

LEE COUNTY

NORTH CAROLINA

Committed Today for a Better Tomorrow

Fiscal Year 2009-10 Budget at a Glance

Total Property Valuation: \$4.692 billion
Proposed Tax Rate: \$.75
One Penny Generates: \$448,086

General Fund- Revenues

	Amended 08-09 Budget	Recommended 09-10 Budget	Adopted 09-10 Budget	Increase/ (Decrease)	% Increase/ (Decrease)
Ad Valorem Taxes	\$35,261,850	\$34,529,300	\$34,529,300	(\$732,550)	-2.08%
Local Option Sales Tax	\$8,352,222	\$5,984,783	\$5,984,783	(\$2,367,439)	-28.35%
Other Taxes & Licenses	\$428,500	\$405,400	\$405,400	(\$23,100)	-5.39%
Intergovernmental Revenues	\$9,812,901	\$8,995,497	\$8,995,497	(\$817,404)	-8.33%
Permits & Fees	\$362,000	\$262,000	\$262,000	(\$100,000)	-27.62%
Sales & Services	\$2,352,717	\$2,115,263	\$2,115,263	(\$237,454)	-10.09%
Investment Earnings	\$450,000	\$250,000	\$250,000	(\$200,000)	-44.44%
Miscellaneous	\$446,134	\$305,053	\$305,053	(\$141,081)	-31.62%
Transfers In	\$6,452,711	\$5,948,402	\$5,948,402	(\$504,309)	-7.82%
Fund Balance Appropriated	\$2,713,136	\$1,068,620	\$1,068,620	(\$1,644,516)	-60.61%
Total Revenues	\$66,632,171	\$59,864,318	\$59,864,318	(\$6,767,853)	-10.16%

General Fund- Expenditures

	Amended 07-08 Budget	Recommended 08-09 Budget	Adopted 08-09 Budget	Increase/ (Decrease)	% Increase/ (Decrease)
General Government-Total	\$7,973,481	\$7,100,785	\$7,100,785	(\$872,696)	-10.94%
Public Safety-Total	\$7,744,153	\$7,326,802	\$7,326,802	(\$417,351)	-5.39%
Economic/Physical Devel.-Total	\$1,777,543	\$1,663,089	\$1,663,089	(\$114,454)	-6.44%
Health and Welfare-Total	\$17,670,082	\$14,548,407	\$14,548,407	(\$3,121,675)	-17.67%
<i>Public Health</i>	\$3,482,629	\$2,871,134	\$2,871,134	(\$611,495)	-17.56%
<i>Mental Health</i>	\$250,000	\$240,000	\$240,000	(\$10,000)	-4.00%
<i>Social Services</i>	\$11,592,777	\$9,316,589	\$9,316,589	(\$2,276,188)	-19.63%
Education- Total	\$21,335,626	\$19,373,519	\$19,373,519	(\$1,962,107)	-9.20%
<i>School Current Expense</i>	\$15,602,134	\$14,978,050	\$14,978,050	(\$624,084)	-4.00%
<i>CCCC Current Expense</i>	\$2,192,590	\$2,195,054	\$2,195,054	\$2,464	0.11%
Cultural and Recreational -Total	\$2,094,869	\$1,896,054	\$1,896,054	(\$198,815)	-9.49%
Debt Service-Total	\$7,357,427	\$7,189,662	\$7,189,662	(\$167,765)	-2.28%
Reserves- Total	\$678,990	\$766,000	\$766,000	\$87,010	12.81%
Total Expenditures	\$66,632,171	\$59,864,318	\$59,864,318	(\$6,767,853)	-10.16%

FISCAL YEAR 2009-2010 PROPOSED BUDGET RECOMMENDATIONS

GENERAL FUND REVENUE

In order to achieve a self-sufficient operation, this proposed budget includes the receipt of \$59,828,714 in revenue to support General Fund activities for the 2009-10 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.

