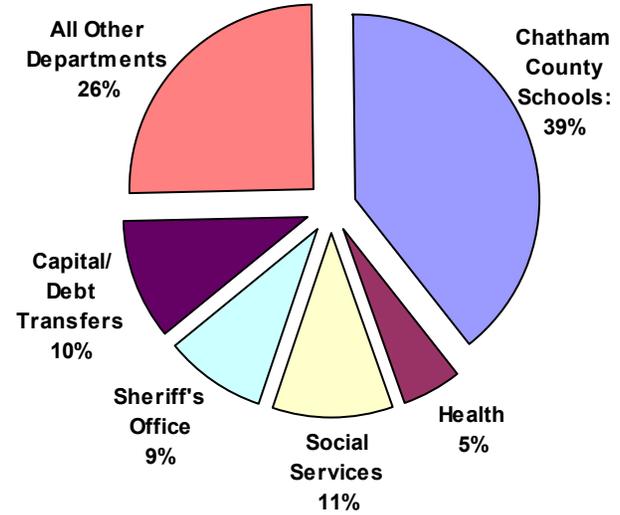


Budget at a Glance

- ▶ Total Property Valuation: \$7.0 Billion
- ▶ One Penny Generates: \$682,001
- ▶ Tax Rate: 61.7 cents
- ▶ Total Property Tax Revenue: \$43,044,002
- ▶ General Fund Fund Balance Appropriated: \$5,914,568



Net Cost of County Functions



Budget Summary

General Fund:	
Administration	\$10,632,632
Culture/Education/Recreation	\$29,219,626
General Government	\$2,459,100
Human Services	\$18,532,989
Natural Resource Management	\$5,119,401
Public Safety	\$10,507,064
Total General Fund	\$76,470,812
<hr/>	
Total Water Fund	\$4,903,600
<hr/>	
Total Waste Management Fund	\$2,850,280
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Budget Message for Chatham County Budget Fiscal Year 2007-2008

Unfortunately, many Americans live on the outskirts of hope – some because of their poverty, some because of their color, and all too many because of both. Our task is to help replace their despair with opportunity.

--- Lyndon Baines Johnson (1908-1973)

On behalf of the employees of Chatham County, I am pleased to offer this recommended budget for fiscal year 2007-2008. The budget was developed to address three major priorities of the Board of Commissioners identified during the Annual Board Summit in January 2007:

- Effective delivery of services
- Protection of Chatham County's character and heritage
- Provide resources to plan for the future of Chatham County

I trust you will find that this budget is a rung on the ladder of hope and opportunity. While we can't address all the issues that encompass the inspiring words of the late Lyndon Johnson, we believe this budget it is a hand outreached to help our children learn; a hand to protect our resources; a hand stretched to strengthen our economy; to work on creating a climate for good jobs; and to provide safe passage for our citizens.

The General Fund budget proposal is \$76,524,903. One cent of ad valorem tax generates \$682,001. We offer for your consideration a recommended tax rate of 61.7 cents an increase of two cents from the FY 2007 budget, which yields an estimated \$41,964,002. Various other revenues contribute to our revenues and are reflected in our budget recommendations. We recommend earmarking the additional pennies for schools.

Please note as you read this document that we've made every effort to develop a budget that is both reasonable and addresses the Board's priorities. We've achieved this goal while maintaining our fiscal integrity. While this budget recommends \$5,914,568 from fund balance we still maintain a reserve of 22.53%, consistent with the financial policy adopted by the Board of Commissioners.

The recommended budgets for Enterprise Funds are:

- Utilities: \$4,903,600
- Solid Waste: \$2,850,280.

More details of these enterprises are amplified in the document.

As you will read throughout the budget proposal, this budget addresses the various fiscal mandates, priorities of the Board, departmental needs and personnel requirements.

This budget moves the county ahead in addressing many issues most of which relate to growth, growth management and providing services to meet the demands of growth.

