

Budget Message

*Coming together is a beginning.
Keeping together is progress.
Working together is success.
-- Henry Ford*

Chatham County Commissioners and County Residents,

It's easy to say we've turned the corner. As the nation, state, and region report improved economic indicators, Chatham County is doing even better.

- Building permit revenues are up 28% and Register of Deeds stamps are up 26% over the same time frame last year.
- Locally collected sales taxes are trending well above statewide collections.
- February's unemployment rate (latest county data available), at 4.5%, was the second lowest in the state, well below state and national averages.
- The Economic Development Corporation reports exceeding targets in the first six months of FY 2013-2014, with 368 new jobs created representing \$11.5 million in payroll and \$13.25 million in new capital investments.
- Rating agencies recently affirmed our AA+/Aa2 bond rating, with Moody's giving us a favorable outlook that could lead to an upgrade. Currently, Chatham County is tied for the highest bond rating in its population group.

Three significant developments are underway that could bring billions of dollars in new tax base and thousands of new jobs.



Through its business retention program, Chatham Economic Development Corporation (EDC) has worked with local business Olympic Steel to complete an expansion to its Siler City plant, which will add \$2 million to the tax base and 65 more jobs. Photo courtesy of Chatham EDC.

- Chatham-Randolph Megasite: Substantial progress has been made to certify the 1,800-acre site located west of Siler City, making it the first certified megasite in the state. It has been identified as one of the top three candidates in the south for an automotive plant. The county has allocated \$361,000 in the FY 2013-2014 budget to pay engineering costs for water and sewer lines for the site.
- Moncure Megasite: The Moncure megasite, served by CSX railroad, is comprised of 1,049 acres with major road

frontage. The site was recently selected for inclusion in the Duke Site Readiness Program.

- Chatham Park: The Town of Pittsboro is considering a +7,100-acre mixed use development that over 40 years could bring 22 million square feet of non-residential development and approximately 27,000 residential units.

It's easy to say we've turned the corner, but the truth is much of our success results from walking for many years down the road of partnership and fiscal stewardship. As we recommend this budget, we believe Chatham County's future is rising and strong. But we are not there yet. Our position today is the compilation of many steps, large and small, over the course of time. Financial management, consolidation of services, resource stewardship, making prudent decisions about investments in services and carefully defining county government's mission and purpose are but a few specific steps taken to get us to this point in Chatham's progress.

We believe strongly in partnering where possible to provide services. We do that. We believe strongly in resource stewardship. We do that.

An old proverb says: "If we're facing in the right direction all we have to do is keep on walking." We believe we're facing in the right direction. We know the road will likely be bumpy on occasion but we do believe the our best is yet to come.

With this budget, the county continues its decades' long investment in public education. The county's FY 2013-2014 per student funding for operations ranked fourth in the state, according to the North Carolina Association of County Commissioners Budget & Tax Survey. The FY 2014-2015 budget adds \$577,323 to continue the one-to-one laptop program for the county's high school students; \$575,000 for a teacher incentive pay system, the first of its kind in North Carolina; and \$1,119,000 for capital improvements to schools



MEGA-PARTNERSHIP—The website launched for the Chatham-Randolph Megasite shows how the property could be developed by an automobile manufacturer. Named the third best site in the south for automobile manufacturing, the project represents the best of Chatham County's efforts to partner with others, including numerous state agencies, the Chatham Economic Development Corporation, Duke Energy Progress, the Town of Siler City, and the private landowners.



Southern Supreme Gourmet is 30 years old in 2014. The annual Holiday Open House each October draws approximately 4,000. Their tours and tastings are available year-round. Southern Supreme stands behind the traditional, original fruitcake product but has expanded to offer new items each year. Photo courtesy of Pittsboro-Siler City Convention and Visitors Bureau.

With school-dedicated revenues increasing, namely restricted sales tax and impact fees, the debt model shows that the county can absorb the debt service for the new joint county/bus garage without a tax increase. We are recommending that the \$8 million be combined with the \$12 million borrowing for the new Agriculture and Conference Center this fall to obtain more favorable terms and interest rates and save on financing costs.

The budget contains \$25,000 for the second year of funding for the Central Carolina Works program, a new regional

partnership that will place academic and career advisors in all high schools. The goal is to increase the percentage of students who enroll in tuition-free college credit courses.

We continue our support of economic development by allocating \$50,000 for EDC to market the Chatham-Randolph Megasite. The budget also includes \$181,000 to assist the Town of Goldston with running municipal sewer lines and \$120,000 for the Town of Siler City to match grant funds for improvements to its airport.

The budget invests in our most important resource, our employees. For several years, the county has worked to bring all employees up to their market pay rate with the goal of competing regionally for the best talent. The budget allocates \$535,086 (all funds) to bring employees whose pay is below market rate (based on an updated study completed in FY 2014) to the half-way mark or give employees already above market a two-percent pay adjustment. The county has made major progress towards bringing employee pay to market and this continues that progress. Other major expenses include:

- \$800,000 to operate the new jail (a full year of personnel costs is included)
- \$175,000 to fund additional health insurance costs
- \$106,108 (net) for new positions in the Sheriff's Office, Central Permitting, and Social Services to deal with increased workload.

The total budget recommended, including all funds, is \$131,762,417, a 3% increase over FY 2014.

The road we are traveling down promises many exciting opportunities, but we must be ready to provide needed services and facilities to accommodate this growth. The FY 2014-2015 budget continues the themes of partnership and fiscal stewardship. All we have to do is keep on walking.

Major Revenue Highlights:

- The county tax rate is recommended to remain at at 62.19 cents.
- A 0.12-cent fire tax rate increase has been requested by Circle City (Pittsboro) Fire District from 11.58 to 11.7 cents; as of the printing of the document, no official request has been received, but staff-to-staff conversations indicate that Siler City may also request a 2-cent increase from 8 to 10 cents. The county staff has not had adequate time to review fire department budgets, so no recommendations regarding rated are included. These will be completed and publicized ahead of the public hearings.
- In an effort to recoup costs, fee increases are proposed in Permitting, Planning, Health, and Animal Control. The fee increases would cumulatively generate approximately \$45,000 in additional revenue. Changes are also proposed in several Planning and Recreation fees, which will be revenue neutral or reduce revenue slightly.
- Consistent with the Board of Commissioners Financial Policy, appropriated fund balance in the General Fund and Solid Waste & Recycling Fund are earmarked for one-time items. For the third year in a row, fund balance is being appropriated for operating expenses in the Water Fund. While the Water Fund has significant retained earnings and can sustain some level of appropriating fund balance for operations, this trend is something we will work towards turning around in the coming fiscal year.

Board of Commissioners Goals

By unanimous agreement, commissioners identified the following goals for the FY 2014-2015 budget. Most goals were continued from and build on the FY 2013-2014 budget. Departments have linked specifically to these goals in their budget submissions. See the department section entitled "Link to Commissioner Goals" for this information. Overall strategies for meeting the goals are described below.

Overarching Goal: Achieve a prosperous, thriving community

- *Economic indicators show that per capita income is increasing, unemployment is decreasing, and the number of jobs available locally is increasing.*
- *The FY 2014-2015 budget invests in K-12 and community college education to provide more opportunities for our young residents.*

- *The budget supports the Economic Development Corporation's efforts to market the Chatham-Randolph Megasite for automobile manufacturing and certify the Moncure Megasite.*

Long-Term Goal: Achieve AAA bond rating

- *The County Manager's Office and Finance Office will work to maintain or upgrade the county's excellent bond rating when financing for the new Agriculture Center is obtained in September 2014. During its most recent rating, Moody's gave Chatham County debt a "favorable outlook." Staff will work to receive an upgrade from Moody's.*

Short-term Goal: Diversify job base and tax base—increase commercial and industrial tax base by 5% over the next 10 years

- *Property tax data for FY 2012-2013 is not yet available. All efforts listed under "Achieve a Prosperous and Thriving Community" apply here.*

Short-term Goals:

Complete a county land use plan, including an infrastructure plan

- *Through a partnership with the Economic Development Corporation, commissioners adopted a conceptual land use plan that calls for development to be concentrated in and around the towns to preserve the county's rural character.*
- *During FY 2014-2015, the Planning Department will continue to work with the Planning Board to provide an update to the land use plan. The scope of the update will be based on direction provided by the Board of Commissioners and as outlined in a resolution provided by the Planning Board.*

Obtain a certified megasite for economic development

- *Funds were appropriated in the FY 2013-2014 budget to pay water and sewer engineering costs to the Chatham-Randolph site. Funds are included in the FY 2014-2015 budget to market this site.*
- *Duke Energy Progress has accepted the Moncure site into its site readiness program, which should be completed during the 2014 calendar year with help from the Economic Development Corporation.*

Build a business-friendly environment for new and expanding businesses

- *Funds for an additional Permitting Technician, to be shared between Central Permitting and Environmental Quality, are included in the FY 2014-2015 budget to deal with additional workload and provide better customer service. The position would also allow the county to partner with the Town of Pittsboro to provide a*

sedimentation and erosion control program in the town if an inter-local agreement is approved.

- *A new web portal being developed in Central Permitting will allow the public online access to view the status of permits, apply for some permits, and schedule some inspections.*
- *The Economic Development Corporation is partnering with Central Carolina Community College (CCCC) to hire a Small Business Center Coordinator and collaborating with Chatham County Schools and CCCC to design a K-14 education system where graduating high school students could receive an associate's degree free of charge.*
- *Instead of creating a county position to inspect water backflow prevention devices, the County Manager is recommending that homeowners work with the private sector to obtain inspections required by state law.*

Long-Term Goal: Build the new Agriculture Center

- *The FY 2013-2014 budget included the additional transfer to the debt reserve to fund the debt service.*
- *With Cooperative Extension taking the lead and partnering with other county, state, and federal agencies, design of the Agriculture Center is underway.*
- *The site work is expected to be bid in early May, 2014 and to begin building in September, 2014.*
- *The Pittsboro-Siler City Convention and Visitors Bureau is partnering with Cooperative Extension and providing input on the center's design to provide a meeting venue.*
- *The Management Information Systems Department is also partnering on the project to ensure adequate technology and security for a meeting site.*

Long-Term Goal: Ensure efficient, effective government

Short-term Goals:

Maintain the property tax rate

- For the fourth year in a row, the County Manager is proposing a recommended budget without a tax increase. This is the result of careful planning, particularly anticipating the costs of opening the new jail, and living within our means.
- By finding more efficient ways to deliver service, the Public Health Department made \$154,901 in reductions and reduced its overall reliance on county funding.
- During FY 2013-2014, the county contracted out vehicle maintenance to two local automobile dealerships at an estimated annual cost savings of \$50,000.