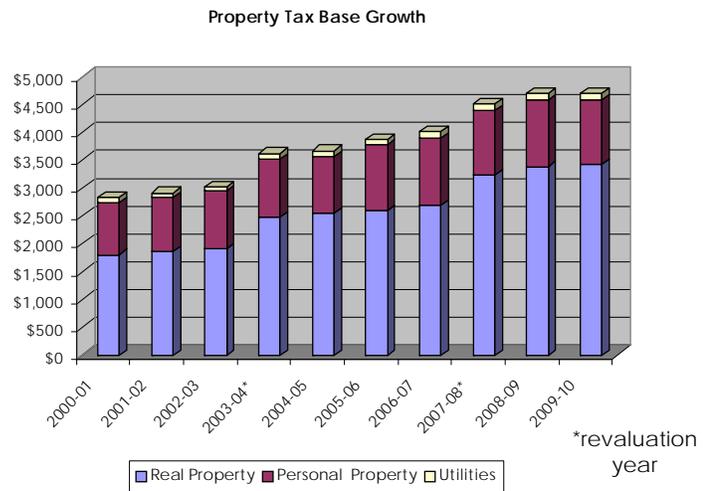
As that greater than 69 percent of the government's revenues are derived from two sources, the property tax and sales taxes, it is important to understand the significance of the projected revenue proceeds. The following table should help show the changes in the two revenue sources and the County's reliance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

Table #1 – Major Revenue Sources

	FY 2008-2009	FY 2009-2010	Difference	% Change
Tax base	\$ 4,697,010,500	\$ 4,692,000,000	\$ (5,010,500)	(0.11%)
Tax rate	0.75	0.75	0.00	0.0%
Ad valorem rev.	34,170,700	33,606,450	(564,250)	(1.65%)
<i>% of total exp.</i>	<i>53.05%</i>	<i>56.17%</i>	<i>3.12%</i>	<i>5.88%</i>
Sales tax rev.	10,460,647	7,827,082	(2,633,565)	(25.18%)
<i>% of total exp.</i>	<i>16.24%</i>	<i>13.08%</i>	<i>(3.16%)</i>	<i>(19.46%)</i>

Lee County has not been omitted from the economic downturn faced by our nation. This is evidenced by a .11 percent decrease in the tax base. The majority of the decrease is attributed to a decline in the value of registered motor vehicles. A \$49,000,000 decrease in registered motor vehicle value is anticipated in fiscal year 2009-10 due to people not buying vehicles, and the few that do purchase are buying lower priced vehicles. This large decrease in value is offset by a very modest .81 percent increase in real property value and a 3.03 percent increase in personal property value. As illustrated above, the tax rate for FY 2009-10 is recommended to remain at 75 cents per \$100 of valuation.

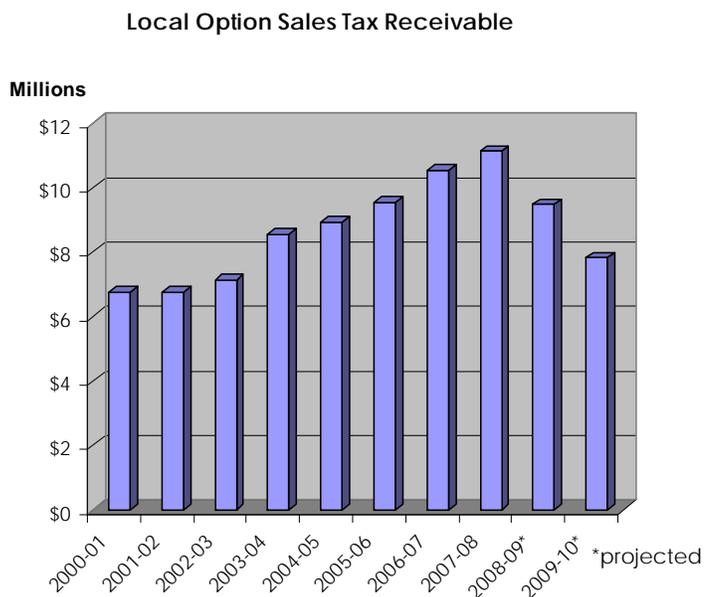
The current economic downturn has also affected the County's collection rate. The County has maintained a collection rate around 97 percent for the last couple of years, but with taxpayers facing various financial challenges, including bankruptcies and foreclosures, the County is anticipating only collecting 95.5 percent of its current year's tax levy. At this collection rate, the local tax base will produce \$448,086 for each penny of the tax rate levy resulting in a projection of \$33,606,450 in tax revenue for FY 2009-10.



