

Summary Information

Summary of Changes to the Recommended Budget

As is required by state law, the County Manager develops a “recommended” budget that is presented to County Commissioners in early May. Commissioners hold public hearings and work sessions to review the recommended budget in depth. Normally, Commissioners make changes to the recommended budget before the final budget is approved. The adjustments to the FY 2017 Recommended Budget are as follows:

- An additional \$63,845 in funding to towns located entirely within Chatham County for parks and recreation programs and projects
- An additional \$126,000 in the Water fund for payment to the town of Goldston for sewer capacity

Following the budget work sessions, errors were identified in three special revenue funds that had been overlooked. Specifically:

- The Library Foundation Trust Fund had not been updated to reflect \$10,700 requested or recommended.
- The Recreation Fees Fund had not been updated to reflect \$555,500 requested and recommended.

- The Emergency Vehicle Replacement Fund contained a keying error that resulted in \$400 more revenue than expense recommended.

Because the special revenue funds are restricted to expenditures for specific purposes, these errors have no impact on the general fund or enterprise funds. Corrections have been included in the budget ordinance.

A summary of changes follows:

Recommended General Fund Revenues	107,430,261
Increase fund balance appropriation to include pilot recreation payments to towns	63,845
Approved General Fund Revenues:	107,494,106
Recommended General Fund Expenses	107,430,261
Increase Parks and Recreation budget to include payments to towns	63,845
Approved General Fund Expenditures:	107,494,2618
Recommended Water Fund Revenue	6,215,078
Increase fund balance appropriation to offset Goldston sewer capacity	126,000
Approved Water Fund Revenue	6,341,078
Recommended Water Fund Expense	6,215,078
Add payment to town of Goldston for sewer capacity	126,000
Approved Water Fund Expense	6,341,078

History & Demographics

Founded in 1771 and located in the geographic center of North Carolina, Chatham County encompasses an area of more

than 707 square miles and is known as the "The Heart of North Carolina." The county is situated between two of the state's

three largest centers of population and commerce, the Triangle Region and the Piedmont Triad.

Early History

According to *Chatham County: 1771-1971*, edited by Doris Goerch Horton, Nell Craig Strowd, and Wade Hadley, the county's early history was as follows:

Records show that settlers from Europe arrived in the area as early as the mid 1700s, including a Quaker settlement formed in 1751. Early settlers entered from the north through a trading route of the Catawba Indians and from the south through the Cape Fear River Valley.

The Colonial Assembly established Chatham County through legislation introduced on December 5, 1770, which was effective on April 1, 1771. The county was formed from a portion of what was once Orange County. The county was named for the Earl of Chatham, William Pitt, who was a "defender of American rights in the British Parliament." A portrait of the Earl of Chatham, replacing one destroyed in the March 2010 courthouse fire, hangs in the newly restored Chatham County Historic Courthouse.

The legislation forming Chatham County noted that the new county was needed to provide greater access to inhabitants living in the southern part of the county. It was too difficult and expensive for those residents to travel to the Orange County government seat (Hillsborough) to conduct business.

In the early years, the county was governed by justices of the peace, which served the Court of Pleas and Quarter Sessions. The justices were appointed by the state's General Assembly. For a period of time, the justices also appointed other county officials, which included the sheriff, coroner, constables, clerk, register, county attorney, standard-keeper,

entry-taker, surveyor, rangers (which dealt with stray animals), and overseers of roads.

Reconstruction and the new State Constitution of 1868 established a five-member board of county commissioners, divided the county into townships, and radically changed the court system. Justices of the peace were eliminated from county government in 1894.

Modern History

In 1977, the county adopted the council-manager form of government and appointed the first county manager. We now have five county commissioners elected to four-year staggered terms. They must reside in specific districts but are elected by voters at large.

County manager's authority: Unlike town managers, the county manager only has hiring authority for about one-third of all county department heads. Even though the county manager has limited authority over selecting department heads, he has to work closely with all of the departments and their leaders because the county often is responsible for funding all or some of their budgets.

Education: Chatham County contributes funds to, but does not govern, K-12 public education and the community college system. The Chatham County School System is governed by its own elected board. Central Carolina Community College, which has two campuses in the county, is governed by its own appointed Board of Trustees.

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

Demographics:

The Census estimates the 2014 population at 68,725, an increase of approximately 8.32% since 2010. Chatham's population growth is tracking higher than neighboring Orange County (5.35%), Lee County (2.2%) and Moore County (5.52%), but not as high as Wake County at nearly 9.58%. Between 2013 and 2014, Chatham was the second fastest growing county in the state, according to Census data.

Only 22% of county residents live in incorporated towns. The county has about 93.1 residents per square mile, which reflects its generally rural nature. The incorporated towns in the county have an estimated 2014 population as follows:

Fund Descriptions and Structure:

The county's accounts are structured by fund. Each fund is a separate accounting entity with a separate set of self-balancing accounts reflecting assets, liabilities, fund balance, revenues and expenditures. Funds are created to capture the varied activities of the county and to comply with legal requirements.

