

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 increased the Chatham County Schools budget by \$110,096. This amount is earmarked for 2 teaching positions at Sage Academy. This amount was offset by appropriating fund balance. (Note that the county still meets its fund balance policy of not appropriating funds for operating. The amount of fund balance originally recommended was \$367,373 less than capital outlay projects approved in the budget.)

Commissioners also allocated an additional \$9,700 to Chatham Together! and \$300 to Family Violence & Rape Crisis from \$10,000 set aside for Commissioners to allocate directly. Commissioners also allocated an additional \$1,700 from the general contingency for Family Violence & Rape Crisis.

In addition to changes made by the Board, staff discovered a mistake in the nonprofit allocation. The \$10,000

set aside for Commissioners to allocate directly was omitted from the recommended budget. This amount is taken from contingency.

General Fund Revenues:

Change	Amount
Beginning General Fund	\$82,883,972
General Revenues: Increase appropriated fund balance	110,096
Ending General Fund	\$82,994,068

General Fund Expenditures:

Change	Amount
Beginning General Fund	\$82,883,972
Increase funding for Chatham County Schools to restore 2 teaching positions at Sage Academy	110,096
Increase funding to Chatham Together! from Commissioners nonprofit funding	9,700
Increase funding to Family Violence & Rape Crisis from Commissioners nonprofit funding	300
Increase funding to Family Violence & Rape Crisis from contingency	1,700
Decrease contingency	(1,700)
Decrease contingency	(10,000)
Ending General Fund	\$82,994,068

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 2010 Census estimates the population at 63,505, an increase of 29% since 2000. Chatham County has the 11th highest growth rate compared to other North Carolina counties since 2000. Only 21% of county residents live in incorporated

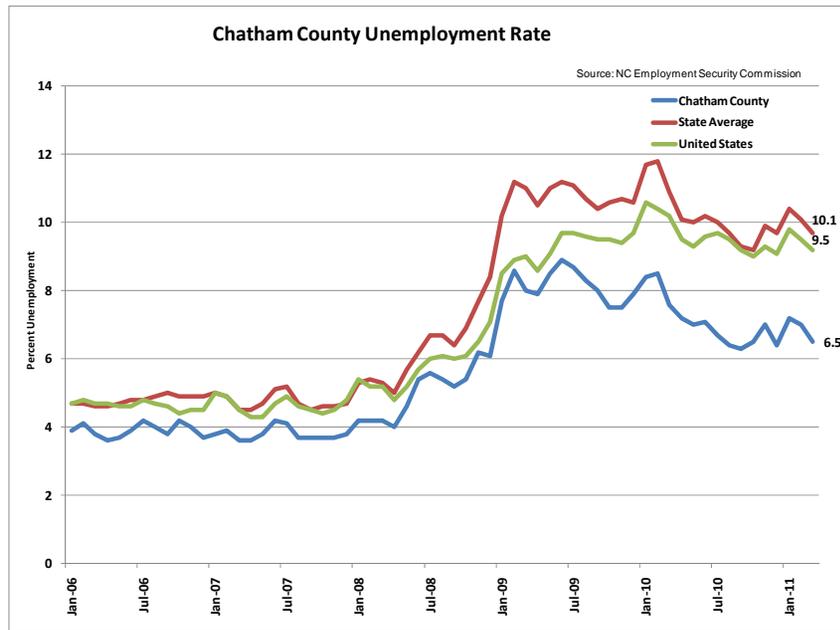
towns. The county has about 93 residents per square mile, which reflects its generally rural nature. The incorporated towns in the county have an estimated 2010 population as follows:

- Siler City: 7,887
- Pittsboro: 3,743
- Goldston: 268
- Cary: 1,422 (with a total population of 135,234, the largest 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, 13% Hispanic, 2% Asian, and other races 1%.

Between 1990 and 2010 the county experienced growth in the Hispanic population, increasing from 564 residents to 8,228.

