



# STOKES COUNTY

## Administration

Richard D. Morris  
County Manager  
morris@co.stokes.nc.us

Darlene M. Bullins  
Administration  
P.O. Box 20  
Danbury, NC  
27016  
Office:  
(336) 593-2448  
Fax:  
(336) 593-2346  
dbullins@co.stokes.nc.us

### Budget Message

Fiscal Year 2012/13

TO: **The Honorable Chairman and Commissioners**  
Stokes County Board of County Commissioners (BOCC)

From: Richard D. Morris, County Manager

DATE: May 29, 2012

SUBJECT: **Fiscal Year 2012/13 Recommended Budget**

### Introduction

In accordance with the North Carolina Local Government Budget and Fiscal Control Act (G.S. 159-8), I hereby present and submit for your review and adoption a proposed balanced budget for Fiscal Year (FY) 2012/13. A mandatory Public Hearing for the proposed FY 2012/13 Budget has been scheduled for 7:00 pm in Courtroom "A" of the Stokes County Government Center on Thursday, June 7, 2012.

### Budget Theme

The budget theme for the Stokes County FY 2012/13 recommended budget is "Long Term Survival under the New Normal". For the purposes of this budget discussion, the definition of "New Normal" is an extended period where the county is facing unfunded mandates, a slow recovering economy and the impact of decreasing property values, which will likely cause a cumulative revenue decrease for the county for four years, beginning with the FY2013/14 Budget. The "New Normal" also includes the end of "Hold Harmless" revenues, the addition of new recurring school construction/renovation debt and other increasing operational expenses. Where the FY2011/12 Budget took a two-year view, the FY 2012/13 Proposed Budget, to the extent possible, takes a four-year view. The objectives of this year's proposed budget are continued maximization of services to our citizens and at the same time, no increase to their Ad Valorem property taxes. To accomplish these objectives, the FY2012/13 Proposed Budget does not increase property taxes and does not recommend further layoffs of the county workforce; however, it denies most of the requested budget increases, carefully manages the county's final "Hold Harmless" revenue allocation and uses the County's General Fund Balance to balance the budget. This is a conservative, low risk budget recommendation that addresses required increases while continuing to re-baseline the budget for the "New Normal" county environment of vanishing "Hold Harmless" revenue and reduced property values. For the reasons described above, plus much uncertainty at the State and Federal levels, the County's "New Normal" will likely remain an environment of reduced revenue and increased expenses for the operation of this Local Government for the foreseeable future.

## Executive Summary

The total recommended Stokes County Budget for FY 2012/13 is \$ 47,375,419. This is a 15.42% (\$6,331,019) increase over last year's budget. As was the case last year, the development of this recommended budget proved to be a challenging exercise. Most reasons for the difficulty are the same as last year along with new ones such as the County's latest revaluation projections. This budget was also heavily impacted by the Federal Government's mandated communications upgrade, where no grant funding was made available to offset the cost of upgrading the county's radios and E911 equipment. Other significant impacts to the budget were the unexpected Medicare and Medicaid reimbursements required from the final cost report of Stokes-Reynolds Memorial Hospital, Inc. (SRMH) and the increased cost of health insurance coverage for county employees. The requirement for Medicare and Medicaid reimbursements was generated during the County's operation of the hospital, under the management of HMC, after the transition from Baptist Hospital management, and before SRMH was leased to Pioneer Health Services. The increase in employee health insurance coverage was generated by continuing insurance reform coupled with the County's experience rate during the first year with United Health Care as insurance provider. As stated earlier, this budget was developed using a four-year thought process which addressed current needs and also factored in the impacts of this year's decisions, on the future years' budget challenges the County is facing. The funds which were available last year in the "Dedicated Fund" (approximately \$1.7M) were not available this year to help balance the budget, so I had to go to the County's General Fund Balance for the \$2,000,000 required to balance the budget. None of the personnel positions that were unfunded last year have been reinstated; however, further reductions of personnel were not recommended because further reductions of the county's service providers will directly impact the County's ability to run efficiently and continue the current level of services to our citizens.

