

FIVE YEAR FINANCIAL PLAN

The Five Year Financial Plan is a forecast of revenues and expenditures spanning a five year period beginning with the proposed annual budget for the upcoming fiscal year. By using a five year planning window, the County ensures that commitments, obligations and anticipated needs are met in a fiscally sound manner. The five year plan encompasses both operating and capital budgets.

The forecast uses the current fiscal year (2005) budget as a starting point for both revenues and expenditures in 2006. Similarly, forecasts for subsequent years rely on the previous year's revenues and expenditures for their starting points. Increases and decreases in revenues and expenditures are itemized for each year.

The General Fund

The revenue forecast for FY 2006 contains a property tax rate increase of \$0.10. Ad valorem, or property tax, revenue has been based on a tax rate of \$0.63 per \$100 of assessed valuation. Total taxable property, excluding motor vehicles, is \$13,015,148,053, an increase of 2.6%. Motor vehicle taxable value increased 6.7% to \$1,189,845,287. North Carolina General Statutes require that the estimated percentage of property tax collections cannot exceed the percentage of tax levy actually realized in cash for the preceding fiscal year. Based on that requirement, a collection rate of 96.53% was applied to tax calculations. Property tax, excluding motor vehicles, is estimated at \$79,150,191 or 21% over FY 2005. Motor vehicle taxes have been budgeted at \$7,235,913, or 25.8% above FY 2005. Other revenue items included in this category include delinquent taxes and tax interest. Total revenues in this category have been budgeted at \$88,238,854, which represents a 21.2% increase above the current budget. Subsequent years are estimated to grow at the rate of 3%. In FY 2009, revaluation is expected to add 20% to the tax base.

FY 2007 projections require an additional \$0.0325 tax rate increase, followed by \$0.01 in FY 2008. The tax rate projected for FY 2009 reflects a decrease of \$0.015 due to revaluation, and is projected to be unchanged from that level in FY 2010.

Total sales tax is budgeted at \$28.1 million, a 13.1% increase above FY 05. Sales tax revenues have been increasing as the economic climate improves. Overall, this category equals \$29,655,506, an increase of 13.1% over FY 2005. In succeeding years, sales tax growth is projected at 3%.

From an expenditure perspective, these increases are driven primarily by increased school current expense spending, increased debt service for school construction and increased debt service for the construction of a new justice center. New debt service is added in FY 2006, FY 2007 and again in FY 2009.

Other annual increases are attributed to salary and benefit increases, along with normal operational growth.

After several years of meager capital spending, the Five Year Plan calls for gradually increasing capital improvement funding. The Plan also calls for the resumption of contributions to the Capital Reserve Fund to facilitate "pay as you go" financing for some capital improvements.

The County believes that the spending levels specified in the Five Year Financial Plan are prudent and necessary, and maintain adequate general fund reserves. Board policy calls for unreserved fund balance to be maintained at a minimum of 15% of current budget. This plan as presented adheres to policy, with levels ranging from 18.3% in FY 2006, falling to 15.2% in FY 2010.

The Solid Waste Fund

Landfill and Waste Reduction Programs constitute the Solid Waste Fund. In FY 2006 Solid Waste franchise fees and disposal tax on white goods remain flat, as do tire disposal fees. Tipping fees are increasing a modest 1.9%, and recycling revenue is projected to increase by 10%. The major change within Solid Waste revenues is the projected use of \$232,369 of unreserved fund balance in support of a CIP project to construct a new Maintenance Facility. This facility will be used to maintain and repair landfill equipment and will also provide employees with shelter, restrooms and a break area. For fiscal years 2007 – 2010, revenues are projected to increase by 5% each year.

Operating expenses are budgeted to increase 25.2% to \$1,249,869. This increase is driven primarily by the construction of the maintenance facility detailed above. In ensuing fiscal years, small increases have been projected in salaries and benefits lines. No new capital projects are included in the CIP at this time.

Current projections indicate that a surplus will be generated in each of fiscal years 2007 – 2010.



The Arena and Events Center Fund

Expenditures in the Arena and Events Center Fund are expected to increase by approximately 0.6% to \$2,774,502. This fund accounts for revenues and expenditures related to the Arena and Events Center, and the County Fair.

The major change in FY 2006 is in the way the Arena and Events Center is managed. In May 2005 the County signed a contract with SMG, a management company, to oversee and manage the Arena and Events Center (not including the County Fair). An on-site general manager was recruited. Beginning in FY 2006, all costs related to the Arena and Events center have been consolidated into one cost center. Total costs for the Arena are projected to increase 0.1%. Budget includes management fees of \$95,000.

During FY 2006, the Arena and Events Center receives a contribution of \$100,000 from the Tourism Fund, and \$726,940 from the General Fund. In subsequent years, the General Fund contribution decreases dramatically, and beginning in FY 2010, it is projected that no contribution from the General Fund will be needed.