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. However, public sector layoffs resulting from the state’s budget crisis could increase the county’s unemployment rate. In addition, Townsends, the

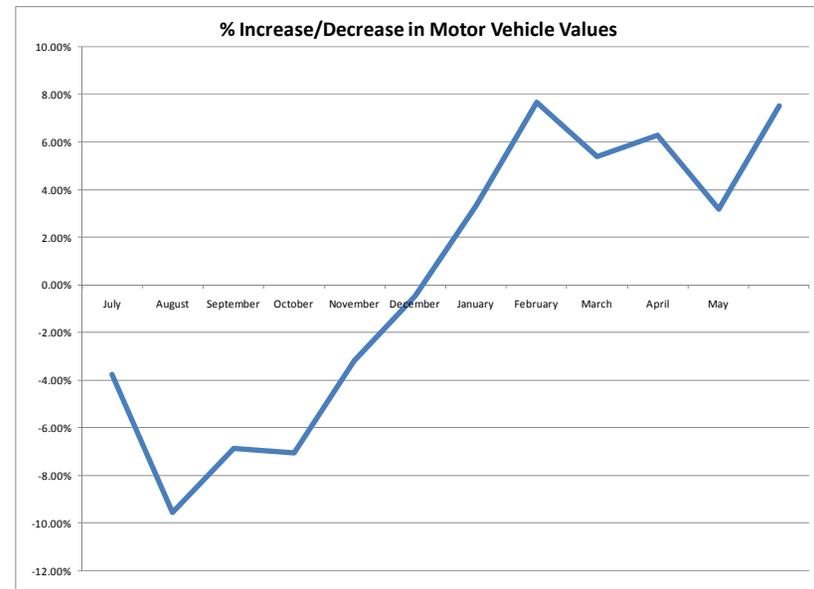
county’s largest private employer, has announced the closing of the Pittsboro plant and 145 layoffs.

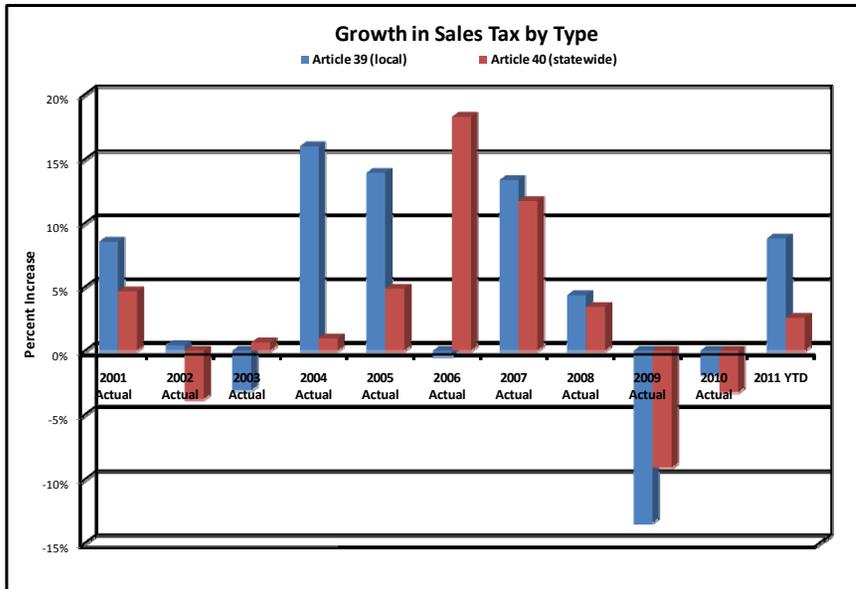
Property Tax Base: After years of robust growth in non-motor vehicle property values, exceeding 5% annually, values are expected to grow just 1.8% in FY 2012. Much of the increase comes from two sources: Briar Chapel and Amberly, which grew 21%.

Motor vehicle values have made a strong comeback, as seen in the chart below. After months of decline, values are virtually the same as FY 2010.

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. Townsends also declared bankruptcy and was bought in bankruptcy court by Omtron, LLC.

Retail Sales: In FY 2009, Chatham County experienced a 4% greater decline in sales tax revenue than the state average. FY 2010 improved with the county's sales tax receipts slightly ahead of statewide collections by 0.6%. In FY 2011, countywide collections (9% increase) are significantly higher than the state (3% increase).

Building Permits: The number of residential building permits issued countywide (including Cary and Siler City) saw 34% growth in FY 2010, largely due to growth in the Amberly development. In FY 2011, the number of permits is projected to be down 10-15%.

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.

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.