In this budget we are recommending 16.25 new employees. More information about these positions can be found in the Expenditures Assumptions section of the budget. The total financial investment in new employees is \$575,160 (offsetting revenues have been subtracted). These new additions provide enough staffing to continue to produce the level of services demanded by our growing population. Additionally, these new employees, if approved by the Board of Commissioners, will help reduce workload demands on various employees, which encourages better health and stability of our work force. This provides both long-term and short-term savings and benefits in terms of lower health costs, reduced turnover, and enhanced morale.

We recommend \$24,018,284 for schools appropriations for FY '08. As you know, the school system's request is \$25,628,170. This year, Virginia Cross School will open, increasing the county's portion of the school budget by approximately \$800,000.

While we have not recommended all school system requests, our recommendations are as follows:

- \$1,982,180 for capital outlay
- \$3,198,237 for teacher supplement
- 18,837,867 for current expense.

We believe that this recommendation meets the most critical needs of the school system and meets the operating requirements for this vital resource.

As you will read below we did not recommend funding for several of the school's computer needs request. We do recommend they use their fund balance for those items.

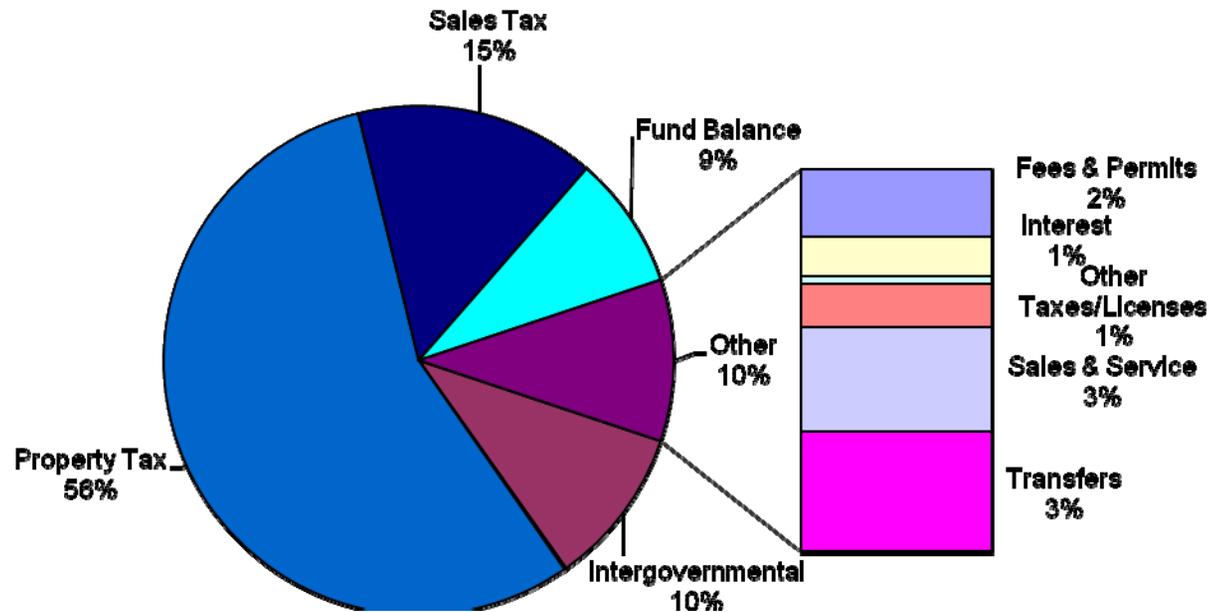
I want to thank all our employees for their work and perseverance in putting together the pieces of this budget. From individual employees to our many budget teams....thank you. You make it all work. Special recognition must go to Renee Paschal and Vicki McConnell for their expertise in the budget and finance, which always steers us along a fiscally-sound course.

Respectfully Submitted,

Charlie Horne
County Manager
May 7, 2007

Revenue Assumptions

General Fund Revenue by Source:



The graph shows total County revenues by type for the General Fund. As the graph demonstrates, the majority of the County's revenue comes from property tax. Other significant sources include the local option sales tax and restricted intergovernmental (state and federal).

