

Summary Information

Summary of Changes to Recommended Budget:

As is required by state law, the County Manager develops a “recommended” budget that is presented to County Commissioners in early May. Commissioners hold public hearings and work sessions to review the recommended budget in depth. Normally, Commissioners make changes to the

recommended budget before the final budget is approved. Overall, Commissioners reduced the general fund budget by \$156,965 and reduced the tax-rate increase by 0.53 cents.

Below is a list of the changes Commissioners made to FY 2010-2011 budgeted revenues and expenditures by fund.

General Fund Revenues:

Change	Amount
Increase unrestricted Article 40 sales tax revenue by 1.5%	14,140
Increase restricted Article 40 sales tax revenue by 1.5%	6,060
Increase beer and wine revenues	150,000
Increase prior year taxes revenue	65,000
Increase penalties and interest revenue	10,000
Increase interest revenue	25,000
Increase sale of surplus property revenue	20,000
Increase appropriated fund balance to cover lead X-ray machine	16,000
Decrease property tax revenue to reflect tax rate reduction of 0.53 cents	(453,378)
Health—Family Outreach and Support Services: Reduce Medicaid revenue (Medicaid-generating position reallocated to lead program)	(24,500)
Court-related Programs: Increase Governors Crime Commission grant for Safe Havens	42,039
Court-related Programs: Decrease Safe Havens grant for Safe Havens	(33,824)
Health—Environmental Health: Increase Medicaid revenue for lead program	1,314
Pittsboro-Siler City Convention & Visitors Bureau: Eliminate proposed increase in the occupancy tax from 3% to 6%	(28,205)
Increase fund balance (balances budget, but still only covering one-time expenses)	33,389
Total changes	(156,965)

General Fund Expenditures:

Change	Amount
Sustainable Communities Administration: Reduce life insurance	(42)
Health-Environmental Health: Lead program	63,053
Health-Community Health Promotion: Obesity prevention coordinator	32,852
Chatham County Schools: Increase operating for wastewater costs	1,744
Nondepartmental: Increase contingency for Harnett jail contract	40,000
County Manager's Office: Halftime human resources analyst	22,965
Nondepartmental: Eliminate Grand Trees appropriation	(1,750)
Parks & Recreation: Decrease transfer to parks capital reserve	(200,000)
Court-related Programs: Increase expenditures for Governors Crime Commission grant to Safe Havens	9,107
Sustainable Communities-Affordable Housing/Green Building: Increase salary and move hiring date for affordable housing/green building position	(2,261)
Sustainable Communities-Resource Conservation: Begin resource conservation position in January	(20,245)
Nondepartmental: Budget lapsed salaries to offset lead program costs	(71,553)
Pittsboro-Siler City Convention & Visitors Bureau: Reduce expenditures as a result of eliminating proposed rate increase	(30,835)
Total changes	(156,965)

Water Fund Revenues:

Change	Amount
Increase sewer revenue (rate increase)	2,631
Decrease fund balance	(2,631)
Total changes	0

Facility Reserve Revenue:

Change	Amount
Reduce parks transfer from General Fund	(200,000)
Total Changes	(200,000)

Facility Reserve Expenditures:

Change	Amount
Reduce future funds for parks	(200,000)
Total Changes	(200,000)

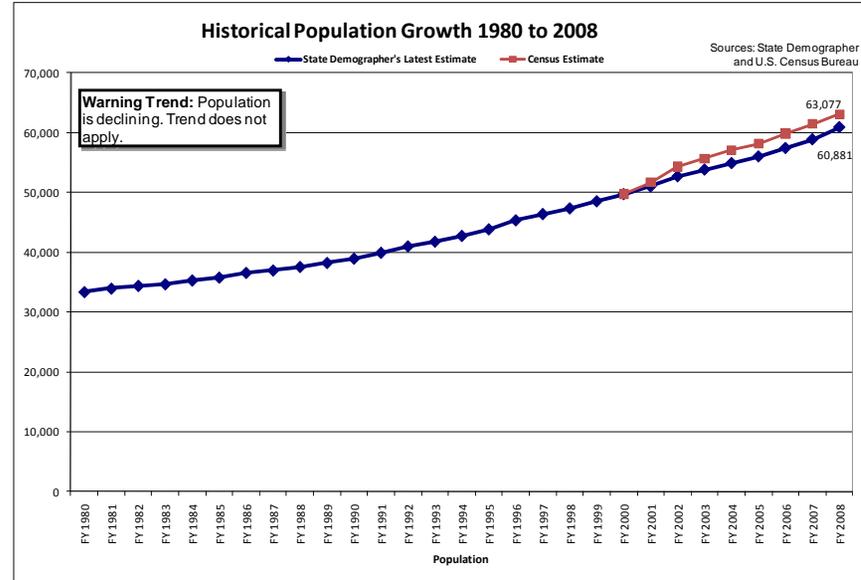
Background:

Founded in 1771 and located in the geographic center of North Carolina, Chatham County encompasses an area of more than 707 square miles and is known as the "The Heart of North Carolina." The county is situated between two of the state's three largest centers of population and commerce, the Triangle Region and the Piedmont Triad.

Chatham County's population and economic base have changed substantially during its history. The county has experienced a dramatic increase in population due to residential growth in the eastern part of the county near Chapel Hill, Durham, and Cary. The county has seen a major surge in Hispanic/Latino residents in the western part of the county.