The large overall increase of 15.42% in this year's budget over last year's budget is driven by seven major contributors which are listed below:

- Debt service payments start this year for new school construction/renovation
- Mandated communications upgrade must be funded
- Employee health insurance increased significantly
- Budget includes the cost for a building addition to the Health Department
- Potential Baptist Hospital debt payment for working capital remains unresolved
- Request from CenterPoint for additional funding
- Fuel cost and usage has increased significantly

Next year's budget would be projected to decrease because it will not include the full communications upgrade cost (due to financing) and the Health Department building will not be included. The Baptist Hospital and CenterPoint issues should also be resolved by the next budget.

This budget recommends the following three major organizational changes to improve the County's operations and efficiency:

- The first is the creation, at no additional cost, of a consolidated billing and collections office under the Tax Administration Department.
- The second is the move of the E911 Communications Center to a different location in the space vacated by the move of the Forsyth Tech offices and classrooms to the Early College location.

- The third, at no additional cost, is the change of the revaluation activity from a separate fund to a separate department under the Tax Administration Office.

These organizational changes will be addressed with more specifics later in this message.

Other factors that influenced the FY2012/13 budget, most of which are beyond the control of the County are listed below:

#### Under Revenue

- Sales taxes remained stable but down from earlier years
- Interest income from idle funds remains low due to the Federal Government keeping rates low

#### Under Expenses

- Health insurance costs are up significantly
- Fuel and energy costs are increasing across the board

#### Other Major Influencers

- Last year to receive “Hold Harmless” revenue
- Minimal growth in Ad Valorem tax revenue
- Unresolved working capital debt payment of approximately \$1.27 Million to Baptist Hospital

In summary, I would ask that as the Board reviews and analyzes my recommended budget that you keep the following considerations in mind:

- My recommendation is that the County’s General Fund Balance should remain at or above 20% during the next five years.
- To maintain the current levels of service, where expenses are projected to keep increasing, the generation of revenues to address expenses will be the major challenge.
- If current projections on the economy hold true, the County can probably keep the County’s General Fund Balance at or above 20% using the FY2011/12 un-appropriated “Hold Harmless” and the FY 2012/13 final “Hold Harmless” payment through the FY 2013/14 Budget
- To maintain a 20% County General Fund Balance beyond FY 2014, serious consideration should begin during the FY 2013/14 budget process to increasing the Ad Valorem tax rate in the direction of “Revenue Neutral” to address a portion of the County’s projected revenue shortfall. Otherwise, services will have to be reduced or the goal of maintaining a 20% County General Fund Balance might have to be abandoned in the 2014 timeframe.
- Based on estimated current projections, the “Revenue Neutral” tax rate next year would be a 65 cent tax rate for the “General Fund”. If the BOCC increased the rate to just 63 cents, it would probably maintain the current level of Ad Valorem tax revenue, without going all the way to “Revenue Neutral”.

## **Budget Requests from County Departments**

For the most part, the department heads were even more conservative this year than last year in their budget requests. They are now operating on very lean budgets, as evidenced by the relatively low amount of dollars the County was able to recoup during quarterly financial execution reviews of the FY2011/12 Budget. Requested increases were driven primarily by the cost of health insurance, fuel / utilities and longevity increases. Other specific areas are addressed below:

### **Equipment**

Requests were submitted for a variety of equipment to include computers. All computer requests were reviewed by the Information Technology Department and only computers at the end of their life were approved, unless they were funded by other than county dollars. Other equipment items recommended for approval were:

- Two ambulance remounts for EMS
- One MSA Air Quality Monitor for the Fire Marshal
- A software upgrade for the garage's vehicle diagnostic scan tool
- Eight new patrol cars for the Sheriff
- One AFIS fingerprint machine for the Sheriff
- Bullet proof vests (matching funds) for the Sheriff
- Green boxes for the new Poplar Springs Elementary School and other Greenbox Sites
- A Bobcat loader for the landfill, which is grant funded
- All new emergency communications equipment
- A commercial grade paper shredding machine, to be used by all county departments.