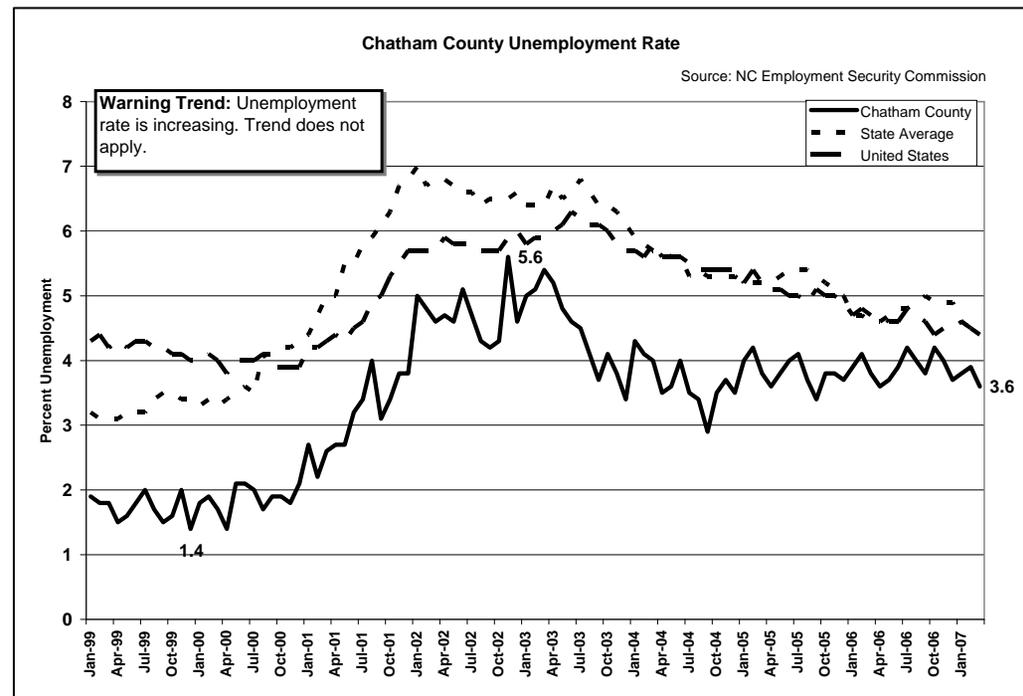
Summary of Changes to the Recommended Budget

As is required by state law, the County Manager develops a “recommended” budget that is presented to 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. Below is a list of the changes Commissioners made to the FY 2007-2008 budgeted revenues (Note that an offsetting reduction in expenditures was also made. Please see the Expenditure Assumptions section for an explanation.):

Reduce transfer from personnel savings account (reclassification savings)	(54,386.00)
Increase occupancy tax revenue to cover insurance increase	295.00
Total Reductions in Revenue	(54,091.00)

Major Revenue Highlights:

- A two-cent property tax increase is recommended and is earmarked for school needs, including the additional operating costs of Virginia Cross Elementary. (Note that commissioners reduced expenditures for Chatham County Schools by one-cent on the tax rate and redirected that cent to fund the County’s capital improvements program).
- Increase in the fire district rates of Bells Annex, Bonlee, Circle City (Pittsboro), and North Chatham. In addition, West Sanford has requested an increase, which staff is not recommending at this time.
- An increase in Building Inspection fees is recommended to cover costs of new positions in Building Inspections and Central Permitting.
- Appropriated fund balance is earmarked for one-time items.



Economic Assumptions:

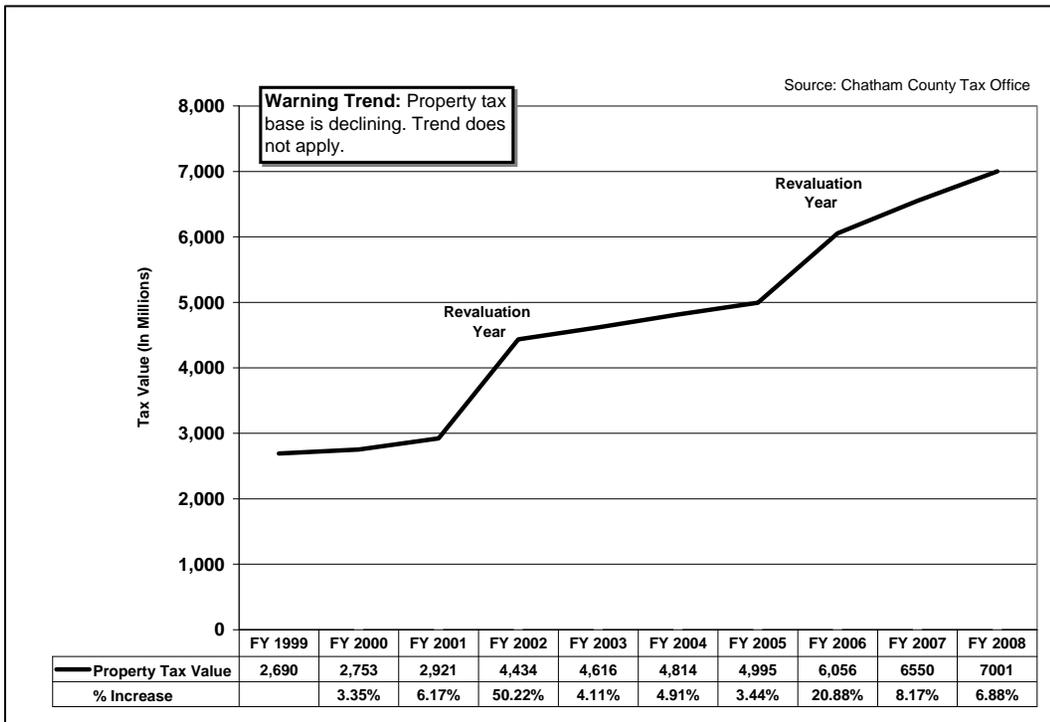
The NC Governor's budget shows revenue growth slowing from almost eight percent in the first half of 2007 to 2.2 percent for FY 2008. Recent analysis by the General Assembly Fiscal Research Division shows that the national softening of the housing market is beginning to occur in the state. While the economy as a whole and job growth have improved, higher energy prices, a soft housing market, and the potential for rising interest rates are expected to have an adverse effect on the FY 2008 economy. The state projects its sales tax revenues to increase by just 3.6 percent, not accounting for changes in the sales tax structure. The state's jobless rate has continued to decline over the past year, but layoffs in the manufacturing sector continue to be a concern statewide.

Locally, an informal survey of Realtors showed that the County's housing market remains strong. In addition, the Tax Office has yet to see a large number of foreclosures resulting from sub-prime mortgage defaults. Chatham County's unemployment rate remains lower than state and national averages as shown in the graph above. In addition, the Employment Security Commission reports only one job loss in the county during the past fiscal year.

Locally, the county's real property base continues to be very strong and no immediate impact is expected from the housing market or a predicted increase in foreclosures and higher interest rates. (However, these trends bear monitoring and could eventually have an effect on the county's historically strong growth in the property tax base.)

Property Taxes:

A two-cent increase in the property tax rate is recommended to help cover the operating costs of Virginia Cross Elementary and to address other school needs. (Note that Commissioners redirected one-cent from schools to fund the county's capital building program.) Real property values are estimated to grow 7.7 percent. Overall, the tax base is expected to grow 6.9 percent, exceeding the average annual growth rate of 5.3 percent since 1999 (excluding revaluation years). As a result, current year



property taxes (not counting the two-cent tax increase) are expected to grow by \$3.3 million (8.9 percent) over FY 2007 budgeted amounts. The graph shows the increase in Chatham County’s tax base since 1999.