Sales tax revenues are the County's second largest single revenue source. However, Medicaid relief approved by the Legislature in FY 2007-08 will continue to have an impact on this revenue source in FY 2009-10. The current sales tax rate in North Carolina is 6.75 percent. Of this, two and one-quarter percent is currently 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 1.25 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.

Due to the decline in retail sales, the various sales tax sources are projected to be 10 percent below the actual amounts received in



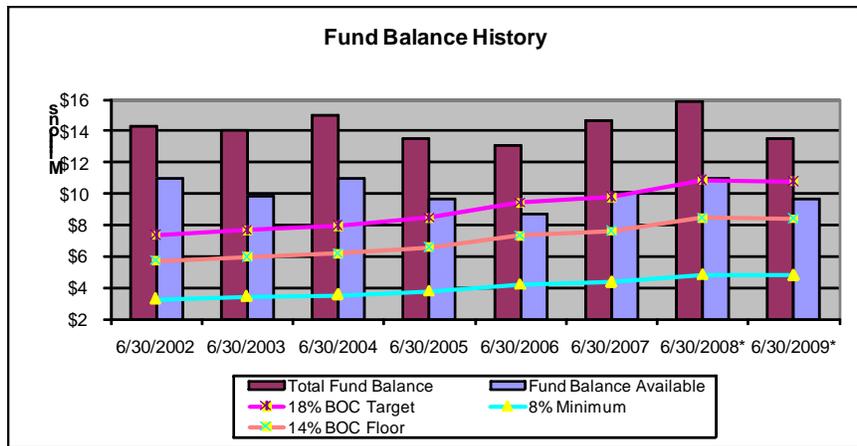
FY 2007-08. With that decline and the implementation of the final phase of the Medicaid relief changes, total local option sales tax revenue is projected at \$7,827,082, a \$2,633,565 decrease from the FY 2008-09 budget amount. Effective October 1, 2009, one-quarter of the County's portion of sales tax will be transferred to the State making the State's portion of the current 6.75 percent tax rate 4.75 percent and the County portion 2 percent. As part of the sales tax rate adjustment, counties must also hold cities harmless for their revenues losses.

Considering the anticipated use of \$2,365,945 of fund balance in the current year budget, it is projected that the year end 2009 available fund balance will be 15.23 percent of general fund expenditures. This proposed budget's use of fund balance reserves is very modest in an effort to make sure that the County stays above the 14 percent available fund balance floor set by the County's financial policies. A fund balance appropriation of \$1,033,016 is included as supplemental revenue for FY 2009-10. 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	\$ 425,216	\$ 309,291
Building Improvements	20,000	20,000
ADA Improvements	9,500	9,500
Facility Development	40,200	40,200
School Capital Outlay	207,654	207,654
CCCC Capital Outlay	<u>193,074</u>	<u>193,074</u>
Total	\$ 895,644	\$ 779,719

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 2009-10 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 \$59,828,714, a decrease of 10.03 percent or \$6,667,626 less than the FY 2008-09 amended budget. The decrease is attributable to an unprecedented decline in the national, State and local economies that have individuals and businesses spending less resulting in a major decline in revenues to support the County's expenditures. Based on the competitive employment provision in the County's financial policies that specifies the County's use of a specified Consumer Price Index (CPI) to determine increases to employee salaries, there is no Cost of Living Adjustment (COLA) included in this recommended budget. This recommended budget includes reductions in all but a few departments including outside agencies.

In the fall of 2008 when the County started seeing the indications of the economic downturn's impact on the County, the Board of Commissioners wisely took action to reduce expenditures by freezing all positions that became vacant during the year and reducing expenditures in the areas of travel and capital outlay. Attrition has resulted in seventeen vacant positions at this time. Two of those vacancies will be filled if funding remains intact for those positions. As the budgets were submitted and the economy continued to worsen, it was determined that more reductions in staffing would be necessary to meet the budget requests for FY 2009-10 without a tax increase. An early retirement plan was approved by the Board of Commissioners in March 2009. Fourteen people will be retiring August 1, 2009 as a result of the offering; however, only three positions will be eliminated. Therefore, a reduction in force was required to meet the budgetary needs of the County. Exhibit 5 provides a summary of all personnel changes including the request of six new positions. Funding for three of the positions is included in the FY 2009-10 budget.

