



May 5, 2014

Dear Commissioners:

Please find attached the proposed budget for the fiscal year beginning July 1, 2014 and ending June 30, 2015 (FY2014-15). Attached are Budget Issues, Budget Worksheets, and the proposed Budget Ordinance. A Budget Implementing Resolution will be developed as the Commissioners review and work through the FY2014-15 budget materials.

All funds in the FY2014-15 budget are balanced. No operating expenses or debt service expenses are funded using General Fund balance. This is critical as the County looks to future opportunities. No increase in the property tax rate is recommended.

The Board of County Commissioners adopted a new set of goals in 2014. The goals are reiterated in the budget message and the work towards meeting those goals will accelerate into the coming fiscal year (2014-2015).

The County continues long-term cost containment through realignment of services and increased utilization of technology. Further, the budget funds core long-term costs using a business model based upon the useful life of the asset. In FY2012-13, the Vehicle Replacement Fund was established. In FY2013-14, replacement funds were established for HVAC systems and Roofs. In FY2014-15, replacement funds are established for Mobile Data Terminals (MDTs) and the Detention Center Kitchen Equipment. This kind of thing is definitely not sexy, but it is essential to the long-term financial stability of the County.

My thanks are extended to all County department heads who worked diligently on this budget. County employees remain focused to bring cost-effective services and excellent customer service to the citizens, property owners and guests of Rutherford County. I wish to particularly thank Finance Officer Paula Roach and Deputy Finance Officer RaeAnn Turner for their help. Debra Conner, Hazel Haynes, and Adrienne Wallace are also due great thanks for their yeoman efforts.

In the end, the recommendations contained herein are those of the County Manager. I appreciate the opportunity to serve the Board of Commissioners and the citizens of Rutherford County. I look forward to working with the Board to review these recommendations and adopt a budget ordinance for FY2014-15.

Sincerely,

Carl Classen
County Manager

THE MEMBERS OF THE RUTHERFORD COUNTY
BOARD OF COUNTY COMMISSIONERS

The proposed budget for Fiscal Year 2014-2015 is presented for your consideration. This budget is based on a revenue-neutral property tax rate of 60.7 cents per \$100 valuation that yields a budget that is within 3.79% of last year's adopted budget. This budget message is divided into several sections:

Budget Issues	page	3
Commissioner Goals	page	3
Budget Trends	page	4
General Fund Balance	page	4
County Debt Service	page	5
General Property Tax Rate	page	5
Tax Collection	page	6
Other Property Taxes	page	7
Sales Tax Revenue	page	8
K-12 Education and Isothermal Community College	page	8
Reorganization for Customer Services	page	9
Vehicle Replacement Plan	page	10
HVAC/Roof Replacement Plan	page	11
MDT Replacement Plan	page	12
Elections Equipment	page	13
Rutherford Center	page	13
Old Schools and Other Property	page	14
Emergency Medical Service	page	14
Watershed Protection	page	14
Salary Adjustment	page	14
Position Changes	page	15
Retirements	page	15
Benefit Changes	page	15
9-1-1 Funds	page	15
Grant Funds	page	16
Transit Fund	page	17
Solid Waste	page	17
Health Department	page	20
Other	page	20
Summary of Recommended Budget for All Funds	page	20
Appendix A County 10 Year Trend	page	21
Appendix B School Capital Account	page	22

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Budget Issues

The FY2014-15 budget reflects difficult issues that will require careful allocation of financial resources and personnel. The good news is that the County can continue core services and still make investments in economic development and quality of life projects. However, the County must wring out savings through reorganization and investments in long-term cost containment.

The FY2014-15 proposed budget (General Fund, including DSS) is \$56,038,231. Of the \$2.05 million increase from FY2013-14 \$1,883,857 incentive payments make up \$1.88 million. After incentives, the total increase is 0.30%.

The Property Tax Rate is proposed to be unchanged at 60.7 cents per \$100 valuation.

Rutherford County is in good financial condition but continues to feel the effects of the economic depression that followed the textile industry dislocation of the late 1990's and 2000's and then the housing and banking collapse starting in 2007. Net property valuation is up 3.593% from FY2013-14 to \$6.2 billion but essentially flat after incentives are included. This trend is expected to continue into FY2015-16 when incentives will reach \$5.67 million but increased valuation is expected to meet much of that expected expense.

Based upon FY2013-14 experience and recent trends, sales tax revenues are expected to increase \$184,479 which reflects a 2% increase due to lower unemployment and a recent increase in work force.

Most County department budgets have been kept nearly flat to reflect the revenue issues noted above.

The only new initiative in the budget improves customer service through creation of a one-stop permitting office that would house Planning/Public Works, Building Inspections, and Environmental Health.

Commissioner Goals

Although the above revenue outlook for FY2014-15 hinders the ability of the Commissioners to aggressively pursue their 2014 goals, progress is reflected in the FY2014-15 budget.

The County is in the beginning stages of addressing these goals. The budget is one tool available to address and fulfill the actions identified to reach the Commissioner goals.

The one important, common theme must be maintained: **Good Jobs**

GOALS

Critical Priorities

- Economic Development Product
 - ✓ Site Ready
 - ✓ Market Daniel Road
 - ✓ Create public/private economic development organization
- Southern EMS Station
 - ✓ Library Cost Estimate
- Vocational/Technical Training Center (VOCAT) to keep Rutherford County attractive to new industries
- County-Schools-College Facilities Plan

- Water and Sewer Infrastructure
 - ✓ Sewer Systems Study Review
- Transportation Advocacy
 - ✓ Hwy 221 Four-laning
 - ✓ Hwy 74 Interstate
 - ✓ Hwy 221 Chesnee
 - ✓ Hwy 221-A Straightening
 - ✓ Hwy 221 Charlotte Road Off Ramp
 - ✓ Hwy 221 Laurel Hill Bi-Section

General Priorities

- Work with schools and TDA on joint soccer/softball/baseball athletic facilities
- 911 Back-up Center
- Farmers Market to be advanced as far as possible this year
- VIPER tower in Chimney Rock
- Public Records Terminal
- 50% Share on Water and Sewer Pilot Project
- HVAC and Roof Plan for Schools and College
- Increase internet/cell services to unserved or underserved areas of County
- Investigate regional MSW or incinerator

Other Priorities

- Continue and expand community based grants
- School bus garage
- Agriculture/Economic Development Director

Budget Trends

Attached please find [Appendix A](#) which shows the changes in revenue expenditures and fund balances over the last, ten years.

General Fund Balance

The County began FY2013-14 with \$9,947,932 in unassigned General Fund balance, due to outstanding grant reimbursements at fiscal year-end of approximately \$3 million related to Horesehead. This effectively made the unassigned fund balance of \$12,659,138 on June 30, 2013.

During the present fiscal year, the County budgeted \$1.7 million of fund balance. Lower expenditures and higher tax collections recovered \$1.6 million of the budgeted fund balance so the FY2013-14 (June 30, 2014) fund balance is estimated to be \$12.5 million. Below are major uses of fund balance.

- Loaned itself \$500,000 for the VOIP telephone system upgrade, the first overall phone system upgrade since 1988. The amount will be paid back to the General Fund in approximately nine years.
- \$225,000 of approved projects from the prior year was carried forward.
- \$75,000 project match for industrial grants.
- \$35,000 for a water heater at the jail.
- \$333,000 for industrial incentives payable fall 2014.