The recommended computers and other equipment are funded by a variety of funding sources, county and non-county, which are identified in the detailed budget documentation. One pickup truck was also approved for the Solid Waste Department, which will be transferred from the Sheriff's Department. The transferred truck will be replaced by one from the County's Impound Lot. The total recommended amount for equipment requested is \$2,919,253 with \$2,381,000 to be financed, \$437,904 from other revenue sources and \$100,349 from the final "Hold Harmless" payment.

### **Personnel**

**Reclassification Requests / New & Current Positions** - Reclassification requests were received from the Walnut Cove Senior Center, Public Works, the E911 Communications Department and Health Department. Three reclassifications were recommended for approval, two of which are located in the E911 Emergency Communications Department and one in the Health Department. This recommended budget reclassifies one Telecommunicator TAC and one Quality Assurance Coordinator to Telecommunicator Supervisors at a total annual increase to the budget of \$3,810. This change is required due to a major change in duties and shift changes for an indefinite period of time for the two affected individuals. This change is also expected to be mandated later this year by the State E911 Board. The recommended budget also reclassifies one Medical Office Assistant to a Processing Assistant IV. This change is recommended because the Health Department Accreditation Team found the department out of compliance under the Nursing Board Standards, which does not allow for a Medical Office Assistant to be

supervised by a non- medical clerical position, as was the case in the Health Department. The duties of a Medical Office Assistant are primarily geared toward patient care and the need in the Health Department is for management of medical records, which the Processing Assistant IV will do. This reclassification will cause a \$1,135 annual increase to the budget (25% county funds). None of the other reclassification requests were recommended to the BOCC for approval. One new position is recommended in this proposed budget. The position is a Bailiff / Transportation Officer that is needed to address increased transportation requirements for the County's implementation of the new State Misdemeanant Confinement Program (SMCP), which the Sheriff has enrolled in to increase revenue for the County. This position would also supplement the Bailiff staff for the court system. My recommendation reduces requested part time salaries for the Jail to offset the cost of this new position. My recommendation also partially funds the 319 grant position in the Natural Resources Office with a goal of receiving 319 grant funding for the position until the end of the 319 grant program approximately two years from now. This position supports many additional functions beyond the actual grant requirements and also allows the County to receive assorted equipment that is also funded by the 319 grant. This budget recommendation does not reinstate any of the positions that were unfunded in the FY2011/12 Budget, nor does it add any new positions other than the Bailiff/Transportation Officer. The funding impact of approving my personnel recommendations would be an increase of approximately \$4,945 county dollars.

### **Employee Bonus**

This budget includes the recommendation for an employee bonus of \$400 per permanent, full time employee and pro-rated bonuses for part time employees, who work regular schedules. The estimated cost for the bonus to the county is \$145,000 and will be paid in December 2012. The decision to include an employee bonus during this challenging budgetary period was based on several factors, some of which are listed below:

- The cost of living, especially for food and fuel has escalated rapidly and projected to continue increasing.
- County employees have not had a bonus since 2008 and their last COLA was also in 2008.
- There is a low probability of county employees receiving a bonus or COLA during the next four years due to the projected revenue losses from "Hold Harmless" and Revaluation.
- Employees have worked hard to do their jobs on increasingly lean departmental budgets, which contributed to the increase in the County's General Fund Balance.

### **Full Time Employee Policy Recommendation on Salaries**

The approved Stokes County pay scale is used to determine the appropriate salary for employees based on their job position, experience and educational degrees required for the position. I would contend that during these difficult economic times the use of the current pay scale has placed a few of our full time employees in the difficult situation of earning less than a livable wage. I would recommend that the BOCC consider a policy change, which would go into effect on July 1, 2012, where after the county's salary analysis is completed, if the annual salary falls below \$19,500, that the starting salary be placed on the county's Salary Grade Plan at the

step which is equal to or the next increment above \$19,500. I would also request that any employees we currently have employed full time, who are below this starting amount, be adjusted up in accordance with the new policy when it goes into effect.

## **Board of Education (BOE) Requests**

New school construction and renovation was addressed in last year's budget and two of the four approved projects are scheduled for completion before school re-opens this fall. The other two projects (Lawsonville Elementary and Forsyth Tech Community College) are in the planning stages and require only one additional appropriation in the proposed FY 2012/13 Budget, which is to initiate the design work for the new community college building.