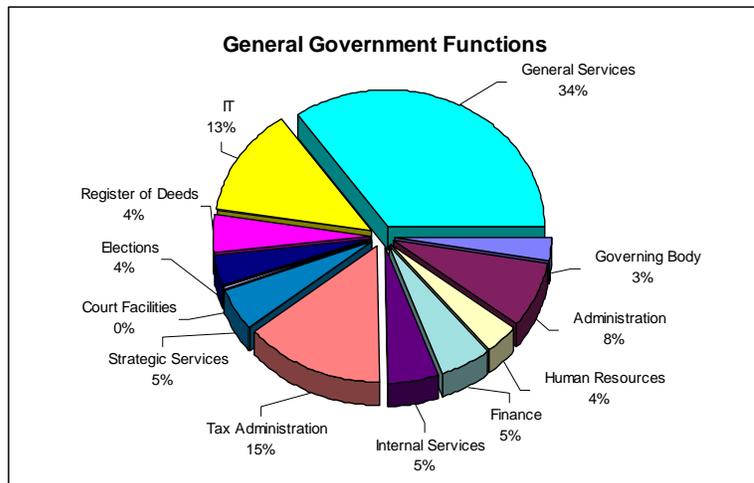
As an agent of the General Assembly, the County provides many mandatory human services programs of which the eligibility and cost are not determined locally. County revenue totaling \$4,224,707 is dedicated to these type required services; \$29,385,983 is dedicated to mandatory programs and services outside the 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 summer before last has provided some relief from the County's required contribution to the State's Medicaid program. The legislation called 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 on 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 was withheld from the County's

allotment to the Public School Building Fund; however, the County was still required to provide those lost revenues to the school system. In FY 2008-09, counties and cities forwent 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.

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 10.77 percent or \$856,638. About one-half of the decrease is attributed to reductions in staffing levels. Positions have been eliminated in Administration, Human Resources, Finance, Tax, Information Technology and General Services. The other half is attributed to a reduction in operating expenses, building improvements and capital outlay. 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 the Information Technology (IT) department.

Over the past years, the County has made some major advancements and investments into technology; however, these are not one time investments. Technology is always advancing and must be enhanced or replaced on a routine basis. The need for these enhancements and replacements are the reason that the IT department is increasing by \$303,832 in FY 2009-10. The proposed budget includes funds to replace the email server that is currently six years old and out of warranty service. An upgrade for the licensing model and database for the MUNIS system is budgeted at \$30,625. MUNIS is the financial and tax system used by the County. This upgrade will provide the County \$12,610 in annual savings on licenses and other MUNIS support.

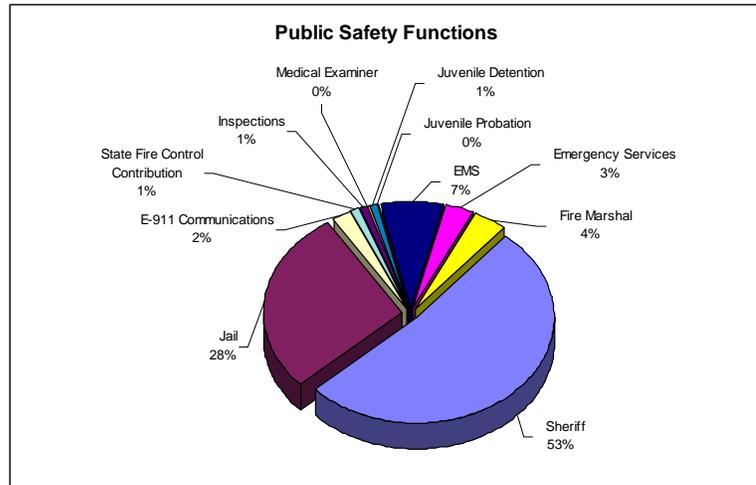
The IT budget also includes \$76,800 to fund a Voice over IP (VOIP) system for the Sheriff's department. The maintenance contract on the current legacy PBX system in place at the Lee County Sheriff's Office will end April 2009. It will cost approximately \$50,000 over the next three years to maintain the current system. The proposed VOIP system would serve employees at the courthouse campus and be connected to the system in place at the Government Center and save long term costs. Redundancy would be provided should either location have an outage.