For FY2014-15, \$150,000 is proposed to cover the cost of creating a one-stop development permitting office and moving the Board of Elections Office to a safer location for early voters. This proposal is further discussed under “Reorganization for Customer Service” on page 9. The FY2014-15 budget proposes to use no General Fund unassigned fund balance for operating expenses or debt service. The proposed FY2014-15 fund balance is estimated to be 26%, which remains within the range for North Carolina counties, having the population of Rutherford County. Also, it exceeds the minimal 8% recommended by the Local Government Commission.

Each year, the County “carries forward” certain grant and other projects from year-to-year. These items increase the budget but zero out with revenues and expenditures over multiple fiscal years. FY2013-14 carry-forward items will be amended in the FY2014-15 budget after July 1. Examples include Community Development Block Grants, NC Department of Commerce Industrial Development and Building Reuse Grants, Capital Projects (including Water and Sewer Projects) and other multi-year projects such as Grey Rock and Queens Gap Infrastructure.

Of note, in FY2013-14, the County foreclosed and took possession of 120 lots within the Queen's Gap property during FY2013-14. The property is being carried as an asset to the County. This property has the potential of being sold during the current or subsequent fiscal years.

County Debt Service

Rutherford County debt obligations are shown below.

COUNTY OUTSTANDING DEBT

Rutherford County, North Carolina
Ratio of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Population in thousands (Estimated)	Governmental Activities				Business-type Activities		Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
		General Obligation Bonds	Installment Purchase (1)	Capital Leases	Revolving Fund - DENR	Capital Leases				
2004	64	\$ 16,050,000	\$ 39,707,500	\$ 1,382,678	\$ -	\$ 893,944	\$ 58,034,122	3.85%	\$ 906.78	
2005	63	13,765,000	38,395,000	1,704,028	-	793,847	54,657,875	3.54%	867.59	
2006	64	13,010,000	41,104,419	1,876,214	-	688,426	56,679,059	3.48%	885.61	
2007	64	10,675,000	44,953,677	2,274,211	331,400	577,397	58,811,685	3.46%	918.93	
2008	63	9,975,000	57,668,467	3,963,343	314,830	667,632	72,589,272	4.18%	1,152.21	
2009	63	7,720,000	58,074,856	4,758,537	298,260	621,299	71,472,952	4.16%	1,134.49	
2010	63	7,035,000	54,911,271	3,240,000	281,690	402,330	65,870,291	3.76%	1,045.56	
2011	67	4,820,000	50,601,731	2,385,102	265,120	174,067	58,246,020	3.22%	869.34	
2012	68	4,490,000	48,052,854	1,235,626	248,550	24,379	54,051,409	2.85%	794.87	
2013	68	4,160,000	43,729,878	1,494,993	231,980	-	49,616,851	<i>not available</i>		

Note: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

Source: Rutherford County CAFR, June 30, 2013

General Property Tax Rate

The Property Tax Rate is proposed to be unchanged at 60.7 cents per \$100 valuation.

Tax Collection

As of June 30, 2013, the County audit showed a collection rate of 95.36% of real estate property tax levy, which is a major increase from the 2011 and 2013 lows of 93.2%. The State average is 97.34%, which is the short term target for the Revenue Department. Each percentage of unpaid delinquency is equal to \$347,000 in FY2014-15.

By State law [GS 149-113(b)(6)] the County may only budget property tax revenues based upon the prior fiscal tax collection. Hence, even though the FY2014-15 levy is \$37.75 million, the FY2012-13 tax collection rate of 95.36% must be used for budget purposes. Hence, the property tax revenues are only budgeted at \$35,997,885.

Beginning in the spring of 2012, County Commissioners took steps to increase collection of delinquencies. Based upon FY2013-14 real estate property tax receipts to-date, it appears those actions, along with increased collection focus by the staff, will yield a June 30, 2014 collection rate of approximately 96.5%. As of April 30, 2014, the real estate property tax collection rate was 95.78% with a Solid Waste Convenience Site Fee collection rate of 91.08%. Revenue Department staff is working closely with Solid Waste staff to more effectively and fairly implement the Convenience Site Fee.

Rutherford County has \$5.1 million in unpaid real estate delinquencies as of April 30, 2014. Of the \$5.1 million in real estate delinquencies, \$1.5 million is in Grey Rock. Securing payment will be time-consuming, as will be collection of other real estate delinquencies in bankruptcy court. However, staff will continue aggressive collection efforts regardless of how long it may take to secure payment.

FY2013-14 has been the first year of motor vehicle tax collections through State automobile registrations. This is expected to yield a higher collection rate but the crystal ball is too blurred to make a practicable forecast. As such, the amount estimated is based upon FY2012-13 assumptions.

**Rutherford County, North Carolina
Property Tax Levies and Collections (1)
Last Ten Fiscal Years**

Table 8

Fiscal Year	Taxes Levied for the Fiscal Year (Original Levy)	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Original Levy		Amount	Percentage of Original Levy
2013	\$ 35,511,830	\$ 33,844,505	95.3	\$ -	\$ 33,844,505	95.3
2012	33,887,224	31,598,979	93.2	823,109	32,422,088	95.7
2011	33,478,863	31,210,949	93.2	1,186,784	32,397,733	96.8
2010	33,253,013	31,195,062	93.8	1,206,294	32,401,356	97.4
2009	33,213,924	31,362,647	94.4	1,254,178	32,616,825	98.2
2008	32,461,482	31,280,218	96.4	979,589	32,259,807	99.4
2007	27,557,905	26,491,335	96.1	952,372	27,443,707	99.6
2006	26,864,829	25,786,091	96.0	982,204	26,768,295	99.6
2005	25,833,919	24,843,268	96.2	904,022	25,747,290	99.7
2004	25,510,187	24,333,704	95.4	1,107,184	25,440,888	99.7

(1) Includes general fund and special districts.

Source: Rutherford County Tax Department

Source: Rutherford County CAFR, June 30, 2013

Other Property Taxes

Effective July 1, 2013, County Service Districts – Fire Protection began funding rural fire services rather than rates established under Rural Fire Protection District statutes. Based upon budget submissions by the Fire Departments, the rates for County Service Districts – Fire Protection are shown for each district.