### **Current Expense**

The Current Expense budget request from the BOE for county funding contains an approximate 4.66% increase over last year's approved budget. This translates to an approximate \$475,435 dollar increase in the BOE request. My recommendation is to provide the BOE \$10,211,763 for Current Expense, which is a \$100,000 (.98%) decrease over last year's approved budget. My recommendation also provides \$ 117,700 to the BOE for Current Expense to pay for operations & maintenance expenses for the new Poplar Springs Elementary School. This funding will come from the New School / Forsyth Tech Construction / Renovation Fund (last year's 4 cent tax increase) and will not impact the County's General Fund. The overall recommendation provides a net increase of \$17,700 for Current Expense over last year's approved "Current Expense" budget.

### **Capital Outlay Expense**

The BOE Capital Outlay request contained an approximate 1096 % increase over last year's approved budget. This translates to an approximate \$2,537,125 dollar increase over last year's approved budget. My recommendation is to provide the BOE \$1,320,000, which includes the authorization for the BOE to spend up to \$1,000,000 from their Current Expense Fund Balance on capital projects. If they choose to do so, this increased authorization from their Fund Balance will allow the BOE to get started on replacing roofs that were explored earlier this year in the County's Qualified School Construction Bond application, which was later denied. As in previous years, my recommendation is to continue prioritizing the capital funding toward the retirement of debt from earlier school construction, which will require \$1 Million for the proposed FY 2012/13 Budget. The remaining capital funds in the amount of \$320,000 will be appropriated for capital projects, to be prioritized by the BOE.

### **Hold Harmless Funding**

The expiration of "Hold Harmless" after this year was a major consideration in the development of this budget. The loss of "Hold Harmless" amounts to an approximate decrease of 5% in the overall county budget revenue. Stokes County is projected to receive approximately \$2.2 Million for its final "Hold Harmless" payment in Aug of 2012. My budget recommendation allocates \$1,509,736 from the final "Hold Harmless" payment for non-recurring expenses to Baptist Hospital (\$1,261,260), CenterPoint

(\$148,127) and to capital outlay (\$100,349). These funds will only be appropriated and disbursed if the BOCC approves these expenditures or different amounts for these three purposes. The remainder of the final "Hold Harmless" funds (\$755,558) would remain un-allocated and un-appropriated. This un-appropriated portion would be held to address projected future year revenue shortages.

## **Health and Dental Insurance Costs**

Due to an unacceptable increase of 35.7% (\$477,396) in premiums, maintaining the same health insurance coverage as last year was not possible. The county will shift this year to a Health Reimbursement Account (HRA)/Split Deductible to cover county employees. The county will continue to pay 100% of the premium cost for employees. The plan will also include increase cost for the employee co-pays in the areas of emergency services, urgent care and prescriptions. Even with the move to an HRA, the county will experience a 7.82% increase (\$101,000) in premiums and could easily spend an additional \$150,000 to \$200,000 above the premium cost. This estimate is based on last year's experience rate under the current plan. Dental insurance premiums also increased by 3% (\$3,004) for FY 2012/13.

## **Enterprise Funds**

The County has three enterprise funds which are described below.

- "SRMH Fund" – This budget recommendation appropriates \$300,000 for Pioneer Health Services (PHS) operating expenses. It also adds \$10,000 per year to the fund for future capital based expenditures based on the receipt of \$500,000 in lease payments from PHS and the return to PHS of \$490,000 for emergency services. The County is also using this fund to manage all "accounts receivable" and "accounts payable" remaining from the County's prior operation of the hospital, after the transfer back from Baptist Hospital. Also included in this fund is \$150,000 to pay the county's half of the sprinkler system costs, which must be installed at the hospital in 2013. All recommendations related to PHS are in accordance with the terms and conditions of the county's lease with PHS.
- "Regional Sewer Fund" – This fund remains financially sound with no rate increases.
- "Danbury Water Fund" – This fund will require a rate increase this year to remain financially sound. This increase is not recommended until 1 October 2012. This will give the County time to complete a water quality improvement cleaning process prior to increasing the rates.