The IT department requested an IT Network/Systems Administrator in FY 2009-10 to fill the vacancy created by the promotion of the current IT director. While it is understood that 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 2008, it is felt that based on the difficult economic situation that the County is in this position cannot be recommended this year.

In the FY 2009-10 budget the funding for health insurance for retired County employees is being moved from the Human Resources department to the Internal Services department. This budget recommends the appropriation of \$301,632 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. Presently, there are 68 former employees receiving this benefit, and in August of 2009, 10 more retirees will be added. The ongoing cost of this benefit necessitated a review of the plan that resulted in the Medicare eligible retirees (post-age 65) being moved to a Medicare supplement in FY 2009-10.

Public Safety

Total public safety related expenditures are proposed to decrease by 4.93 percent or \$377,652 in the recommended FY 2009-10 budget. The Sheriff has submitted a FY 2009-10 budget request of \$3,804,540, a decrease of \$271,659 or 6.69 percent. The decrease is attributable to a reduction in capital outlay requests for FY 2009-10. Costs of operating the

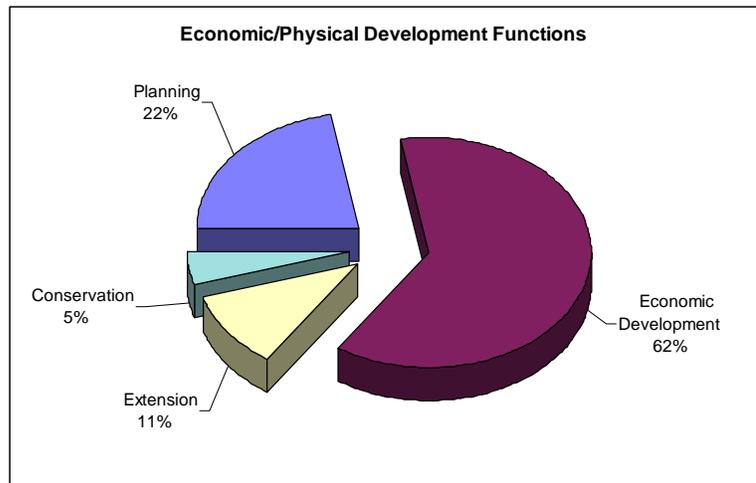


Lee County Jail have increased by just \$5,021 or .25 percent. The Sheriff requested \$34,500 for new industrial washers and dryers for the jail and \$38,308 for a Livescan fingerprint ID system. Excluding these items the budget for the jail has actually decreased by \$67,787. This decline is attributed to a decreased inmate count reducing food costs and medical costs in the jail.

The elimination of the Emergency Management Director position has resulted in a reorganization of the Emergency Services and Fire Marshal departments that saves the County \$62,210. An increase of \$15,000 is budgeted for juvenile detention to cover the increased costs related to the long-term stays of some of the juveniles.

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 \$373,156 for FY 2009-10; a 1.28 percent increase from the amended budget for the current fiscal year.



Costs for Economic Development are proposed to decrease by \$50,323. A portion of the decrease is attributable to an overall

reduction of 4.5 percent in the operating budget of the Lee County Economic Development Corporation. The recommended budget includes \$862,943 for incentives. The incentives are provided to new and expanding industries that have

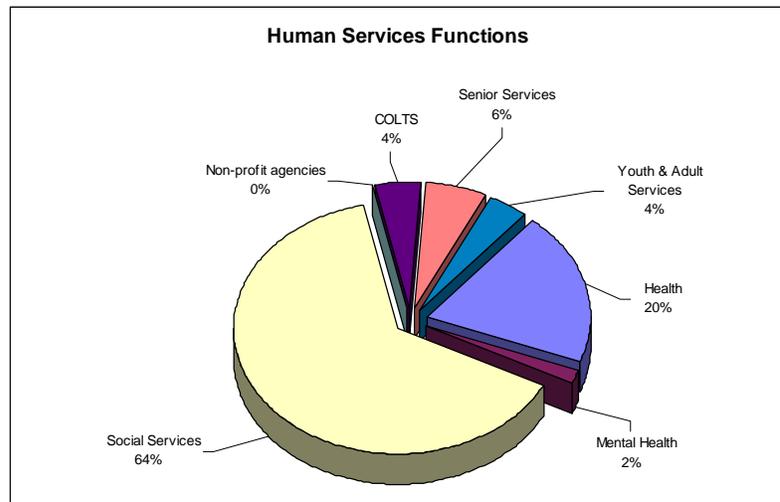
made a significant investment and employment commitment. The incentive program is managed by the Lee County Economic Development Corporation. A list of approved incentive contracts and the anticipated payment amount is provided below.