County Service District Fire Service	FY 14-15 Assessed Value	FY13-14 Budget Amount	FY13-14 Tax Rate	FY14-15 Budget Request	Tax Rate Needed to Fund FY14-15 Budget
Bill's Creek	\$281,968,860	213,546	0.06	210,981	0.06
Bostic	\$132,193,800	85,044	0.05	90,445	0.06
Broad River	\$4,212,400	8,621	0.10	4,634	0.10
Cherry Mountain	\$185,367,340	218,032	0.09	220,207	0.09
Chimney Rock	\$58,820,620	38,865	0.05	37,832	0.05
Cliffside	\$184,447,060	181,309	0.08	176,534	0.08
Edneyville	\$1,341,300	2,301	0.09	1,393	0.09
Ellenboro	\$309,256,770	273,283	0.07	269,155	0.07
Fairfield	\$14,905,500	22,472	0.08	15,940	0.08
Forest City	\$8,738,800	13,844	0.08	7,878	0.08
Green Hill	\$214,211,670	191,196	0.07	188,145	0.07
Hudlow	\$298,601,010	307,831	0.08	298,746	0.08
Lake Lure	\$8,065,070	12,160	0.08	7,676	0.09
Outside Response Area	\$274,772,190	1,424,334	0.04	1,580,322	0.06
Polkville	\$34,475,750	12,624	0.03	19,328	0.05
Rutherfordton	\$226,547,940	239,500	0.08	246,717	0.09
Sandy Mush	\$295,855,090	191,764	0.05	186,288	0.05
Shiloh Danieltown Oakland	\$370,600,620	247,100	0.05	232,002	0.05
Shingle Hollow	\$107,249,040	142,024	0.10	136,009	0.10
Spindale	\$7,716,800	10,696	0.08	7,078	0.08
Union Mills	\$149,509,520	91,112	0.05	92,691	0.05
Cliffside Sanitary Service	\$6,368,890	5,951	0.08	5,708	0.08

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Sales Tax Revenues

Recent State changes make it difficult to predict sales tax revenues, but the improved local economy leads to a forecasted 2% increase.

Sales Tax Projection as of April 15, 2014

	BUDGET	Actual/Projected	2013 - 2014		RECOMMENDED
	2013-2014	2013-2014	VARIANCE		2014-2015
Article 39	4,531,192	4,593,536	62,344	1.4%	4,685,407
Article 40	2,722,187	2,975,013	252,826	9.3%	3,034,514
Article 42	2,275,998	2,254,027	(21,971)	-1.0%	2,299,107
Mun H.H. 42	(47,485)	(70,245)	(22,760)	47.9%	(71,650)
Mun H.H. 39	(477,701)	(528,398)	(50,697)	10.6%	(538,966)
Total	\$ 9,004,191	\$ 9,223,932	\$ 219,741	2.4%	9,408,411

2.00%

Buy, Shop and Eat locally programs will be developed to inspire and encourage citizens, thus enhancing the contributions to the County economy. Staff will work with the Economic Development and Tourism offices, plus the Chambers of Commerce, in development and execution of promotions to Buy, Shop and Eat Locally.

K-12 Education and Isothermal Community College

Allocations are proposed at the FY2014-15 levels budgeted. The Schools and College will make presentations to the County Commissioners on May 13 and May 22, respectfully.

EDUCATION FUNDING

	FY10-11 Approved	FY11-12 Approved	FY12-13 Approved	FY13-14 Approved	FY14-15 Recommended
County Depts. Less Schools/College	\$43,309,727	\$32,819,430	\$33,113,070	\$34,122,172	\$37,126,423
Schools <i>Traditional & Charter</i>	11,995,014	12,271,014	12,271,014	12,499,713	12,499,713
Schools <i>Capital Outlay</i>	105,000	110,250	211,213	1,001,015	127,628
Isothermal Community College (ICC)	1,888,806	1,891,806	1,891,806	1,957,588	1,957,588
ICC <i>Capital Outlay</i>	151,500	162,064	162,064	162,064	162,064
Economic Development Incentives	67,000	170,718	1,147,898	2,605,086	4,488,943
Other	3,089,650	2,695,238	1,899,868	1,966,871	1,688,368
Total	\$49,655,197	\$49,958,456	\$50,534,890	\$54,152,445	\$56,200,295

At the June 6, 2013 Budget Adoption Meeting, the Commissioners approved Straw Vote #1 to increase the FY2013-14 Recommended Budget's operating allocation to the schools and college by an additional \$294,481.

Fund balance was appropriated due to uncertainty in Education Lottery funding and little anticipated growth in sales tax. The motion was amended to add that if sales tax growth in FY2013-14 exceeds \$294,481, then 50% of the growth would be presented during the fiscal year by staff as a budget amendment for consideration with a cap of \$441,722.

As of the April 2014 sales tax distribution, staff is projecting a 2.4% increase over budget or approximately \$219,000. At this time, it is not anticipated that additional sales tax revenues would be available for appropriation. Also, staff is concerned that this projection may be overstated due to sales tax refunds allocated by NC Department of Revenue, which is about \$200,000 less than last year. That would reduce future distributions, if posted.

Based upon prior Board policy, the School Capital Account portion of the Debt Service Fund is expected to have a negative balance of \$2,087,712 at the end of FY2013-14 as presented in [Appendix B](#).

The County must pay the debt service regardless. Debt service is shown as contra accounts in the several sales tax revenue accounts within the General Fund Budget. The Sales Tax allocated to the Schools is recorded as revenues in the Debt Service Fund.

Education Lottery proceeds (\$620,000) are estimated to remain flat from FY2013-14 to FY2014-15. In 2013, the State Legislature deleted the statutory formula of Education Lottery revenues for school capital construction. The amount remained the same in FY2013-14 as the prior year, but state school construction funds are now subject to the appropriations process without statutory protection. All Education Lottery proceeds received by Rutherford County shown in the Debt Service Fund are pledged to pay school debt. If Education Lottery proceeds decrease, as has been proposed in recent Legislative sessions, then General Fund transfers to the Debt Service Fund will need to increase.

***NOTE:** Any reduction by the General Assembly in Education Lottery Funds allocation will require an increase in County General Fund expense to pay school debt. The General Assembly now allocates \$100 million of the expected \$192+ million in Education Lottery Funds that would otherwise be going to statewide school capital construction. If the statutory Education Lottery had been in place this year, Rutherford County would have received approximately \$1,190,000 for school facilities rather than \$620,000.*

Reorganization for Customer Service

In an effort to expand and enhance customer service, it is recommended that the Board of Elections Office operations return to the Building Inspections Department building where it was housed previously. To better serve contractors and property owners, the Planning and Public Works, Building Inspections, and Environmental Health will be co-located into a Development Services Office.

A. Development Services Office

The FY2014-15 includes funding for a one-stop permitting office called the Development Services Office. This Office would include Planning/Public Works, Building Inspections and Environmental Health (wells and septic systems) from the Health Department. The three functions would initially be housed in a leased space providing easy access for citizens, builders and others needing permits or inquiring about development regulations. Presently, people have to navigate between three different offices in three different locations.

B. Board of Elections

As part of the Development Services Office initiative, the Board of Elections office would be moved to the current Building Inspections offices in Rutherfordton, thus moving them off the roadway curve with limited parking. As that building is in proximity to the County Government Offices (“Annex”), early voting would occur there in lieu of at the actual Board of Elections office.

The one-time cost to make both changes (A and B) is estimated at \$150,000. The cost is proposed to come from Fund Balance. The on-going cost of the lease and utilities for the Development Service Office would come from the regular budget. Some savings from relocating offices to other buildings would accrue to the County, and to the regional Health Department, but the amount is not substantive. The principal reason for the relocation is to improve customer service for people investing in Rutherford County and to increase access and safety for early voters.

Vehicle Replacement Plan

The Finance Office has updated the Vehicle Replacement Plan, which is based upon a business model as presented and approved in the FY2013-14 budget process.

