



County of Spartanburg

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Spartanburg, South Carolina 29304

D. GLENN BREED
COUNTY ADMINISTRATOR

April 17, 2006

Honorable Jeff Horton, Chairman
Members, Spartanburg County Council
County Administrative Building
366 North Church Street
Spartanburg, South Carolina 29303

Dear Members of Council:

I am pleased to submit to you the annual operating Fiscal Year 2006 – 2007 budget. The recommendations contained in this document represent our best effort to provide for the necessary services of the County without requiring additional tax related resources. These proposals preserve existing service levels without the need for additional general fund millage. You will note that in several instances I am proposing changes to how certain departmental services are delivered. For efficiency, I am proposing some minor organizational structure changes. In a few instances, I am also proposing the addition of staff positions to aid in the delivery of current programs. As has been practice for several years, instances of new spending have been restricted to those areas where new revenue is anticipated to provide a fiscal offset.

The following detail provides the specifics of my budget recommendation. Highlights are noted in the following sections of this transmittal letter.

- I. Executive Summary
- II. General Fund Revenue
- III. General Fund Expenditures
- IV. Other Funds
- V. Debt Service
- VI. Fund Balance (Reserves)
- VII. Future Outlook

I. Executive Summary

For FY 06-07, the recommended spending total for all funds is \$129,026,702, a 5.5% increase from the prior fiscal year. The increase in the total spending plan substantially results from a recommended 4% increase in compensation for County employees, increasing health insurance costs, and rising expenses related to worker's compensation. My recommendation for the tax-supported General Fund totals \$77.89 million, which is \$1.5 million or 2% more than the current year. For the General Fund, the majority of spending increase results from the addition of compensation and benefit adjustments for our employees as well as increased spending in the area of public safety.

Of particular note in the proposed budget is the fiscal implementation of the Council approved Parks and Recreation Commission. Parks and Recreation revenue and expenditures, previously represented as part of the general fund, are now accounted for separately. A separate millage levy, expected to yield approximately \$3 million, is noted for Commission operations. A corresponding spending reduction is assumed in the General Fund to reflect this action.

II. General Fund Revenue

This budget contains a modest increase in projected tax proceeds, primarily driven by new growth in the County's assessment base. While assessable base data is not complete for the upcoming tax cycle, we are projecting 1.7% growth in collections as compared to current estimates of revenue. The County's general fund millage rate is assumed to remain unchanged except for revisions necessary to accommodate the establishment of a separate millage levy for the Parks and Recreation Commission.

Calendar year 2006 represents the last year of declining vehicle assessment ratios and the corresponding negative effect on our tax base. The conclusion of vehicle assessment reductions should offer some newfound stability to the County's assessable base and minimize, at least in part, the shifting of tax burdens witnessed during the past five years.

One particularly positive revenue note is continued growth in revenue from interest income. These funds, derived from earnings on our investments, are conservatively estimated to reach \$1.3 million during FY 07, nearly three times our anticipated revenue in fiscal year 2006.

This budget recommendation continues the practice of transferring \$800,000 of proceeds from the Palmetto Landfill Fund for support of General Fund expenses.

A modest rate increase for EMS services, keeping them consistent with the rate structure permitted by Medicaid, is included in the budget proposal.

III. General Fund Expenditures

Personnel

This budget includes a 4% compensation adjustment for County staff at a cost of \$1,939,901 (which includes the corresponding required increase for FICA, employee retirement contributions and worker's compensation). As you know, the compensation level of County employees has increased a mere 6% during the past four years. The rate of salary growth has not kept pace with inflation, making it increasingly difficult to attract and retain quality candidates for County employment. The recommended level of compensation makes a modest stride toward remedying the increasingly difficult problem of market competitiveness. Much work, however, remains to be done in this area.

