	10%	
2003	115,026,229	19%	
2004	114,786,748	0%	162%

*Excludes State Schools Building Bond Act of 1996 expenditures; 2003 & 2004 are budgets



Future Budget Projections

		<u>FY04</u>	<u>FY05</u>	<u>FY06</u>	<u>FY07</u>
ANNUAL EXPENSES OVER REVENUES			(14,334,975)	(21,110,445)	(26,043,892)
CHANGE OVER PRIOR YEAR:					
AD VALOREM (0.4705 BASE TAX RATE)	1		2,470,000	2,593,500	2,723,175
AD VALOREM PRIOR YEARS	2		95,000	99,750	104,738
LOCAL OPTION SALES TAXES	3		673,000	697,000	721,000
INTERGOVERNMENTAL & MISC	4		441,000	458,640	476,986
PERSONNEL ADJUSTMENTS-EXISTING	5		(1,009,450)	(1,039,734)	(1,070,926)
HEALTH COSTS	6		(427,000)	(491,050)	(564,708)
NEW PERSONNEL-NET COST	7		(505,000)	(520,150)	(535,755)
COMMUNICATION CONSOLIDATION	8		(35,070)	(36,824)	(38,665)
OPERATING EXPENSES	9		(432,000)	(440,640)	(449,453)
OPERATING EXPENSES-JUSTICE CTR	10		(345,000)	(479,000)	(488,580)
VOTING MACHINES	11		(100,000)	(100,000)	(100,000)
PUBLIC ASSISTANCE	12		(534,100)	(587,510)	(646,261)
PROPERTY & CASUALTY	13		(91,000)	(105,000)	(121,000)
DEBT SERVICE SAVINGS (DEFEASE)	14				
SCHOOLS CURRENT EXPENSE	15		(1,536,850)	(1,644,430)	(1,759,540)
SCHOOLS CAPITAL OUTLAY	16		(300,000)	(330,000)	(363,000)
SCHOOLS DEBT SERVICE	17		(5,139,000)	(3,008,000)	232,500
CHANGES FOR THE YEAR	18		(6,775,470)	(4,933,447)	(1,879,487)
NET INCOME / (LOSS) BEFORE TAX ADJUSTMENTS	19	(14,334,975)	(21,110,445)	(26,043,892)	(27,923,379)
TAX RATE INCREASES:					
ADM LOSS 0.95c	20	997,371	992,121	1,041,728	1,093,814
2000 BOND REFERENDUM 5c	21	5,249,320	5,511,786	5,787,375	6,076,744
2002 BOND REFERENDUM 2c	22	2,099,728	2,204,714	2,314,950	2,430,698
2002 BOND REFERENDUM 2c	23		2,204,714	2,314,950	2,430,698
COPs	24		1,102,357	1,157,475	1,215,349
SCHOOL BONDS DEBT SERVICE 1c	25		1,102,357	1,157,475	1,215,349
SCHOOL BONDS DEBT SERVICE 3c	26			3,472,425	3,646,046
FY06 TAX INCREASE	27			1,157,475	1,215,349
SCHOOL BONDS DEBT SERVICE 3c	28				3,646,046
NET INCOME / (LOSS)		(5,988,556)	(7,992,394)	(7,640,038)	(4,953,286)
CASH DEFEASANCE	29		-		
FUND BALANCE - BEGINNING		49,146,264	43,157,708	35,165,313	27,525,275
FUND BALANCE - ENDING		43,157,708	35,165,313	27,525,275	22,571,989
TARGET BUDGET	30	114,786,748	125,241,218	134,023,555	139,928,940
16% FUND BALANCE OBJECTIVE	31	18,365,880	20,038,595	21,443,769	22,388,630
TAX RATE INCREASES	32	7.95	4	4	3

Footnote descriptions may be found on the following page.