## **General Fund Balance**

Under my proposed budget, \$2,000,000 will be required from the County's General Fund Balance to balance the budget. Approximately \$1,010,426 will be deposited to the County's General Fund Balance on June 30, 2012 from the un-appropriated "Hold Harmless" remaining from the FY 2011/12 "Hold Harmless" allocation. The net effect from these two transactions would be approximately \$1,000,000 being used from the County's General Fund Balance this year to

balance the recommended FY 2012/13 budget. As stated earlier in this message, I would recommend that the BOCC strive to keep the County's General Fund Balance in close proximity to 20% during the next five years and beyond. With the use of \$2,000,000 from the County's General Fund Balance to balance the proposed FY2012/13 budget, it is projected that the County's General Fund Balance will remain slightly above 20% during the next fiscal year.

### **Interest Earnings /Rates**

- **Interest Earnings** – Interest earnings on idle funds invested by the county remain negligible due to continued low market rates. Interest rates are projected to remain low through the next fiscal year.
- **Inflation** – Officially inflation remains low; however, commodities such as energy and fuel are increasing in cost and continue to directly impact the county's budget.

### **Sales Tax Receipts**

Sales tax receipts for the "General Fund" are up by \$155,294 over last year, as of March 31, 2012, which is a 6.77% increase. Article 40 and 42 sales tax receipts, where a proportion goes to the school system, are up by \$55,032 over last year for the same time period, which is a 5.87% increase. Even though sales tax receipts are fairly consistent from last year, they remain significantly lower than the levels received prior to 2008.

### **Ad Valorem Taxes**

Ad Valorem taxes are the main source (45.9%) of revenue for the county budget. This has been another minimal growth year for Ad Valorem tax revenue in Stokes County. Based on the last Stokes County audit, the FY 2010/11 actual collection rate was 96.08%. This proposed budget uses a more conservative collection rate of 95.5%. Should the BOCC desire to do so, the collection rate could be raised as high as 96.08%, though I do not recommend going above 95.5%.

### **Fire Departments and Fire Tax**

My budget recommendation keeps all fire tax at the current rates. The fire tax rates for the King Fire District and Rural Hall Fire District remain the same as the Stokes County Fire Service District at 6.5 cents. The Walnut Cove Fire District remains at 5 cents.

### **Inmate Reimbursement**

The county will not budget any Federal inmate reimbursement funds; however, the Sheriff has enrolled in the SMCP which will provide a new source of revenue for the county. This budget recommendation projects an estimate of \$60,000 revenue for the initial year of the misdemeanor program.

## **Communications Upgrade**

The county staff is aggressively pursuing the equipment required for the FCC mandated communications upgrade, which must be in place by January of 2013. Applications were submitted for grant funding to reduce the county's burden for this project, but Stokes County did not make the cut to receive grant funds. The county will now fund this project from E911 funds and by financing the remainder of the costs. The financing will be for 59 months per advice of the Local Government Commission. This upgrade will replace all of the E911 Center equipment, which has been in service for approximately 10 years. It also replaces the Spillman server which is old and no longer supportable due to obsolescence of repair parts after this year. The communications upgrade is projected to cost approximately \$2 Million and will replace all of the communications equipment in the county and municipalities. The municipalities will reimburse the county for their portion of the equipment. The Town of Walnut Cove has asked to make their reimbursement in two payments over a two-year period. Since the county was notified late in the process that grant funding was denied, an aggressive schedule will be required to get this complex project completed before the January 2013 deadline.

## **Relocation of the E911 Center**

In this budget, I recommended that the E911 Center be relocated to the Government Center in the area being vacated by Forsyth Tech, across from Sheriff's Department. Funding for the move can come from capital reserve if the relocation costs are not prohibitive. Cost estimates are currently being completed for the relocation. A major component of the relocation estimate will be the cost to ground the equipment in the new location. There is also a question as to whether it is technically possible to ground the equipment at the new location. If these issues can be successfully addressed then I think it makes sense to relocate the center for the following reasons:

- Current E911 Center is in a small light weight, pre-fab type building that is less than satisfactory and subject to damage by severe weather. The recommended new location is the most secure building in the county government complex.
- Current E911 Center building would be better suited for other uses because of its design, location and layout.
- The recommended relocation would improve the efficiency of the center by placing it in close proximity to the Sheriff's Department and make it more accessible to other county facilities.
- Should the BOCC ever desire to place E911 Communications under the Sheriff's Department, as it is in some other counties, the new location would facilitate that change.
- Installation of the new E911 Center console equipment would be much quicker and more efficient if it was installed in a separate location from the current facility, which would minimize any down time in the transition from the old to the new equipment.
- The better facilities and new location would improve the morale of the telecommunicators and hopefully reduce the turnover rate.