The Vehicle Replacement Plan puts every vehicle in the County fleet in a single plan and it:

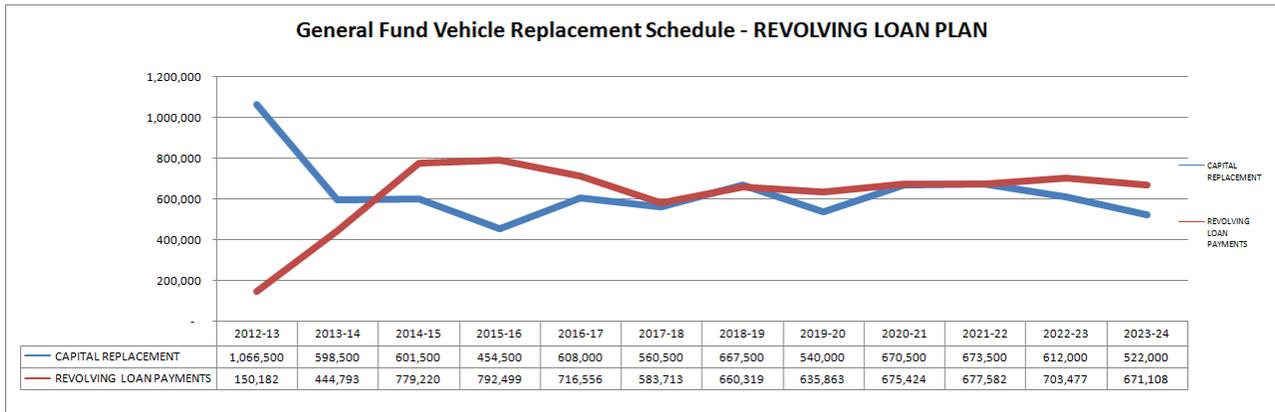
1. Determines when new vehicles are needed;
2. Identifies when vehicles should be changed to other uses (e.g. patrol vehicle to administrative use);
3. Establishes which vehicles should be reconditioned (e.g. remounting an EMS truck to double the life at half the cost); and,
4. Plans when vehicles should be disposed.

FY2014-15 vehicle capital replacements for the General Fund costs are \$601,500. Each fiscal year, this 10-year plan will be updated and adjusted based on mileage criteria. In all cases, vehicles purchased by the County will have a life expectancy in excess of three years. Revolving Loan payment amounts are expected to peak at \$792,499 in FY2015-16 and fall to \$660,319 in FY2018-19, and remain similar in subsequent years.

GENERAL FUND

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
CAPITAL REPLACEMENT	1,066,500	598,500	601,500	454,500	608,000	560,500	667,500	540,000	670,500	673,500	612,000	522,000
REVOLVING LOAN PAYMENTS	150,182	444,793	779,220	792,499	716,556	583,713	660,319	635,863	675,424	677,582	703,477	671,108

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The graph above depicts the annual expected costs to replace all vehicles/equipment (blue line) with the General Fund and also the annual revolving loan payment (red line) necessary to fund the capital assets. The original department requires in FY2012-13 was approximately \$831,666, however, based on the vehicle replacement model plan, the department needs were showing higher amounts based on mileage and maintenance cost factors in the current fleet. The annual revolving loan payment model is less every year than the original department request of \$831,666 from FY2012-13. After updating current mileage, the revolving loan trend now peaks in FY2015-16 at \$792,499 and then levels off to follow the capital replacement needs.

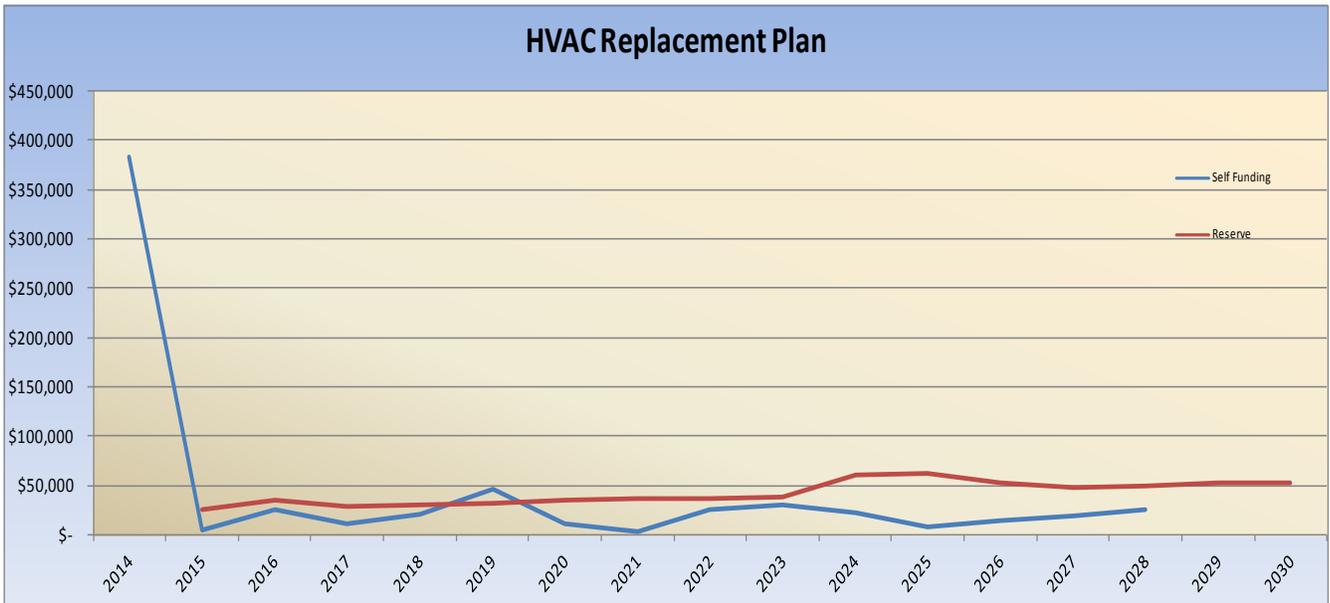
VEHICLE TYPE CYCLE IN/OUT PER YEAR													
	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	TOTAL
CARS	9	4	7	8	11	10	8	6	6	7	11	8	95
TRUCKS	3	1	-	-	-	2	-	1	-	2	-	1	10
VANS	2	1	-	-	-	-	-	-	-	-	-	-	5
SUV'S	4	3	1	3	2	3	1	2	3	3	3	1	29
TOTAL	18	9	8	11	13	15	9	9	9	12	14	12	139

For the General Fund vehicle/equipment replacement plan, the above information represents the number of vehicles that will both cycle in/out per fiscal year according to the current plan. Due to the economic depression beginning in fiscal year 2007-08, the County did not purchase the normal trend of vehicles as in prior fiscal years. During the FY 2012-13, the County needed to purchase 18 total vehicles (non-ambulance) to put the County back on track as far as having a dependable vehicle fleet that provides services for its citizens. After reviewing fleet mileage, vehicle purchases will average 13 per year for the next 3 years and peaking at 15 vehicles in FY2017-18. Vehicle purchases will then taper back down to an average of 11 vehicles per year. Mileage is reviewed yearly and vehicle replacements are adjusted accordingly.