The 2008 Census estimates the population at 64,772, an increase of 28% since 2000. Chatham County has the 12th highest growth rate compared to other North Carolina counties since 2000. Less than 20% of county residents live in incorporated towns. The county has about 85 residents per square mile, which reflects its generally rural nature. The incorporated towns in the county have an estimated 2008 population as follows:

- Siler City: 8,564
- Pittsboro: 2,624
- Goldston: 379

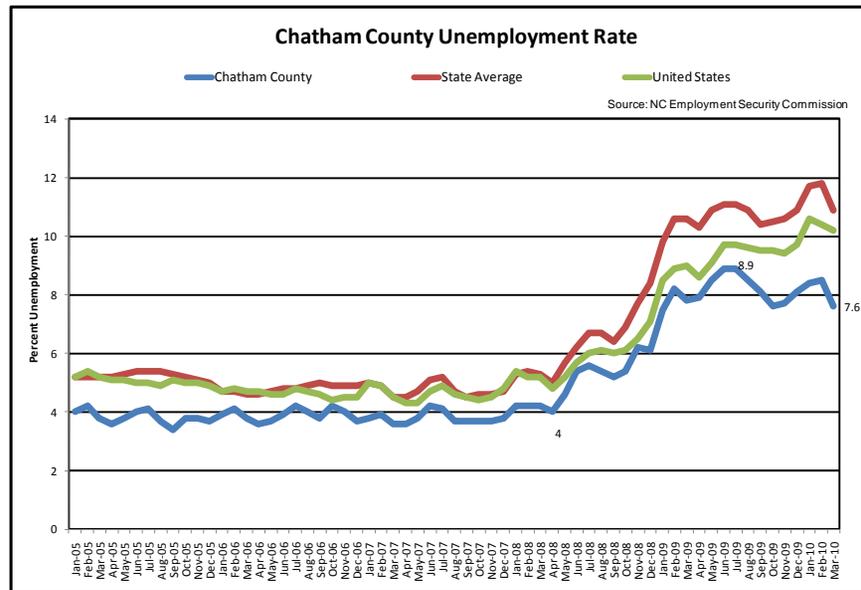


- Cary: 320 (with a total population of 129,545, the large share of Cary's population is in Wake County)

Ethnic/Racial Diversity: The overall, racial/ethnic composition of Chatham County is 71% white, 13% African American, 12% Hispanic, 2% Asian, and 2% other.

Between 1990 and 2008 the county experienced growth in the Hispanic population, increasing from 564 residents to 7,876.

Economic Assumptions:



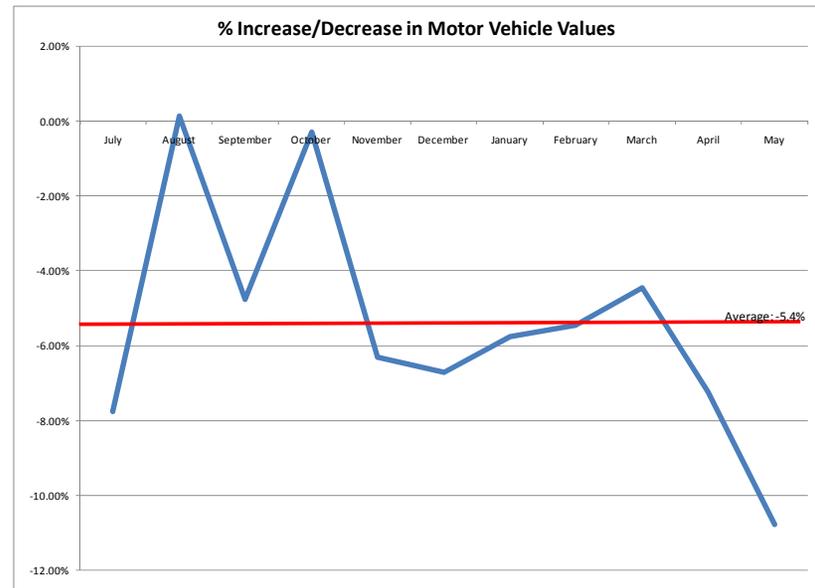
Experts agree that the economy has started a slow recovery from the Great Recession. Most indicators, including personal income and retail sales, have started to increase after substantial declines. Even with these positive signs, experts expect local revenues to recover more slowly. Locally, signs are conflicting and show we are also in for a slow recovery.

Unemployment: Because of our proximity to stable employment centers such as the universities and Research Triangle Park, the county’s unemployment rate trends well below the state and national average. Many believe the number of persons employed is a better indicator than the unemployment rate. Though it’s too early to call it a trend, the number of persons employed in the county has grown each of the last three months, including by 420 (more than 1%) in

March. However, these jobs could be related to a seasonal increase, such as the Census.

Property Tax Base: After years of robust growth in non-motor vehicle property values, exceeding 5% annually, values are expected to grow just 2.1% in FY 2011. Much of the increase comes from just three sources: Briar Chapel, Amberly, and Uniboard.

Motor vehicle values continue an uninterrupted decline since August 2009 when values increased slightly, coinciding with the “Cash for Clunkers” program. Overall, motor vehicle values are down 5.4% from FY 2009. Values decline when people put off purchasing new vehicles and the value of their old vehicle depreciates each year. Since new car sales tend to