- The two rooms at the proposed new E911 Center location would also provide an excellent dual use location for an Emergency Operations Center (EOC), which was eliminated when the Administration Building third floor was finished. The best location for an EOC would be near the communications center.
- If the BOCC ever plans to move the E911 Center, the logical time to do it is when new equipment is being installed. Once the new equipment goes into the current location, it becomes much more difficult and costly to move it at a later date.

### **Creation of a Consolidated Billing & Collections Office**

This budget recommends that the County move to a centralized billing and collections process by creating a consolidated billing and collections office. This office will be located in the space currently occupied by the GIS / Mapping function. The GIS/Mapping group will move across the hall to the Tax Office in an area to be designated by the Tax Administrator. The consolidated billing and collections office will combine in a single location the billing and collections personnel currently assigned to the Tax Administration Department and the Emergency Management Department. This will immediately improve efficiency and communication. It will also relieve the Assistant Finance Officer of an administrative burden, which is required under the current organizational structure because of internal controls / separation of duties. This change will require the transfer of one Office Assistant IV and one Office Assistant II position from the Emergency Management Department to the Tax Administration Department.

### **New Building for Health Department**

This budget recommendation includes funding for construction and equipping of a new building for the Health Department. The building is needed for additional administrative space and is funded using Title XIX Medicaid Settlement funds and no county funds. The budgeted cost for the new building is approximately \$475,000.

### **Change of Revaluation from a Fund to a Department**

Until this year the revaluation staff and budget have been tracked using a separate “Revaluation Fund”. It is my recommendation that this fund is abolished and the revaluation activity be managed as a separate department, while remaining under the supervision of the Tax Administration Department. This change is driven by rule changes from the General Accounting Standards Board, which requires revaluation to now be part of the County’s General Fund. This organizational change will meet that requirement at no additional cost to the county.

### **Miscellaneous Requests from Outside Agencies**

Several outside agencies requested and received funding in the Stokes County FY 2012/13 Budget. Agencies that were denied funding in the recommended budget are listed below:

- YVEDDI – Request for weatherization funding was denied (\$3,000)
- Roanoke River Basin – Request for was \$3,722
- N.C. Wildlife Resource Commission – Request was for \$4,000

## Summary

In summary, my recommended budget attempts to place the county in the best possible position to absorb both the loss of “Hold Harmless” funding and the projected annual reduction (\$1,043,000) of Ad Valorem tax revenue for four years beginning next year. It also accounts for the unresolved debt situation with Baptist Hospital and funds the communications upgrade and a new building to increase the office space for the Health Department.

- What this budget does not do.....
  - Does not increase Ad Valorem taxes
  - Does not furlough or lay off any county employees
  - Does not provide a cost of living adjustment
  - Does not eliminate or reduce any existing services to our citizens
  - Does not reinstate any of the unfunded positions from last year’s budget
  
- What this budget does do.....
  - Appropriates County General Fund Balance to balance the budget
  - Provides a one-time bonus of \$400 to permanent full time employees and pro-rated bonuses for part time employees, who work regular schedules
  - Keeps the projected County General Fund Balance above 20% for the upcoming fiscal year
  - Funds capital outlay for equipment
  - Continues to pay 100% of employees’ health and dental care premiums
  - Eliminates reimbursement of meal expense for day trips by county employees due to an IRS change that makes this reimbursement taxable. Meals for overnight stays are the only meals that will be reimbursable for county employees.