Table #3 – Approved Incentive Contracts

Company	Annual Incentive	Incentive Expiration Date
Caterpillar	\$ 9,021	2011
Challenge Printing	\$ 16,855	2013
Frontier Spinning	\$ 40,023	2013
Lee Brick & Tile	\$ 73,369	2012
Moore's Machine Company	\$ 33,390	2014
Pentair	\$ 8,105	2011
System Plast	\$ 11,948	2014
Wyeth #3	\$457,080	2011
Wyeth #4	\$213,152	2013

Human Services

Human Services budgeted by the County are proposed to decrease 16.87 percent from the FY 2008-09 budget; a \$2,951,462 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 \$14,548,407, or 24.32 percent of the total FY 2009-10 recommended General Fund budget.



The FY 2009-10 budget continues 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 2009-10 fiscal year, the Sandhills Center has requested a contribution of \$250,000; however, a 4 percent reduction from the FY 2008-09 budget is

recommended bringing the County's contribution to \$240,000 for FY 2009-10, a \$10,000 reduction. 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.

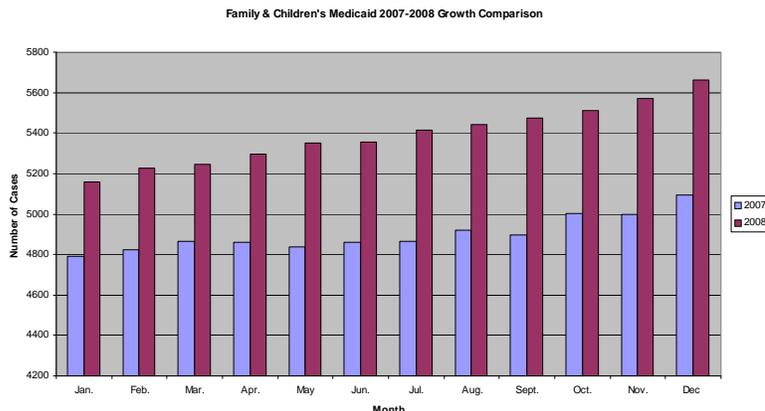
Table #4 – Sandhills Center County General Funding

County	FY 08-09 Allocation	FY 09-10 Request	Net Increase	FY 09-10 Per Capita
Anson	\$ 55,000	\$ 55,000	\$ -	\$ 2.21
Hoke	\$ 58,000	\$ 58,000	\$ -	\$ 1.27
Harnett	\$ 199,679	\$ 199,679	\$ -	\$ 1.83
Lee	\$ 250,000	\$ 250,000	\$ -	\$ 4.35
Montgomery	\$ 67,675	\$ 87,675	\$ -	\$ 3.14
Moore	\$ 298,107	\$ 298,107	\$ -	\$ 3.49
Randolph	\$ 1,001,565	\$ 1,001,565	\$ -	\$ 7.06
Richmond	\$ 150,000	\$ 150,000	\$ -	\$ 3.19
Total	\$ 2,080,026	\$ 2,100,026	\$ -	\$ 3.90

Health Department expenditures are decreasing \$586,476. Revenues for the Health Department are also decreasing 26.37 percent or \$433,104 resulting in an overall decrease in cost to the County equal to \$153,372 or 8.45 percent. Much of this decrease is due to the elimination of positions in the Health Department and the closing of the dental clinic. Including the dental staff, the Health Department will have eliminated six positions by June 30, 2009. A vacant Animal Control Officer position will be eliminated if the City does not continue its contract with the County for animal control services. The Health Department requested to fill a vacant Public Health Nurse II position on a part-time basis. The request is recommended at 24 hours per week.

The administrative costs of the Social Services department for FY 2009-10 are \$5,425,113, a \$374,735 decrease from FY 2008-09. Six positions have been eliminated in this department.