Conduct energy audits of buildings that were constructed to be energy efficient (e.g. LEED) or have had energy efficiency improvements (e.g., Johnston Controls).

- Central Carolina Community College continuously monitors building energy usage, seeking additional ways to reduce both the environmental impact and the cost of facility operation and maintenance. CCCC is working closely with the N.C. Department of Energy to determine ways to make them even more efficient.

Seek opportunities to partner with municipalities and private entities to enhance efficiencies

- The FY 2014-2015 budget includes a number of partnerships with the towns, including:
- Funding of the Chatham-Randolph Megasite marketing plan;
- Assistance with improvements to the Siler City Airport;
- Assistance with providing municipal sewer in the Town of Goldston;
- A partnership with the Town of Cary to maintain the American Tobacco Trail at a significant cost savings; and

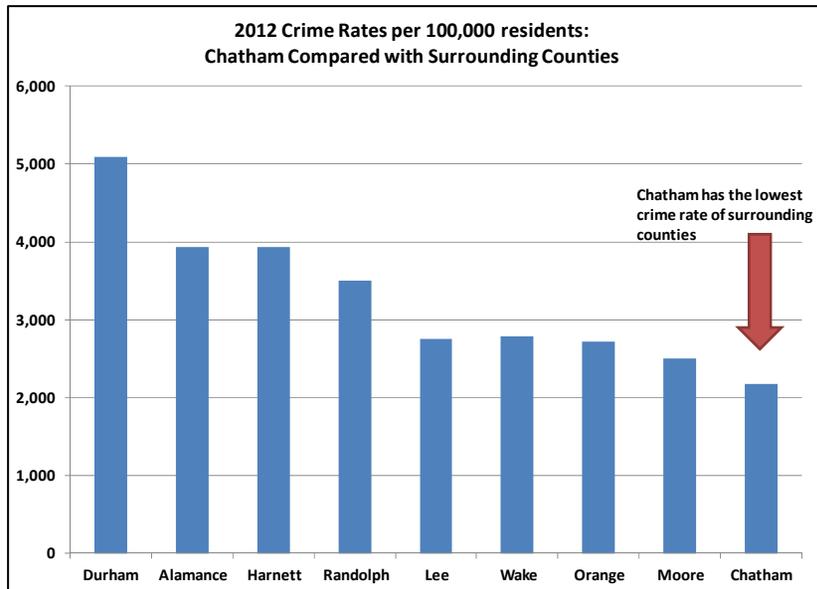
- Preparations for providing sedimentation and erosion control within the Town of Pittsboro, if the inter-local agreement is approved.
- The FY 2014-2015 budget recommends moving forward with a partnership with Chatham County Schools to construct and operate a joint bus garage with the county.

Continue to enhance overall customer service throughout county government, including service provided by contractors

- Most department work plans contain a goal to improve customer service. Some of the most significant are:
- Central Permitting is developing a web portal that will allow the public online access to view the status of permits, apply for certain permits, and schedule inspections.
- The Public Health Department plans to establish a Marketing Committee to align with its mission, “To protect and promote the health and safety of Chatham County residents.” The committee will promote future utilization of department programs and services by increasing the visibility with the public and community.
- Social Services will develop a customer service program to better address the problems resulting from the implementation of NC FAST. The department is planning to implement a “triage” unit to immediately respond to client concerns, answer program questions, and assist clients with completing on-line applications. The FY 2014-2015 budget includes funds for a Universal Caseworker position to support this goal.

LONG-TERM GOAL: Build a safer community

- The county is building a state-of-the-art detention facility, which will replace an outdated jail built in the early 1980s. The new facility will provide better security for staff, inmates, and visitors. The FY 2014-2015 budget includes funds to open the jail.



- *The 911 Emergency Communications staff will continue its work to improve Emergency Medical Dispatch (EMD) and Emergency Fire Dispatch (EFD) protocols to be able to administer assistance to the citizens before the emergency response units arrive on scene.*
- *The Sheriff's Office reports that for 2012 (the latest available data), Chatham County had the lowest crime among surrounding counties.*

Short-term goals:

Invest in safe and secure schools and county buildings

- *Emergency Operations staff will continue to serve on the Chatham County School/Community Safe School Team, and design and conduct school exercises. The department was asked to give a presentation on School Crisis Planning at the North Carolina Emergency Management Forum in Raleigh in March 2014.*

- *The Management Information Systems' budget includes funds to expand the storage area network to include storage for security cameras and card access systems.*
- *The FY 2014-2015 budget funds several capital improvements that will improve security and safety, including design work for the second phase of renovations to the Courthouse Annex, and funding for school roof replacements and paving repairs.*

Monitor the status of the mental health environment

- *Social Services will develop a trauma informed child welfare unit to more effectively screen and address the mental health needs of children and their parents. This will include collaboration with local mental health providers and private clinicians to identify and serve children with Post-Traumatic Stress Disorder.*
- *In partnership with UNC Nursing, the Council on Aging will continue to offer mental health/depression screenings at its annual health fair.*
- *Chatham Trades will increase the number of consumers served and work to eliminate the 20-person wait list.*

Protect the environment and drinking water and be proactive

- *The Planning and Environmental Quality departments will continue to work with the NC Floodplain Mapping program to facilitate the revision of floodplain mapping.*
- *The Soil and Water Conservation District will continue nutrient management inventory and evaluation to improve and protect surface water and groundwater within Chatham County.*
- *The Environmental Health Division will conduct several workshops throughout the year for homeowners with septic systems and wells to educate them about protecting their investment and the environment by maintaining their septic system and evaluating well water sample results.*

Goals: Financial and Budgetary Policies

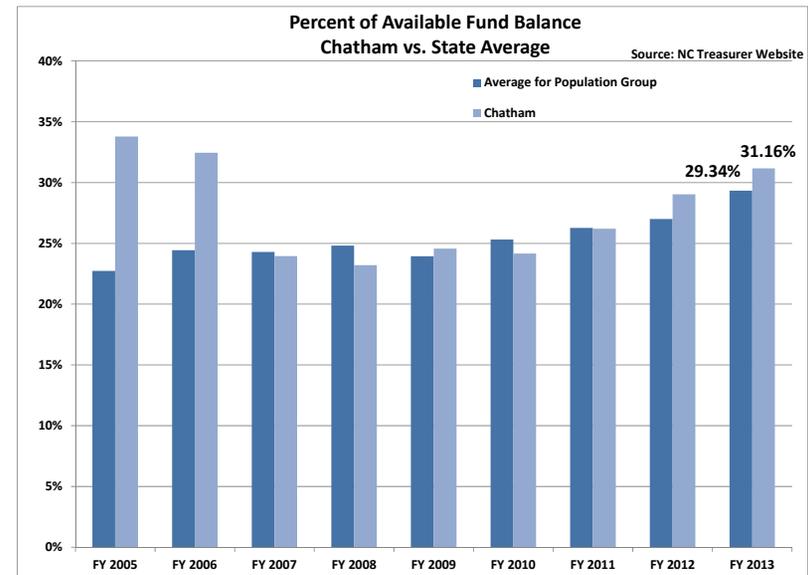
Long-term financial and budgetary goals include those adopted by the Board of Commissioners in its Financial and Budgetary Policies.

Adopting a Balanced Budget: The NC Local Government Budget and Fiscal Control Act requires that Chatham County adopt a balanced budget, meaning that the sum of net revenues and appropriated fund balance equals expenditure appropriations for each appropriated fund. In addition to meeting state law, Chatham County only appropriates General Fund fund balance for one-time expenditures.

Maintaining or enhancing the County's AA+/Aa2 bond rating. Current and future debt obligations, especially for schools and other county facilities, make it critical that the County receive the best possible interest rate to keep the cost of borrowing funds low. Maintaining adequate savings (fund balance) and not using it for operating expenses is crucial for this goal. The county's bond rating was recently affirmed by Standard & Poor's and Moody's, who also issued "favorable outlook" status. Along with Carteret County, Chatham County has the highest rating among counties in the 50,000 to 99,999 population group.

Developing self-supporting enterprise funds. One goal of establishing an enterprise fund is to eliminate the need for tax dollars to subsidize particular activities by paying for the activity through fees. The FY 2011 budget eliminated the roughly one-cent contribution to the water capital reserve and the FY 2015 budget does the same.

Maintaining adequate fund balance. The stated goal of the Board of Commissioners is to maintain unassigned General Fund savings (fund balance) equal to at least 20% of last year's budget. Fund balance at this level allows the County



to meet its financial obligations, gives Commissioners and staff an adequate reserve for emergencies and opportunities, and positively affects the County's bond rating. Chatham County's unassigned fund balance stands at 24.4% of FY 2013 actual expenditures, above the stated goal.

In order to benchmark fund balance against jurisdictions of similar size, we use the "available" fund balance, the only data available for comparison purposes. The main difference is the unassigned subtracts fund balance appropriated in the current fiscal year. Available fund balance, 31.2%, is higher than state average for counties our size, which is 29.3%, as shown in the graph above.

Fund balance is a major funding source for the capital improvements program and that plan calls for spending \$5.6 million over the next seven years.

Budget Process

The County’s budget process has evolved over many years and is considered a model in the state. The last two editions of ICMA’s reference book on capital budgets have included Chatham County’s capital budgeting process. The FY 2010-2011 and 2012-2013 budgets received the Government Finance Officers Association Distinguished Budget Presentation Award. The FY 2014-2015 budget includes improvements requested by Commissioners during a budget critique held immediately after the FY 2014 budget process:

- Integrating department summaries with its divisions in the main document (not in a separate appendix) (ACHIEVED)
- Noting Capital Improvements Projects included in previous budget years within the department section. (ACHIEVED)
- More description for the nonprofits and the fire departments. (nonprofits ACHIEVED; more description for the fire departments will be included in the approved document)
- Including all fund summary because it is a GFOA requirement. (ACHIEVED)

The County uses a comprehensive budget process with the following goals:

- Commissioner leadership
- Input from all agencies and departments receiving funding
- Team approach to budget development
- Community input
- Full information, including performance data

The process begins in the fall with preparation of the Capital Improvements Program (CIP). Staff presents the CIP document to Commissioners and the public in the fall. Commissioners hold a public hearing on the CIP in November.