As has been discussed in months prior, the issue of upward spiraling health insurance costs continues to challenge the County. We are attempting to address this problem using a two-pronged approach. In the short-term, competitive bids for medical insurance services have been procured, insuring the County receives the most competitive rates possible. In addition, we are reviewing alternative means for delivering services including changes to our handling of occupational medical claims, pharmaceutical expenditures, and employee wellness programs. Further, we are considering opportunities to work collaboratively with other public and perhaps private sector entities to jointly address the cost of employee health insurance in either a fully insured or self insured arrangement. This budget adds approximately \$700,000 to current allocations for health care expense in order to provide employees with medical insurance protections. The proposed level of funding is sufficient to provide the employee reasonable medical coverage, although admittedly, with higher deductible expenses than the plan currently offered. For FY 07, I am also recommending the County provide employees with the opportunity to choose amongst several health care plans and select the plan of service which best meets their individual needs. I believe it appropriate to provide employees some choice in their medical coverage and reasonable to expect that those who would desire traditionally high cost, high benefit plans, share in the cost burden of those plans.

For FY 07, personnel expenses in the General Fund total \$62.1 million (including EMS personnel expenses), an increase of 2.6% percent from the current fiscal year.

Operating

Operating expenses for departments and agencies of the County are substantially unchanged from FY 06 allocations. Two notable exceptions are

increased expenses for fuel, which are recommended to increase \$70,600, or 9% from the current budget year, and increased liability insurance coverage, projected to increase \$167,700. General fund operating expenses total \$19.5 million, an increase of 5.3% from the current budget.

Capital

Recommended general fund capital expenditures for FY 07 total \$2.1 million, substantially the same amount as the current budget year. Of particular note is continued capital expense for acquisition of hardware and software associated with our mass appraisal system, and technology upgrades for the Probate Court and Circuit Solicitor offices. At this time, I am not recommending funding for the replacement of Sheriff's Department vehicles. While it is clear the County must make a financial effort to continually replace vehicles in this Department, it is my preference to review this need and accommodate any replacements at the end of the current fiscal year. Similarly, I am recommending funds for replacement of three EMS ambulances be reserved until the conclusion of the current fiscal year.

Departmental Notes

A summary of departmental expenditures is included in your budget presentation document. Several noteworthy departmental items are described below.

This budget reflects the consolidation of the building maintenance function into a single **Facilities Maintenance** department. The purpose of this consolidation is to engage better coordination of work and to assist in the prioritization of efforts amongst various County facilities.

The County's efforts to develop a fully functional **Geographic Information System (GIS)** continues to progress. For FY 07, the GIS effort is displayed as a separate department, with appropriately classified staff positions.

This budget includes the addition of a Budget Analyst position within the **Budget Management Department**. Ever increasing demand on resources for employee related expenses including health benefits, worker's compensation, and insurance coverages requires expanded capacity for fiscal analysis of alternatives. Consistent with recent practice for adding staff, we believe the expense incurred for this position will be more than offset by expenditure savings.

Expenses related to the **Detention Center** continue to rise as jail populations remain in excess of constructed capacity. Significant increases in this department for FY 07 directly result from high population counts and expenses associated with employees necessary to operate the detention facility on a continual basis.

The **Emergency Services** budget contains funding for the necessary replacement and/or upgrade of emergency notification sirens in various locations throughout the County.

For the upcoming fiscal year, the **Treasurer's Department** proposes to implement a DMV tag program allowing residents of the County to pay their vehicle property tax and receive their renewal decal at the Spartanburg County Administration building. This will eliminate the need for residents to travel to the DMV office to acquire or renew a vehicle tag. I have recommended the addition of two staff positions to accommodate this new service. To offset the cost of implementing this program, I am recommending a \$1.00 service fee for each transaction. Expected proceeds from this fee are assumed in our projections of revenue.

IV. Other Funds

Expenditures in the **Solid Waste Fund** are proposed to increase in FY07 to permit construction of Phase VI landfill cell located at the Wellford Landfill. The project's total cost is estimated to be \$4 million, of which \$2 million is budgeted in FY07. The balance of this project cost will appear in the FY08 budget. Approximately \$500,000 of available solid waste fund balance reserve is appropriated in FY07.