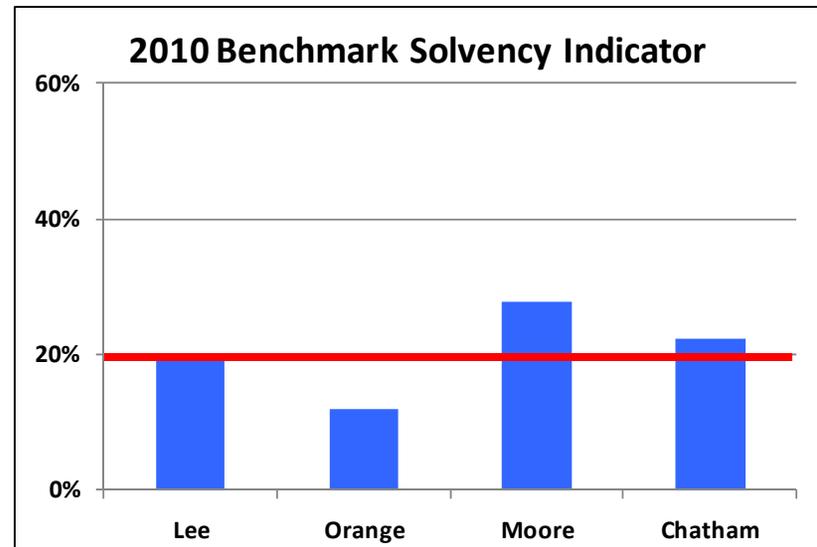
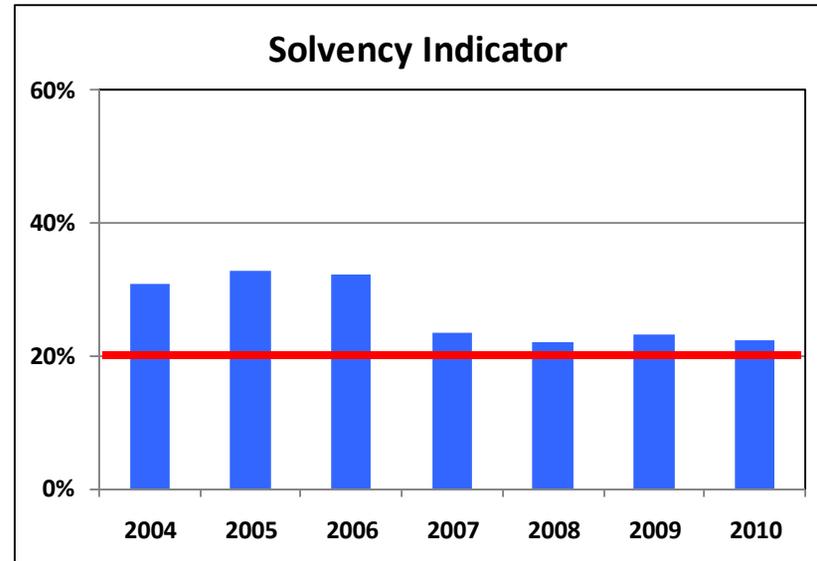
	Chatham	Lee	Moore	Orange
Budgeted Expenditures	\$84,401,967	\$61,922,285	\$85,012,422	\$175,313,920
State Rank	33	45	31	12
Nonschool Expenditures	\$52,603,776	\$39,366,570	\$53,016,350	\$92,169,129
State Rank	36	50	35	16
Effective Tax Rate	\$0.6226	\$0.7183	\$0.4488	\$0.8464
State Rank	49	21	78	2
2009 Population	62,492	58,574	86,958	132,306
State Rank	41	44	32	21
Valuation/capita	\$138,529	\$79,472	\$134,502	\$117,417
State Rank	19	56	20	30
2008 Per Capita Income	\$43,894	\$30,983	\$38,919	\$47,063
State Rank	3	44	8	1
Total Funding Per Student	\$4,089	\$2,346	\$2,570	\$5,427
State Rank	5	33	25	2

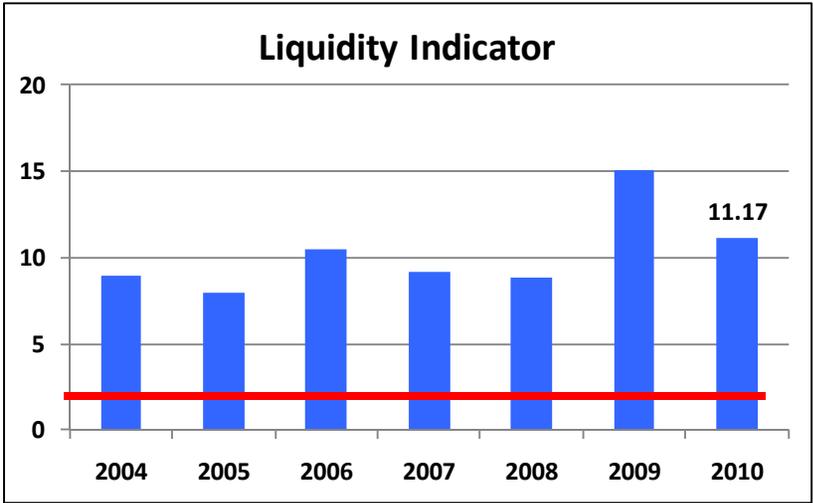
An analysis of Chatham County's financial indicators shows that the county is in excellent financial condition. In addition, the indicators revealed interesting financial data that was incorporated into the budget decision-making process. Below are the financial indicators that may provide insight into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