**Chatham County
FY 2014-2015 Budget Calendar**

Deadline	Actions
6 September 2013	<ul style="list-style-type: none"> • Capital Improvements Program (CIP) forms distributed to agencies
4 October 2013	<ul style="list-style-type: none"> • Forms due from agencies and departments for new/changed CIP projects
4 November 2013	<ul style="list-style-type: none"> • Manager submits recommended CIP to the Board of Commissioners at a special meeting • Heads Up document due from departments
18 November 2013	<ul style="list-style-type: none"> • Hold public hearing on the proposed CIP
19 November 2013	<ul style="list-style-type: none"> • Work session on the proposed CIP
16 December 2013	<ul style="list-style-type: none"> • Board adopts CIP
23 December 2013	<ul style="list-style-type: none"> • Budget summit materials (trends, financial indicators, performance team recommendations, and departmental “Heads Up” document) submitted to Board of Commissioners • Work plan and new position forms distributed to departments
Weeks of January 6 and 13, 2014	<ul style="list-style-type: none"> • Budget Summit: Board of Commissioners sets goals and guidelines for FY 2015 budget
3 February 2014	<ul style="list-style-type: none"> • Requests for new positions and work plans (with goals, objectives, and performance targets) due from departments • Remaining budget forms distributed to departments/agencies
7 March 2014	<ul style="list-style-type: none"> • Budgets due from departments and agencies (except schools)
14 April 2014	<ul style="list-style-type: none"> • Budget due from schools
5 May 2014	<ul style="list-style-type: none"> • Budget submitted to Board of Commissioners and public at a special meeting
May 19 and 20, 2014	<ul style="list-style-type: none"> • Official public hearings held in Pittsboro and Siler City
Late May and early June, 2014	<ul style="list-style-type: none"> • Board of Commissioners holds budget work sessions
By 30 June 2014	<ul style="list-style-type: none"> • Board of Commissioners adopts budget (legal deadline)

Commissioners usually adopt the CIP at their December meeting.

Prior to the budget retreat, departments prepare the “Heads Up” document, a list of issues or services impacting the budget

in the upcoming year. Staff presents Heads Up and financial trends to Commissioners before the retreat.

Commissioners review this information and set goals for preparation of the recommended budget, including expenditure priorities and revenue constraints.

Department work plans and requests for new positions are due in early February. All other budget forms are due from departments in March.

The County Manager usually presents the recommended budget to Commissioners and the public on the first Monday in May.

Commissioners hold two public input sessions, including the required public hearing, to gain public feedback on the budget.

Following the public hearings, commissioners hold one or more work sessions in late May and early June to review the budget. Staff incorporates changes approved by Commissioners and prepares the budget ordinance for adoption at the regular June meeting.

Nonprofit Funding Process: Historically, Chatham County has funded County non-profits that provide important services to our citizens. Agencies are able to use one application to apply jointly to United Way and Chatham County. The Board of Commissioners approved evaluation criteria for non-profits and appointed volunteers to review the applications, using a standardized scoring sheet also approved by the board. Following the numerical ranking, volunteers discussed and reached consensus on funding recommendations. The County Manager made minor revisions to the recommendations, which are explained more fully in the Human Services Agencies budget. Commissioners approve the funding and also have \$10,000 to allocate directly.

Process for Budget Amendment: Budgets are adopted the department level. Department heads are authorized to transfer operating funds between divisions without limitation. Transfers from personnel and capital lines must be approved by the budget officer. In accordance with N.C. General Statutes 159.9, the County Manager serves as the Budget Officer. The Budget Officer is authorized to:

- Transfer funds within a department without limitation.
- Transfer amounts of up to \$5,000 between departments of the same fund with a memorandum report of such transfers at the next regular meeting of the Board of Commissioners.
- Transfer amounts of up to \$50,000 from contingency to any department with a memorandum report of such transfers at the next regular meeting of the Board of Commissioners. Greater amounts can be made available upon agreement of the Board of Commissioners.
- Transfer, terminate, or create positions, and transfer associated funds, without limitation, provided that actual personnel costs do not exceed budgeted personnel costs.
- Employ temporary help from time to time to meet circumstances.
- Execute contracts provided that funds for the contract have been approved as part of the annual budget and the contract does not exceed the funds appropriated, the contract's term does not exceed three years, all applicable state laws and county policies regarding purchasing are followed, and the contract does not exceed \$100,000.
- Execute change orders provided that the change order is for a project approved as part of the annual budget, the change order does not exceed the funds appropriated, and the change order does not exceed \$100,000.

All other budget amendments must be approved by the Board of Commissioners.

Revenue Projection Methodology:

For the most part, staff uses trending to estimate revenues. Staff tracks major revenues by month, estimates revenue for the current year (usually three-to-four months remaining), and projects next year's revenue at a slightly more conservative amount, usually 3% less than estimated. In some cases, next year's projection is informed by additional information, such as

known grant or intergovernmental revenue. Additional information is also available from expert sources, such as guidance on sales tax revenues (from NCACC and NCLM). Where possible, staff uses a combination of local trending and outside guidance to reach the best possible estimates and projections.

General Fund Revenue Summary:

	2014 Amended	2014 Estimated	2015 Recommended	%Inc./ Dec.
Fees & Permits	1,126,050	1,601,994	1,508,300	34%
Intergovernmental	9,671,253	9,422,602	9,214,388	-5%
Interest	72,000	140,000	140,000	94%
Grants/Donations	206,183	397,449	339,286	65%
Miscellaneous	19,000	273,773	21,000	11%
Other Taxes/Licenses	627,700	833,445	745,000	19%
Property Tax	57,670,000	58,236,000	57,562,000	0%
Sales & Service	2,484,857	2,553,762	2,589,628	4%
Sales Tax	8,662,000	8,883,000	9,210,000	6%
Transfers	7,771,084	8,340,475	9,743,962	25%
Fund Balance	4,802,299	0	2,958,705	-38%
Total Revenues	93,112,426	90,682,500	94,032,269	1%

Enterprise Fund Revenue Summaries:

Solid Waste & Recycling Fund

	2014 Amended	2014 Estimated	2015 Recommended	%Inc./ Dec.
Intergovernmental	34,350	5,003	850	-98%

	2014 Amended	2014 Estimated	2015 Recommended	%Inc./ Dec.
Interest	5,000	12,643	8,000	60%
Miscellaneous	0	35,046	0	0%
Other Taxes/Licenses	140,000	143,793	135,700	-3%
Sales & Service	2,817,200	2,915,684	2,828,400	0%
Fund Balance	153,879	0	297,070	93%
Total Revenues	3,150,429	3,112,169	3,270,020	4%

Southeast Water District

	2014 Amended	2014 Estimated	2015 Recommended	%Inc./ Dec.
Interest	600	1,133	1,200	100%
Sales & Service	559,500	597,310	599,500	7%
Total Revenues	560,100	598,443	600,700	7%

Water Fund

	2014 Amended	2014 Estimated	2015 Recommended	%Inc./ Dec.
Interest	7,000	13,000	13,000	86%
Sales & Service	5,250,000	5,234,730	5,132,762	-2%
Fund Balance	505,667	0	491,192	-3%
Total Revenues	5,762,667	5,247,730	5,636,954	-2%

Property Taxes:

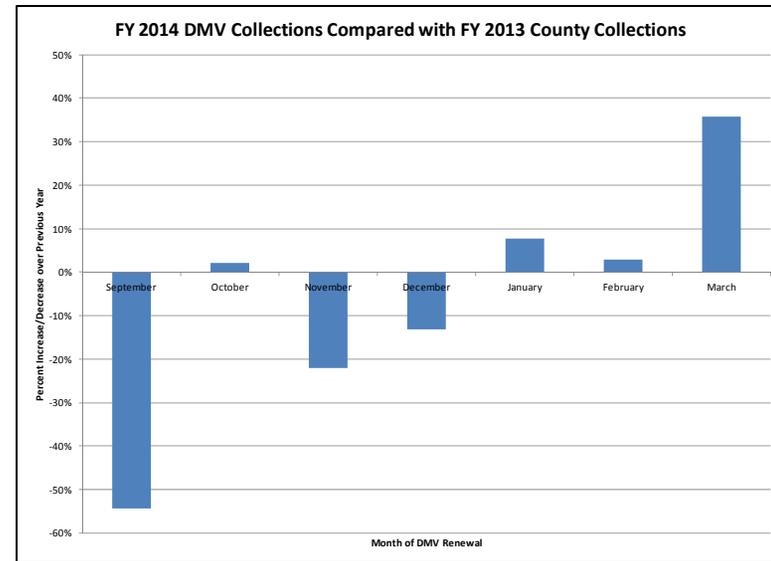
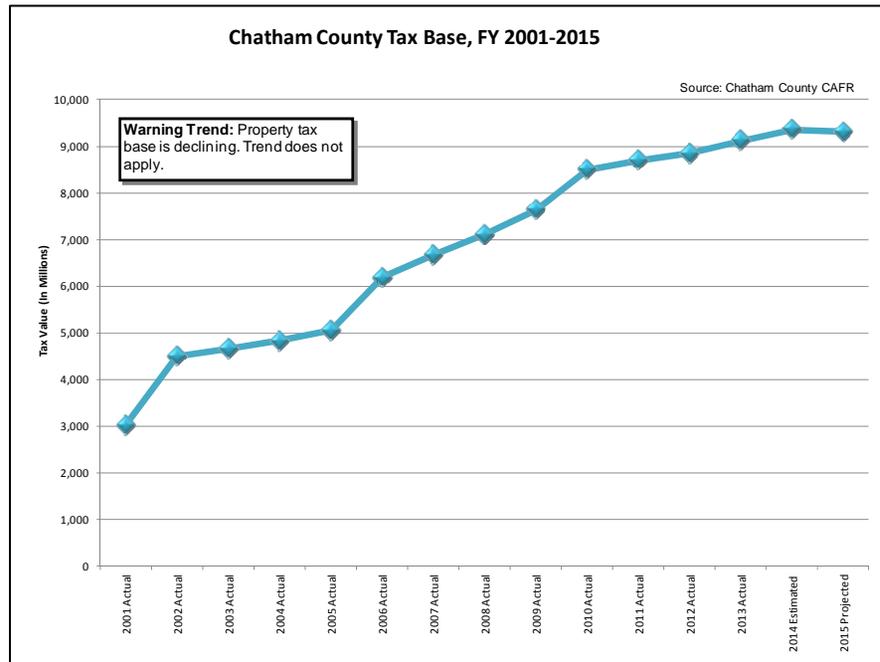
Real property values are estimated to grow 2.4% in FY 2015. The increase in value results from completion of Wal-Mart and residential development in Briar Chapel and other subdivisions in the northeastern part of the county.

Development in North Chatham's Fire District accounts for \$129 million of \$215 million total real property growth. Residential development in the Town of Cary accounts for another \$36 million.

The 1.4% decrease in **personal property** results mainly from depreciation of business equipment.

