



**Proposed FY 2015 Operating and Capital Budget  
UCPS Proposed Budget FY 2014-2015**

UNION COUNTY  
—  
NORTH CAROLINA

# Today's Meeting

- Discussion of Manager's Amended Proposed Budget
  - Why the proposed funding?
- Board Direction from June 2<sup>nd</sup>
- Discussion of Other Alternatives

# Manager's Amended Proposed Budget

- Built on core concepts:
  - Fiscal Sustainability
  - Transparency
  - Stewardship
  - Responsiveness
  - Balanced

# Manager's Amended Proposed Budget

- Current Expense Funding for UCPS provided:
  - Current expense base funding of \$83 million.
  - Increased Teacher Supplements of \$1.9 million.
  - Increases in “State” Benefit Cost of \$161,654
  - Reserve for State budget impact of \$791,261

The amended proposal focused on compensation for teachers.

# Manager's Amended Proposed Budget

- Capital Funding for UCPS provided:
  - Provided \$19.5 million in FY 2015
  - Provided \$139 million from FY 2014 through FY 2020

The amended proposal focused on a sustainable capital program with ongoing funding.

### General Fund Financial Projection

	Actual FY 2013	Revised FY 2014	Proposed FY 2015	Projected FY 2016	Projected FY 2017	Projected FY 2018	Projected FY 2019	Projected FY 2020
<b>Funding Sources</b>								
Ad Valorem Taxes	\$ (157,703,452)	(156,081,812)	(181,321,289)	(183,677,646)	(186,074,830)	(188,513,890)	(190,995,904)	(193,521,992)
Local Option Sales Taxes	(26,834,776)	(26,948,400)	(30,093,981)	(30,846,331)	(31,617,489)	(32,407,926)	(33,218,124)	(34,048,577)
Other Taxes	(2,093,213)	(1,826,000)	(2,383,000)	(2,451,819)	(2,523,078)	(2,596,878)	(2,673,326)	(2,752,534)
Unrestricted Intergovernmental Revenue	(81,981)	(61,700)	(82,500)	(82,710)	(82,924)	(83,143)	(83,366)	(83,593)
Restricted Intergovernmental Revenue	(10,990,062)	(10,235,667)	(10,931,560)	(11,085,362)	(11,242,506)	(11,403,072)	(11,567,145)	(11,734,809)
Federal Grants	(15,859,114)	(11,653,596)	(12,297,575)	(12,297,575)	(12,297,575)	(12,297,575)	(12,297,575)	(12,297,575)
State Grants	(3,900,615)	(9,426,923)	(8,576,978)	(8,576,978)	(8,576,978)	(8,576,978)	(8,576,978)	(8,576,978)
Non-Enterprise Charges For Services	(8,451,001)	(8,775,563)	(9,522,754)	(9,660,567)	(9,801,745)	(9,946,377)	(10,094,553)	(10,246,368)
Debt Proceeds - Restricted Revenue	(80,474,253)	-	-	-	-	-	-	-
Investment Income	(116,820)	(500,000)	(500,000)	(505,000)	(510,050)	(515,151)	(520,302)	(525,505)
Other Revenue	(7,058,776)	(6,682,251)	(6,875,801)	(6,878,071)	(6,880,364)	(6,882,679)	(6,885,018)	(6,887,380)
Interfund Transfers	(20,023,787)	-	-	-	-	-	-	-
Planned Fund Balance Usage	-	-	-	-	-	-	-	-
<b>Total Funding Sources</b>	<b>\$ (333,587,850)</b>	<b>(232,191,912)</b>	<b>(262,585,438)</b>	<b>(266,062,059)</b>	<b>(269,607,539)</b>	<b>(273,223,668)</b>	<b>(276,912,291)</b>	<b>(280,675,312)</b>
<b>Expenditures</b>								
Employee Compensation	\$ 34,027,344	37,680,371	38,852,136	40,395,042	41,984,235	43,237,841	44,529,055	45,859,006
Employee Benefits	18,628,020	20,878,894	22,368,016	23,724,716	25,160,631	26,563,037	28,051,473	29,631,527
Operating Cost	27,620,869	33,967,728	32,429,916	33,250,208	34,094,127	34,962,462	35,856,035	36,775,696
Capital Outlay	946,691	2,220,500	1,294,786	1,347,579	1,402,772	1,460,482	1,520,828	1,583,938
Contracts, Grants, and Subsidies	8,992,335	10,066,554	12,574,934	12,823,606	13,080,079	13,341,680	13,608,514	13,880,684
UCPS Current Expense	81,504,155	83,021,859	85,397,883	86,510,376	87,642,030	88,793,334	89,964,792	91,156,926
General Debt Service	107,168,994	5,472,064	3,411,642	3,642,447	3,554,257	3,788,100	4,760,225	3,318,428
UCPS Related Debt Service	43,426,394	44,012,450	44,989,088	43,733,632	43,511,858	42,479,116	40,119,411	37,447,184
Interdepartmental Charges	(2,454,470)	(2,713,965)	(1,602,626)	(1,634,679)	(1,667,372)	(1,700,720)	(1,734,734)	(1,769,429)
Interfund Transfers	51,979	8,412	4,777,081	2,304,140	2,103,580	1,566,080	748,580	731,080
UCPS PayGo Capital Funding	-	17,936,454	19,531,582	19,786,024	20,044,847	20,308,165	20,576,093	20,848,749
Other Budgetary Accounts	-	358,515	488,000	488,000	488,000	488,000	488,000	488,000
<b>Total Expenditures</b>	<b>\$ 319,912,311</b>	<b>252,909,836</b>	<b>264,512,438</b>	<b>266,371,091</b>	<b>271,399,044</b>	<b>275,287,578</b>	<b>278,488,273</b>	<b>279,951,789</b>
Revenues (Over)/Under Expenditures	\$ (13,675,539)	20,717,924	1,927,000	309,032	1,791,505	2,063,910	1,575,981	(723,523)
Sensitivity (+/-2% Goal)		8.19%	0.73%	0.12%	0.66%	0.75%	0.57%	-0.26%

