

## MEMORANDUM

DATE: November 25, 2003

TO: The Board of Supervisors

FROM: Suzanne R. Mellen, Director of Budget and Accounting

SUBJECT: Budget Guidance - FY 2005-2006

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The County will be beginning its budget process for the next two years, Fiscal Years 2005 and 2006. The following assessment of current and future trends is designed, with its accompanying schedules, to provide the foundation for planning budget guidance.

## REVENUES

FY 2004

Current projections of the FY 2004 budget estimate a shortfall of approximately \$175,000. Two notable areas of shortfall are in Local Sales Taxes and in Lodging Taxes.

Sales tax revenues have come in significantly less than last year for sales that occurred in August and September. Lodging collections are continuing to falter, with shortfalls projected to continue throughout the remainder of the fiscal year. Personal Property Taxes and Meals Taxes have continued to be strong.

FY 2005 and FY 2006

Preliminary projections for Fiscal Years 2005 and 2006 continue the patterns of collections that the County has seen over the past few years. At the current tax rate, Real Estate is projected to continue to show healthy increases followed by Personal Property taxes and Meals taxes. Lodging taxes are projected to stay flat with expected returns for FY 2004 and Sales taxes are projected to increase only slightly. With the State budget expected to be released next month, the current projections for State revenue are flat.

## EXPENDITURES

FY 2004

Current projections for spending in FY 2004 estimate underspending of less than \$800,000. This is primarily due to continued military deployments of County personnel, anticipated retirements of Police personnel in addition to employee turnover.

FY 2005 and FY 2006

Expenditures are broken down into four major categories, Debt Service, Contribution to Capital Projects, Operating for the County and other agencies, and Operating for the Schools. Operating Contribution for the Schools include an additional allocation in FY 2005 due to the anticipated increased local cost associated with the increased VRS retirement rate for teachers. Capital projects include increases in the annual contributions to cover anticipated dwindling surpluses of undesignated funds. County Operating expenditures receive the remaining available funds. FY 2005 will see an increase in spending for the annual maintenance of the new radio system of approximately \$500,000.

The four major categories are shown in four different scenarios. The first is keeping the current tax rate level at 86 cents. For the Operating Contribution for the Schools, this is based on a 2.5 percent increase per

student. Impacts are then shown in a table to show increases based on the following scenarios:

Tax Rate of 86 cents in FY 2005 and 85 cents in FY 2006

Tax Rate of 85 cents in FY 2005 and 85 cents in FY 2006

Tax Rate of 85 cents in FY 2005 and 84 cents in FY 2006

#### FUTURE PLANNING

Based on an 86 cent tax rate and revenues continuing on current trends, expenditures are projected for Fiscal Years 2007, 2008, and 2009. If the current revenue trends were to continue and only modest maintenance increases are included for County operating spending, a third high school would be able to be opened in FY 2008 without an increase in the Real Estate tax rate.

Board guidance to assist the County Administrator in the development of the budget would be helpful as we move forward with the budget process. Staff would be happy to elaborate further on the above discussion or detain in the attached worksheets.

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Suzanne R. Mellen

CONCUR:

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John E. McDonald

SRM/tlc  
bdgtguid0506.mem

Attachments:

1. Revenues FY 2004-2006
2. Expenditures FY 2004-2006
3. Planning FY 2007-2009