A majority of the \$29 million increase in **exempt property** results from additional governmental and nonprofit buildings, such as the county's new detention center, Piedmont Health's PACE facility for seniors, Chatham Charter's new high school, and Carolina Meadows.

The Department of Revenue (DOR) advised the County that we will lose an additional \$18 million in value from the closing of the coal-fired power plant owned by Duke Energy in Moncure, reducing our **utility values** by this amount. News of this loss was received after the budget had been developed and is not shown below. To offset the loss in revenue, the county will postpone some capital purchases until it can be determined if this revenue loss, approximately \$113,000, can be made up



with other revenues. The figure below is based on the values billed for FY 2014.

Estimating the **motor vehicle** tax base is challenging, since the NC Department of Motor Vehicles (DMV) took over collection of local motor vehicle taxes in FY 2014. For FY 2014, this results in a four-month overlap of billing between the county and DMV and a one-time revenue windfall of approximately \$967,000 (approximately \$130,000 less than what was originally projected). For FY 2015, it represents several challenges to estimating the tax base.

First, vehicles tags renewals do not match taxes billed by the county, so month-to-month comparisons of values are nearly impossible.

Second, many vehicle owners renew their tags late (at least 20% are late), making it difficult to trend the first year of data. In fact, there is some speculation that combining the renewal cost with vehicle taxes owed has led to more late renewals in

FY 2014. Amounts collected by DMV in the first few months were significantly lower than the same months collected the previous year by the county (as shown in the graph on the previous page). It appears that these late renewals are being caught up in the subsequent months, but it is difficult to predict the remaining months of collection.

Because of these difficulties, staff used FY 2013 values inflated by 2% to estimate FY 2015 values. This is a 25% decrease in the base from FY 2014, which included an additional four months of value because of the overlap between DMV and county collections.

The graph on the left shows the increase in Chatham County's tax base since 2001. Notice the dramatic flattening of growth in the last five years. The slight dip in FY 2015 is the result of the motor vehicle windfall in FY 2014, when values increased by approximately 33% to reflect the four months of overlapping collections.

With current subdivision and building permit activity, we should start to see more significant increases in the property tax base beginning in FY 2016.

Because of the additional motor vehicle value in FY 2014, overall, the tax base and property tax revenue is projected to be about the same in FY 2015.

In developing the estimate for property tax, staff used the following factors:

- Tax base: \$9.3 billion—Staff used actual numbers for real property values as of April 15, 2014, reflecting estimated reductions by the Board of Equalization and Review. Staff used estimated numbers for personal property, exemptions, utilities, and motor vehicles since these values have not yet been finalized.
- Tax rate: 62.19 cents, the same tax rate as FY 2014.
- Staff again used collection percentages recommended by the Chatham County Tax Collector: Real and personal property collection percentage: 98%. Motor vehicle collection percentage: 92.14%. (In theory, the collection percentage for motor vehicles should be 100% of renewals, but at this point, it is nearly impossible to say what value the 100% will be applied to.)

	FY 2014 Budgeted	FY 2015 Projected	% Increase/ (Decrease)
Real Property	8,628,696,358	8,835,749,198	2.4%
Personal	537,028,438	529,707,353	-1.4%
Exemptions	(800,384,745)	(829,221,861)	-3.6%
*Utilities	196,757,588	208,776,076	6.1%
Motor Vehicles	749,042,177	560,667,957	-25.1%
Total	9,311,139,817	9,305,678,723	0.0%

**After the budget was balanced, staff was notified that we will lose another \$18 million from the closing of Duke Energy's coal plant in Moncure. We plan to deal with the loss of approximately \$113,000 in tax revenue by holding off on several recommended capital expenses until we can determine that adequate revenue will be available through discoveries, etc.*

Fire District Tax Rates:

As part of its annual operating budget, the Chatham County Board of Commissioners establishes tax rates for the 12 fire districts in the County. Because of the change in motor vehicle collections, county staff did not have adequate information regarding fire district tax bases until mid-March. This delayed the submission of fire department requests. As of the printing of the recommended budget, County staff has not had adequate time to review the fire department budgets and make recommendations on contract amounts and fire tax rates. Therefore, only the current rate and the requested rate are shown. County staff will complete and publicize our recommendations before the public hearings so that the public has adequate time to review and comment. It is possible that staff may recommend reductions from the requested rates. No official request has been received, but staff-to-staff conversations indicate that Siler City may also request a 2-cent increase from 8 to 10 cents.

Fire District	FY 2014 Approved Rates	Requested Fire Tax Rate
Bells Annex (North Chatham FD)	0.08800	0.08800
Bennett (Bennett FD)	0.08000	0.08000
Bonlee (Bonlee FD)	0.07000	0.07000
*Central Chatham (Siler City FD)	0.08000	0.08000/.10000
Circle City (Pittsboro FD)	0.11580	0.11700
Goldston (Goldston FD)	0.08000	0.08000
Hope (Silk Hope FD)	0.06850	0.06850
Moncure (Moncure FD)	0.11040	0.11040
North Chatham (North Chatham FD)	0.08800	0.08800
Northview (Northview FD)	0.08300	0.08300
Parkwood (Parkwood FD)	0.10000	0.10000
Staley (Staley FD)	0.10000	0.10000

Fee Increases:

In order to recoup costs, we are recommending fee increases in Permitting, Planning, Health, and Animal Control. The fee increases would cumulatively generate approximately \$45,000 in additional revenue. Changes are also proposed in

several Planning and Recreation fees, which will be revenue neutral or reduce revenue slightly. See Appendix E for a complete list of proposed fee increases/changes.

Medicaid Relief:

Beginning with FY 2008, the state has gradually taken over the counties' share of Medicaid expense in exchange for a portion of County sales tax revenue and other sales tax changes. Chatham County will lose more from sales tax

revenue reductions and changes than we will gain from Medicaid relief. However, the Medicaid relief legislation guarantees counties a \$500,000 benefit annually.

The hold harmless payment is based on the actual sales tax revenue and Medicaid expense if the changes had not been made. A good economy means that sales tax revenues are up and Medicaid expenses are down, increasing the overall benefit to counties. This is complicated because part of the hold harmless payment compensates the county for losing sales tax because the distribution method changed from population to point of sale. Since the county's locally collected sales tax is performing better than the state as a whole, the Medicaid hold harmless payment will be less by the difference.

Staff has been very conservative in budgeting this revenue since FY 2010, when early projections showed the County receiving \$600,000 but only \$261,690 was actually realized.

Typically, we rely on projections from the NC Association of County Commissioners, which uses actual Medicaid expenditures and sales tax receipts to estimate the hold

harmless payment. However, Medicaid spending by county is not currently available. In the absence of data, staff is recommending that we budget the same as FY 2014, \$1.25 million. Elements of the Medicaid “swap” include:

- County loses all of Article 44 (one-half cent) sales tax.
- Article 42 (one-half cent) sales tax switches from being shared statewide on a per capita basis to being distributed based on local collections.
- State takes over 100% of County’s Medicaid costs.
- County must reimburse towns for their share of lost sales tax revenues.
- County must hold schools harmless for portion of Article 42 earmarked for school capital.
- Counties are guaranteed a “hold harmless” amount: +\$500,000.

Sales Tax:

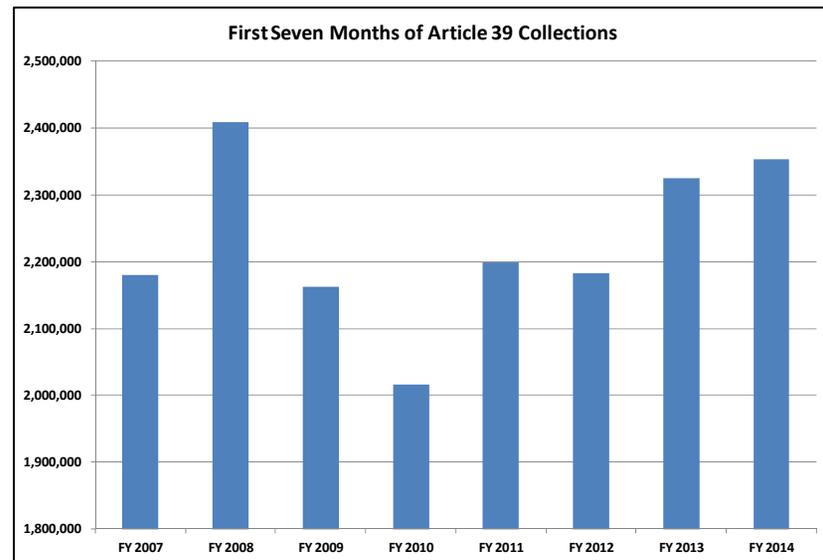
Because of changes brought about by Medicaid relief, sales tax is down as a percent of general fund revenues from 14% in FY 2009 to a projected 10% in FY 2015. The three parts of sales tax are:

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.

Absent a very large refund paid out in February, locally, sales tax revenues are trending 11% above FY 2013, compared with 6% for sales tax collected statewide. The February refund,



\$522,738, which is netted against locally collected sales tax, represents the largest monthly refund amount since staff began tracking this information. This significantly impacts FY 2014 revenue, which is expected to be 4.2% above FY 2013.

Both the NC League of Municipalities (NCLM) and the NC Association of County Commissioners (NCACC) expect statewide sales tax growth to be 4.5% for the remainder of FY 2014. Staff estimated local sales tax to be 8% above FY 2013.

Intergovernmental:

Intergovernmental revenues are those that the state and federal government “share” with counties, generally to fund specific programs. Intergovernmental revenues are expected to decrease by 4.7%. Intergovernmental revenues have historically been declining as a portion of total revenue.

- **Social Services Reimbursements:** State and federal government reimburse us partially for the salaries and operating costs of social services programs. All federal and state reimbursements are based on estimates provided by the NC Department of Health and Human Services and adjusted for local conditions. These reimbursements are linked directly to expenditures in Social Services. This revenue source is expected to decline by 4% to reflect reduced anticipated expenditures in foster care and daycare.
- **Safe Havens Grant:** Federal funding for the Safe Havens Program, which provides secure court-ordered visitation services for families and funding through the NC Governors Crime Commission continue in FY 2015. The grants and fees completely cover the cost of this program.
- **Lottery Proceeds:** This revenue does not affect the general fund directly, as revenues are budgeted in the debt reserve.

For next year, both NCLM and NCACC recommend budgeting between 3.5% and 4% growth for statewide collections. Staff is recommending 3.5%. Staff is estimating locally collected sales tax to be 5% above FY 2014 levels. Overall, sales tax revenue is expected to be 6.3% above FY 2014 budgeted levels.

