

Budget Message

*"Without too much trouble one can keep to the main road,
but people love to be distracted and perspective is difficult."
Deng Ming-Dao*

Chatham County Commissioners and County Residents,

You will see in the FY 2013-2014 budget recommendations that we are keeping on the main road. We are doing so by focusing on the goals outlined by the Board of Commissioners and minimizing, as much as possible, the distractions brought about by state and federal budget battles.

This budget is respectfully submitted for your review and consideration. It comes to you after a year marked by substantial uncertainty created by ongoing federal budget struggles, state government revenue and expenditure challenges, and the national economic sluggishness that permeates the American psyche.

Congressional failure to match expenditures to revenues has already caused cuts in programs managed at the local level. Given the additional tough choices that have to be made to approve a budget, I expect significant additional impacts on services.

At the same time, North Carolina legislators are considering several bills that may decrease local



The historic courthouse at sunset on the day of the grand re-opening. As Judge Allen Baddour commented, "Chatham County's front porch is back."

--Photo courtesy of Richard Barlow

revenue significantly:

Senate Bill 394 proposes taking one percent of local food sales tax and giving it to the state; permanently repealing corporate income tax distributions to counties for school capital; and repealing Medicaid hold harmless (\$1.6 million in FY 2012-2013). The bill does not currently have a hold harmless provision, and it is very difficult to ascertain the revenue impacts.

Several bills propose extending the present use tax exemption. Currently, lands in present use receive a significant tax exemption. Chatham County already has a much higher proportion of land in this category (14% versus 5% state average). Senate Bill 508 lessens requirements for land ownership. Senate Bill 511 would add the rearing, feeding, training, caring, and managing of horses to the qualifications as present use. Senate Bill 505 would allow land outside the state to help parcels qualify as bona fide farms, thus extending the present use exemption. The bills, if ratified, could have significant impacts on the county's tax base.

Nevertheless, I think it important for the reader to be advised that we have not created a budget around "what might be." Rather we have recommended a budget that gives substance to the goals adopted by the Board of Commissioners established during its annual planning session in January 2013. The overarching goal to achieve a prosperous and thriving community is supported by the board's other long-term goals:

- To achieve an AAA bond rating

- To ensure efficient and effective government
- To build a safer community

Zig Ziglar, a motivational speaker, once advised people to expect the best, plan for the worst, and capitalize on what comes. We believe this recommended budget follows his guideline for success. The budget has been prepared with our expectation of the best. Chatham County is positioned for growth that will diversify our tax base yet preserve our rural heritage:

- There has been a 16% increase in the number of single-family dwelling permits issued between July and March of FY 2012-2013 compared to FY 2011-2012.
- A 7,000+ acre development, on the order of Research Triangle Park, is being planned in Pittsboro's zoning area.
- Commissioners have endorsed a proposal to certify a large tract of land in the western portion of the county as a North Carolina "mega site."
- We are contributing to the debt reserve to build a new Agricultural Center that will build on Chatham County's agricultural tradition and attract visitors.
- We are investing in our employees to strengthen and maintain our work force and ensure the best possible customer service to the citizens we serve.

At the same time, we have a plan to address potential revenue shortfalls caused by actions beyond our control at the state or federal level. Because we have been and will continue to be good stewards of our resources – as confirmed by our excellent bond ratings – we are confident that we will capitalize on whatever the future brings.

Fund Summary

Additional detail on the various funds can be found in the budget document.

General Fund

The General Fund is \$92,569,988, which represents a 4% increase over FY 2012-2013. We anticipate increases in revenues from fees and permits, real and personal property tax, and sales tax. We recommend a fund balance appropriation of \$4,467,673 to cover one-time expenditures. This is 18% less than the appropriation for the current year.