Chatham County has four fund categories: governmental, proprietary, fiduciary, and capital projects. Governmental, proprietary, and fiduciary funds are appropriated annually and included in the approved budget. Capital project funds are multi-year and are not appropriated in or included in the annual operating budget. All funds, including capital projects, are included in the county's annual audited financial statements.

Governmental Funds

Government Funds account for resources other than those accounted for in proprietary or fiduciary funds. Most of Chatham County's functions are included in this fund type.

In accordance with North Carolina General Statutes, the basis of accounting and budgeting governmental funds is modified accrual. This means revenues are recorded in the period in which they are measurable and available. Revenues

- Siler City: 8,279
- Pittsboro: 4,217
- Goldston: 273
- Cary: 2,131 (with a total population of 155,227; most of Cary's population is in Wake County)

Ethnic/Racial Diversity: As of 2014, the overall racial/ethnic composition of Chatham County was estimated at 71.4% white, 13.1% African American, 12.8% Hispanic, 1.8% Asian, and other races less than 1%.

are recognized when they are received in cash (example: licenses, fines, etc.) or when the collection of the amount is estimated to be received in the near future (example: property taxes). Expenditures in a modified accrual basis are generally recognized in the period goods and services are received or liabilities incurred. This type of accounting is considered the most conservative, because expenditures are recorded as soon as the liability is incurred and most revenues are not recorded until they are received in cash. The county's governmental funds include:

- **The General Fund** is the primary operating fund for the county. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund and includes typical governmental activities, such as human services, public safety, and education. Major revenues that support these functions include property tax and sales tax. The majority of departments are funded through the General Fund, with the exception of Utilities and Waste Management, which are funded through the Water Fund and the Solid Waste & Recycling Fund, which are proprietary funds.

- **Facility Reserve/Capital Improvement Reserve Fund:** The County transfers annually an amount equivalent to five and one-half cents on the tax rate into this fund. The transfer is used to fund debt for a variety of general capital projects, including a library, Central Carolina Community College facilities, an addition to the Department of Social Services, and a judicial facility.
- **Impact Fees Fund** accounts for an additional fee charged on all building permits issued for the construction of new dwellings. Impact fees collected are to be used to offset a portion of the cost of new school construction or debt.
- **Non-major Special Revenue Funds** account for the proceeds of specific revenue that are legally restricted to expenditures for specific purposes, including Bynum Canoe Access, Coal Ash, Courthouse Clock, Enhanced 911, Forfeited Property, Library Foundation, Recreation Fees, and Special Fire Districts.
- **Capital Project Funds** account for the acquisition and construction of capital and capital facilities, other than those financed by proprietary and trust funds. Except for non-major capital project funds, capital projects are not included in the operating budget. Non-major capital project funds include the Equipment Capital Reserve Project and the Emergency Vehicle Replacement Reserve Project.

Proprietary Funds

These funds account for operations that are similar to the private sector, including enterprise, internal service, and capital reserve funds. Proprietary funds focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two types – enterprise and internal service.

The basis of accounting and budgeting proprietary funds is accrual. This means revenues are recorded in the period in

which they are earned or realized. Expenditures in an accrual basis are generally recognized in the period goods or services are received or liabilities incurred.

Enterprise funds are intended to be self-supporting through user charges, and include:

- **Solid Waste & Recycling** accounts for the operations of the county’s collection and disposal of solid waste.
- **Southeast Water District** accounts for the operations of the water district covering the southeastern portion of the county.
- **Water Fund** accounts for the county’s water and sewer operations.
- **Capital Reserve Funds** that support the enterprise funds include the Utility Capital Reserve, the Utility Vehicle Reserve, and the Waste Management Capital Reserve.
- **Water & Solid Waste Capital Projects Funds** account for the acquisition and construction of capital financed by proprietary funds. Water and Solid Waste project funds are not included in the operating budget
- **Internal Service Funds** report activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The county's budget includes one internal service fund, the Health Internal Service Fund. This fund tracks premiums paid by the county on behalf of its employees for workers compensation and health insurance coverage. The funds also tracks health premiums paid by employees for dependant coverage.

Fiduciary Funds

Fiduciary funds report assets held in a trustee or agency capacity for others which cannot be used to support the government’s own programs, including pension trust funds and

agency funds. Chatham County's operating budget includes one fiduciary fund, the Law Enforcement Pension Trust.