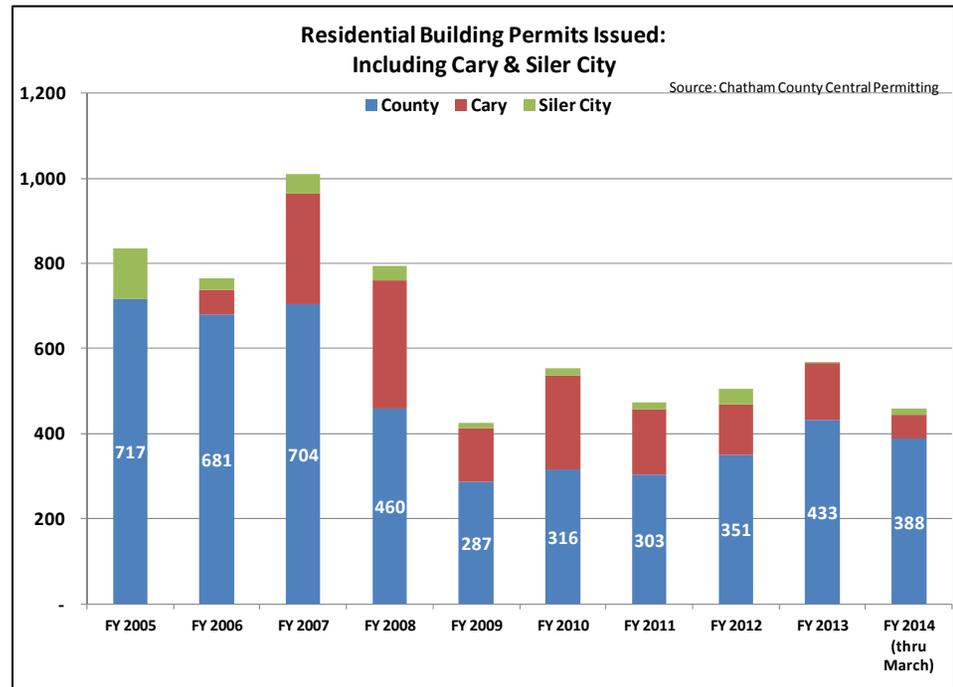
Approximately \$500,000 is estimated for Chatham in FY 2015.

- **Federal Payment in Lieu of Taxes (PILT):** Congress removed PILT payments from the budget and reauthorized funding for FY 2014 only in the Farm Bill. The National Association of Counties could give no assurance on whether PILT would be reauthorized for FY 2015, so staff did not budget this amount, a loss of \$90,000.
- **ABC Revenue:** The County ABC Board has unofficially requested that its FY 2015 contribution be set at \$75,000, \$15,000 less than what was budgeted for FY 2014.
- **Court Revenues:** After increasing for several years, FY 2014 court facility fees are projected to be below budget and lower than FY 2013. Staff recommends a 4% decrease from amounts budgeted in FY 2014. Based on trends year-to-date, revenue from court costs is expected to be slightly higher.
- **Beer and Wine Tax:** The NC League of Municipalities estimates that FY 2014 collections (not yet received) will be 2.2% above FY 2013 and FY 2015 will be 1.75% above FY 2014. Staff used this recommendation to estimate revenues.

Fees & Permits:

Fees are generated when County residents and others pay for permits charged for regulations the County is required to enforce. Some fees, such as Register of Deeds recording fees, are set by state law. Most other fees are established locally and can be set at various levels. Overall, this revenue is expected to increase 34%.

- Register of Deeds Fees:** Fees are charged when legal documents are recorded. Staff estimates that FY 2014 receipts will be about 10% more than FY 2013. FY 2015 projections are slightly more conservative than FY 2014 estimated receipts.
- Building Inspection Fees:** Reflecting significantly increased building activity, staff estimates that the revenues for FY 2014 will be 25% above FY 2013. Through March 2014, the number of county-issued permits is up 33% over the same time period last year. For FY 2015, staff recommends budgeting \$1,000,000, approximately 3% less than FY 2014, plus \$25,000 for an increase in trip charges, explained in Appendix E.

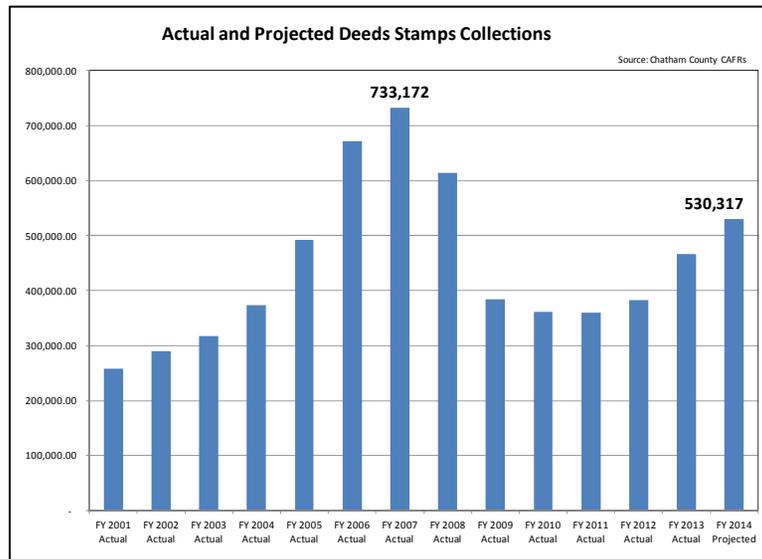


Other Taxes and Licenses:

Other Taxes and Licenses represent locally collected taxes, other than the property tax. Overall, this revenue category is expected to increase 19% primarily because of increased deed stamp collections.

- Occupancy Tax:** FY 2014 is expected to be about 3% above FY 2013 collections. Projections for FY 2015 are budgeted at the same level as FY 2014. As a practical

matter, the expenses of the Pittsboro-Siler City Convention and Visitors Bureau are set equal to occupancy tax revenues. Any deficit is subtracted from the occupancy tax reserve, while any excess contributes to the reserve. At the end of FY 2013, the reserve balance is estimated at approximately \$187,000, about twice the department's annual operating expenses.



- Register of Deeds Revenue Stamps:** Revenue stamps are charged when properties are sold within the County. We are required to share half of the revenue with the state. For FY 2014, this revenue source is expected to be 11% above FY 2013. Projections for FY 2015 are slightly more conservative than FY 2014 estimated. As the chart to the right shows, while land transactions have not reached the peak levels of FY 2007, they have improved dramatically since the downturn in the economy.

Other Revenues:

Interest: With interest rates at all-time lows, the Finance Office has began investing approximately 50% of available cash in agencies, treasury notes, and commercial paper. This strategy has paid off with FY 2014 estimated interest about double that received in FY 2013. Staff recommends budgeting \$140,000 in FY 20154 based on these efforts.

Grants/Donations: This revenue source is projected to increase 65% over the FY 2015 budget. One reason for the increase is budgeting revenue for the Chatham Transit Director's salary, which the county had allowed Chatham Transit to retain in the past. Additionally, the county is budgeting for a Duke Energy grant that is received annually, but was not budgeted in FY 2014.

Insurance Reimbursements: In FY 2014, the county received a \$250,000 settlement from the contractor's insurance

to cover costs not previously reimbursed by the county's insurance carrier. This reimbursement settles all claims involving the fire in the Historic Courthouse.

General Fund Sales and Service: Sales and service revenue is generated when County departments provide services directly to residents and are reimbursed either directly from residents or from a third party, such as Medicaid. In general, the County has more control over the "prices" of its services than any other revenue type, besides property taxes. The exception is Medicaid, because reimbursement rates are set by the Federal government. Several adjustments in health clinic fees are recommended to match Medicaid reimbursement rates.

In the general fund, this revenue source is expected to decrease overall by 1%. The main reason for the decrease is a

25% (approximately \$100,000 loss) reduction in fees paid by fire districts for collection of taxes. Because the county is no longer collecting motor vehicles taxes, fire districts will no longer pay us for that service. Without this significant loss, this category of revenue would be up because of increased development activity, such as sedimentation and erosion control fees, which are projected to be 79% above FY 2014 budgeted amounts.

Enterprise Fund Sales and Service: Sales and service revenue accounts for a greater portion of the Water and Waste Management Funds. Water revenues are expected to decline by 2% from FY 2014 budgeted amounts, reflecting less revenue from the Southeast Water District. Overall, revenue

has not grown in the Water Fund, despite an increase in the number of customers. This is a trend that staff will analyze during the department evaluation process this fall. We suspect it is related to the economic downturn and water customers conserving more.

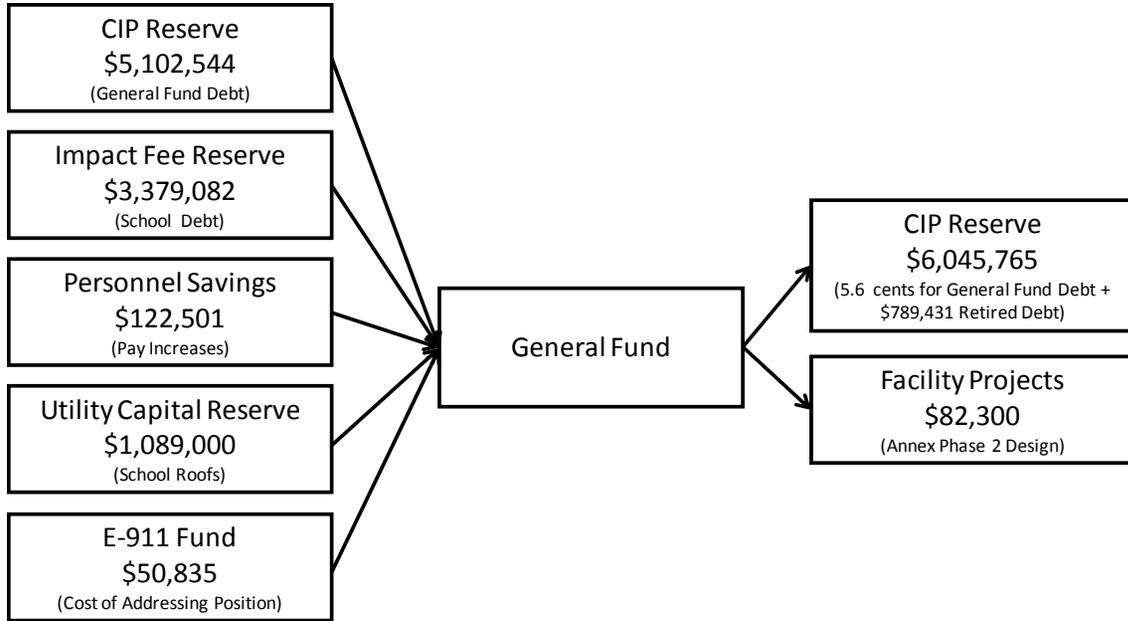
Waste Management revenues are to increase slightly, reflecting greater revenues for collection fees (paid by all non-municipal residents), but less for disposal fees (paid by non-municipal residents without a private hauler). Most new development in the county is occurring in subdivisions who contract with private haulers.