The amended proposal provided a sustainable, long-term funding plan.

# Manager's Amended Proposed Budget

- Additional Recommended Controls
  - Appropriation to the function level.
    - Limited transfer ability to 10-25% between function codes.
  - Appropriation for Capital only after County receives priorities.

The amended proposal focused on creating an internal control framework that ensured transparency.

# Capital Prioritization

	Original Request	UCPS Prioritization	County Rec. Prioritization
Student Safety and Security	\$ 1,185,850	674,950	1,185,850
Roofing, Structure, HVAC	35,092,474	2,246,919	17,192,510
Structural ADA Improvements	2,439,362	580,657	1,068,777
Other Facilities Projects	29,400,333	14,044,610	-
Buses	84,444	84,444	84,444
Kitchen/Cafeteria Projects	8,489,077	37,400	-
Technology	1,252,924	519,059	-
Improvements to Athletic Fields and Facilities	3,797,530	511,942	-
New or Expansion Facilities	15,974,327	831,600	-
<b>Total</b>	<b>\$ 97,716,321</b>	<b>19,531,581</b>	<b>19,531,581</b>

County's recommended prioritization focuses on student safety, ADA restroom renovations, roofing projects, and buses. Roofing funding to be prioritized.



# Board Direction from June 2<sup>nd</sup>

- Schools' Ad Valorem Tax Rate of 35.36 for UCPS Current Expense Funding
  - Tax rate yield is \$84,223,984
  - Base current expense funding is \$83,021,859
  - Increased funding of \$1,202,125 or 1.45%
- No Allocation for Capital Funding

# Other Options – 2/3 Bonds

- \$17 million available in FY 2015; \$6.7 available in FY 2016.
  - The current CIP includes the use of \$7 million of the 2/3 bonds capacity to fund the Human Services Building, funded with depreciation paid from the State (over 40 yrs.).
- Majority of UCPS request is not bond fundable.
  - Would have to supplant cash funding for the Human Services Building with debt funding.
- Debt service for the \$17 million (FY 2015) would increase County debt service by about \$1.7 million annually.
  - Based on current projections, equates to a .71 cent tax increase to cover new debt service in FY 2016.
- One-time funding and not a sustainable approach.

# Other Options – Reduce Reserve Level to 16%

- Projected appropriable fund balance in FY 2015 would be about \$7.2 million higher than the 16% reserve policy.
  - Projection assumes FY 2014 Revised Budget is actual.
- Negatively impact bond ratings, resulting in increased debt cost in the future.
  - May raise concerns at the LGC and ratings agencies.
- Negatively impact the County's liquidity position.
- Negatively impact the County's ability to respond to emergencies.
- Negatively impact the County's ability to use available cash as a bridge financing tool until bonds are issued.
- One-time funding and not a sustainable approach.

# Other Options – Reduce County PayGo Capital Funding

- FY 2015 PayGo Capital Funding is \$4,768,503.
  - \$200,000 for Monroe Library Chiller Replacement
  - \$2,000,000 Additional Funding for the Firearms Range
  - \$339,238 Additional Funding for Document Imaging
  - \$52,265 Additional Funding for DSS Business Automation
  - \$125,000 Ongoing Funding for Facilities Maintenance and Renewal
  - \$125,000 Ongoing Funding for Community Services Facilities Maintenance and Renewal
  - \$1,750,000 Funding for SPCC Maintenance and Welding Lab
  - \$177,000 for Register of Deeds Redaction Project
- Only \$250,000 is ongoing funding.

# Recommended Timeline

- Conduct Public Hearing on June 16, 2014.
- Schedule a special meeting for June 30, 2014.
  - Budget Adoption
  - Tax Rate Adoption
- Continue to work with UCPS to obtain requested information.

# Direction?

- Tax Increase?
- 2/3 Debt Option?
- Reduce Reserve Levels?
- Reduce County PayGo Capital
  - Which Projects? Or All?