The department has requested an Income Maintenance Caseworker I to be primarily responsible for a large redetermination caseload for Family and Children's Medicaid benefits and for the processing of mailed-in applications. 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 late July 2008. Total cases at that time were 5,441 with an average caseload of 620 for line staff and 481 for the lead worker. In March 2009, the total cases were 5,810 with the average caseload of 661 and the lead worker with 519. This is an increase of 369 cases, or a 6.78 percent increase.

Social Services programs in the FY 2009-10 budget are decreasing by \$1,757,397 or 31.11 percent. The majority or \$1,632,132 of the decrease is attributable to the State assuming the remaining portion of the County's Medicaid costs in FY 2009-10.

Youth and Adult Services division will again receive a much anticipated \$75,000 Runaway Homeless Grant in FY 2009-10. The budgets for this division have decreased \$41,037 or 6.67 percent for FY 2009-10. This decrease has been achieved through the elimination of a temporary program assistant and a reduction in hours for temporary residential childcare workers at Hillcrest.

The FY 2009-10 recommended budget reduces funding to all non-profit human services agencies by 4 percent.

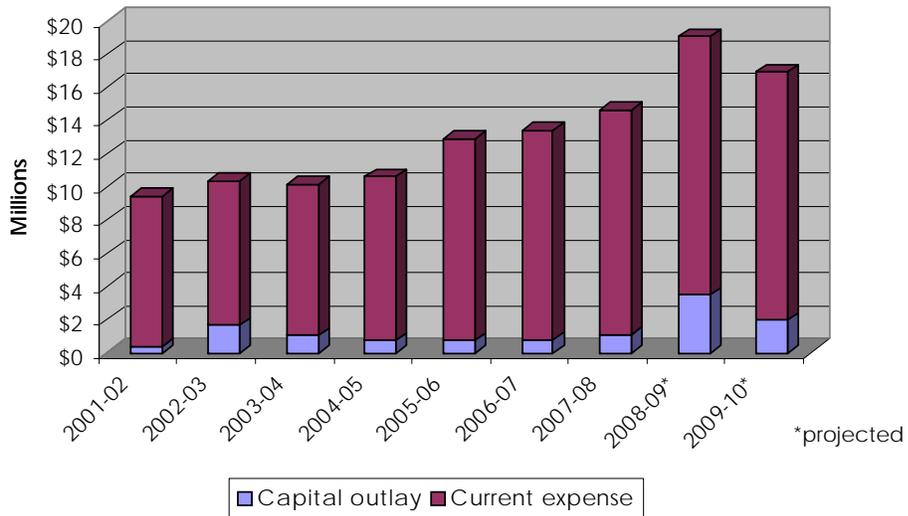
Education

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 32.38 percent of total General Fund expenditures for FY 2009-10, which equates to a total Education appropriation of \$19,373,519; 9.20 percent lower than the 2008-09 fiscal year budget of \$21,335,626.

The Lee County Board of Education's submitted budget represents an \$18,630,396 funding request, \$15,602,134 for current expense and \$3,028,262 for capital outlay. The current expense budget request is equal to the amount allocated to the LCSS in FY 2008-09; however, due to the decreases in ad valorem tax revenues and sales taxes, the recommended budget includes an appropriation of \$14,978,050 for FY 2009-10, a 4 percent reduction. LCSS' capital outlay requests totaled \$3,028,262 for FY 2009-10. The requests include the \$207,654 annual payment for the POD units located at Lee County High School, \$1,404,381 for HVAC work at various schools, \$510,000 for roof repairs, \$273,000 for paving and \$633,227 for other interior improvements, safety enhancements and miscellaneous projects. The requests assume an allocation of \$1,465,619 from NC Lottery proceeds. The budget recommends funding \$1,953,831 of the request using \$1,000,000 from NC Lottery proceeds pending approval of projects by the Department of Public Instruction and \$953,831 from County funds with \$207,654 be specifically allocated to the payment of the POD units lease.