Transfers In:

Transfers of revenues generally occur from special revenue funds to the operating funds for one-time expenditures. Overall, this revenue source is expected to increase by 25%, or almost \$2 million in the General Fund to cover increased debt, and pay for school roofs.

- **CIP Reserve:** This reserve was established as part of the County's financial plan to fund capital improvements. Five and six-tenths cents on the property tax rate, plus the decrease in debt service on general obligation bonds, is transferred annually to this reserve to pay for debt service on general County projects. In turn, funds to cover principal and interest on the County's debt-financed CIP projects are transferred to the general fund each year. This approach avoids large increases in property taxes to pay for debt service. For FY 2015, an additional \$765,000 will be transferred from the reserve for increased debt service.

- **Personnel Savings:** This reserve was established several years ago to pay for merit pay raises. The county's pay-for-performance merit system was discontinued in FY 2009 and most of the remaining funds were used for one-time bonuses in FY 2012. The small balance in this fund, \$122,501, will be used in FY 2015 to fund a portion of pay raises, making it possible to implement increases July 1, rather than October 1.
- **Impact Fee Reserve:** This reserve accumulates school impact fees to pay for capital and debt service for school improvements related to growth. A transfer of \$3,379,082 is needed to cover debt for Virginia Cross Elementary, Northwood High School Renovations, Margaret Pollard Middle School, and several small projects paid for with funds leftover from the Margaret Pollard project. This represents a 2% reduction from the FY 2014 transfer.



General Fund to the Utility Capital Reserve made in FY 2007, when many additional water system improvements were planned. These improvements did not occur, and Commissioners agreed to repay the General Fund. These funds will be transferred as needed from the Utility Capital Reserve to cover the cost of replacing school roofs.

- **E-911 Fund:** This reserve accumulates taxes paid on wireless and landline phones to fund expenses of receiving and dispatching emergency calls. We have received guidance that the county cannot budget the addressing position in the special revenue fund. Instead, proceeds from the fund will be transferred to the General Fund to cover

- **Utility Capital Reserve:** With approval of the FY 2015-2021 Capital Improvements Program, Commissioners authorized the repayment of a \$5 million transfer from the

the costs of the position (less two weeks for other duties performed).

Fund Balance:

General Fund One-time Expenses:	
Replacement Capital	\$621,021
Continuation Operating One-time	\$280,794
School Capital Outlay	\$1,409,456
Capital Improvements Program	\$142,860
Expansion Capital	\$504,574
Total	\$2,958,705
Fund Balance Appropriated	\$2,958,705

Fund balance is typically used as “revenue” to balance the budget. Consistent with the Commissioners adopted financial policy, in the general fund, the use of fund balance is tied to one-time or capital expenditures, as shown in the table. Overall, the general fund appropriation from fund balance is down 38% from FY 2014. The lower appropriation reflects less "spending" of fund balance for capital improvements projects.

The appropriation of fund balance in the Solid Waste & Recycling Fund is recommended at \$297,070 to balance the

budget. The fund includes one-time expenses of \$262,070 and the rolling over of proceeds, estimated at \$35,000, from the sale of surplus equipment. The old equipment will be sold in FY 2014 and the new equipment purchased in FY 2015.

The Water Fund appropriation is recommended at \$491,192 to balance the budget. The fund includes one-time expenses totaling \$184,515. One reason the water fund revenue does not cover expenses is that revenue has not grown significantly in

the past six years, while customers and expenses have grown. This is a trend that bears examining. However, the Water Fund has substantial fund balance available for appropriation, as shown in the table below.

The table below shows the amount of fund balance available for appropriation in FY 2015 in the three major operating funds.

Fund Balance available for appropriation:	General Fund	Water Fund	Waste Management Fund
Cash and Investments	27,895,989	3,845,907	3,620,014
Less:			
Liabilities	(2,505,027)	(521,946)	(194,892)
Deferred revenues arising from cash receipts	(406,076)	0	0
Fund balance available for appropriation	24,984,886	3,323,961	3,425,122
Amount recommended for appropriation	2,958,705	491,192	297,070

General Fund Expenditure Summary:

	2014 Amended	2014 Estimated	2015 Recommended	Variance	% Inc./ (Dec.)
Administration	6,148,376	5,522,523	6,240,058	91,682	1%
Debt Service	10,005,636	10,021,247	10,638,580	632,944	6%
Debt/Capital Transfers	6,732,654	6,836,729	6,128,065	(604,589)	(9%)
Chatham County Schools	29,455,120	29,259,548	29,231,909	(223,211)	(1%)
Other Education & Culture	3,108,075	2,781,320	3,024,920	(83,155)	(3%)
General Government	2,553,770	2,206,245	2,611,131	57,361	2%

	2014 Amended	2014 Estimated	2015 Recommended	Variance	% Inc./ (Dec.)
Human Services	18,095,676	16,513,056	17,742,112	(353,564)	(2%)
Natural Resource Management	2,693,389	3,526,580	2,756,897	63,508	2%
Public Safety	14,319,730	13,824,441	15,658,597	1,338,867	9%
Total	93,112,426	90,491,689	94,032,269	919,843	1%

Administration: The slight increase in this department grouping can be explained by a slight increase (1%) in salaries [+20,996] and increases in allocations to other jurisdictions, namely funding the Siler City Airport and Goldston sewer project [+301,000]. These increases are offset by substantial decreases in capital projects and savings by contracting out the vehicle maintenance [-\$127,208]. Other departments' budgets are increasing slightly to cover the contracted maintenance, with an overall savings of approximately \$50,000 expected.

Debt Service: Debt Service is increasing by 6%, because the first principal payment on the detention center is due [+820,000]. This is offset somewhat by decreases in most other debt service payments, as most debt is structured with even principal payments and declining interest payments.

Debt/Capital Transfers: Overall, this category is down 9%. Transfers to the debt reserve have increased [+693,640]. This represents growth in the 5.6-cent property tax amount, the restoration of a one-time allocation of \$500,000 diverted from the debt reserve and given to schools in FY 2014 for technology, and retirement of debt. Transfers to capital projects has declined substantially [-\$1,402,304] to reflect the Capital Improvements Program. In FY 2014, transfers were needed for Phase 1 of the Annex renovation project (\$1,380,529) and the Central Carolina Business Campus (\$104,075). In FY 2015,

only a small transfer is needed for design of Phase 2 of the Annex renovation project (\$82,300).

Chatham County Schools: Overall, funding for Chatham County Schools is decreasing 1%, due to fewer capital expenditures in FY 2015. Current expense funding is increasing 3% [+577,323] to fund the continuation of the One-to-One High School Laptop Program; this expense has been moved from capital outlay. The overall impact of the change in funding category is that Chatham County Schools will now have to share this funding with the charter schools. Funding for local salary supplement is increasing 15% [+575,000] for the incentive pay program. Funding for capital outlay is decreasing 21% [-\$369,935], because funding for laptops has been moved from capital outlay to current expense. After this expense was moved, capital outlay was then increased by 5%. The one-time capital appropriation in FY 2014 (\$500,000) resulted from diverting this amount from the transfer to the debt reserve. For FY 2015, this funding is restored to the debt reserve. Funding for the Capital Improvements Program is reduced 31% to reflect the projects called for in FY 2015 [-\$505,599].

Other Culture & Education: The decrease from the amended FY 2014 budget is explained by one-time donation expenses in the library [-\$160,865], which are typically not included in the original budget. Additional expense in this

department grouping includes one-time funding for Central Carolina Community College for the Carolina Works program [+\$25,000] and purchase of a shed to support the Sustainable Agriculture program [+\$30,000].

General Government: General government is increasing 2%, as a result of pay [+\$15,038], benefits [+\$19,312], and capital outlay [+\$19,375] increases.

Human Services: Human Services is decreasing 2% due to the following: targeted cuts made by the Health Department, by eliminating two vacant positions and reducing operating expenses [-\$154,901]; the ending of an energy grant in Social Services [-\$102,694]; and decreased expenditures in foster care due to more careful budgeting [-\$119,500] (Note: Funds are set aside in contingency to cover cost overruns in foster care, which are largely out of the department's control). These decreases are offset by salary support for the Chatham Trades Executive Director [+\$75,000] and continuation funding for the frozen meals program in Council on Aging, which was budgeted FY 2014 as a match in contingency [+\$17,732].

Natural Resource Management: Natural Resource Management is increasing 2% due to the following: restoration of a central permitting technician position to handle increased workload [+\$38,556] and salary and benefit increases from pay raises [+\$38,203].

Public Safety: Public Safety is increasing 9%. Most of the increase can be explained by budgeting a full year for detention personnel and operating expenses that were budgeted for a partial year in FY 2014 [+\$710,406]; contracting with Durham County to provide emergency medical services in the Parkwood Fire District [+\$21,400]; inflationary increase called for in the FirstHealth contract for EMS services [+\$66,905]; budgeting grants in Emergency Operations that are typically not included in the original budget [+\$108,000]; budgeting the 911 addressing position in the general fund versus 911 fund [+\$50,835]; career path for 911 Communications [+\$26,985]; and a new administrative supervisor position in the Sheriff's Office [+\$40,669].