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 for capital projects such as bleachers for Northwood High School 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.

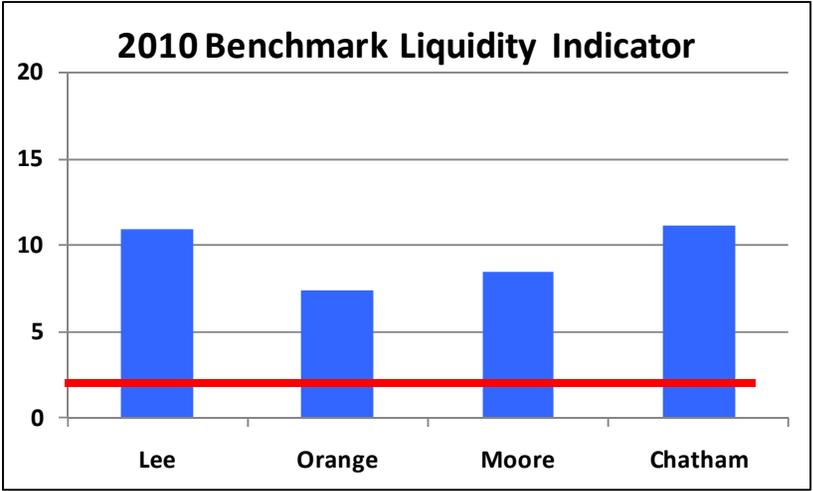




Liquidity

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 11.17, meaning the county has cash available to meet its immediate cash needs.

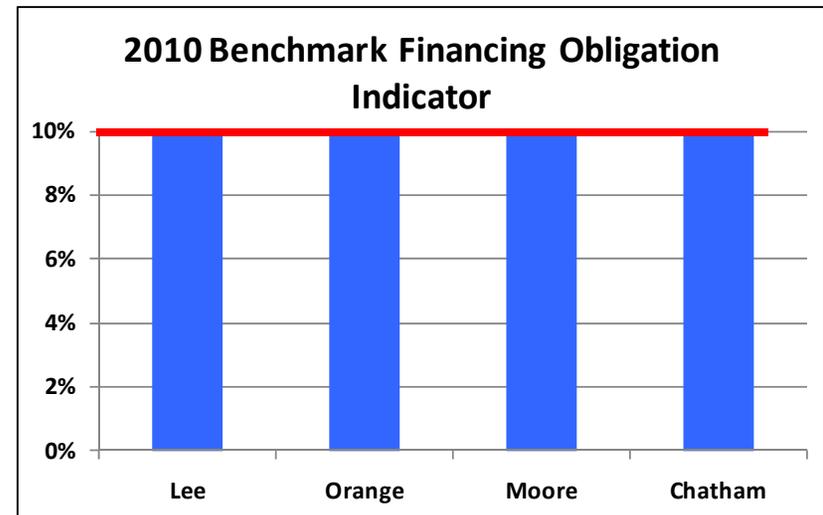
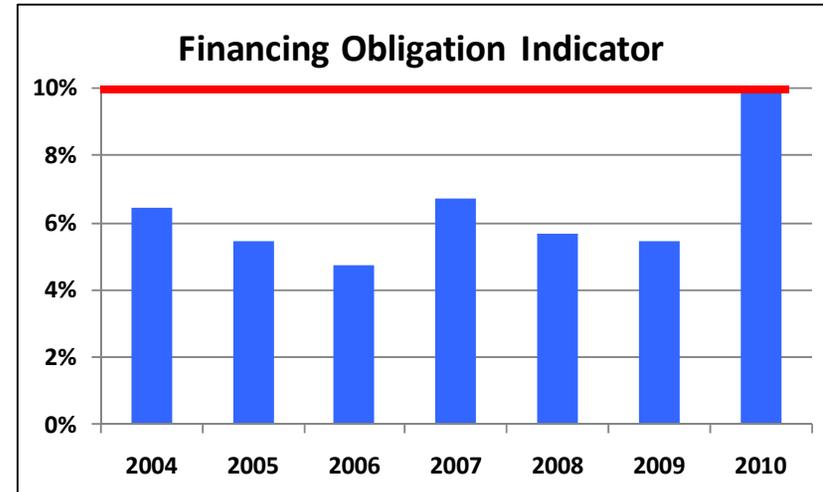