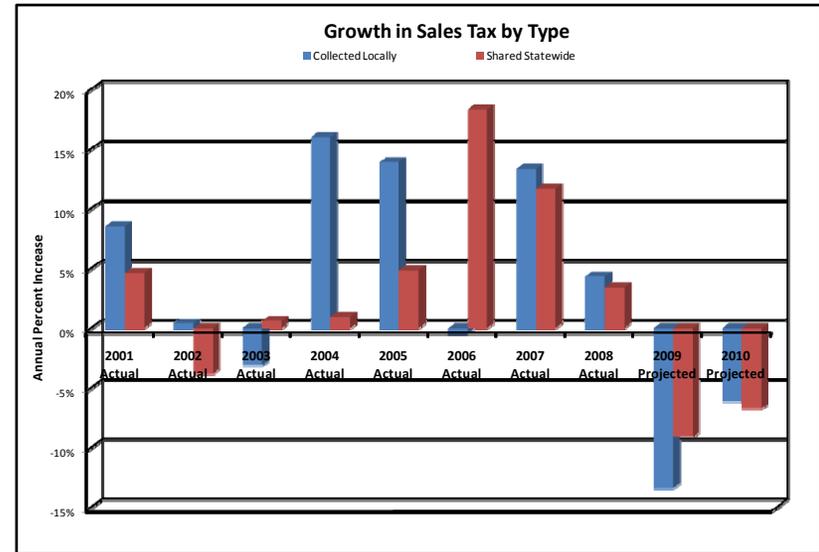
lead an economic recovery, it's not clear we are seeing signs of that on the home front.

The number of foreclosures in the county has jumped significantly in the past two years.

Several residential developers have gone bankrupt, including the Legacy at Jordan Lake, the Retreat on Haw River, and the Parks at Meadowview.

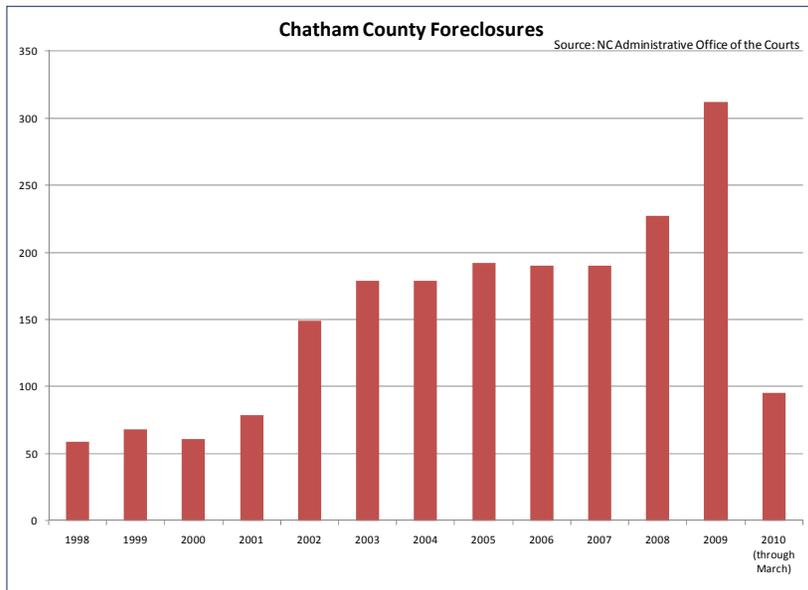
Retail Sales: In FY 2009, Chatham County experienced a 4% greater decline in sales tax revenue than the state average. In FY 2010 that has improved with the county's sales tax receipts slightly ahead of statewide collections by 0.6%. The overall decline for both types is also less than in FY 2009.

Building Permits: The number of residential building permits issued countywide (including Cary and Siler City) year-to-date in FY 2010 already exceeds the total number of residential permits issued in FY 2009. If this trend continues,



we are on track to beat FY 2009 numbers by 25%. However, no significant commercial permits, aside from county projects, have been issued in FY 2010.

State Budget: As is usually the case, the state's budget crisis has translated into adverse action against counties. The impact on the school system has been significant, but so far those actions have not had a major impact on county revenues. The governor's proposed budget for FY 2011 would further reduce the budget for Chatham County Schools by approximately \$709,000. It would also have minor impacts on revenues for social services and jails. Because the budget still has to go through the legislature for adoption, staff did not revise revenues based on the governor's budget.



Financial Indicators:

The University of North Carolina at Chapel Hill's School of Government created a series of financial indicators that enable local governments to review and analyze their financial condition. In addition to providing a visual analytical tool, these indicators also enable governments to benchmark against other jurisdictions. Each indicator is illustrated with a graph that shows the indicator's trend over the past six years in Chatham and a corresponding benchmarking graph that compares Chatham to Lee and Moore. Lee County was chosen for comparison because of its geographic proximity and similar sized population. Moore County was chosen because it has a similar sized budget.

All of the indicators, except the Capital Assets Condition Indicator, are based on financial data from the General Fund. The Capital Assets Condition Indicator uses government-wide financial data which includes all governmental funds, such as special revenue funds and the General Fund.