Enterprise Fund Expenditure Summaries

	2014 Amended	2014 Estimated	2015 Recommended	Variance	%Inc./ Dec.
Solid Waste & Recycling	3,150,429	2,858,426	3,270,020	119,591	4%
Southeast Water District	560,100	644,983	600,700	40,600	7%
Water Fund	5,762,667	5,259,284	5,636,954	-125,713	-2%

Expenditures by Department

Department Name	FY 2013 Actual	FY 2014 Amended	FY 2014 Estimated	FY 2015 Requested	FY 2015 Rec Cont	FY 2015 Rec Exp	FY 2015 Total Rec	%Inc /Dec
Cardinal Innovations Healthcare Solutions	486,422	502,671	483,845	511,248	511,248	0	511,248	2%
Central Carolina Community College	1,773,600	1,773,150	1,773,150	1,809,193	1,760,743	30,000	1,790,743	1%
Central Permitting -- Administration	310,624	293,638	296,367	347,702	315,081	38,560	353,641	20%
Central Permitting -- Fire Marshal Division	263,414	249,098	242,685	247,136	251,661	0	251,661	1%
Central Permitting -- Inspections Division	358,768	416,939	409,376	428,048	434,605	0	434,605	4%
Chatham County Schools	33,312,191	35,123,513	34,943,552	34,767,945	32,496,622	2,271,323	34,767,945	-1%
Chatham Trades	110,000	121,000	121,000	182,000	110,000	72,000	182,000	50%
Chatham Transit Network	176,782	174,169	156,796	156,771	159,134	0	159,134	-9%
Community Development/Ombudsman	8,042	0	0	0	0	0	0	0%
Cooperative Extension Service	339,227	365,880	292,687	378,697	346,636	0	346,636	-5%
Council on Aging	832,641	837,757	845,756	876,036	880,958	0	880,958	5%
County Attorney	227,256	284,303	255,446	283,265	284,309	0	284,309	0%
County Manager's Office	767,394	848,644	836,113	868,652	891,453	0	891,453	5%
County Manager's Office -- Community Relations	9	0	0	0	0	0	0	0%
Court Facilities	118,327	1,202,808	1,121,523	1,163,941	1,163,941	0	1,163,941	-3%
Court-Related Programs	649,899	555,537	649,368	575,028	577,319	2,129	579,448	4%
Economic Development Corporation	697,779	1,429,141	2,345,154	1,449,345	1,355,845	50,000	1,405,845	-2%
Elections Office	349,231	343,844	320,803	358,128	360,973	0	360,973	5%
Emergency Management -- Emergency Medical Services	2,220,603	2,286,199	2,291,649	2,368,466	2,368,466	0	2,368,466	4%
Emergency Management -- Emergency Operations	370,397	358,302	401,350	526,234	527,444	0	527,444	47%
Emergency Management -- Telecommunications	1,179,267	1,435,760	1,338,362	1,547,279	1,423,906	97,398	1,521,304	6%
Environmental Quality -- Land & Water Res.	134,263	150,943	148,905	154,641	156,195	0	156,195	3%
Environmental Quality -- Solid Waste & Recycling	3,226,548	3,150,429	2,858,426	3,334,223	3,266,576	3,444	3,270,020	4%
Finance Office	597,139	706,795	642,875	792,588	722,157	82,467	804,624	14%
Governing Board	343,673	355,847	317,784	345,141	350,433	0	350,433	-2%
Health -- Administration	512,669	535,495	510,599	466,493	478,698	(4,761)	473,937	-11%

Department Name	FY 2013 Actual	FY 2014 Amended	FY 2014 Estimated	FY 2015 Requested	FY 2015 Rec Cont	FY 2015 Rec Exp	FY 2015 Total Rec	%Inc /Dec
Health -- Animal Control	523,647	661,196	647,388	697,294	662,041	38,508	700,549	6%
Health -- Community & Family Health	646,510	730,584	626,720	693,516	773,270	(69,007)	704,263	-4%
Health -- Community Health & Surveillance	503,512	557,390	499,298	493,301	500,326	0	500,326	-10%
Health -- Environmental Health	1,066,099	1,122,617	1,073,620	1,123,409	1,146,961	(5,831)	1,141,130	2%
Health -- Preventive Health Care	1,937,890	2,212,859	2,006,792	2,077,181	2,145,771	(42,258)	2,103,513	-5%
Human Service Agencies	306,204	266,243	282,003	265,917	265,917	0	265,917	0%
Human Service Pass Through Grants	141,895	0	0	0	0	0	0	0%
Library	1,943,209	2,102,038	1,932,321	1,952,616	1,934,868	12,666	1,947,534	-7%
Management Information Systems (MIS)	1,223,360	1,439,116	1,434,286	1,497,156	1,460,940	34,299	1,495,239	4%
Nondepartmental/General Services	8,291,241	7,435,186	7,321,535	7,030,460	6,647,160	383,300	7,030,460	-5%
Parks & Recreation	660,129	778,059	694,214	793,555	778,807	22,000	800,807	3%
Pittsboro-Siler City Convention & Visitors Bureau	82,348	89,895	90,218	91,311	92,736	0	92,736	3%
Planning Department	410,299	453,132	391,499	447,834	454,957	0	454,957	0%
Public Works -- Facilities Management	3,351,725	2,195,489	2,090,302	2,053,554	2,055,049	0	2,055,049	-6%
Public Works -- Fleet Management	187,983	12,666	(98,851)	(109,448)	(114,542)	0	(114,542)	-1004%
Register of Deeds	413,285	425,985	424,336	443,237	457,082	0	457,082	7%
Sheriff's Office -- Law Enforcement	6,614,368	6,744,744	6,616,522	6,964,598	6,923,379	40,671	6,964,050	3%
Sheriff's Office -- Jail	1,938,017	3,220,915	2,815,330	4,742,076	4,797,049	0	4,797,049	49%
Social Services	9,767,973	10,663,201	9,548,745	10,331,868	10,348,983	58,380	10,407,363	-2%
Soil & Water Conservation District	189,731	221,584	206,944	223,082	219,201	0	219,201	-1%
Southeast Water District	757,803	560,100	644,983	600,700	600,700	0	600,700	7%
Tax -- Administration	924,628	1,097,945	891,198	1,080,729	970,251	0	970,251	-12%
Tax -- Assessment & Revaluation	257,980	330,149	252,124	458,415	362,392	110,000	472,392	43%
Tax -- Land Records	48,768	0	0	0	0	0	0	0%
Water -- Distribution	4,158,353	4,378,550	4,073,344	4,394,968	4,320,173	22,621	4,342,794	-1%
Water -- Waste Water Treatment	13,168	24,938	15,089	22,425	22,425	0	22,425	-10%
Water -- Water Treatment	1,106,523	1,359,179	1,170,851	1,265,262	1,271,735	0	1,271,735	-6%

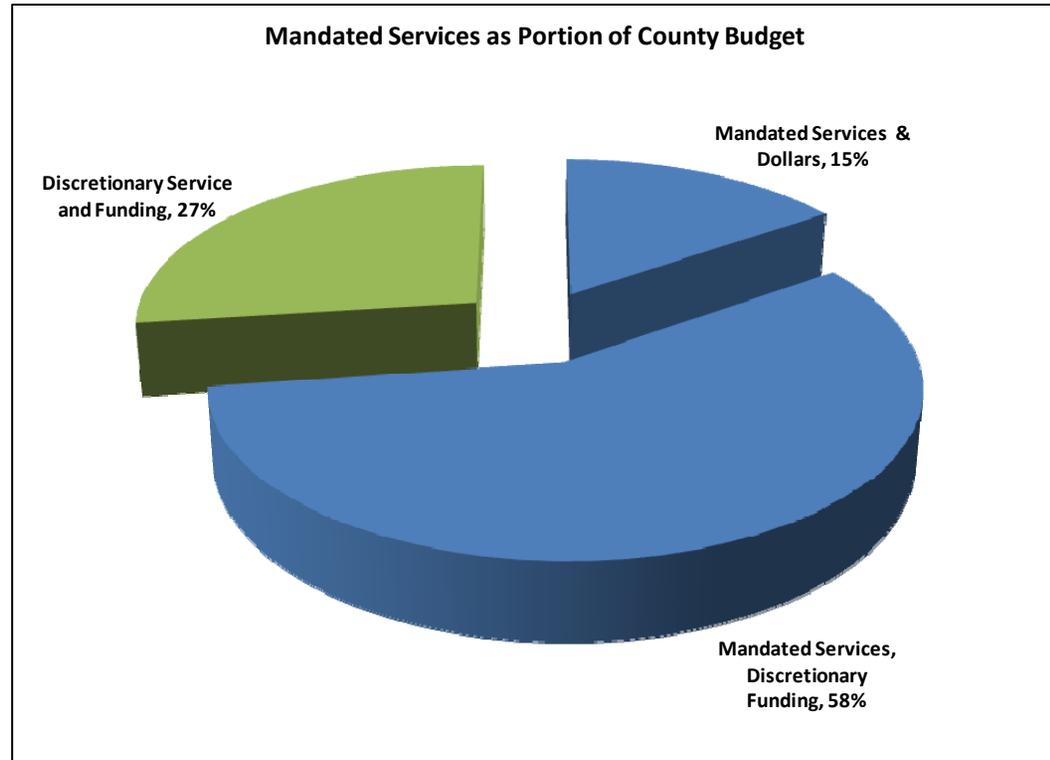
Mandated Services:

Overall, County staff has determined that **73% of the FY 15 Recommended Budget is mandated by state and federal government.** Note that FY 2013 is used as the basis for comparison, as this analysis was not done for the FY 2014 budget.

Mandated Services and Funding: 15% (up from 14% in FY 2013) of the County budget consists of spending that the County has no control over. The state and federal government mandate that services be provided and how much the County must fund those services. Most of these services are provided by Social Services. Debt service is also included in this category.

Mandated Services, Discretionary Funding: 58% (same as FY 2013) of the County budget consists of spending on mandated services. While state and federal governments do not tell us the amount to spend, they do require that the services be provided. The County can choose what level it wants to fund the service. For example, the state mandates that counties fund current expense for public education. The only requirement is that this funding be “adequate.”

Discretionary Service and Funding: 27% (down from 28% in FY 2013) of the County budget consists of services that the County can choose whether to fund. However, this category includes services that the public often considers essential, such as the 911 center, animal services, and local supplements for



teachers. It also includes most administrative expenses of the County, which are required to provide mandated services, such as facilities management and fleet.

For a detailed list of services by category, please see Appendix C.

Expansion Requests:

“Expansion requests” represent new programs, new positions, new capital outlay, and requests for the County to take over programs that previously were grant funded. The County Manager recommends that the following expansion

requests be funded. (At the suggestion of GFOA, only requests of +/- \$10,000 are listed here). More detail can be found on these and smaller requests in each department’s budget.