Financial Indicators:

	Chatham	Lee	Moore	Orange
Budgeted Expenditures	\$99,446,482	\$69,370,883	\$89,993,188	\$206,776,110
<i>State Rank</i>	30	42	32	12
Non-school Expenditures	\$59,264,324	\$41,839,691	\$57,438,737	\$83,179,318
<i>State Rank</i>	27	22	16	4
Effective Tax Rate	\$0.6231	\$0.7872	\$0.4639	\$0.8596
<i>State Rank</i>	61	23	91	11
2015 Population	69,853	59,224	94,220	141,596
<i>State Rank</i>	38	50	30	19
Valuation/capita	\$136,867	\$84,039	\$127,434	\$118,709
<i>State Rank</i>	16	52	21	25
2014 Per Capita Income	\$51,593	\$34,648	\$41,613	\$52,989
<i>State Rank</i>	2	43	9	1
Total Funding Per Student (LEA only)	\$3,329	\$1,607	\$2,069	\$3,756
<i>State Rank</i>	4	38	21	2
Number of Students (LEA only)	8,448	10,153	13,056	19,729
<i>State Rank</i>	47	38	30	23

The University of North Carolina at Chapel Hill's School of Government created a series of financial indicators that enable local governments to review and analyze their financial condition and benchmark against other jurisdictions. Each indicator is graphed showing the trend over the past nine years in Chatham and a corresponding benchmarking graph that compares Chatham to Moore, Lee, and Orange. Lee County was chosen for comparison because of its geographic proximity and similar population size. Moore County was chosen because of its geographic proximity, similar budget, and similar per capita valuation. Orange County was chosen because of its geographic proximity, similar per capita income, and similar per capita valuation.

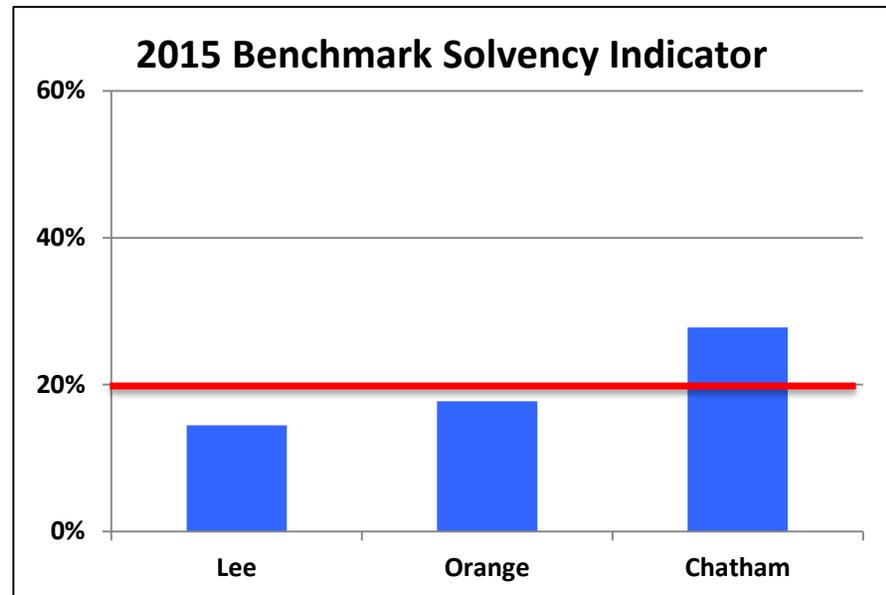
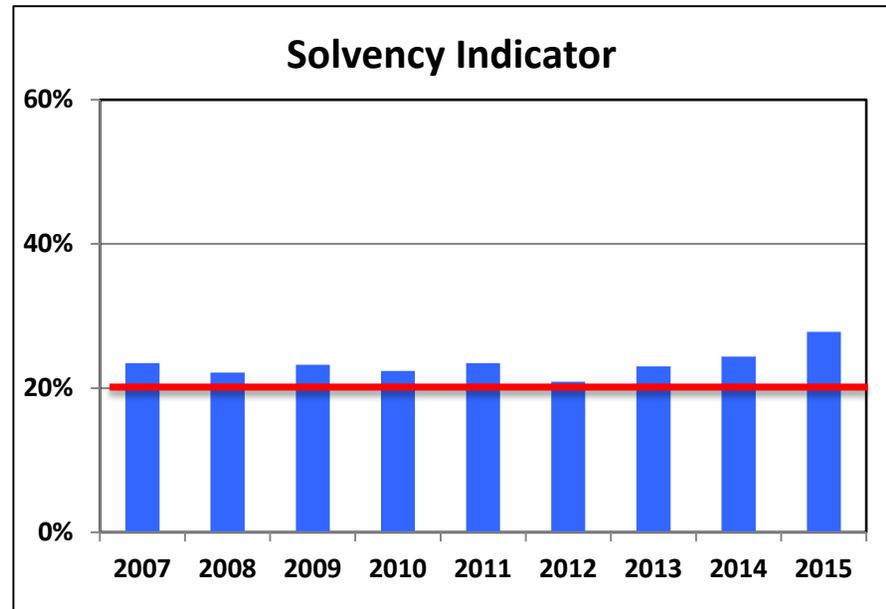
All of the indicators, except the Capital Assets Condition Indicator, are based on financial data from the General Fund. The Capital Assets Condition Indicator uses government-wide financial data which includes all governmental funds.