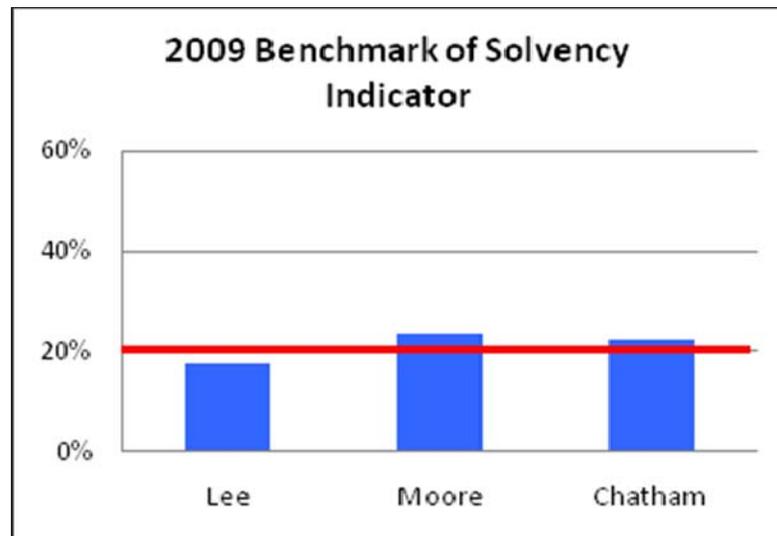
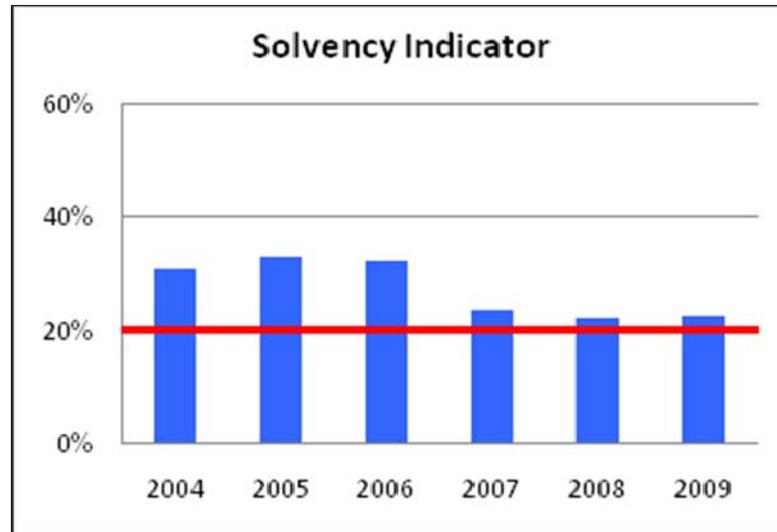
An analysis of Chatham County's financial indicators shows that the county is in excellent financial condition. In addition, the indicators revealed interesting financial data that was incorporated into the budget decision-making process. Below are the financial indicators that may provide insight into budget decisions and provide background information about Chatham County's financial condition:

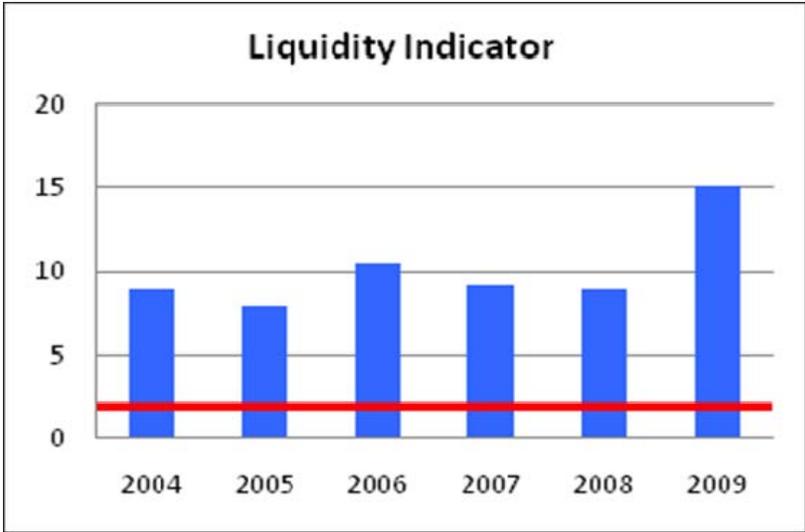
	Chatham	Lee	Moore
Budgeted Expenditures	\$80,495,239	\$59,864,318	\$87,749,812
Effective Tax Rate	\$0.6014	\$0.7163	\$0.4360
2008 Population	60,881	57,500	85,280
Valuation/capita	\$138,592	\$81,600	\$136,492
Valuation/capita Rank	16	53	18
Per Capita Income	\$41,901	\$30,052	\$37,800
Per Capita Income Rank	3	35	6
Total Funding Per Student	\$4,102	\$2,324	\$2,676
School Funding Rank	5	32	24

Solvency

The Solvency Indicator measures a government's ability to address long-term obligations. A high ratio suggests a government can meet its long term obligations. The Solvency Indicator is calculated by dividing the available fund balance by total expenditures (less proceeds from capital leases) plus transfers out.

Chatham County's solvency ratio is 22.4%, meaning the county has funds available to for capital projects such as lighting for the Northwood football field or improvements to the Law Enforcement Center site. It also suggests that Chatham County is financially prepared in case of disaster. Chatham County has been able to save resources and keep expenditures low.

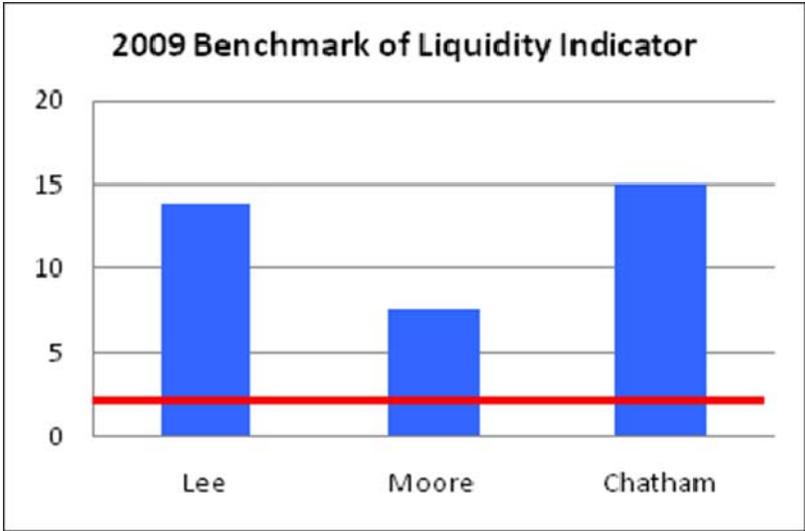




Liquidity

The Liquidity Indicator measures a government’s ability to meet its short-term obligations. The Liquidity Indicator is calculated as cash and investments divided by current liabilities (not including deferred revenue).

