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 FY 2006 budget as a starting point for both revenues and expenditures in 2007. 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

Proceeds from ad valorem (property) taxes provide over half the revenue in the general fund. Projections are based on a tax rate of $0.6289 per $100 of assessed valuation for the entire five year period, a slight decrease from the rate in effect for FY 2006. Total revenues in this category have been budgeted at $95,284,017 for FY 2007, which represents an 8 percent increase over FY 2006. Proceeds in subsequent years are estimated to grow at a rate between 3 percent and 5 percent, except FY 2009, when a countywide property revaluation is expected to increase the tax base by 20 percent.

Fiscal Year 2007 sales tax revenue is budgeted at $33.6 million, a 10.8% percent increase above estimated FY 2006 receipts. The increase is attributable to two factors. The first is growth in retail sales. The second is the method of distribution. Sales tax revenues are distributed among the local governments and fire districts based on their respective property tax levies as a proportion of the whole. The county property tax rate increased 10 cents in FY 2006, increasing its proportion of the countywide property tax levy relative to the other local governments. Thus, it will receive a larger portion of the total sales tax revenues distribution.

In subsequent years, sales tax growth is projected at 4 percent.

Distribution of revenue from the new North Carolina Education Lottery to counties will begin in FY 2007. These revenues may only be used for public school capital projects. The receipt of $4,181,192 is expected in FY2007 - $3,638,604 for Cabarrus County Schools and $542,588 for Kannapolis City Schools. Lottery revenues in subsequent years are estimated to grow at 2 percent each year.

In FY 2007, lottery proceeds are proposed to be used to help meet an $8.5 million funding shortfall on current school construction projects associated with the 2004 school bond referendum. In future years, the use of lottery proceeds is proposed for the purchase of land, school debt service, and for architecture fees for future construction and renovation projects for schools. This will aid in reducing the amount of debt the County incurs for school construction.

From an expenditure perspective, increases are driven primarily by increased school current expense spending and increased debt service, which grows from 15 percent of general fund expenses in FY 2007 to 23 percent in FY 2011. New debt service is added in FY 2007 and FY 2008 for the Sheriff's Office and Detention Center and the second sale of bonds from the $98 million School Bond Package of 2004. In FY 2009, new debt service is added on an estimated $64 million in new school construction debt. This will be followed by debt issuances in FY 2010 of $60 million and $46 million in FY 2011. The total of $170 million will fund the construction of two elementary schools, one middle school, one high school, and one alternative high school. Also included are renovations and additions to four existing schools.

Other annual expenditure increases are attributed to salary and benefit costs, along with expected growth in operating expenses.

After several years of meager capital spending, the Five Year Plan calls for increased capital improvement funding for necessary and long-overdue projects. A detailed schedule and description of these projects is found in the CIP beginning on Page 59.

The spending levels specified in the Five Year Financial Plan are prudent and meet the needs of the county and the school systems while still maintaining adequate general fund reserves. Board policy calls for a minimum unreserved fund balance equal to 15 percent of general fund expenses. This financial plan adheres to that policy, with levels ranging from 19.1 percent in FY 2007 to 15.1 percent in FY 2011 (Board policy also calls for excess fund balance above 15 percent to be transferred to the capital reserve fund to aid in more pay-as-go projects and reduce the reliance on debt financing).

The Solid Waste Fund

Landfill and Waste Reduction Programs constitute the Solid Waste Fund. In FY 2007 Solid Waste franchise fees and disposal tax on white goods remain flat, as do tire disposal fees. Recycling revenues are projected to increase by 9.1 percent and tipping fees are projected to increase by 91.6 percent due to continued receipt of construction and demolition debris from the former Pillowtex site. In addition, $60,322 is recommended for appropriation from fund balance in FY 2008 to complete needed capital purchases.

For FY 2007, revenues are projected to increase by 41.5 percent. After completion of the demotion and disposal of construction and demolition debris from the former Pillowtex site, revenues are projected to return to pre-2006 levels, with annual increases of 5 percent expected.

Operating expenses are budgeted to increase 49.4 percent to $1,262,654. This increase is driven primarily by the purchase of a white goods truck and the placement of $205,000 in contingency for a new scale house and study on reconfiguring landfill entrance. In ensuing fiscal years, small increases have been projected in salaries and benefits, as well as operational costs. No new capital projects are included after FY 2007.

Current projections indicate that a surplus will be generated in each of fiscal years from 2008 to 2011.

The Arena and Events Center Fund

This fund accounts for revenues and expenditures related to the Arena and Events Center and the Cabarrus County Fair. Expenditures in the Arena and Events Center Fund are expected to decrease by approximately 47 percent to $1,482,886, as the Arena completes the transition to a privately managed facility.

In May 2005, SMG, an arena management company, was hired to oversee and manage the Arena and Events Center (excluding the County Fair). Beginning in FY 2006, all costs related to the Arena and Events center were consolidated into one cost center.

For FY 2007, expenses for the County Fair and a contribution to SMG are the only budgeted expenses. Revenues for the County Fair are projected to increase 10 percent each year from FY 2007 until FY 2011, resulting in a surplus of revenues over expenditures. In addition to the proceeds from the County Fair, the Arena and Events Center will receive a contribution of $100,000 from the Tourism Fund and an $808,447 contribution from the General Fund during FY 2007. The General Fund contribution amount is $81,507 higher than in FY 2006, as Fair proceeds are not projected to equal those generated last year.

In subsequent years, the General Fund contribution to the Arena decreases dramatically, as a result of increased proceeds from the County Fair and smaller operating deficit for the Arena