Future Budget Projections

1. 5% annual growth in property values based on FY03's tax rate of 47.05 cents
2. 5% annual growth in delinquent collections based on implementation of more aggressive collection remedies (debt set-off, collection agency)
3. 4% annual growth in Statewide distribution (3 one-half cent sales tax) and 2% in Union County's 1 cent sales tax
4. 3%-4% annual growth in federal and State participation in HHS programs and land transfer taxes
5. 3% annual growth in compensation package to maintain market competitiveness in Charlotte MSA
6. 15% annual growth in health care costs based on utilization and medical inflation
7. Net costs associated with 20 additional positions annually with 50% of positions in HHS programs funded at 50%
8. Annual additional costs associated with County/City merger of communications
9. 2% annual growth in operating and maintenance expenses
10. Start-up and annual operations costs associated with the completion of the new Justice Center
11. 2nd, 3rd and 4th purchase phases associated with the replacement of voting machines
12. 10% annual growth in Medicaid and public assistance programs
13. 15% annual growth in risk management costs for property, casualty and liability protection
14. Placeholder for debt service savings in the event of fund balance use to cash defease outstanding long-term obligations of the County
15. 7% annual growth in Union County Public Schools (UCPS) current expense
16. 10% annual growth in Union County Public Schools (UCPS) capital outlay from current operations
17. Annual increase or decrease in debt service associated with general obligation bond issuance. Bond issuance will permit UCPS to open Career Center (Aug '05), Rocky River Ridge HS (Aug '05), MS (Aug '05) and ES (Aug '04), Parkwood District ES (Aug '05) based on current calendar with no delays
18. Expenses over revenues (deficit spending) for the year, excluding prior annual deficit spending
19. Expenses over revenues (deficit spending) for the year, including prior annual deficit spending
20. 0.95 cent tax rate increase due to Governor's elimination of capital funds for education
21. 5 cent tax rate increase attributable to the sale of all bonds associated with the 2000 bond referendum
22. 2 cent tax rate increase attributable to the sale of a portion of the bonds associated with the 2002 bond referendum
23. 2 cent tax rate increase attributable to the sale of the balance of the bonds associated with the 2002 bond referendum
24. 1 cent tax rate increase associated with the COPs sale for libraries, Agri-Business /One Stop Permitting Center, Judicial Center. SPCC facilities
25. 1 cent tax rate increase for the sale of the 1998, 2000 and 2002 bond referendums
26. 3 cent tax rate increase for the sale of the 1998, 2000 and 2002 bond referendums
27. 1 cent tax rate increase to meet "roadmap to fiscal integrity"
28. 3 cent tax rate increase for the sale of the 1998, 2000 and 2002 bond referendums
29. Cash defeasance
30. Estimated annual expenses
31. Target at 16% (2 months of working capital) of estimated annual expenses
32. Annual tax rate increase to meet "roadmap to fiscal integrity"

Alternative FY2004 Budgets

	ALTERNATIVE "A"	ALTERNATIVE "B"
PERSONNEL	(7,500)	
ASSESSOR	(5,000)	
ELECTIONS	(123,875)	
INFORMATION SYSTEMS	(77,600)	
FLEET	(9,166)	
PROPERTY MANAGEMENT	(150,000)	
SHERIFF	(1,098,243)	
ANIMAL CONTROL	(30,394)	
PLANNING	(50,000)	
COOPERATIVE EXTENSION	(15,000)	
FOREST MANAGEMENT	(9,800)	
HEALTH	(46,664)	
SOCIAL SERVICES	(107,609)	
TRANSPORTATION	(52,958)	
VETERANS SERVICE	(21,970)	
COMMUNITY SHELTER	(5,000)	
LITERACY COUNCIL	(1,000)	
LIBRARY	(285,339)	
PARKS	(419,500)	
HISTORIC PROPERTIES	(2,000)	
EMPLOYEE COMPENSATION	(1,264,000)	
AGRI-BUSINESS CENTER	(312,000)	
POSITION FREEZE	(1,862,980)	
DEFER OPENING SCHOOLS 1YR.	(1,122,917)	
	<u>(7,080,515)</u>	<u>0</u>
FY04 DEFICIT	(14,334,975)	(14,334,975)
FY04 REDUCTIONS	7,080,515	0
FY04 ADJUSTED DEFICIT	(7,254,460)	(14,334,975)
FUND BALANCE - BEGINNING	49,146,264	49,146,264
FUND BALANCE - ENDING	41,891,804	34,811,289
TARGET BUDGET	114,786,748	114,786,748
16% FUND BALANCE OBJECTIVE	18,365,880	18,365,880