HVAC and Roof Replacement Plans

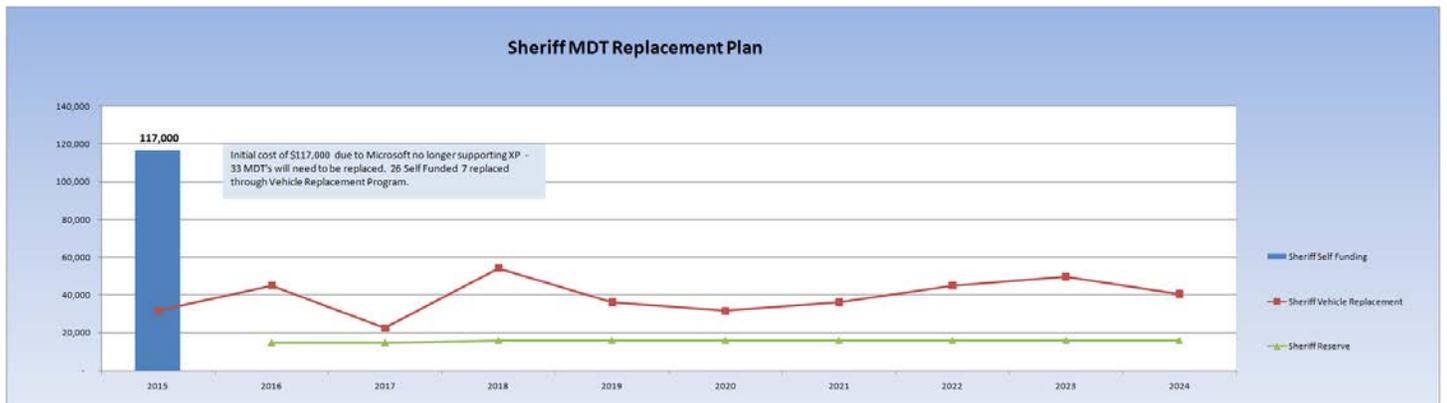
For FY2013-14, the County instituted a HVAC Replacement Plan and a Roof Replacement Plan to prepare for the eventual replacement of these core items. Unlike vehicles, though, HVAC equipment and Roofs do not need to be changed out until they fail or become excessively expensive to repair. This makes their lifespan much longer and their overall annual cost lower.

HVAC replacement funds beginning in FY13-14 were handled through general fund assignment of fund balance in the amount of \$405,680; likewise, the roof replacement funds were also handled through general fund assignment in the amount of \$85,028. FY14-15 additional general fund reserve restrictions will total \$19,052 for HVAC and \$83,128 for Roof Replacement. As the charts below indicate, over the next several years the replacements fund assignments will decrease significantly.



MDT Replacement Plan

MDT’s (Mobile Data Terminals) have become an integral tool for all law enforcement, EMS and transit employees. On a daily basis, these employees are dependent on this tool to work efficiently and effectively while carrying out their duties. Some current equipment has now become dated, and for many, the operating system will be obsolete by June 2014. The initial costs to replace, and the ongoing cost of replacements, have been planned for with reserves; some in the current vehicle replacement program and some through an initial cost. Although MDT’s are purchased with a new vehicle, the life of a MDT can be much shorter than the life of some vehicles (e.g. ambulances), so multiple MDTs may need to be purchased for a single vehicle.



The County is budgeting \$113,000 of the General Fund and \$45,000 of the Vehicle Replacement Fund to upgrade or replace all of the MDTs that currently use the Windows XP operating system in the Sheriff's Office and EMS. This replacement is happening now, as opposed to previous fiscal years, because the Sheriff's Office was using specialized software that had originally been incompatible with Windows 7 or higher until the present time. Now, all needed elements exist to effectively make this transition. In future years, the annual replacement reserve will be approximately \$31,000 per year.

Some of the FY2014-15 (estimated at \$30,000+) may be abated by software upgrades rather than hardware replacement. Information Technology will complete an inventory of all MDT's. Until the inventory is complete, no replacement units will be purchased.

Elections Equipment

Due to changes enacted by the State Legislature, a hardware and software upgrade is needed for the Board of Elections equipment. The total cost of \$252,174 is anticipated for FY2016-17. Therefore, the County is budgeting for this in one-third increments of \$84,058, now through FY2016-17. This relieves the cost burden that would be experienced if done in one fiscal year alone.

Rutherford Center

By the start of FY2014-15 the County will be moving all non-paying rent functions out of the Rutherford Center (formerly Mental Health Center) except for Probation and Parole. This change has been reflected in the recommended budget and existing tenants have been notified. The County will receive net revenue of \$20,000 due to this change.

Old Schools and Other Property

Harris School

The County Manager will work with the little leagues of Rutherford County to discuss their need for the Harris/Shiloh facility versus improvements at Cliffside/Honeysuckle Park.

Ruth School

The cost of stabilizing the Main Building and the Gymnasium is \$200,000 and the cost of demolition is \$585,000. The cost to upgrade these two buildings exceeds \$1 million. The County does not have a foreseeable use for the buildings. However, other agencies, non-profit groups or private firms may be able to use the buildings and property. The County Manager recommends putting the property up for sale for six months. If no buyer comes forward, the Commissioners will be asked to re-look at whether the County should stabilize or demolish the buildings.

475 Main Street, Forest City

The County Manager again recommends selling this property to the highest bidder as the County does not have a current or expected need for this property. Currently, the property is leased on an annual basis to Peer Support Resource Exchange and that lease may be terminated on 30 days notice.

Emergency Medical Service

Southeastern EMS Station

Funding is included for the construction of the Southeastern EMS Station. The budget includes debt services on a ten year loan, which the County has been advised is the longest term for borrowing less than \$1 million. When the time comes for the loan, the Commissioners will be presented alternatives for internal borrowing (borrowing from the General Fund Balance) that would allow for a longer term and lower annual debt service.

EMS Contract Services

Contributions to the rescue squad are budgeted but will not be released prior to the execution of a contract between a rescue squad and the County. Such contract must be executed by July 31, 2014 or the funding to that rescue squad will be reallocated to the capital outlay line item within the EMS budget.

Watershed Protection

This is the second fiscal year where there was an increase in dam maintenance. It is expected to remain at this level in future fiscal years.

Salary Adjustment

Rutherford County continues to face a “compression” problem from the depression years when the County could not afford to give any salary adjustments. Compression causes a severe morale problem when experienced, long-term employees cannot increase through their grade with the new employees being paid nearly the same as seasoned employees. The FY2014-15 budget continues the practice of small, incremental increases that began in FY2012-13 to reduce the compression problem. Effective with the January 2015 payroll, a one-step increase (1.25%) has been budgeted for all employees hired prior to that payroll period.

Employee Certifications and Evaluations

Unlike the Sheriff's Department, 9-1-1, DSS, EMS, Detention and Revenue, the Building Inspections Department has an inadequate certification process. Yet, all of the employees are required to have State certifications to perform their jobs. The FY2014-15 budget updates the certification process in the Building Inspections Department similar to that used in other counties, and creates a comprehensive certification process within Building Inspections. Likewise, the budget creates a career ladder for EMS.

Position Changes

Several position changes are requested for FY2014-15. One part-time custodial position from the Cooperative Extension Department and one part-time custodial position from the Senior Center will be combined to create one, full-time custodial position. Two part-time Evidence Custodians from the Sheriff's Office will be combined into one full-time position. One Automotive Technician is budgeted for the Garage, which will improve staff productivity and enhance coordinate overall vehicle maintenance. 911/Communications would be provided additional part-time peak-load Telecommunicator hours. The County Manager is also recommending a review of the staffing level and organizational structure of central communications after December 31, 2014 . A Paramedic III position is also included in the recommended budget to increase initial response coverage.