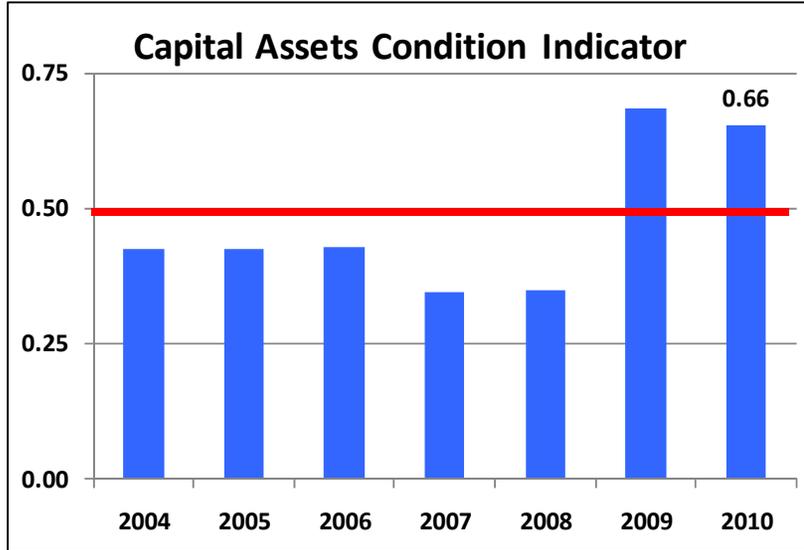
Financing Obligation

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 10%. For another jurisdiction, this might mean that Chatham's debt is reaching the point where it impedes its ability to provide services.

However, Chatham has set aside 5 cents on the tax rate in a reserve to pay debt service incurred for capital projects.

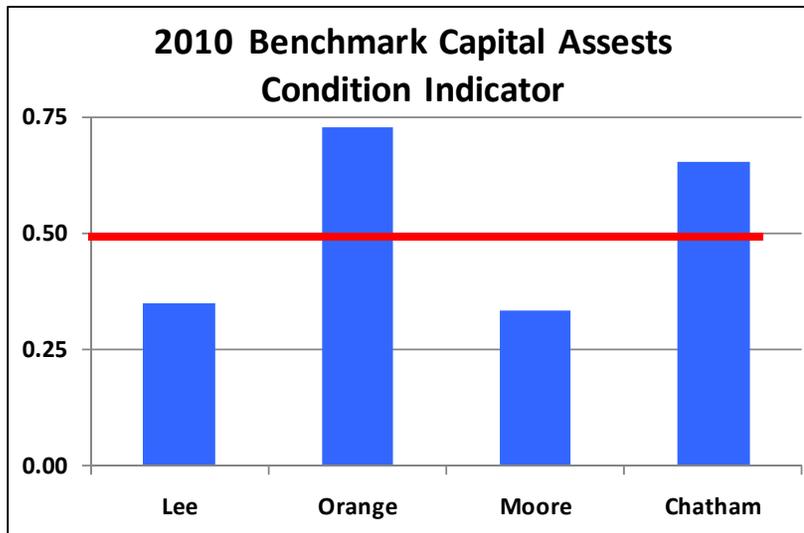




Capital Assets Condition Indicator

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 .66, 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. Since this is a capital project fund, it is not included in the operating budget.

School Construction Fund – This fund is used to account for the construction of new school facilities and additions to existing facilities. Since this is a capital project fund, it is not included in the operating budget.

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.