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

Solvency

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

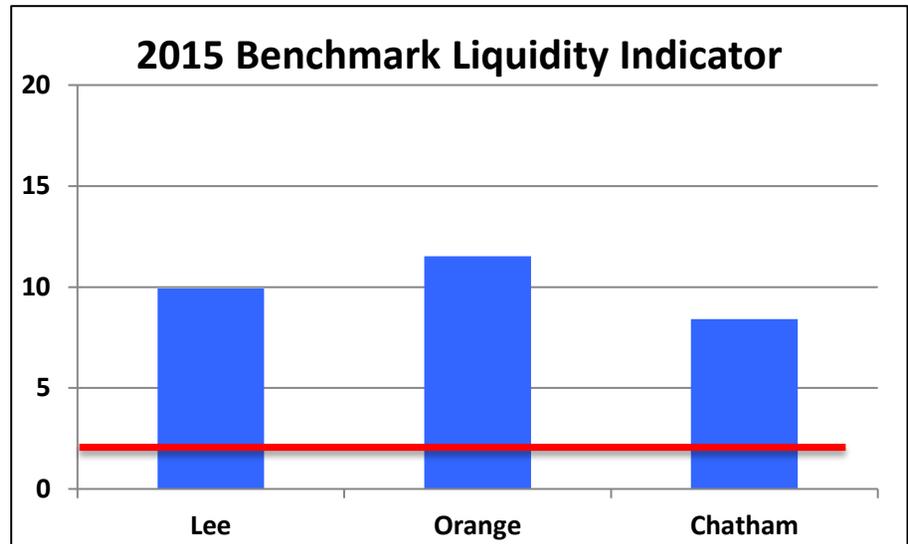
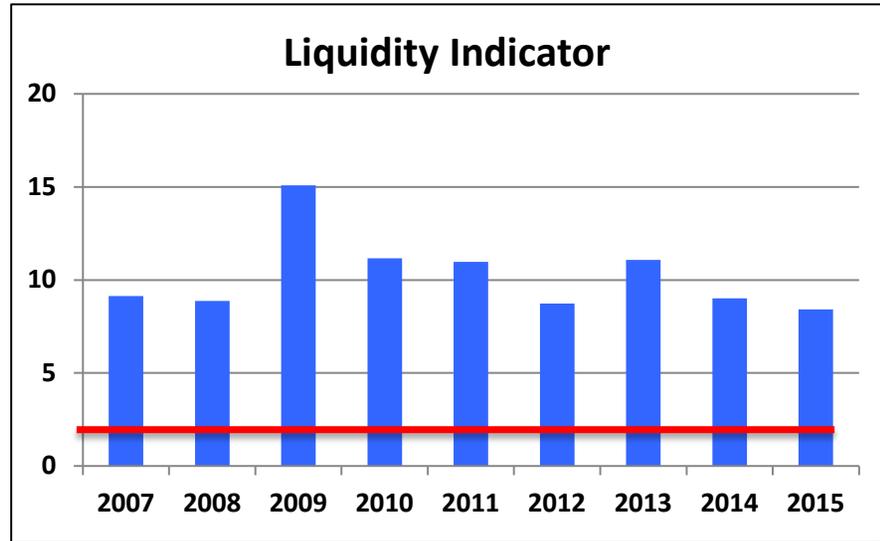
Chatham County’s solvency ratio is 27.8%, meaning the county has funds available for capital projects, such as one-time expenses and the capital improvements program. It also suggests that Chatham County is financially prepared in case of disaster. Chatham County has been able to save resources and keep expenditures low.