I am recommending you seriously consider the funding proposals offered by the **Spartanburg Technical College** to establish and operate a business incubator capable of producing new industry for Spartanburg County. I believe this proposal has merit and may in the future yield a significant return for the investment requested.

This budget recommendation does not include \$500,000 in funding requested by the **Spartanburg County Public Libraries** to provide facilities and services in the Boiling Springs area. While I support the expansion of the library system in Boiling Springs, I believe it important that an alternative funding source be utilized to complete this effort.

All Funds Summary

Fund	Budget FY06	Proposed FY07	Difference	% Change
General Fund	76,381,030	77,893,311	1,512,281	2.0%
Road Maintenance Fee	6,217,780	5,638,987	-578,793	-9.3%
Storm Water Management	646,600	678,182	31,582	4.9%
Solid Waste Management	5,976,000	7,185,049	1,209,049	20.2%
Alcohol and Drug Abuse	3,515,840	3,831,120	315,280	9.0%
Special Revenue Fund	479,900	449,169	-30,731	-6.4%
Community & Economic Development	2,321,640	2,329,135	7,495	0.3%
911 Phone System Fund	1,196,400	1,122,271	-74,129	-6.2%
Palmetto Landfill Fund	1,051,940	1,066,628	14,688	1.4%
Parks Commission Fund	0	3,897,537	3,897,537	n/a
Workforce Investment Board	3,486,200	3,575,990	89,790	2.6%
Technical College	3,553,600	3,553,600	0	0.0%
Charles Lea Center	1,096,120	1,047,288	-48,832	-4.5%
Public Library	9,711,038	10,168,985	457,947	4.7%
Debt Service Fund	6,609,695	6,589,450	-20,245	-0.3%
	122,243,783	129,026,702	6,782,919	5.5%

V. Debt Service

There is no proposed change to the debt service millage. However, that millage rate remains inadequate to cover the costs of current debt obligations and we continue to be required to transfer much needed general fund revenue to debt service. The transfer amount for the upcoming year is \$570,177.

VI. Fund Balance (Reserves)

We are not anticipating difficulty in maintaining our reserves in accordance with County financial policies. While we are proposing appropriating \$1.8 million for FY07 operations, we currently project year-end FY 06 will yield in excess of our proposed fund balance appropriation. Currently, the County's undesignated reserve stands at \$12.7 million (exclusive of Equipment Replacement Reserve), approximately 16.3% of General Fund spending.

VII. Other Council Approved Millages

Consistent with practice established during the previous budget cycle for determining **Fire Service Area (FSA)** millage rates, we recommend millages be increased 4.2% in keeping with the Consumer Price Index (CPI).

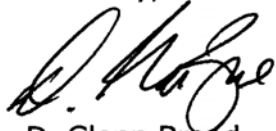
VIII. Future Outlook

The current state and future outlook of the county's transportation infrastructure is vastly improved over the prior year. The Road Maintenance Fee has allowed for 76.5 miles of county roads to be paved and seven major road safety improvements to be made. This progress will continue in FY2007 and future years and we begin to see the benefits of this important step towards cost-effective as infrastructure maintenance and improved road safety.

In general, the county's fiscal position is stable and we are pleased to be making significant progress in a number of areas. However, I hope that in the coming year, we can successfully develop long-range strategic plans for providing efficient and effective services to a growing and changing county. Your staff looks forward to working with you to maintain and enhance the quality of life and the opportunities available to the citizens of this county.

In conclusion, Section 4-9-630(4) of the 1976 Code of Laws of the State of South Carolina, as amended, requires the County Administrator to prepare this document for Council's review and consideration. I am pleased to do so, and I look forward to working with you to finalize and implement it as you desire.

Sincerely,



D. Glenn Breed
County Administrator