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

- Tax base: \$7,001,307,867—Staff used actual numbers for real property values as of January 1, 2007 and subtracted pending appeals. Staff used estimated numbers for personal property, utilities, and motor vehicles, since these values have not yet been finalized.
- Tax rate: 61.7 cents
- Real and personal property collection percentage: 98%
- Motor vehicle collection percentage: 90%

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. The rates are based on the requests of the fire districts and are as follows. Increases or decreases are bolded:

District	FY 07 Rate	FY 08 Req. Rate	FY 08 Rec. Rate	FY 08 Appr. Rate	Explanation for Change in District Rate
Fire Districts					
Bells Annex	6.00	7.00	7.00	7.00	Create a reserve for vehicle replacements, add four paid positions, and adjust salaries.
Bennett	7.00	7.00	7.00	7.00	
Bonlee	6.00	7.00	7.00	7.00	Add one paid staff person.
Central Chatham (Siler City)	6.00	6.00	6.00	6.00	
Circle City (Pittsboro)	7.50	8.00	8.00	8.00	Add one paid position per shift and a daytime paid position.
Goldston	7.00	7.00	7.00	7.00	
Hope (Silk Hope)	7.00	7.00	7.00	7.00	
Moncure	8.50	8.50	8.50	8.50	
North Chatham	6.00	7.00	7.00	7.00	Create a reserve for vehicle replacements, add four paid positions, and adjust salaries.
Parkwood	10.00	10.00	10.00	10.00	
Staley	10.00	8.00	8.00	9.38	Set at the same rate as Randolph County rate. (Staley is located in both counties.)
West Sanford	9.50	13.00	9.50	8.60	West Sanford’s rate was set at the same rate as Lee County, as required by the

District	FY 07 Rate	FY 08 Req. Rate	FY 08 Rec. Rate	FY 08 Appr. Rate	Explanation for Change in District Rate
					original petition extending the district into Chatham County.

Local Option Sales Tax:

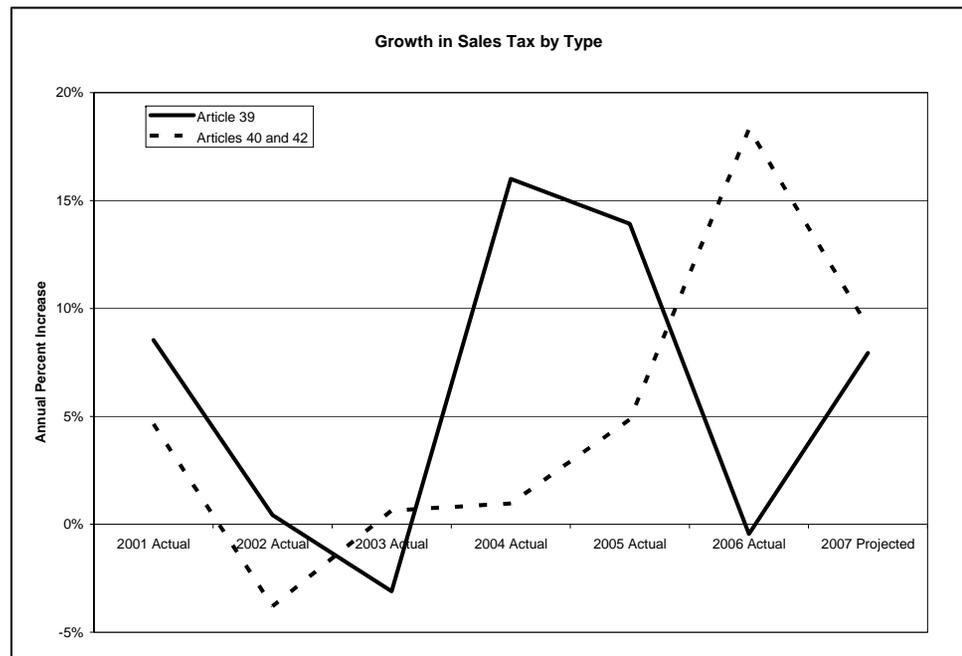
The four parts of sales tax are:

- Article 39: One cent on every dollar. Comes back to the county directly.
- 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. Goes into a statewide pot and is distributed back based on population. Sixty percent must be spent on school capital or debt.
- Article 44: One-half cent on every dollar. One-half comes back to the county directly. One-half goes into a statewide pot and is distributed back based on population.