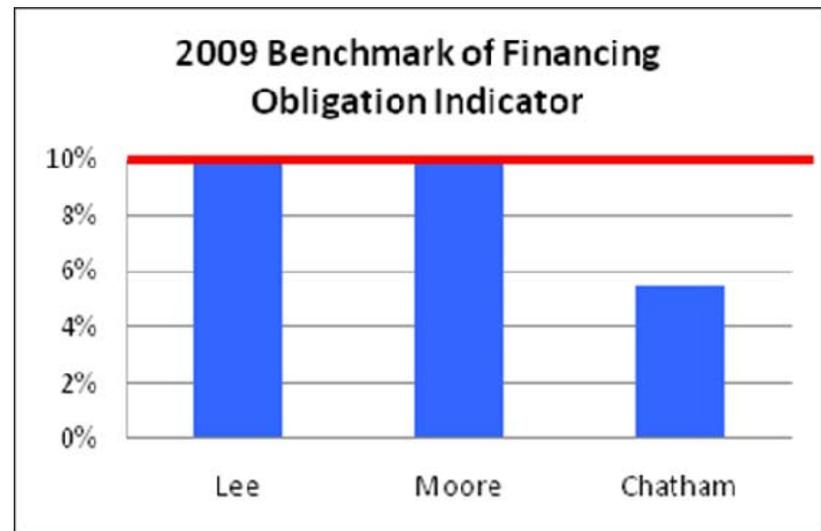
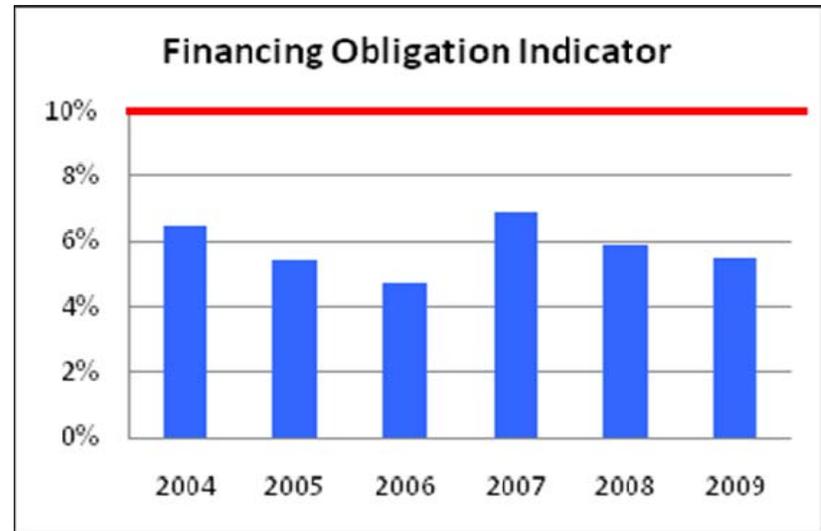
The School of Government recommends having a ratio of 2 or greater. Currently, Chatham County has a ratio of 15, meaning the county has cash available to meet its immediate cash needs.

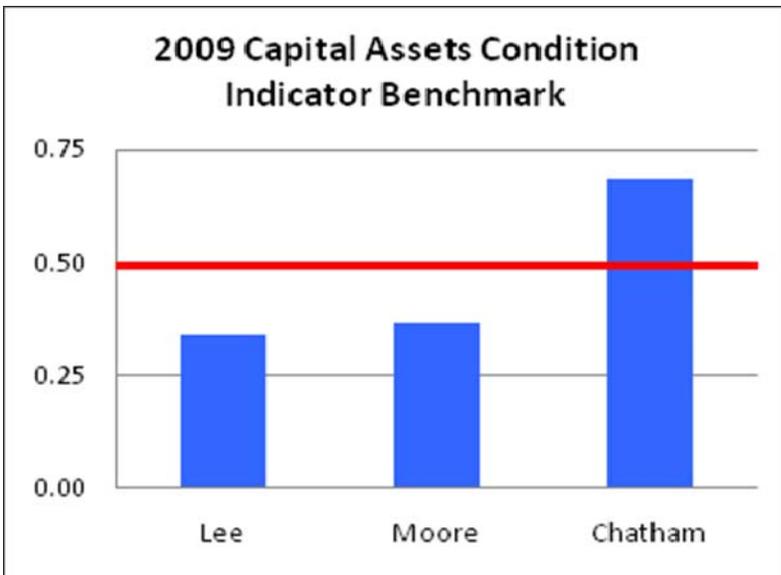
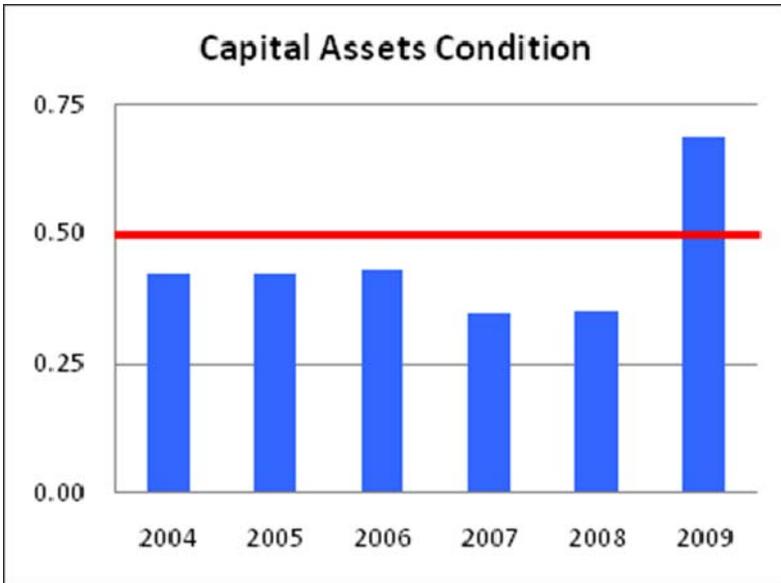


Financing Obligation

The Financing Obligation Indicator provides feedback on the amount of expenditures committed to annual debt service. Service flexibility decreases as more resources are committed to annual debt service. The Financing Obligation is calculated by dividing the debt service principal and interest payment including transfers to debt service fund by total expenditures.