Department	Expansion/Cut	Net Cost
Central Carolina Community College	Shelter for sustainable farm program. The college is requesting a shelter to serve as an outdoor, covered teaching space and for washing vegetables as they are harvested.	30,000
Central Permitting -- Administration	Central permitting technician. Restore funding for a central permitting technician to deal with increased workload.	38,556
Chatham County Schools	High school one-to-one student laptop program.	577,323
Chatham County Schools	Incentive pay for teachers and teaching assistants for exceeding or meeting state growth expectations.	575,000
Chatham County Schools	Capital Improvements Program (CIP). Schools - roof replacements funded by capital reserve. Funding for replacement of Horton (one-half) and Administrative building. The funds to cover this cost will be transferred from capital reserve.	1,089,000
Chatham County Schools	Capital Improvements Program (CIP). Paving installation and replacement.	30,000
Chatham Trades	Salary support for the executive director.	72,000
Economic Development Corporation	Mega site marketing. Fund a one-time allocation of \$50,000 to develop a strategic action plan and marketing campaigns.	50,000
Emergency Management -- Telecommunications	Remote radio communications sites for Governors Club and Goldston. Provide additional remote communication sites needed in these areas to address problems maintaining adequate communications between emergency responders and central communications. (AT&T has agreed to pay most of this cost in exchange for locating on the Harpers Crossroads communications tower. AT&T will front the first two years of rent to cover this expense.)	70,388
Emergency Management -- Telecommunications	Reclassification of all communications staff. Development of a career path to enhance the recruitment, retention and expertise of the telecommunicators.	26,985
Finance Office	Capital Improvements Program (CIP). Annual maintenance for Munis software.	82,467
Health -- Animal Control	Outdoor walk-in freezer with hydraulic lift.	12,700
Health -- Animal Control	Two chassis-mounted animal transport units.	22,508
Health -- Community & Family Health	Program efficiencies.	(17,559)
Health -- Community & Family Health	Unfunding of vacant Social Worker II position.	(51,450)
Health -- Preventive Health Care	Unfunding of a Public Health Nurse II position.	(72,819)
Health -- Preventive Health	Capital Improvements Program (CIP). Technology - Patient Data Management and Electronic Health Records	30,560

Department	Expansion/Cut	Net Cost
Care	System.	
Library	Reclassification of position to children's librarian. Reclassify the current position to reflect the employee's completion of a graduate program in library science.	12,664
Management Information Systems (MIS)	New firewalls. Provide new firewalls needed to comply with Criminal Justice Information Services (CJIS) standards and support the county Virtual Private Network (VPN).	34,299
Nondepartmental/General Services	Capital Improvements Program (CIP). Design services for second phase of Courthouse Annex Renovations.	82,300
Nondepartmental/General Services	Siler City Airport allocation. Provide matching funds for improvements to the Siler City Airport. (Staff recommends using proceeds from sale of business campus to fund this expense.)	120,000
Nondepartmental/General Services	Goldston Sewer. Providing funding to the town to reimburse property owners for removal of septic systems.	181,000
Parks & Recreation	Capital Improvements Program (CIP)--Contract with the Town of Cary to provide maintenance for the American Tobacco Trail. The original contract between the county and Cary called for the county to take over maintenance of the ATT in FY 2015, at an estimated cost of \$50,000.	15,000
Sheriff's Office -- Law Enforcement	Administrative services supervisor. Fund a position to provide direct supervision of administrative staff and a higher level of administrative support to the Chatham County Sheriff's Office.	40,669
Social Services	Universal caseworker position. Fund a caseworker position to deal with the challenges of NC Fast and the Affordable Care Act. The cost of the position is partially offset by federal revenue.	26,883
Tax -- Assessment & Revaluation	New photos for improvements on parcels. Contract to provide photos missing from the tax database that is used by the tax office, city and county law enforcement, central permitting, planning, and environmental health departments.	110,000
Water -- Distribution	GPS units. Purchase GPS units to locate water system coordinates/points and elevations.	14,500

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 or programs?

Overall, the General Fund continuation budget decreased 2.5% from FY 2014. Reasons for this are as follows:

- **Salaries:** Continuation salaries increased 4% because of pay raises to bring employee salaries to market rates or a 2% increase, whichever was higher and detention center positions funded for a full year that were budgeted for a partial year in FY 2014.
- **Other Personnel Costs/Benefits:** Overall, this category increased 4.5%. Pay-based benefits increased as a result of salary increases and detention center positions. In addition, health insurance costs increased 5%.
- **Operating:** Operating expense decreased 6.4%. Large decreases result from: lower capital expenses in Chatham County Schools (which show up in the operating category); eliminating the expense for vehicle taxes collected by the

Department of Motor Vehicles, as this expense is being netted against the revenue; and reduced expected unemployment expenses because we "doubled-up" in FY 2014 to address changes in state law. The county manager is recommending an increase in the per diem meal rates to match the US General Services Administration rates, which are set by zip code. The meal rates have not been increased in many years and are very low compared to other jurisdictions. The increases are already included in department budgets and are as follows:

	FY 14 Rate	FY 15 Rec Rate	% Increase
Breakfast	\$6.00	\$7.00	17%
Lunch	\$8.00	\$11.00	38%
Dinner	\$16.00	\$23.00	44%
Total	\$30	\$41	37%

Capital Improvements Program (CIP)

Background: The CIP is a long-term plan for funding the County’s major capital needs. It shows how facilities, equipment, and other projects that cost \$100,000 or more could be scheduled and funded over the next seven years, beginning in FY 2015. The CIP is updated annually during the budget process and may be modified at any time to reflect changing conditions. A CIP is a systematic way of anticipating, planning, and budgeting for major projects. The adoption of a CIP can improve the credit worthiness (bond rating) of a jurisdiction. CIP requests originate at the department level. The Manager’s Office reviews new and existing requests and recommends a proposed CIP to the Board of Commissioners. The Board of Commissioners reviews the recommendation in detail, makes changes, and adopts an approved CIP. During review of the

- **Debt:** The County’s debt service obligations increased 6.3% because the first principal payment for the detention center is due in FY 2015.
- **Transfers:** This category is down 10.2% because of reduced transfers to capital projects, as called for in the Capital Improvements Program.
- **Public Assistance/Grants/Special Programs:** This category decreased 7.5% because of reduced foster care expenses due to closer monitoring, the end of a large grant in Social Services, and the fact the county does not initially budget for pass-through grants since final amounts are not known at this time.
- **Capital Outlay:** Expenditures for replacement capital outlay decreased 18.5% because of fewer items being replaced.

annual operating budget, Commissioners may make additional changes to the CIP.

Recommended Changes in the FY 2015 Operating Budget: The County Manager recommends the following change to the capital improvements program:

- **Space Needs Study Implementation:** Because of logistical issues involved with the Annex Phase 2 renovation, staff is recommending that the renovation be postponed from FY 2015 to FY 2016 and that tax and finance be relocated to the Agriculture Building once it is vacated when the new Agriculture & Civic Center comes on line. Only the design costs through bidding are recommended for FY 2015: (\$82,300) versus the full cost (\$1,884,616) approved in the

CIP. This has the effect of adding \$92,528 for inflationary increases due to postponing the project.

- Joint County/School Bus Garage: The FY 2015-2021 CIP includes the garage as a future project, pending identification of a funding source. Because impact fee revenues have increased, freeing lottery proceeds for this expense, the manager recommends moving ahead immediately with the garage and combining it with the Agriculture & Conference Center for purposes of borrowing funds in September 2014. This has no effect on the FY 2015 budget, but adds \$8,000,000 to the CIP and to debt.
- All other projects are recommended as they are set forth in the approved 2015-2021 CIP.

- **Operating Costs:** New operating impacts of capital projects are explained in the appropriate department’s budget under “Cuts or Expansion Approved.” Additional information on operating impacts can be found in Appendix D.
- **More Information:** See Appendix D for a summary of the Capital Improvements Program. More information can also be found in the department budget and approved FY 2015-2021 CIP.
- **FY 2015 Projects:** Projects with funds budgeted in FY 2015 are as follows. Most are multi-year projects that are budgeted via a project ordinance. A few are budgeted in the FY 2015 operating budget and are noted as being funded through the operating budget:

CIP Project	FY 15 Budget/ Estimate	Project Ordinance Or Operating Budget
General Fund:		
County Buildings - Chatham County Agriculture & Conference Center	7,738,750	Project
County Buildings - New Jail	3,786,972	Project
County Buildings - Space Needs Study Implementation	82,264	Operating (transfer to project)
Parks - Briar Chapel Park Improvements	762,666	Project
Schools - Joint School Bus & County Garage	8,000,000	Project
Schools - Paving Installation and Replacement	30,000	Operating
Schools - Roof Replacements (non QSCBs)	1,089,000	Operating
Technology - Integrated Public Sector Software	1,200,000	Project
Technology - Patient Data Management and Electronic Health Records System	30,560	Operating
Total General Fund	22,720,212	
Solid Waste & Recycling Fund		
Solid Waste & Recycling - New Northeast Collection Center	103,436	Project
Solid Waste & Recycling - Replace Waste & Recycling Facility Office	1,243,744	Project
Total Solid Waste & Recycling Fund	1,347,180	
Water Fund		

CIP Project	FY 15 Budget/ Estimate	Project Ordinance Or Operating Budget
Water - Haywood Water Main Replacement	46,104	Project
Water - Nature Trail Water Main Replacement	217,061	Project
Water - Planning Western Intake and Plant	500,000	Project
Total Water Fund	763,165	

The Future

Short-Term: National, state, and regional economists are much more optimistic about the state of the economy. Locally, we appear to be doing even better. Indicators of local growth, such as building inspections and deed stamps, are trending at or near pre-recession levels. For that reason, additional revenue growth is anticipated in many areas in FY 2015, especially permits and sales tax. Property tax growth, while it has been flat in recent years, should begin to show the results of this growth in upcoming budgets. In short, the county should have more resources to deliver services to a growing population.

We have made much progress in positioning our workforce and facilities to deal with this growth in the short term. New schools, community college buildings, a new justice center, detention center, and agriculture center will ensure the county has the facilities to deliver services. These facilities were built when construction costs had declined substantially and interest rates were at historic lows. We were able to do this only

because we had positioned ourselves financially to continue to invest when many jurisdictions had to make deep cuts, particularly in their capital programs. Investments in our employees to bring their pay to market rates and provide comprehensive training means we will have the skills to move forward. In short, we are ready for new demands on our services.

The Long Term: Chatham Park, the Chatham-Randolph Megasite, and the Moncure Megasite present many opportunities and challenges. While our recent investments will help us deal with the expected growth, these developments are game-changers. We will have to be even more savvy about how we invest our resources to ensure we maximize these opportunities. Careful planning of public facilities, continued efforts to make our pay and benefits competitive, and stewardship will help us walk down this exciting, but challenging path.

Invitation for Public to Participate

Chatham County values the input of its residents. You have several opportunities to give your feedback. First, County Commissioners will hold two public hearings on the budget as follows:

- **Monday, May 19, 6 p.m.**, Historic Courthouse, Pittsboro.
- **Tuesday, May 20, 6 p.m.**, Siler City Courtroom, Town Hall.

Respectfully submitted May 5, 2014.

Charlie Horne

Charlie Horne
County Manager

You may provide comments or ask questions of our budget staff. Please contact Renee Paschal (renee.paschal@chathamnc.org), 919-545-8300 or Lisa West (lisa.west@chathamnc.org), 919-545-8483.

Commissioners will also hold a series of budget work sessions. Check times and places on the County's website: www.chathamnc.org.

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