Real property values are estimated to increase by 1.9% over the current fiscal year. Utility values will decrease 22% because of the closing of Progress Energy's coal plant in Moncure. With a collection rate of 98% and an unchanged tax rate of 62.19 cents, we anticipate a 1.7% increase in real and personal property tax revenue over the current year budget. In addition, the change from collecting motor vehicle taxes locally to centralized collection at the NC Department of Motor Vehicles, the county will realize a one-time “windfall” of \$1,098,171. We planned to direct this money to roof repairs at Moncure and

Sage schools. However, state tax reform may result in a substantial decrease in local revenues, and we need to be prepared to adjust accordingly. Our recommendation is to budget these projects, but delay the release of funds pending the state's action on tax reform.

Fire district tax rates are unchanged from the current year.

We are anticipating a modest increase in sales tax revenue. Sales tax consists of three parts:

Article 39: One cent on every dollar comes back to the county where it is collected.

Article 40: One-half cent on every dollar goes into a statewide pot and is distributed back based on population. Thirty percent must be spent on school capital or debt.

Article 42: One-half cent on every dollar comes back to the county based on where it is collected. Sixty percent must be spent on school capital or debt (but counties must hold schools harmless from the change in distribution method made as a part of Medicaid reform.)

This year, locally collected sales tax revenues are trending 6% above last year compared to only 1% for statewide collections. The recent “buy local” campaign might be a contributing factor. The North Carolina Association of County Commissioners (NCACC) advises counties to expect statewide sales tax growth of between 2 and 3%. Taking into account the opening of the new Walmart store scheduled for August 2013, we are projecting the high end of the NCACC recommendation, or 3% growth, for the local collection and the

lower end of the recommendation, or 2% growth, for the statewide portion.

We are proposing to change several fees (see Appendix E for a comprehensive list). Most are fee increases; a few are changes or corrections. We expect these to result in a small amount of revenue (\$10,000).

Enterprise Funds

- **Water:** The total Water Fund, including Distribution, Treatment, and Waste Water Treatment is \$5,559,078. This includes a fund balance appropriation of \$302,078.
- **Southeast Water:** The total Southeast Water District Fund is \$560,100.
- **Environmental Quality Solid Waste and Recycling Fund:** The total Environmental Quality Solid Waste and Recycling Fund is \$3,150,429 and includes a fund balance appropriation of \$153,879.

Continuation Budget

“Continuation” refers to the portion of the budget that assumes that the County will continue to do business as it does currently. In other words, what will it cost next year to continue the same services and service levels without adding people and programs?

Federal considerations: Federal budget sequestration has begun and will continue to impact us at the local level. Several of our local nonprofit agencies are bracing for cutbacks to grant

funding that will impact their ability to provide services. Specifically, the Council on Aging has been advised to expect a \$6,000 loss in revenue in FY 2012-2013 that will result in decreased service, including impacts on in-home and congregate meal program. The Council has requested, and we have recommended, that the county supply half the funds necessary for reinstating the frozen meal program. This funding would provide a "challenge grant" to the council to raise the remaining one-half of funds. This program, which was cut in FY 2012, is a higher priority now because logistical difficulties and sequestration are impacting the number of hot meals that can be prepared and delivered. Reinstating the program is in line with the Board of Commissioners' prioritization of hunger in the nonprofit allocation process. The county portion of the program will cost \$17,188.

Education: The proposed current expense budget for the school system is \$ 21,753,821. This amount is \$400,000 less than FY 2012-2013, because the current year budget includes one-time funding to offset state budget reductions.

We recommend increasing the appropriation for the local supplement, which totals \$3,797,309. For several years, the school system has absorbed increased supplement costs (health and retirement have increased). Increasing county funding ensures we are appropriately covering costs.

We have included \$500,000 to provide laptop replacements for all K-8 teachers, paid for by a one-time reduction in the transfer to the debt reserve that results from the two-year delay

in constructing the new high school. Capital improvements include the implementation of the NC DOT traffic study recommendations for North Chatham (\$225,000); paving repairs and replacements (\$30,000); and the roof repair project. However, as noted above, funds will not be released until the state budget is complete and impacts of tax reform are known.