The School of Government recommends that this ratio should be no more than 10%. Chatham County's Financing Obligation Indicator is well below the suggested 10%, meaning that Chatham's debt does not impede its ability to provide services.





Capital Assets Condition Indicator

The Capital Assets Condition Indicator measures the condition of capital assets as defined by their remaining useful life. A high ratio suggests a government is investing in its capital assets. The Capital Assets Conditions Indicator is calculated as accumulated depreciation divided by capital assets being depreciated. This result is then subtracted from one.

The School of Government recommends maintaining a ratio of .5. Currently, Chatham County's Capital Assets Condition Indicator is .69, meaning Chatham County is maintaining and investing in capital, such as buildings and vehicles, appropriately. In the past, however, Chatham County did not achieve a .5 ratio. Recent capital expenditures reflect an effort to improve this ratio and invest in capital assets.

Fund Descriptions and Structure:

General Fund – The General Fund is the primary operating fund for the county. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

Impact Fees Fund – This fund is used to account for an additional fee charged on all building permits issued for the construction of new dwellings. Impact fees collected are to be used to offset a portion of the cost of new school construction.

Facility Reserve/Capital Improvement Reserve Fund – The County transfers annually an amount equivalent to five cents on the tax rate into this fund plus an additional amount for parks construction. The five-cent transfer is used to fund a variety of general capital projects, including a library, Central Carolina Community College facilities, an addition to the Department of Social Services, and a judicial facility.

Facilities Improvements Project Fund – This fund accounts for the financing and construction of facilities and additional office space within the County.

School Construction Fund – This fund is used to account for the construction of new school facilities and additions to existing facilities.

Utility Fund - This fund is used to account for the County's water and sewer operations.

Southeast Water District Fund – This fund is used to account for the operations of the water district covering the southeastern portion of the County.

Solid Waste Management Fund – This fund is used to account for the operations of the County's collection and disposal of solid waste.

The majority of departments are funded through the General Fund, with the exception of Utilities and Waste Management, which are funded through the Utility Fund and the Solid Waste Management Fund. Funds spent outside of the General Fund are immaterial.

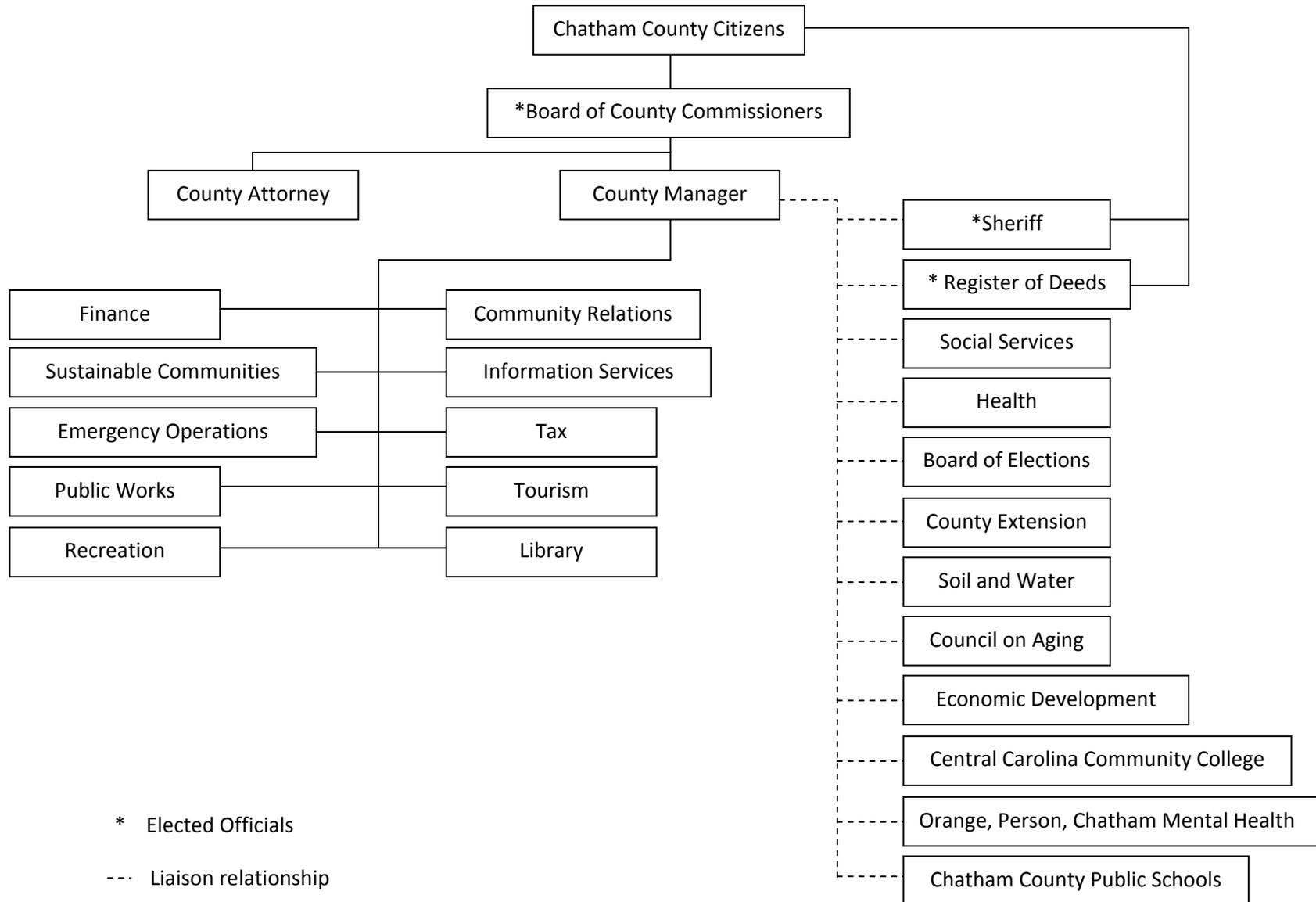
In accordance with North Carolina General Statutes, the basis of accounting and budgeting for the County is modified accrual. This means revenues are recorded in the period in which they are measurable and available. Revenues are recognized when they are received in cash (example: licenses, fines, etc.) or when the collection of the amount estimated to be received in the near future (example: property taxes). Expenditures in a modified accrual basis are generally recognized in the period goods and services are received or liabilities incurred.