Liquidity

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

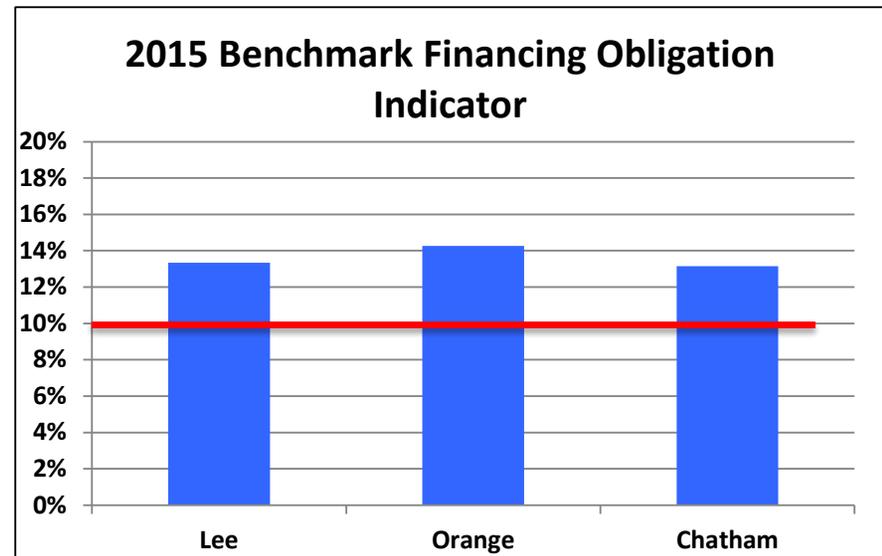
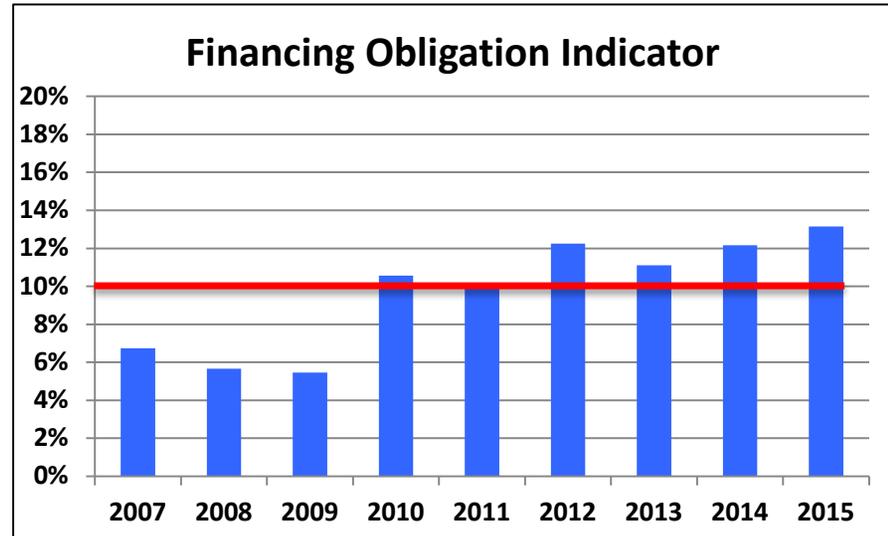
The School of Government recommends having a ratio of 2 or greater. Currently, Chatham County has a ratio of 8.41, meaning the county has cash available to meet its immediate cash needs.



Financing Obligation

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

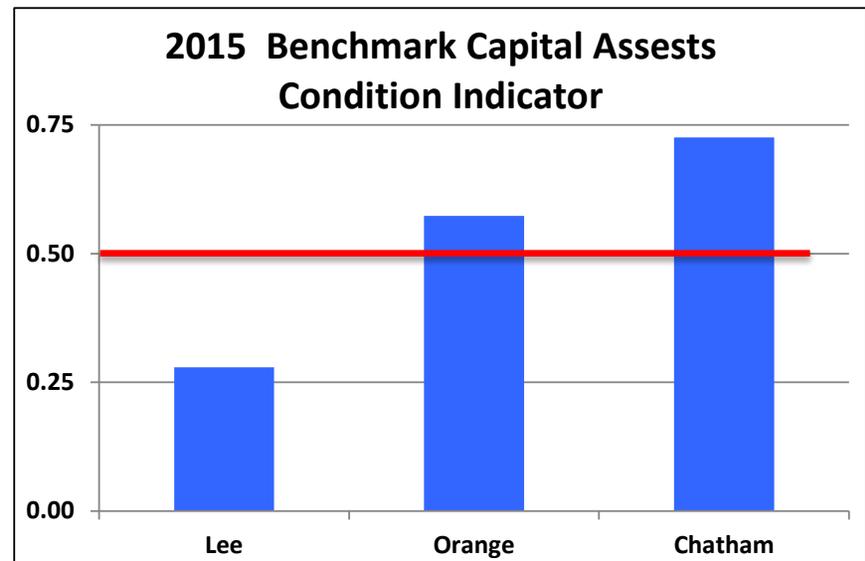
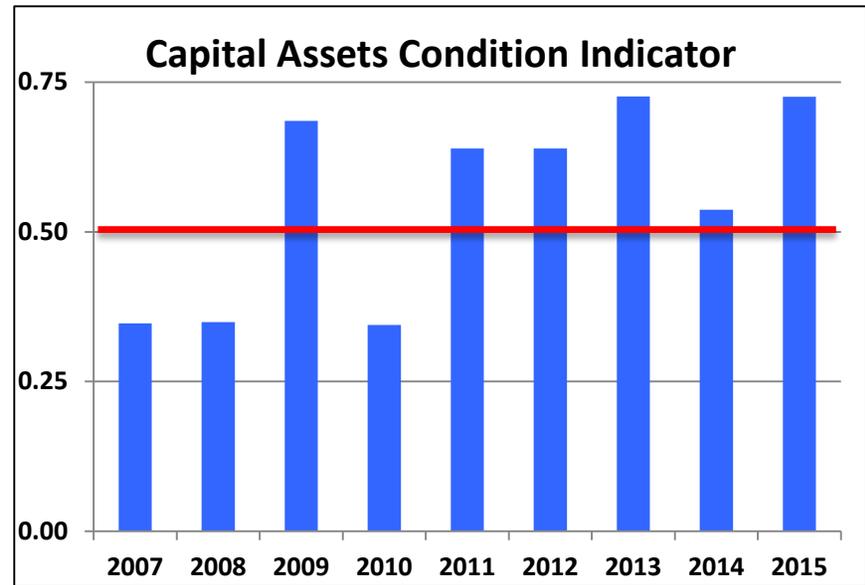
The School of Government recommends that this ratio should be no more than 10%. Chatham County's Financing Obligation Indicator is 13%. For another jurisdiction, this might mean that Chatham's debt is reaching the point where it impedes its ability to provide services. However, Chatham has set aside 5.6 cents on the tax rate in a reserve to pay for the majority of its debt service.