Recent changes in how sales tax receipts are distributed back to cities and counties and the continuous erosion of the sales tax base in the form of exemptions (more than doubling in the last 10 years) have made estimating sales tax more difficult. In addition, prior to December 2005, all food sales tax receipts were credited as Article 39, which had the result of inflating Article 39 receipts and lowering Articles 40 and 42 receipts. As a result, Article 39 sales tax receipts, an indication of local economic activity, were lower in FY 2006 than in FY 2005, as shown in the graph. In addition, it appears that growth in the Article 39 sales tax will be approximately 8 percent for FY 2007, compared with 9.2 percent growth in Articles 40 and 42, which are distributed back based on population.

To estimate sales tax, staff used the following assumptions:

- Similar growth in point-of-collection and per-



capita distributions. Though recent Article 39 receipts have been lower, the County continues to have commercial development that should positively impact the point-of-collection articles.

- A 4 percent increase in sales tax for the remaining months of FY 2007 (over the same months in FY 2006).
- A 3 percent increase in sales tax for FY 2008 (over FY 2007).

These assumptions are slightly more conservative than what the North Carolina League of Municipalities and the North Carolina Association of County Commissioners recommend.

Intergovernmental Revenues:

Intergovernmental revenues are those that the state and federal government “share” with counties. Intergovernmental revenues are expected to decrease by 10.6 percent overall in the General Fund. This reduction is caused because all lottery proceeds have been earmarked for debt service. In FY 2007, \$712,250 in lottery proceeds funded part of the Chatham County Schools’ capital outlay request. Use of lottery proceeds for this purpose is no longer possible because of projected shortfalls in school impact fees. Intergovernmental revenues have historically been declining as a portion of total revenue, because of the state’s elimination of intangibles, inventory tax, and SCE reimbursements.

- **Social Services Reimbursements:** The 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 decrease by 3.5 percent, to reflect reduced expenditures in foster care and adoptions.
- **ADM Funds:** ADM funds are provided by the state for school capital or debt. In Chatham County, this revenue has historically been earmarked for debt. In FY 2007, proceeds are up because of increased revenue from the corporate income tax. As a result, we expect to collect over 267 percent more than we budgeted (\$438,000). Because economic conditions are not expected to be as robust next year, staff is recommending a more conservative figure for next year: \$472,706.

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. This revenue source is expected to grow by 1.6 percent in the General Fund, 4.6 percent in the Water Fund, and 7.1 percent in the Waste Management Fund. No major adjustments in these fees are recommended.

- **Environmental Health Fees:** Staff is recommending that a \$25 fee charged to register septic contractors be repealed. Effective, January 1, 2008, state law mandates that this fee can no longer be charged. Staff is recommending that the fee be repealed, effective July 1, 2007. This will result in a revenue loss of approximately \$1,000.

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 source of revenue is expected to increase by 6.8 percent, caused by increasing building permit fees.

- **Register of Deeds fees:** Recording fees are charged when legal documents, such as deeds, plats, and marriage licenses, are recorded. No increase is projected for FY 2008.
- **Building Inspection fees:** The major source of revenue in this category is building inspection fees. The 9.3 percent increase over the FY 2007 budget results from increasing permits for single family houses, as follows (note that this increase is recommended to fund new positions in building inspections and central permitting):

Fee Type	Current Fee	Approved Fee	Revenue Generated	Explanation for Increase
Single-family home building permit	\$375 base fee plus \$0.25/square foot	\$0.30/square foot	\$64,776	Currently, because of the base fee, smaller houses pay a proportionately larger fee. The proposed fee is fairer, promotes affordable housing, and generates additional revenue.
Deck construction permit	\$60	\$100	\$18,560	Deck inspections require two trips by building inspectors. Trip fees are \$50 each.
Modular home building permit	\$200	Same as single-family building permit	\$10,000	Modular homes are as complex to inspect as site-built houses.
House moving permit	\$175	\$200	\$0	House moving permits require four trips by building inspectors. Trip fees are \$50 each.
		Total:	\$93,336	

Other Taxes and Licenses:

Other Taxes and Licenses represent locally collected taxes, other than the property tax.

- **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 generated with the state. Because of the high rate of growth, revenue stamp receipts have

grown consistently over the past several years. Based on year-to-date collections in FY 2007, we are estimating a 44.4 percent increase over the FY 2007 budget.