Employee Summary (full-time equivalents):

Department	2008 Actual	2009 Actual	2010 Amended	2010 Estimated	2011 Total Req.	2011 Appr. Cont.	2011 Appr. Exp.	2011 Total Appr.	Cont. % Inc./Dec.	Total % Inc./Dec.
Council on Aging	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0%	0%
County Attorney	2.00	2.00	1.00	1.00	1.00	1.00	0.00	1.00	0%	0%
County Manager's Office	5.00	6.00	6.00	6.00	9.00	6.00	0.50	6.50	0%	8%
County Manager's Office -- Community Relations Div	3.00	3.00	3.00	3.00	4.00	3.00	0.00	3.00	0%	0%
Court-related Programs	4.75	4.60	3.97	3.97	4.75	4.76	0.00	4.76	20%	20%
Elections Office	2.00	2.00	2.00	2.00	3.00	2.00	0.00	2.00	0%	0%
Emergency Management -- Emergency Operations	3.00	3.00	3.00	3.00	3.00	3.00	0.00	3.00	0%	0%
Emergency Management -- Telecommunications	16.00	16.00	16.00	16.00	19.00	16.00	2.00	18.00	0%	13%
Family Resource Center	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0%	0%
Finance Office	8.00	8.00	8.00	8.00	8.00	8.00	0.00	8.00	0%	0%
Governing Board	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0%	0%
Health -- Administration	5.00	6.00	6.00	6.00	6.00	6.00	0.00	6.00	0%	0%
Health -- Animal Control	7.00	7.00	7.00	7.00	7.00	7.00	0.00	7.00	0%	0%
Health -- Community Health & Surveillance	5.00	8.75	8.70	8.70	7.65	7.65	0.00	7.65	-12%	-12%
Health -- Community Health Promotion & Advocacy	9.80	9.80	9.00	9.00	8.00	7.40	0.60	8.00	-18%	-11%
Health -- Environmental Health	13.50	14.50	14.50	14.50	16.00	15.50	1.00	16.50	7%	14%
Health -- Family Outreach and Support Services	12.90	12.30	12.30	12.30	9.50	8.50	0.00	8.50	-31%	-31%
Health -- Preventive Health Care	27.35	25.75	24.55	24.55	26.65	26.55	0.10	26.65	8%	9%
Library	10.60	11.10	12.10	12.10	21.60	11.10	7.00	18.10	-8%	50%
Management Information Systems (MIS)	10.00	12.00	10.00	10.00	13.00	11.50	0.00	11.50	15%	15%
Parks & Recreation	4.00	6.00	4.00	4.00	5.50	5.00	0.50	5.50	25%	38%
Pittsboro-Siler City Convention & Visitors Bureau	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00	0%	0%
Public Works -- Facilities Management	12.00	12.00	12.00	12.00	14.00	12.00	0.00	12.00	0%	0%
Public Works -- Fleet Management	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0%	0%
Register of Deeds	6.00	6.00	6.00	6.00	6.00	6.00	0.00	6.00	0%	0%
Sheriff's Office -- Law Enforcement	75.00	76.40	77.25	77.25	87.00	78.00	2.00	80.00	1%	4%
Sheriff's Office -- Jail	16.00	20.00	20.00	20.00	20.00	20.00	0.00	20.00	0%	0%