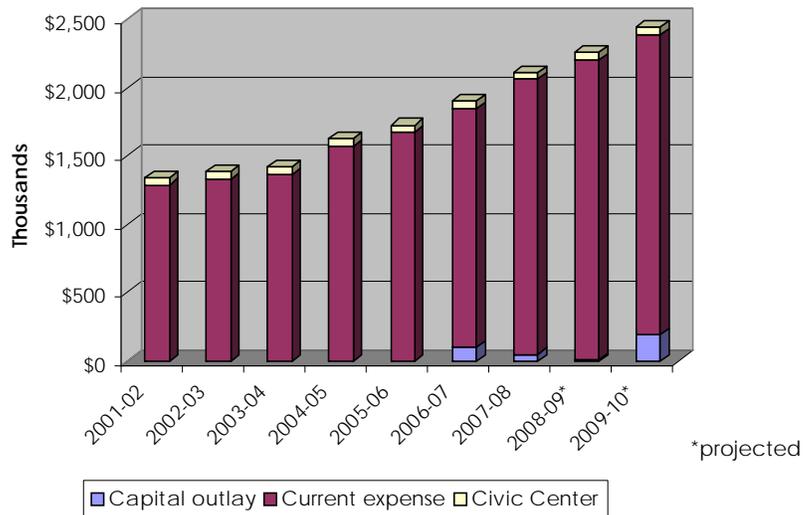
While not funding the LCSS at the requested level, the net total education appropriations in this proposed budget are the equivalent of 35.56 cents of the tax rate levy. The following graph illustrates the County's current expense and capital outlay funding history.

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



Central Carolina Community College requested current expense funding of \$2,324,573 for FY 2009-10, an increase of \$131,983 or 6.02 percent. A large portion of that increase along with the \$193,074 requested in capital outlay funding is attributable to the move of the Jonesboro campus activities and programs to the W.B. Wicker Business Center. The FY 2009-10 budget recommends \$2,195,054 for current expense and the \$193,074 in capital outlay for the POD unit leases. 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 2008-09 appropriation. The recommended budget reduces the FY 2009-10 appropriation by 4 percent for an allocation of \$53,510.

Central Carolina Community College Funding



Cultural and Recreational

The Cultural and Recreational category of General Fund appropriations for FY 2009-10 reflects a decrease of \$198,627. This decrease does not come without decrease in services being offered though. The Library budget is decreasing by \$107,175 through the elimination of a position and the continuation of a reduction in hours at the Broadway branch and a reduction in hours at the main branch Thursdays and Saturdays. Parks and Recreation budget is decreasing by \$90,992 or 7.08 percent through the elimination of a position and a reduction in temporary hours that is accomplished through reduced program offerings.

Temple Theater and Arts Council recommended appropriations are 4 percent below the appropriations for FY 2008-09.

Debt Service

This proposed budget includes debt service totaling \$7,189,662, a decrease of \$167,765 or 2.28 percent. 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, \$6,393,161, or 88.92 percent, is for Lee County School System facility construction. Funding for FY 2009-10 debt service payments includes \$1,171,056 from the Capital Reserve Fund based on the County's capital funding plan and \$1,129,246 from investment earnings on the 2006 Certificates of Participation proceeds.

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 emergencies and contingencies. This line item was excluded from the adopted budgeted for FY 2008-09, but with the uncertainty of economy it is felt that this is a necessary line item to help cover problems that may arise.

The other noteworthy item in the Miscellaneous Expense budget is a \$601,000 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 #5 – Miscellaneous Expense Account Expenditures

Amount	Purpose
\$ 40,000	Unemployment insurance contingency
\$ 25,000	Workers' compensation insurance contingency
\$100,000	Emergency and contingency
\$601,000	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 10 percent decrease in sales tax collections is projected, \$209,450.

A decrease of \$48,290 is projected in the Public School Building Capital fund based on estimated provided by the Department of Instruction. There is concern that this revenue stream may be pulled from the counties when the State finally adopts it budget for FY 2009-10. The use of \$1,000,000 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 \$1,171,056 is recommended in this fund for the 2009-10 fiscal year to cover debt service costs in the General Fund. A contribution of \$601,000 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 took 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 \$89,272 for FY 2009-10. This is a decrease of \$58,421. The estimated tax base for FY 2009-10 will produce enough revenue to fully support this request.

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 2009-10 funding levels for each of the fire districts and will present their recommendation to the Board of Commissioners by June 1, 2009.

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 \$1,327,536, a 17.57 percent decrease from the current fiscal year. The primary reasons for the increase are a large decrease in white goods disposal fees and a decreased fund balance appropriation. These revenues were high in FY 2008-09 because of expenses related to the closing of the C&D landfill. Solid Waste fees will remain the same in FY 2009-10.

Table #6 – 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