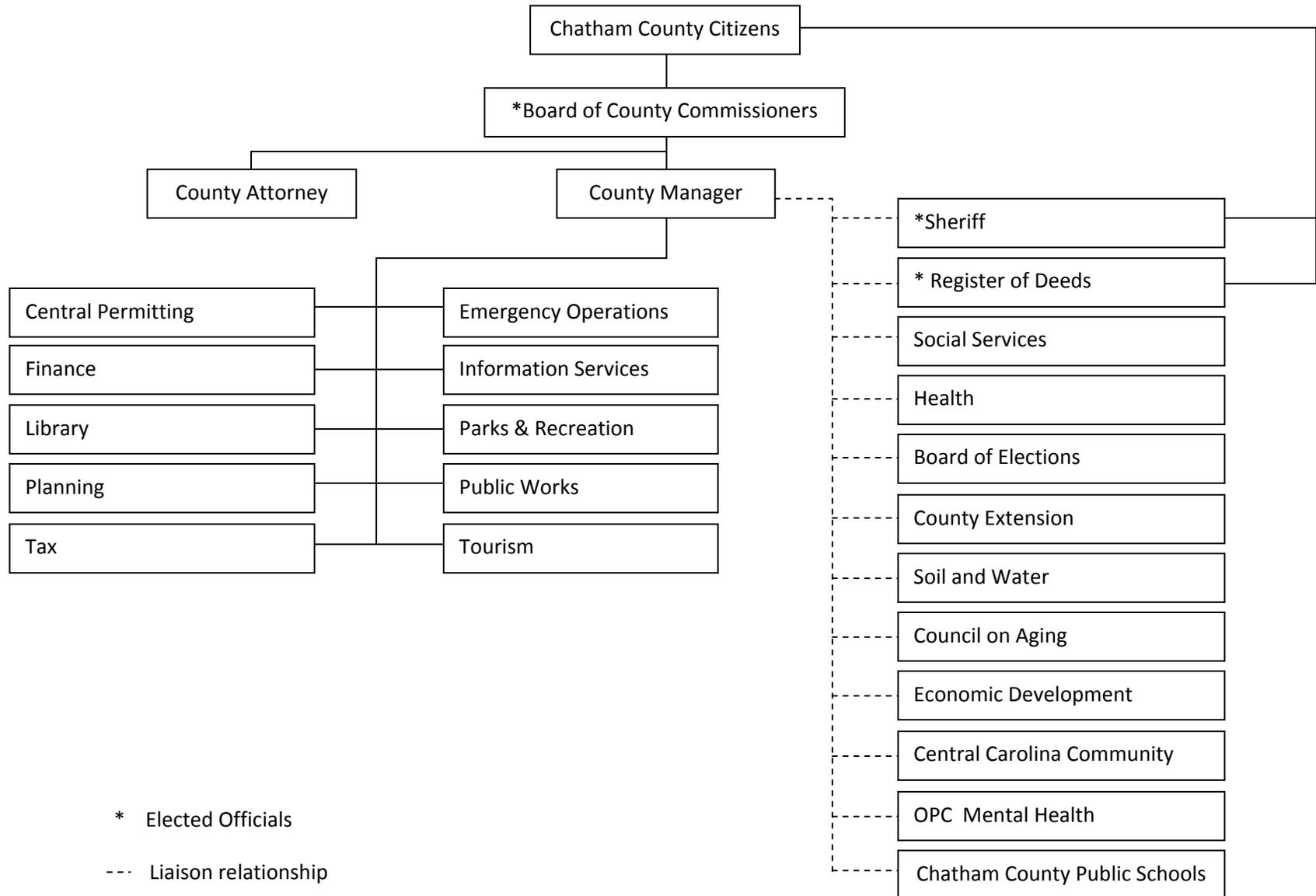
In accordance with North Carolina General Statutes, the basis of accounting and budgeting for the County is modified accrual. This means revenues are recorded in the period in which they are measurable and available. Revenues are recognized when they are received in cash (example: licenses, fines, etc.) 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):