## Conclusion / Recommendations

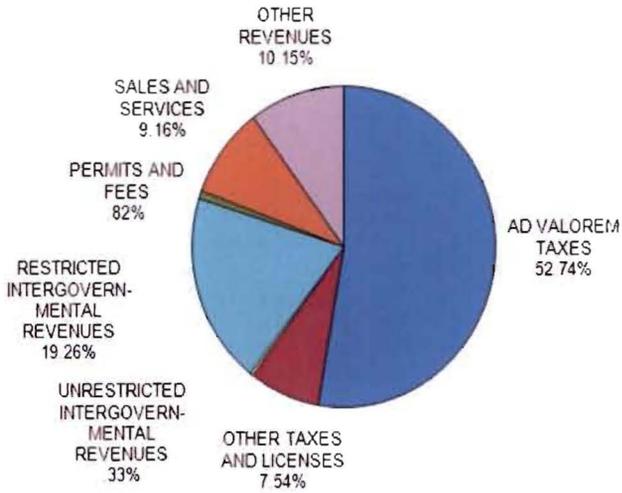
It is my conclusion after developing this recommended budget, that the “New Normal” could also be defined as the beginning of a “Perfect Storm”, as illustrated by the uncanny combination of events that have come together at this time, which include expected and unexpected hospital transition costs, the end of “Hold Harmless”, the reduced value of property and the unfunded mandate to upgrade communications. The BOCC is facing tough budget challenges, with difficult decisions to keep the county in a strong financial condition during the next five years. The major challenge will be generating sufficient revenues to keep services at the current levels without reducing the County’s General Fund Balance to an unacceptable level. The first step in the process is for the BOCC to consider the two alternatives below for the recommended FY 2012/13 Budget:

**Alternative #1** - Adopt my recommended budget, which is balanced and in my judgment provides a logical approach that addresses all major budget issues faced by the county for FY2012/13.

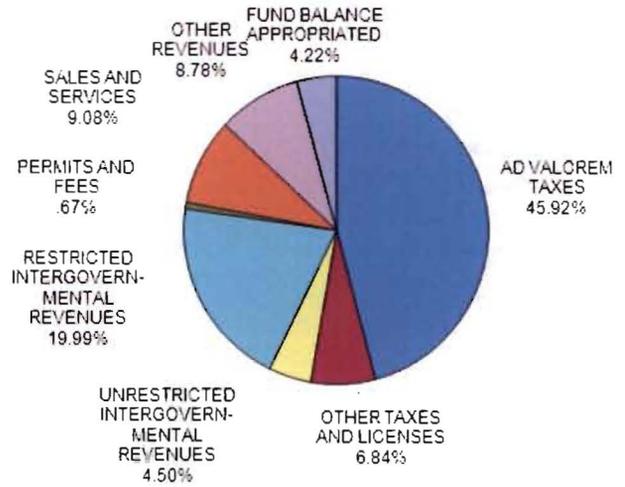
**Alternative #2** – Adopt a budget that increases or decreases my recommended budget as long as it meets the objectives of the BOCC and does not add risk by increasing revenue projections. Recommended revenue projections are conservative but will not remain so if increased much beyond the recommended levels.

This budget message includes one attachment which is a graphic comparison of revenues and expenses in the current and recommended budgets.

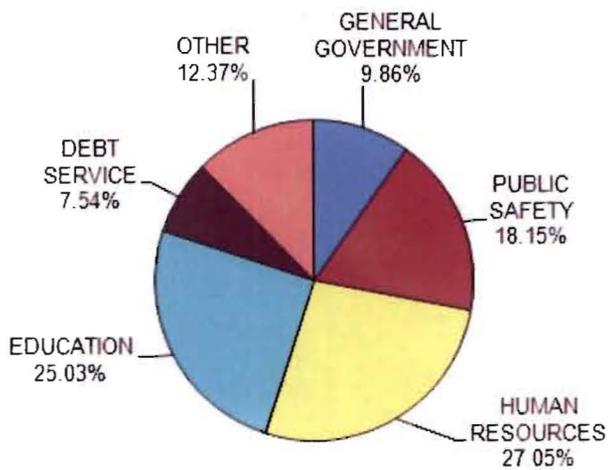
**REVENUES 2011-12**



**REVENUES 2012-13**



**EXPENDITURES 2011-12**



**EXPENDITURES 2012-13**