Capital Assets Condition Indicator

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

The School of Government recommends maintaining a ratio of .5. Currently, Chatham County’s Capital Assets Condition Indicator is .73, meaning Chatham County is maintaining and investing in capital, such as buildings and vehicles, appropriately. In the past, however, Chatham County did not achieve a .5 ratio. Recent capital expenditures reflect an effort to improve this ratio and invest in capital assets.



Employee Summary (full-time equivalents):

Personnel counts shown below are given in full-time-equivalents (FTE) for all regular county employees (temporary positions are not included). The FTE converts the hours worked by a position into a percentage of a full year's number

of hours. For most positions, 1 FTE equals 2,080 hours per year per position (based on a 40 hour work week and a 52 week work year). If a position works 1,040 hours per year, this translates into .5 FTE.

County Department	A 2014 Actual	B 2015 Actual	C 2016 Amended	D 2016 Estimated	E 2017 Total Req.	F 2017 Appr. Cont.	G 2017 Appr. Exp.	H 2017 Total Appr.	I Variance	J Total % Inc./Dec.
Central Permitting - Administration	4.00	5.00	5.00	4.00	5.00	4.00	1.00	5.00	0.00	0%
Central Permitting - Building Inspections	6.00	6.00	7.00	7.00	7.00	7.00	0.00	7.00	0.00	0%
Central Permitting - Fire Inspections	3.00	3.00	3.00	3.00	3.00	3.00	0.00	3.00	0.00	0%
Chatham Transit Network	1.00	1.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0%
Council on Aging	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0.00	0%
County Attorney	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00	0.00	0%
County Manager's Office	5.00	5.00	5.00	5.00	5.00	5.00	0.00	5.00	0.00	0%
County Manager's Office - Human Resources Div	4.00	4.00	4.00	4.00	4.00	4.00	0.00	4.00	0.00	0%
Court Related Programs	3.37	4.87	5.26	5.26	4.99	4.99	0.00	4.99	-0.27	-5%
Elections Office	2.50	2.50	2.50	2.50	2.50	2.50	0.00	2.50	0.00	0%
Emergency Management - Emergency Operations	3.00	3.00	3.00	3.00	4.00	4.00	0.00	4.00	1.00	33%
Emergency Management - Telecommunications	22.00	22.00	22.00	22.00	24.00	22.00	0.00	22.00	0.00	0%
Environmental Quality - Land & Water Resources	2.00	2.00	3.00	3.00	3.00	3.00	0.00	3.00	0.00	0%
Environmental Quality - Solid Waste & Recycling	13.00	13.00	13.00	13.00	13.00	13.00	0.00	13.00	0.00	0%
Finance Office	8.00	8.00	8.00	8.00	8.00	8.00	0.00	8.00	0.00	0%
Governing Board	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0.00	0%
Health -- Administration	7.00	6.00	6.00	6.00	4.00	4.00	0.00	4.00	-2.00	-33%
Health -- Animal Services	7.00	8.00	8.00	8.00	8.00	8.00	0.00	8.00	0.00	0%
Health -- Clinic & Community Health Service	26.65	24.75	25.15	25.00	34.35	33.85	0.50	37.15	12.00	48%
Health -- Community & Family Health	10.75	11.75	11.75	11.75	7.75	7.75	0.00	7.75	-4.00	-34%
Health -- Community Health & Surveillance	6.25	5.50	5.50	0.00	0.00	0.00	0.00	0.00	-5.50	-100%
Health -- Environmental Health	15.25	15.50	15.50	15.50	15.50	15.50	0.00	15.50	0.00	0%
Library Services	17.10	17.10	17.10	17.10	18.10	17.10	0.50	17.60	0.50	3%