County Department	A 2009 Actual	B 2010 Actual	C 2011 Amended	D 2011 Estimated	E 2012 Total Req.	F 2012 Total Rec.	G 2012 Appr. Cont.	H 2012 Appr.. Exp.	I 2012 Total Appr.	J Cont. % Inc./Dec.	K Total % Inc./Dec.
Central Permitting -- Administration	4.00	3.00	3.00	3.00	3.00	3.00	3.00	0.00	3.00	0%	0%
Central Permitting -- Fire Marshal Division	4.00	4.00	4.00	4.00	3.00	3.00	4.00	-1.00	3.00	0%	-25%
Central Permitting -- Inspections Division	9.00	7.00	6.00	6.00	6.00	6.00	6.00	0.00	6.00	0%	0%
Community Development/Ombudsman	0.00	0.00	1.00	1.00	0.75	0.75	1.00	-0.25	0.75	0%	-25%
Council on Aging	2.00	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0%	0%
County Attorney	2.00	1.00	1.00	1.00	2.00	1.00	1.00	0.00	1.00	0%	0%
County Manager's Office	9.00	9.00	9.50	9.50	8.00	8.00	8.50	-0.50	8.00	-11%	-16%
Court-related Programs	4.60	3.97	4.76	4.76	4.72	4.76	4.76	0.00	4.76	0%	0%
Elections Office	2.00	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0%	0%
Emergency Management -- Emergency Ops	3.00	3.00	3.00	3.00	2.00	2.00	3.00	-1.00	2.00	0%	-33%
Emergency Management -- Telecomm	16.00	16.00	18.00	18.00	18.00	18.00	18.00	0.00	18.00	0%	0%
Environmental Resources	1.00	1.00	1.00	1.00	1.00	0.00	1.00	-1.00	0.00	0%	-100%
Environmental Services -- Waste Manag	13.00	13.00	13.00	13.00	13.00	13.00	13.00	0.00	13.00	0%	0%
Environmental Services -- Water Quality	2.00	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0%	0%
Family Resource Center	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0%	0%
Finance Office	8.00	8.00	8.00	8.00	7.00	8.00	8.00	0.00	8.00	0%	0%
Governing Board	2.00	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0%	0%
Health -- Administration	6.00	6.00	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	7.00	0.00	7.00	0%	0%
Health -- Community Health & Surveillance	8.75	8.70	7.65	7.65	5.00	5.00	6.50	-1.50	5.00	-15%	-35%
Health -- Community Health Promotion	9.80	9.00	8.00	8.00	6.00	6.00	7.00	-1.00	6.00	-13%	-25%
Health -- Environmental Health	14.50	14.50	16.50	16.50	16.50	16.50	16.50	0.00	16.50	0%	0%
Health -- Family Outreach	12.30	12.30	8.50	8.50	6.75	6.00	7.50	-1.50	6.00	-12%	-29%

County Department	A 2009 Actual	B 2010 Actual	C 2011 Amended	D 2011 Estimated	E 2012 Total Req.	F 2012 Total Rec.	G 2012 Appr. Cont.	H 2012 Appr.. Exp.	I 2012 Total Appr.	J Cont. % Inc./Dec.	K Total % Inc./Dec.
Health -- Preventive Health Care	25.75	24.55	26.65	26.65	26.65	26.65	26.65	0.00	26.65	0%	0%
Library	11.10	12.10	18.10	18.10	17.10	17.10	18.10	-1.00	17.10	0%	-6%
Management Information Systems (MIS)	12.00	10.00	11.50	11.50	11.00	11.00	11.50	-0.50	11.00	0%	-4%
Parks & Recreation	6.00	4.00	5.50	5.50	5.50	5.50	5.50	0.00	5.50	0%	0%
Pittsboro-Siler City Convention & Visitors	1.00	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00	0%	0%
Planning -- Transportation	0.00	0.00	1.00	1.00	1.00	0.50	0.00	0.50	0.50	-100%	-50%
Planning Department	8.00	9.00	7.00	7.00	7.00	7.00	7.00	0.00	7.00	0%	0%
Public Works -- Facilities Management	12.00	12.00	12.00	12.00	11.00	11.00	12.00	-1.00	11.00	0%	-8%
Public Works -- Fleet Management	2.00	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	5.70	5.75	6.00	-0.25	5.75	0%	-4%
Sheriff's Office -- Law Enforcement	76.40	77.25	80.00	80.00	78.00	80.00	79.00	1.00	80.00	-1%	0%
Sheriff's Office -- Jail	20.00	20.00	20.00	20.00	18.00	21.00	20.00	1.00	21.00	0%	5%
Social Services	84.25	82.25	83.25	83.25	81.25	83.25	83.25	0.00	83.25	0%	0%
Soil & Water Conservation District	3.00	3.00	3.00	3.00	2.90	3.00	3.00	0.00	3.00	0%	0%
Sustainable Communities -- Administration	2.00	1.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	-100%	-100%
Sustainable Communities -- Resource Conservation	0.00	0.00	1.00	1.00	0.00	0.00	0.00	0.00	0.00	-100%	-100%
Tax -- Administration	10.00	10.00	10.00	10.00	10.00	10.00	10.00	0.00	10.00	0%	0%
Tax -- Assessment & Revaluation	5.00	5.00	5.00	5.00	4.00	4.00	5.00	-1.00	4.00	0%	-20%
Tax -- Land Records	2.00	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0%	0%
Water -- Distribution	15.00	15.00	16.00	16.00	14.00	15.00	16.00	-1.00	15.00	0%	-6%
Water -- Water Treatment	7.00	7.00	7.00	7.00	6.00	7.00	7.00	0.00	7.00	0%	0%
Total County Employees	449.45	437.62	452.91	452.91	433.82	440.76	450.76	-10.00	440.76	0%	-3%