Central Carolina Community College: The request from the community college was \$633,320 a 13% increase over FY 2012-2013. The bulk of the increase comes from projected utility increases and custodian care of the buildings. We recommend a 4% increase, which totals \$581,735.

Salaries/benefits: With the knowledge that our best and most valued resources are our employees, we are recommending a 3% salary increase for the upcoming year. As you will recall, we recommended and you agreed, that the county should have a goal of making the county's pay for our local government ambassadors competitive with the market in which we compete. The recommendation for a 3% increase builds upon the first phase approved by the Board of Commissioners in FY 2012-2013.

Further, we are also recommending an update of the pay study the county performed in 2008. We believe that will give us a more accurate target for getting employees to market pay. I believe it worth noting here that with the slight uptick in hiring, we've seen an increase of employees leaving Chatham County for higher paying jobs in the area. The Board of Commissioners correctly note that County employees work

hard and efficiently. During the State of the County address, the Chairman noted that the statewide average ratio of employees to population was 8.70/1,000 residents, while Chatham's was 6.7/1,000 residents. We believe that has been possible because we have been able to train and retain a well qualified workforce. Getting our pay more competitive will help us retain those employees for future service to Chatham County.

Expansion Budget

New Jail: The new jail now under construction will be completed in 2014 and will require an additional \$620,555 in FY 2014 for a partial year of operations. The recommendation includes hiring 25 new officers.

Additionally, we are recommending the following in this budget:

County Manager's Office: Increasing a temporary, part-time administrative support position to full time in the county manager's office. Net cost: \$14,014.

Sheriff's Office:

Converting a temporary administrative position to regular status. The Sheriff's Office will contribute toward the cost with revenue from fees. Net cost: \$14,186.

Reclassify supervising sergeants to recognize the additional responsibility between supervising and non-supervising sergeants. Total cost \$17,803

Emergency Operations Center: As pointed out in the State of the County address, 911 center calls have increased by 77%. We recommend adding four telecommunicators beginning in January 2014. Total cost \$93,201.

Department of Social Services: We recommend increasing a part-time adult Medicaid caseworker to full time due to a significant increase in workload. Additionally, we recommend adding an adult services social worker, which will be offset by eliminating a vacant in-home aide position. Net cost: \$20,317.

Court-related programs: We recommend continuation of the pre-trial release program in-house and the addition of an electronic monitoring component. Total \$34,732.

Proposed Agriculture Center and Exposition Hall: The building of a new Chatham County Agricultural Center on the west side of Central Carolina Community College's (CCCC) Pittsboro campus was approved in the 2014-2020 Capital Improvements Program. No tax increase is needed to fund construction of the building.

Capital Improvements Program'

We recommend several changes to the Capital Improvements Program (CIP):

New High School: At the request of the Board of Education, construction of the new high school is delayed by two years (for an August 2019 opening) and the cost is increased from \$44.5 million to \$49 million, to reflect inflation

County Buildings--Space Needs Study Implementation: The project has been increased by \$84,349 to reflect the Annex renovation bids that were over budget (the new budget was approved by the Board on March 11, 2013).

Northwest Park: Funding for minor renovations in FY 2014 has been postponed indefinitely. The county has applied for a PARTF grant for Briar Chapel park and the balance in the parks capital reserve will be needed as match until the Briar Chapel development has generated sufficient fees.

Invitation for Public Participation

Chatham County values the input of its residents. You are invited to give your feedback. County Commissioners will hold two public hearings on the budget as follows:

- Monday May 20 6 p.m. Commissioners Meeting Room, Historic Courthouse
- Tuesday, May 21 6 p.m. Siler City Courtroom

You may provide comments or ask questions of our budget staff. Please contact Lisa West (lisa.west@chathamnc.org) 919-545-8483.

Respectfully submitted May 6, 2013.

Charlie Horne

Charlie Horne,
County Manager