Management Information Systems	13.00	13.00	13.00	13.00	15.00	13.00	0.00	13.00	0.00	0%
Parks and Recreation	5.50	5.50	6.00	6.00	6.00	6.00	0.00	6.00	0.00	0%
Pittsboro/SC Visitors Bureau	1.00	1.00	2.00	2.00	1.00	1.00	0.00	1.00	-1.00	-50%
Planning	5.75	5.75	6.00	8.00	8.00	8.00	0.00	8.00	2.00	33%
Public Works -- Facilities Management	16.00	16.00	18.00	18.00	18.00	18.00	0.00	18.00	0.00	0%
Public Works Facilities - CC Agriculture & Conference Center	0.00	0.00	0.00	0.00	3.00	2.00	1.00	3.00	3.00	100%
Public Works -- Fleet	2.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0%
Register of Deeds	5.75	5.75	6.00	6.00	6.00	6.00	0.00	6.00	0.00	0%
Sheriff -- Law Enforcement	87.00	89.00	91.00	91.00	98.00	90.00	0.00	90.00	-1.00	-1%
Sheriff -- Detention Center	50.00	49.00	49.00	49.00	62.00	49.00	5.00	54.00	5.00	10%
Social Services	85.50	87.10	87.10	87.10	89.60	87.10	2.50	89.60	2.50	3%
Soil and Water	3.00	3.00	4.00	3.00	3.00	3.00	0.00	3.00	-1.00	-25%
Tax -- Administration	11.00	11.00	11.00	11.00	11.00	11.00	0.00	11.00	0.00	0%
Tax -- Assessment & Revaluation	4.00	4.00	5.00	5.00	5.00	5.00	0.00	5.00	0.00	0%
Water - Distribution	15.00	15.00	15.00	15.00	16.00	15.00	0.00	15.00	0.00	0%
Water - Water Treatment	7.00	7.00	7.00	7.00	7.00	7.00	0.00	7.00	0.00	0%
Total County Employees	466.37	467.07	476.86	472.21	506.79	475.79	9.50	488.09	11.23	0.02

Explanation of changes in staffing levels: The number of county positions is increasing by 11.23 full-time equivalents (FTEs) from the FY 2016 budget.

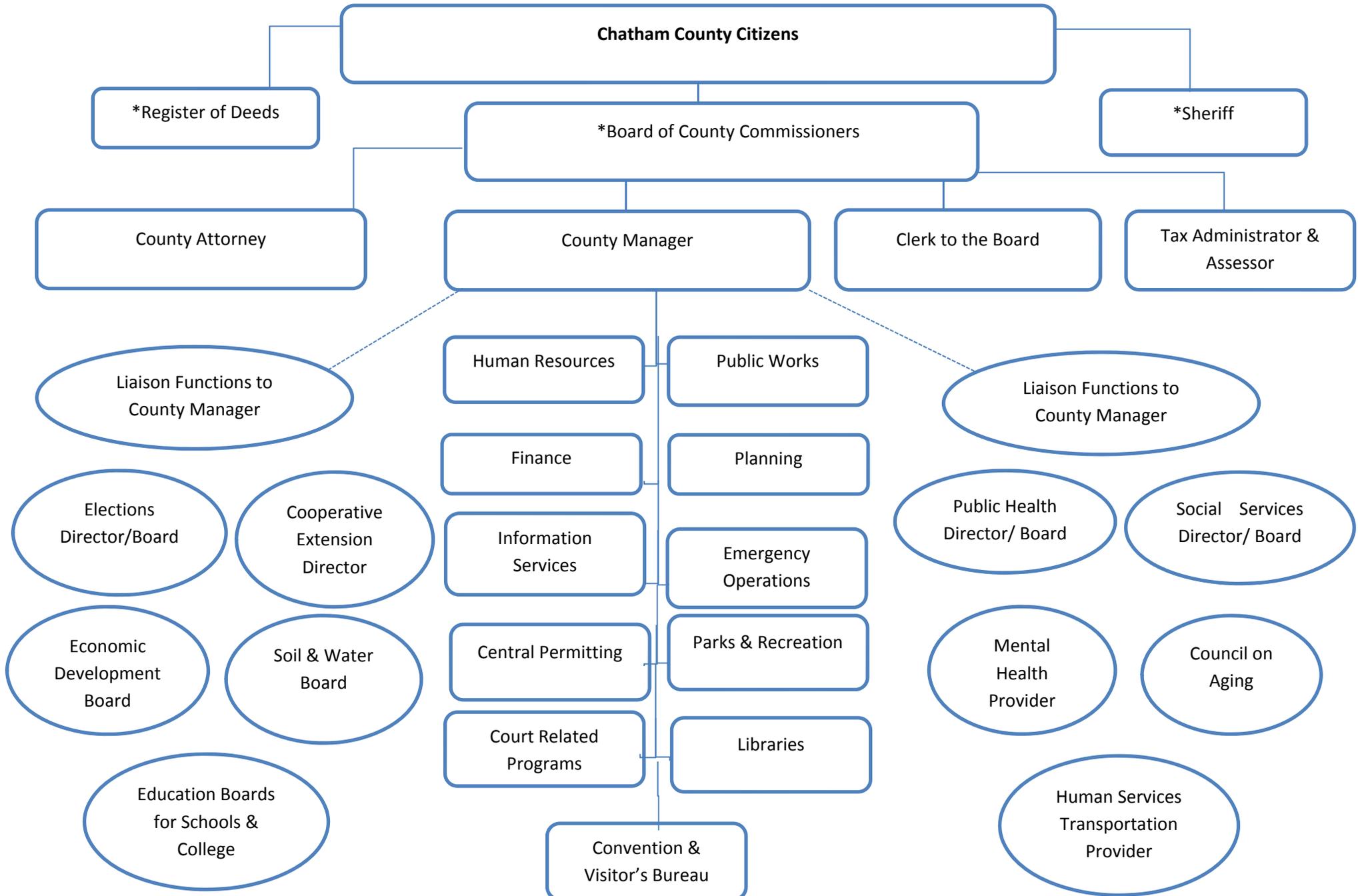
Two positions that were budgeted in contingency funds in FY 2016 (one in the Planning Department and one in Emergency Operations) were added in FY 2016 and are now included in the continuation budget, and a position was transferred from Central Permitting to Planning. In addition, a total of 10.2 FTEs are being added in various departments to deal with increased workload, including:

- An event services leader position was added in the Facilities CC Agriculture & Conference Center division [+1.00];

- Five direct observation positions were added in Sheriff's Office Detention Center [+5.00];
- An administrator position was added in Central Permitting [+1.00];
- A part-time nutritionist III position was added in the Clinical & Community Health Service division of the Health Department [+0.50];
- An income maintenance caseworker I position was added in DSS [+1.00];
- An income maintenance caseworker II position was added in DSS [+1.00];
- Additional time was added to a processing assistant IV in DSS [+0.50];
- Additional time was added to the outreach coordinator position in the Library [+0.50]

- Additional time was added to the support specialist position in Cooperative Extension [+0.20]
- A part-time position was eliminated in Court Related Services [-.27]
- A grant-funded position in the Sheriff's Office has been budgeted in contingency [-1.00]

Chatham County Government Organizational Chart



Summary of All Appropriated Funds

	A 2014 Actual	B 2015 Actual	C 2016 Amended	D 2016 Estimated	E 2017 Total Req.	F 2017 Total Rec.	G 2017 Appr. Cont.	H 2017 Appr. Exp.	I 2017 Total Appr.	J Variance	K Total % Inc./Dec.
Revenues											
Permits and Fees	4,247,490	4,921,307	3,941,270	4,296,390	3,948,929	3,948,929	3,948,929	0	3,948,929	7,659	0%
Intergovernmental	11,821,064	12,350,067	11,663,823	12,801,380	12,018,162	12,075,306	12,018,162	57,144	12,075,306	411,483	4%
Interest	378,055	457,688	381,290	353,764	353,540	353,540	353,540	0	353,540	(27,750)	(7%)
Contributions from others	464,063	397,427	6,203,250	407,796	188,540	188,540	188,540	0	188,540	(6,014,710)	(97%)
Miscellaneous	705,057	1,640,419	372,984	325,476	372,924	372,924	372,924	0	372,924	(60)	(0%)
Other Taxes/Licenses	645,524	762,849	657,800	769,133	745,298	745,298	745,298	0	745,298	87,498	13%
Property Tax	66,313,837	66,075,768	67,301,898	68,153,096	69,266,385	70,626,385	70,626,385	0	70,626,385	3,324,487	5%
Charges for Services	17,833,186	18,714,328	17,922,755	19,184,657	18,063,239	18,251,689	18,251,689	0	18,251,689	328,934	2%
Sales Tax	9,193,701	10,130,996	10,280,000	11,021,000	12,215,000	12,215,000	12,215,000	0	12,215,000	1,935,000	19%
Transfers In	13,832,431	14,988,514	17,075,027	16,715,816	22,864,336	22,864,336	22,864,336	0	22,864,336	5,789,309	34%
Debt Proceeds	0	30,502,945	0	23,835,596	0	0	0	0	0	0	
Appropriated Fund Balance	0	0	10,449,451	0	16,921,269	17,132,764	17,096,273	226,336	17,322,609	6,873,158	66%
Total Revenues	125,434,410	160,942,308	146,249,548	157,864,104	156,957,622	158,774,711	158,681,076	283,480	158,964,556	12,715,008	9%
Expenditures											
Salaries	18,654,235	19,494,770	21,652,661	20,893,296	22,727,253	22,532,452	22,286,779	245,673	22,532,452	879,791	4%
Other Salaries and Benefits	13,255,894	15,048,073	15,368,271	15,099,851	16,953,299	16,623,087	16,425,663	197,424	16,623,087	1,254,816	8%
Operating	22,538,808	22,333,656	26,272,166	24,291,780	27,512,074	27,100,377	27,114,338	112,039	27,226,377	954,211	4%
Debt	11,986,047	43,064,776	12,320,472	35,656,281	13,211,227	13,211,227	13,211,227	0	13,211,227	890,755	7%
Transfers Out	20,300,576	16,625,398	17,364,143	17,291,334	23,249,185	23,249,185	23,224,185	25,000	23,249,185	5,885,042	34%
Allocations/Programs	36,374,792	36,230,036	51,599,247	39,608,307	54,956,506	54,848,338	54,777,838	133,845	54,911,683	3,312,436	6%
Capital Outlay	1,018,086	1,032,379	1,672,588	1,573,531	1,424,495	1,210,045	1,085,609	124,436	1,210,045	(462,543)	(28%)
Total Expenditures	124,128,438	153,829,089	146,249,548	154,414,380	160,034,039	158,774,711	158,125,639	838,417	158,964,056	12,714,508	9%

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