Retirements

Several retirements are expected in FY2014-15 and the corresponding payouts for accrued vacations are budgeted (\$40,000). This amount is included as a line item under the Human Resources Department.

Benefit Changes

No benefit changes are recommended for the FY2014-15 budget and the budget continues the split level health coverage offered through the State Health Plan. The County pays for employee-only coverage at the 70% rate; employees may elect and pay for coverage at the 80% rate. The budget includes funding for a potential State Health Plan rate increase of 5% in January 2015.

9-1-1 Fund

Total revenues and expenditures are \$530,775 (\$409,787 estimated revenues and \$120,988 of E911 Fund Balance), all of which is funded through the 9-1-1 surcharge and within the guidelines established by the State. The County continues to work towards improved countywide radio transmission and reception with eventual integration into the statewide VIPER system.

STATE LAW: 9-1-1 work is severely hindered by existing law that restricts use of 9-1-1 funds only to handling phone calls and not allowing expenditures for receiving equipment such as radios and towers. In effect, 9-1-1 fees pay for a call into the 9-1-1 center but not for the call to send help. It is estimated that the County will have \$443,544 in 9-1-1 fund reserves as of June 30, 2014 that it would like to use towards telecommunication improvements but cannot due to this restrictive law. Staff has submitted a Carry forward Request to the E911 Board that if not approved at the Appeals Board Meeting on May 8, 2014 would reduce FY2014-15 E911 Revenues to \$350,081, a reduction of \$59,706.

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Grant Fund

The recommended FY2013-2014 grant fund is comprised of the following continuing grants:

Airport Improvements
High School Resource Officer
GREAT Resource Officer
CDBG Housing Rehabilitation
Urgent Repair Program Grant
NC Department of Commerce Building Reuse Grant
One NC Fund Grant
Bulletproof Vests Grants
BJA Edward Byrne Grants
Single Family Rehabilitation Grant
Golden LEAF Infrastructure Grant
NC DOT Infrastructure Grant
NC Department of Commerce Industrial Development Fund Grant
Appalachian Regional Commission Infrastructure Grant

REVENUES

Rutherford County School Board	\$ 308,535
County Match - GREAT Officers Program	\$ 53,474
Airport Grants Vision 100	\$ 150,000
County Airport Match	\$ 16,667

Total Revenues **\$ 528,676**

EXPENSES

High School Resource Officer/Lead SRO	\$ 362,009
Airport Projects	\$ 166,667

Total Expenses **\$ 528,676**

If the Board approves, carry over balances from FY2013-2014 grants will be re-budgeted with June 30, 2014 unexpended balances.

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Transit Fund

The Transit Advisory Board has submitted the following budget:

REVENUES	
Elderly & Handicap Funds	\$ 74,552
RGP Receipts from riders	\$ 11,000
State Grant RGP	\$ 95,362
State Administration Grant	\$ 166,997
NCDOT Road Work First Grant	\$ 27,895
State Grant Vehicle Purchase	\$ 175,734
Sale of Transit Property	\$ 10,000
State Grant Equipment	\$ 14,223
<u>Contribution from Outside Agencies</u>	<u>\$ 599,500</u>
Total Revenues	\$1,175,263
EXPENSES	
Salaries/Fringe	\$ 683,170
Operations (other than below)	\$ 105,963
Capital Outlay	\$ 211,063
Fuel	\$ 135,000
Insurance	\$ 32,067
<u>General Fund Indirect Costs</u>	<u>\$ 8,000</u>
Total Expenses	\$ 1,175,263

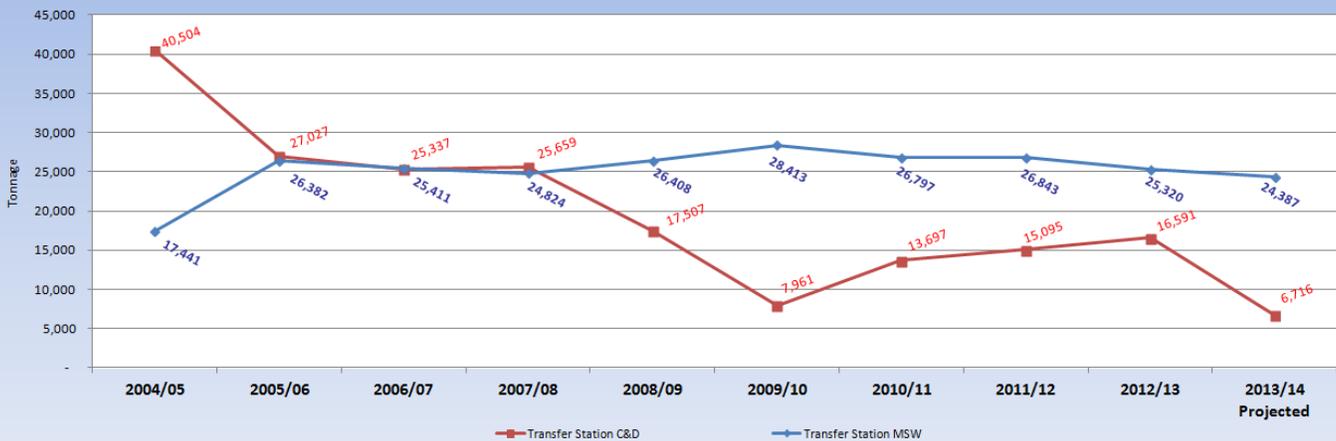
There are no County funds budgeted for Transit. The fund generates revenues from its users and from grants made by the state and federal governments. Transit will closely monitor proposed legislation and state funding, including the Medicaid brokerage program and ROAP funding. The recommended budget does not include a rate increase.

Solid Waste

During FY2013-14, the Solid Waste Department saw a massive drop in Construction and Demolition (C&D) tonnage, which resulted in the removal of a subsidy previously used to offset Municipal Solid Waste (MSW), commonly referred to as household waste. C&D is not expected to see an increase in the foreseeable future as commercial and residential construction levels remain tepid coming out of the current depression. As such, although the actual cost of handling and disposing of MSW is \$84 per ton, only a \$10 increase to \$57 per ton is proposed this fiscal year. No change to the C&D rate is being proposed. This proposal has been communicated to the municipalities. Below is a graphical representation of the C&D loss that has led to this fee increase proposal.

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10 Year Transfer Station Tonnage Trend



10 Year Revenue/Expenditure Trend



The budget continues to fund the School Recycling Coordinator part-time position (\$13,000) to promote recycling efforts in the schools. Recycling is not only the right thing environmentally for our future, it also saves the County over \$41 per ton in disposal costs. With suggestions and ideas from the Enhanced Recycling Promotion Committee, staff continues to encourage recycling throughout Rutherford County.

The Commissioners have not fully reviewed the Convenience Site Fees since they were instituted almost 20 years ago. Staff is not recommending any change in the fee. However, several administrative changes are recommended to make sure that all those who do not have curbside collection (and pay through the MSW tipping fee), or are otherwise exempt, are paying their Convenience Site Fee.