Department	2008 Actual	2009 Actual	2010 Amended	2010 Estimated	2011 Total Req.	2011 Appr. Cont.	2011 Appr. Exp.	2011 Total Appr.	Cont. % Inc./Dec.	Total % Inc./Dec.
Social Services	81.25	84.25	82.25	82.25	83.25	82.25	1.00	83.25	0%	1%
Soil & Water Conservation District	3.00	3.00	3.00	3.00	3.00	3.00	0.00	3.00	0%	0%
Sustainable Communities -- Administration	0.00	2.00	1.00	1.00	1.00	1.00	0.00	1.00	0%	0%
Sustainable Communities -- Affordable Housing/Green Building	0.00	0.00	0.00	0.00	1.00	1.00	0.00	1.00	100%	100%
Sustainable Communities -- Central Permitting	4.00	4.00	3.00	3.00	3.00	3.00	0.00	3.00	0%	0%
Sustainable Communities -- Environmental Resources	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00	0%	0%
Sustainable Communities -- Fire Marshal Division	4.00	4.00	4.00	4.00	4.00	4.00	0.00	4.00	0%	0%
Sustainable Communities -- Inspections Division	9.00	9.00	7.00	7.00	6.00	6.00	0.00	6.00	-14%	-14%
Sustainable Communities -- Planning	8.00	8.00	9.00	9.00	7.00	7.00	0.00	7.00	-22%	-22%
Sustainable Communities -- Resource Conservation	0.00	0.00	0.00	0.00	1.00	1.00	0.00	1.00	100%	100%
Sustainable Communities -- Sedimentation & Erosion	3.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0%	0%
Sustainable Communities -- Transportation	0.00	0.00	0.00	0.00	1.00	1.00	0.00	1.00	100%	100%
Tax -- Administration	9.00	10.00	10.00	10.00	11.00	10.00	0.00	10.00	0%	0%
Tax -- Assessment & Revaluation	5.00	5.00	5.00	5.00	6.00	5.00	0.00	5.00	0%	0%
Tax -- Land Records	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0%	0%
Waste Management	13.00	13.00	13.00	13.00	13.00	13.00	0.00	13.00	0%	0%
Water -- Distribution	15.00	15.00	15.00	15.00	16.00	15.00	1.00	16.00	0%	7%
Water -- Water Treatment	7.00	7.00	7.00	7.00	7.00	7.00	0.00	7.00	0%	0%
Total County Employees	430.15	449.45	437.62	437.62	474.90	437.21	15.70	452.91	0%	3%

Chatham County Organizational Chart



Operating Funds Summary

The operating funds summary shows the total for the General Fund, Water Utility Fund, and Waste Management Fund.

- The General Fund is the primary operating fund of the County. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, sales taxes, Federal and State grants, and other various taxes and licenses. The primary expenditures are for administration, culture, recreation, education, general government, human services, natural resource management, and public safety
- The Waste Management Fund accounts for the operations of the County's solid waste activities, including operating collection centers, hauling waste to transfer stations, environmental enforcement, and recycling.
- The Water Fund accounts for the operations of the County water activities, including maintaining water lines, reading monthly water meters, and operating the county's water treatment plant.

	A 2008 Actual	B 2009 Actual	C 2010 Amended	D 2010 Estimated	E 2011 Total Req	F 2011 Total Rec	G 2011 Appr Cont	H 2011 Appr Exp	I 2011 Total Appr	J Cont % Inc/Dec	K Total % Inc/Dec
Revenues											
Fees & Permits	1,410,624	1,287,652	871,400	837,901	777,600	815,600	815,600	0	815,600	(6%)	(6%)
Intergovernmental	9,270,764	10,678,150	9,843,269	9,828,105	9,174,323	9,203,908	9,313,404	48,719	9,362,123	(5%)	(5%)
Interest	1,404,178	759,702	700,000	330,000	330,000	330,000	355,000	0	355,000	(49%)	(49%)
Grants/Donations	298,450	213,131	157,549	297,635	305,123	294,196	218,113	76,083	294,196	38%	87%
Miscellaneous	334,379	131,140	(105,000)	(7,993)	(46,200)	(46,200)	(26,200)	0	(26,200)	(75%)	(75%)
Other Taxes/Licenses	1,007,819	784,669	750,600	765,426	780,000	725,000	725,000	0	725,000	(3%)	(3%)
Property Tax	44,212,222	50,195,912	50,309,194	51,656,716	53,530,541	53,530,541	51,514,282	1,637,881	53,152,163	2%	6%
Sales & Service	9,208,339	10,180,656	9,330,461	9,171,293	9,552,205	9,271,945	9,245,076	6,314	9,251,390	(1%)	(1%)
Sales Tax	12,408,159	9,950,751	7,862,748	7,600,349	7,223,200	7,223,200	7,243,400	0	7,243,400	(8%)	(8%)
Transfers	3,030,393	3,761,114	7,335,274	6,450,719	6,543,699	7,617,258	7,253,302	363,956	7,617,258	(1%)	4%
Fund Balance	0	0	6,023,894	439,809	4,334,372	4,334,372	1,673,371	2,707,759	4,381,130	(72%)	(27%)
Total Revenues	82,585,327	87,942,877	93,079,389	87,369,960	92,504,863	93,299,820	88,330,348	4,840,712	93,171,060	(5%)	0%
Expenditures											
Salaries	15,873,355	16,712,806	17,263,504	16,885,992	18,500,532	17,735,604	17,336,998	368,187	17,705,185	0%	3%
Other Personnel Costs	6,739,534	7,456,344	7,436,984	7,438,625	8,371,595	8,053,827	7,895,876	166,168	8,062,044	6%	8%
Operating	36,404,135	40,749,838	41,316,174	39,980,629	42,937,475	42,318,755	40,960,619	1,400,059	42,360,678	(1%)	3%
Debt	4,264,661	5,826,606	9,098,402	9,859,952	9,470,480	9,470,480	9,470,480	0	9,470,480	4%	4%
Transfers	7,064,010	5,585,745	6,534,905	5,301,250	5,815,899	4,854,120	4,654,120	0	4,654,120	(29%)	(29%)
Public Assistance/Grants	6,442,430	6,123,628	6,554,243	6,124,589	6,637,491	6,383,519	6,399,684	(9,700)	6,389,984	(2%)	(3%)
Capital Outlay	5,476,239	5,110,515	4,875,177	3,962,238	4,902,004	4,512,569	1,477,515	3,051,054	4,528,569	(70%)	(7%)
Total Expenditures	82,264,364	87,565,482	93,079,389	89,553,275	96,635,476	93,328,874	88,195,292	4,975,768	93,171,060	(5%)	0%