Chatham County Organizational Chart



Operating Funds Summary

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

- 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.
- The Southeast Water District accounts for water purchase and contracted maintenance for the Southeast Water District, which was legally established by voters.

	A 2009 Actual	B 2010 Actual	C 2011 Amended	D 2011 Estimated	E 2012 Total Req.	F 2012 Total Rec.	G 2012 Appr. Cont.	H 2012 Appr. Exp.	I 2012 Total Appr.	J Cont. % Inc./Dec.	K Total % Inc./Dec.
Revenues											
Fees & Permits	1,287,652	835,492	815,600	964,781	917,900	902,900	902,900	0	902,900	11%	11%
Intergovernmental	10,678,150	9,762,354	9,411,247	10,809,807	9,629,979	9,564,064	9,576,534	(12,470)	9,564,064	2%	2%
Interest	759,702	233,732	355,000	94,000	90,000	90,000	90,000	0	90,000	(75%)	(75%)
Grants/Donations	213,131	384,833	294,196	459,712	278,715	278,715	275,815	2,900	278,715	(6%)	(5%)
Miscellaneous	131,140	551,256	(26,200)	144,994	(56,000)	(56,000)	(56,000)	0	(56,000)	114%	114%
Other Taxes/Licenses	784,669	794,909	725,000	799,635	762,500	772,500	772,500	0	772,500	7%	7%
Property Tax	50,195,912	51,442,657	53,152,163	53,921,000	54,045,000	54,045,000	54,045,000	0	54,045,000	2%	2%
Sales & Service	10,402,158	10,693,720	9,760,250	10,461,503	9,900,393	10,058,410	10,099,764	(41,354)	10,058,410	3%	3%
Sales Tax	9,950,751	8,063,692	7,243,400	7,795,600	7,970,000	7,970,000	7,970,000	0	7,970,000	10%	10%
Transfers	3,761,114	7,018,903	7,731,353	8,463,727	7,637,452	7,446,605	7,446,605	0	7,446,605	(4%)	(4%)
Other Financing Sources	3,900,000	5,086,000	0	0	0	0	0	0	0	0%	0%
Fund Balance	0	0	5,994,245	0	1,162,545	1,162,545	1,272,641	0	1,272,641	(79%)	(79%)
Total Revenues	92,064,379	94,867,548	95,456,254	93,914,759	92,338,484	92,234,739	92,395,759	(50,924)	92,344,835	(3%)	(3%)
Expenditures											
Salaries	16,712,806	16,733,219	17,784,640	17,613,392	16,867,021	16,986,929	17,417,253	(430,324)	16,986,929	(2%)	(4%)
Other Personnel Costs	7,456,344	7,384,732	7,995,106	8,009,603	7,670,143	7,937,937	8,173,063	(235,126)	7,937,937	2%	(1%)
Operating	43,686,429	42,208,078	44,985,296	43,579,877	44,881,389	44,490,319	44,688,094	(87,679)	44,600,415	(1%)	(1%)
Debt	5,826,606	9,444,086	9,661,740	10,924,422	11,114,552	11,114,552	11,114,552	0	11,114,552	15%	15%
Transfers	5,585,745	5,471,029	5,004,120	4,944,120	4,669,736	4,469,736	4,769,736	(300,000)	4,469,736	(5%)	(11%)
Public Assistance/Grants	6,123,628	5,954,299	6,655,255	6,851,934	5,782,270	5,906,221	6,079,817	(173,596)	5,906,221	(9%)	(11%)
Capital Outlay	6,054,956	6,650,815	3,370,097	1,769,562	1,329,045	1,329,045	385,620	943,425	1,329,045	(89%)	(61%)
Total Expenditures	91,446,514	93,846,258	95,456,254	93,692,910	92,314,156	92,234,739	92,628,135	(283,300)	92,344,835	(3%)	(3%)