Lastly, the County Code language relative to Solid Waste is not consistent with current practices and State law/regulations. Although it was intended to complete this review in the spring and make recommendations in conjunction with the budget process, this was not possible and work should be completed over the summer and fall for a recommendation in the fall or winter.

A recap of Revenues and Expenses for the Solid Waste Fund are as follows:

REVENUES

Household User Fees	\$1,969,310
Tipping Fees	\$1,589,788
Recycling Revenues	\$ 110,000
NC DENR (\$2 ton) Fees	\$ 64,000
Tire Disposal	\$ 88,000
White Goods	\$ 27,000
Interest Earnings	\$ 4,878
NC DENR Community Waste	\$ 30,000
License Fees	\$ 700
Sale of County Property	\$ 10,000
<u>Solid Waste Disposal Tax</u>	<u>\$ 35,000</u>
 Total Revenues	 \$3,928,676

EXPENSES

<u>Collections</u>	
Salaries/Fringe	\$ 696,749
Fuel	\$ 78,000
Operations	\$ 219,359
General Fund Indirect Costs	\$ 82,017
Transfer to Vehicle/Equipment	\$ 21,554
<u>Capital Outlay</u>	<u>\$ 10,000</u>
 Total Collections	 \$ 1,107,679
 <u>Disposal</u>	
Salaries/Fringe	\$ 473,825
Waste Disposal Contract	\$ 1,525,000
NC DENR Fees (\$2 ton)	\$ 90,000
General Fund Indirect Costs	\$ 109,312
Operations	\$ 499,668
Capital Outlay	\$ 25,000
<u>Transfer to Vehicle/Equipment</u>	<u>\$ 98,192</u>
Total Disposal	\$ 2,820,997
 Total Expenses	 \$ 3,928,676

Health Department

The Health Department contribution is increasing by \$56,014 in FY2014-15, which is the second of the three increases approved by the three counties making up Rutherford-Polk-McDowell Health Department. An alternative to increasing the contribution would be to increase the fees paid by applicants for septic permits and other services. For Rutherford County, this would raise the New Septic Permit Fee to \$600 from \$350 and the New Well Permit Fee from \$350 to \$600. The County Manager is not recommending a fee increase as having properly designed and installed wells and septic systems protect everyone's health, not just the property owner's.

Other:

All other revenues are remaining flat including those relating to property sales and construction (Register of Deeds and Building Inspection) which are reflected in the revenue figures.

Summary of Recommended Budgets for all Funds

	<u>Revenues</u>	<u>Expenditures</u>
General Fund	\$42,885,370	\$42,885,370
DSS Fund	\$13,152,861	\$13,152,861
Airport Fund	\$448,774	\$448,774
Vehicle/Equipment Replacement	\$1,505,966	\$1,505,966
Telephone Internal Service Fund	\$125,199	\$125,199
E911 Addressing Fund	\$530,775	\$530,775
ROD Automation Enhancement	\$45,020	\$45,020
Grant Fund	\$528,676	\$528,676
ICC Capital Reserve Fund	\$162,089	\$162,089
Debt Service Fund	\$6,181,107	\$6,181,107
Service District Funds	\$4,035,689	\$4,035,689
Transit Fund	\$1,175,263	\$1,175,263
Solid Waste Fund	\$3,928,676	\$3,928,676
GRAND TOTAL ALL FUNDS	\$74,705,465	\$74,705,465

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Appendix A: "Change in Fund Balances of Governmental Funds Last Ten Fiscal Years"
Table 4, page 94 of the CAFR (Comprehensive Annual Financial Reports)

Rutherford County, North Carolina
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
 (modified accrual basis of accounting)

Table 4

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Ad valorem taxes	\$ 35,157,208	\$ 32,963,905	\$ 32,401,810	\$ 32,411,413	\$ 32,118,994	\$ 32,358,449	\$ 27,326,881	\$ 26,792,167	\$ 25,585,444	\$ 24,992,762
Local option sales taxes	9,697,197	10,471,306	9,251,948	9,371,128	11,275,726	13,369,201	13,240,333	12,262,177	11,743,695	11,837,956
Other taxes and licenses			350,114	326,461	326,459	707,232	683,615	623,110	255,377	231,733
Restricted intergovernmental	16,762,561	13,478,963	13,218,233	13,900,162	13,326,718	13,698,058	12,480,558	11,213,335	10,834,718	9,109,617
Permits and fees	903,651	772,861	733,459	799,562	861,720	1,177,290	1,435,366	1,439,013	1,151,302	1,012,848
Sales and services	3,898,872	3,199,137	3,047,002	3,080,873	3,119,947	3,801,501	3,674,300	2,882,979	2,700,089	2,978,520
Investment earnings	40,674	85,288	74,005	134,324	471,754	1,084,487	1,243,368	1,012,369	473,461	443,136
Miscellaneous	12,458,793	15,657,035	626,673	287,325	527,821	729,808	590,273	415,034	412,112	228,642
Total revenues	78,619,046	76,628,495	59,903,344	60,571,248	62,229,139	66,826,138	60,674,694	56,640,384	53,156,398	50,854,716
Expenditures										
Current:										
General government	6,238,861	6,422,596	6,074,636	5,805,454	6,615,187	11,334,882	6,609,488	5,641,902	5,703,555	4,800,673
Public safety	15,947,477	15,347,491	14,528,693	14,526,659	14,808,059	14,220,359	12,897,402	11,541,916	11,476,343	10,421,427
Environmental protection	123,785	131,200	172,641	184,030	164,582	127,250	125,124	130,655	122,584	118,839
Economic and physical development	11,734,567	3,797,851	4,102,277	2,384,886	4,081,840	4,856,946	3,849,835	3,913,258	2,443,409	2,101,815
Human services	13,183,622	13,353,462	13,614,958	13,442,160	14,844,012	16,521,713	16,037,237	15,321,178	14,791,299	13,754,017
Cultural and recreational	1,213,149	643,028	701,926	943,010	737,637	757,187	647,449	444,650	454,877	398,568
Intergovernmental:										
Education	14,162,820	14,162,820	13,883,820	14,059,565	14,480,287	13,967,220	13,053,968	12,513,922	12,081,683	11,311,729
Capital outlay	544,313	123,750	384,755	2,488,388	10,782,995	5,249,596	6,372,376	3,856,087	3,281,177	18,381,582
Debt service	5,247,034	12,966,838	8,403,370	7,660,832	6,811,458	6,294,364	5,644,457	5,031,194	4,290,159	4,828,539
Principal	2,324,697	3,929,516	2,997,327	2,986,706	3,060,136	2,754,717	2,363,101	2,282,307	2,438,712	1,885,760
Interest	70,720,325	70,878,552	64,864,303	64,481,590	76,446,193	76,084,234	67,600,437	60,877,069	57,043,398	68,002,740
Total expenditures	78,987,721	5,749,943	(4,961,659)	(3,910,342)	(14,217,054)	(9,238,096)	(6,025,743)	(4,236,685)	(3,887,400)	(17,148,033)
Excess of revenues over (under) expenditures										
Other financing sources (uses)										
Transfers from other funds	508,599	1,570,532	6,093,683	16,900,905	20,371,579	18,941,579	14,482,382	14,356,170	12,292,044	(5,642,601)
Transfers to other funds	(633,599)	(1,695,532)	(6,218,683)	(17,025,905)	(19,493,379)	(19,866,579)	(14,607,382)	(14,436,533)	(12,372,409)	5,687,236
Installment obligations issued	1,066,500	-	729,279	2,000,000	5,803,838	18,454,270	7,905,800	5,637,800	1,139,009	767,336
General obligation debt issued	(400,000)	-	-	-	1,555,000	-	-	1,520,000	-	-
Economic loan, net	8,425,000	24,831,960	-	-	-	-	-	-	-	-
Refunding bonds issued	(8,266,667)	(15,835,431)	-	-	-	-	-	-	-	-
Print to refund bond escrow agent	44,606	75,687	3,156,344	58,532	-	-	-	-	-	-
Sale of capital assets	744,439	8,947,216	3,760,823	1,933,532	6,682,038	19,884,270	7,780,800	7,077,437	1,058,644	811,971
Total other financing sources (uses)	8,643,160	14,697,159	(1,200,236)	(1,976,810)	(7,535,016)	10,626,174	855,057	2,840,752	(2,828,756)	(16,336,062)
Net change in fund balances	10.90%	24.07%	18.14%	19.73%	14.92%	12.48%	12.45%	12.71%	13.23%	10.41%
Debt services as a percentage of noncapital expenditures:										

Appendix B: "Schools Capital Account - Debt Services Fund"

SCHOOLS CAPITAL ACCOUNT - Debt Service Fund																	
College Share of Sales Tax Remains at \$162,064 of Article 40																	
Updated May 8, 2014																	
	INTEREST	SALES Tax	LOTTERY	SCHOOL REQUEST	ADDITIONAL Capital Request	Trustee Fees	Spindale/Ellenboro/ Chase Mid \$20.1 M COP ISSUED 9/02 Refunded 2011	Sunshine Elem \$7.8 M COP ISSUED 4/03 Refunded 2011	\$1.48 M ISSUED 4/03 Refunded 2013	Dunbar/Harris \$4.3M 9/05 Refunded 2011	Ridton Land/LLC/ Roof Repairs \$4.373M 8/06 Refunded 2011	School Technology \$2.5M total	Rutherfordton Elem \$14.68M 12/07 Refunded 2013	Rutherfordton Elem \$14.68M 12/07 Non Refunded	TOTAL CHANGE	CAPITAL RESERVE BALANCE	
Jun-13		328,290				(7,000)											
FY 2012-13																	
BALANCE																	(1,129,468)
FY 2013-14		4,097,063	620,000	(121,551)	(879,464)	(7,000)	(1,537,642)	(619,475)	(105,276)	(448,000)	(341,336)	(236,171)	(359,483)	(1,020,600)	(959,244)	(2,098,712)	
FY 2014-15		4,260,935	620,000	(127,628)		(10,000)	(1,357,172)	(570,475)	(102,120)	(437,950)	(387,236)	(81,846)	(358,860)	(978,600)	488,948	(1,619,764)	
FY 2015-16		4,431,373	620,000	(134,010)		(10,000)	(1,310,177)	(547,600)	(99,352)	(422,875)	(378,664)		(359,532)	(936,600)	852,653	(767,201)	
FY 2016-17		4,608,628	620,000	(140,710)		(10,000)	(1,370,327)	(561,975)	(96,565)	(415,875)	(364,039)		(359,126)	(888,000)	1,011,181	243,880	
FY 2017-18		4,792,973	620,000	(147,746)		(10,000)	(1,332,919)	(540,475)	(92,869)	(403,500)	(348,414)		(359,644)	(861,000)	1,315,407	1,559,388	
FY 2018-19		4,984,692	620,000	(155,133)		(10,000)	(1,249,524)	(518,975)	(89,181)	(390,875)	(339,177)		(1,178,019)		2,014,172	3,233,196	
FY 2019-20		5,194,079	620,000	(162,889)		(10,000)	(1,191,212)	(497,475)	(85,535)	(378,000)	(324,327)		(1,140,469)		2,518,363	5,247,369	
FY 2020-21		5,397,443	620,000	(171,004)		(10,000)	(1,158,437)	(475,975)	(76,659)	(184,500)	(313,864)		(1,102,281)		3,205,160	10,970,921	
FY 2021-22		5,607,100	620,000	(179,586)		(10,000)	(1,095,156)	(458,238)	(74,485)				(1,054,953)		3,704,108	15,675,029	
FY 2022-23		5,831,369	620,000	(189,995)		(10,000)	(1,028,675)								4,179,136	19,854,165	
FY 2023-24		6,077,494	620,000	(201,493)		(10,000)	(1,010,825)								4,700,360	24,554,525	
FY 2024-25		6,307,226	620,000	(215,287)		(10,000)									5,278,943	29,833,468	
FY 2025-26		6,559,514	620,000	(235,202)		(10,000)									6,062,573	37,006,041	
FY 2026-27		6,821,865	620,000	(259,202)		(10,000)									6,355,271	44,361,312	
FY 2027-28		7,094,771	620,000	(240,692)		(10,000)									6,659,392	51,020,704	
		528	40,442,978	5,987,730	(1,215,679)	(89,523)	(12,497,428)	(5,117,027)	(908,238)	(3,830,509)	(3,258,745)	(1,299,875)	(13,236,498)	(7,570,200)	4,033,096		
ASSUMPTIONS:																	
Sales Tax:																	
3% increase in FY 2011-12, in FY 2012-13 forward, the General Fund will budget sales tax revenues equal to the revenues as projected above with Article 40 & 42 sales tax. If lottery proceeds are higher than projected in this																	
cash, sales tax contribution will be reduced accordingly.																	
ICC continues to receive 6% of Article 40 with no future increases (at FY12-13 budgeted levels)																	
Interest:																	
2.0%																	
School Request: 5% increase																	
The final payment on the refunded 1991 G.O. Bonds will be in FY 2010-11																	
The final payment on the \$2.5M Technology would be March, 2015																	
The final payment on the \$1.48 million 2 1/2% G.O. Bonds will be in FY 2021-22																	
The final payment on the 5/2002 COPIs will be in FY 2022-24																	
The final payment on the 4/2003 COPIs will be in FY 2022-24																	
The final payment on the 6/2005 Private Placement will be in FY 2025-2026																	
The final payment on the 5/2006 Private Placement will be in FY 2021-2022																	
The final payment on the Rutherfordton Elementary would be in FY 2027-2028																	
School Projects Summary:																	
GO Debt (Refunded Apr '14) - R-S Central, Forest Hunt Elem, Chase Middle, and renovations at East and Chase																	
\$20.1M COPIs issued Sept 102 - Spindale Elem, Ellenboro Elem, and Expansion of Chase Middle.																	
\$7.8 M COPIs issued Apr '03 - Sunshine Elem.																	
\$1.48 M 2 1/2 GO Bonds issued Apr '03 - RS Middle and Forest City Elem repairs.																	
\$4.5 M Private Placement Sept '05 - Dunbar and Harris Additions.																	
\$4.4 M Private Placement Aug '06 - Rutherfordton Elem Land, ICC Learning Center, and Chase/East Roof Replacements.																	
\$14.68M for Rutherfordton Elementary																	
\$2.5M for School Technology																	

END OF BUDGET MESSAGE