- **Occupancy Tax:** As a practical matter, occupancy tax revenues are set equal to the expenses of the Pittsboro-Siler City Convention and Visitors Bureau. Any deficit is subtracted from the occupancy tax reserve; as any excess contributes to the reserve. At the end of FY 2007, the reserve is estimated to be approximately \$ 195,738.

Transfers:

Transfers as revenues generally occur from special revenue funds to the operating funds for one-time expenditures. Overall, this revenue source is expected to increase by 160.6 percent in the General Fund, because of transfers from the CIP and Impact Fee reserves.

- **CIP Reserve:** This reserve was established as part of the County's financial plan to fund capital improvements. Beginning with FY 2006, four cents on the property tax rate has been transferred annually to this reserve to pay for debt service on general County projects. The first interest payment on Certificate of Participation (COPs) issued for the Social Services addition and infrastructure in the Central Carolina Business Park is due in FY 2007. \$593,789 will be transferred in FY 2008 to cover interest payments.
- **School Impact Fee Reserve:** This reserve accumulates school impact fees to pay for capital and debt service for Chatham County Schools. In FY 2008, \$1,055,624 will be transferred from the Impact Fee Reserve to pay the COPs interest payment for Virginia Cross Elementary.
- **Personnel Savings Account:** The budget recommends that \$480,415 be transferred from the "Personnel Savings Account." These funds will be used to pay for salary increases and benefits for 3 percent of the total 5.0 percent increase. The reserve was set up to accumulate lapsed salaries during the year to fund the County's pay-for-performance pay system.
- **General Fund Capital Reserve:** Funds are accumulated in the reserve to pay for replacement vehicles and one-time capital items requested during the budget process. The budget recommends a total transfer of \$434,859..
- **Waste Management Equipment Reserve:** Funds are accumulated in the Waste Management equipment reserve to replace capital outlay. A transfer of \$303,000 is recommended to fund a new roll-off collection truck and other replacement capital outlay in Waste Management.

Fund Balance:

Fund balance is typically used as “revenue” to balance the budget. No fund balance is recommended for appropriation in the Water Fund or Waste Management Fund. The use of fund balance in the General Fund is tied to one-time or capital expenditures, as shown in the table below:

CIP Projects:	
Replace Phone System	300,000.00
Law Enforcement Site Improvements	650,000.00
Additional Funds for Dunlap Renovations	100,000.00
Imaging	100,000.00
Studies:	
Pay and Class	50,000.00
Recreation Master Plan	60,000.00
Impact Fee Study	60,000.00
Facilities Study	63,000.00
Economic Development Study	154,000.00
Other Allocations:	
Affordable Housing--Habitat	200,000.00
Pittsboro Tennis Courts	60,000.00
Pittsboro Sewer	60,000.00
	1,857,000.00
Transfers:	
Additional Transfer to Capital Reserve	500,000.00
Utility Capital Reserve	1,364,003.00
Capital Outlay:	
General Fund	211,385.00
School Capital Outlay	1,982,180.00
Total	5,914,568.00

Expenditure Assumptions & Long-term Financial Goals

Board of Commissioners Priorities:

At its budget summit in January, 2007 the Board of Commissioners discussed the following guidelines for preparation of the budget:

- Consider funding a Human Relations Director on a full or part-time basis, based on input from the Human Relations Commission and additional research by the County Manager's Office. *Funding for a half-time Human Relations Director is included in the recommended budget.*
- Funding for renovations to the high schools. *This issue will be examined when the capital improvements program is updated in the fall. The recommended budget does include full funding for the Board of Education's request for Category I Projects, which are improvements to buildings and grounds at all schools.*
- Funding the economic development plan and priorities. *The recommended budget includes funding for the economic development study. In addition, the recommended budget funds the Economic Development Commission near its requested amount.*
- Funding for greater recreational opportunities. *The recommended budget includes funding to expand the recreation staff by 1.5 positions.*
- Designate one-half of one cent on the property tax rate for non-profit funding. *The recommended budget sets aside \$341,000 for non-profit funding, which is equivalent to one-half of one cent on the property tax rate.*
- Funding for a study of office space needs throughout county departments. *The recommended budget includes funding for a study of County office space needs.*
- Funding for an update to the recreation master plan. *The recommended budget includes funding to update the recreation master plan.*
- Funding for an update to the impact fee study. *The recommended budget includes funding to update the impact fee study.*
- Producing a budget without a tax increase, if possible, but show Commissioners what could be funded if taxes were increased. *Because of the expenses associated with opening Virginia Cross Elementary, the manager was not able to develop a recommended budget without a tax increase. The \$800,000 estimated for operating expenses to open the school is equivalent to 1.17 cents on the tax rate. However, the expansion requests shown in a section below, recommended by the manager, are shown in terms of cents on the tax rate. The Board of Commissioners could choose to eliminate all of these items and reduce the tax rate by 2.00 cents.*

Summary of Changes to the Recommended Budget

As is required by state law, the County Manager develops a “recommended” budget that is presented to 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. Below is a list of the changes Commissioners made to the FY 2007-2008 budgeted expenditures (Note that an offsetting reduction in revenue was also made. Please see the Revenue Assumptions section for an explanation.):

Increase Sheriff and County Manager's Salary (approved 6/06/07)	14,406.00
Increase in Impact Fee Reimbursement (Habitat Request)	2,900.00
Eliminate Chatham County Schools Expansion Budget (approved 06/06/07)	(310,963.00)
Reduce Chatham County Schools Continuation Budget (difference between Virginia Cross actual versus projected) (approved 06/06/07)	(310,735.00)
Reduce EDC (consultant budgeted twice) (approved 06/06/07)	(154,000.00)
Increase Human Relations Director to full-time (approved 5/21/07)	39,024.00
Increase match for State Juvenile Justice funding	5,303.00
Increase transfer to debt reserve for additional capital projects	682,001.00
Increase non-profit agency allocations (approved 06/04/07)	20,000.00
Performing Arts Feasibility Study (approved 06/04/07)	4,000.00
Jury Commission (requested by Clerk of Court)	2,000.00
Affordable Housing Needs Assessment (approved 5/21/07)	25,000.00
Rocky River Water Quality Monitoring Project (approved 5/21/07)	35,000.00
Reclassifications actual versus projected	(54,386.00)
Reduce contingency from \$400,000 to \$326,155	(73,845.00)
Increase in Insurance/Bonds	20,204.00
Total Reductions in Expenses	(54,091.00)

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 received more than \$4 million in expansion requests, many of them for new personnel (over half of this amount from the Board of Education). The County Manager recommends that the following expansion requests be funded:

Department	Expansion Request	Net Cost	Tax-rate Equivalent
Central Permitting -- Administration	Central Permitting Technician Position: Hire a position to handle the increased workload and maintain the department's turn-around time for issuing permits.	\$10,523.00	0.02
Central Permitting -- Inspections	Building Inspector Position: Fund one building inspector position to keep up with the increasing number of building permits issued.	\$0.00	0.00
Chatham County Schools	Increase in Teachers Supplement: Fund the requested increase of \$500 for certified and administrative personnel and \$100 for classified personnel.	\$451,350.00	0.66
Chatham County Schools	Additional Operating Funds: Provide additional operating funds to Chatham County Schools for expansion requests, etc. THIS REQUEST WAS NOT FUNDED BY THE BOARD OF COMMISSIONERS.	\$310,963.00	0.46
County Manager's Office	Full-time Grants Writer: Hire a full-time grants writer to allow the Director of Grants and Special Projects to focus on civic engagement and public information.	\$68,178.00	0.10
Elections Office	Unity Elections Software: Purchase additional software to make the County's voting equipment fully functional.	\$0.00	0.00
Facilities Management	Administrative Support Position: Provide the Facility Management Department with adequate administrative support.	\$34,986.00	0.05
Facilities Management	Two Maintenance Worker Positions: Hire two maintenance worker positions in January and bid out janitorial services in the meantime.	\$35,224.00	0.05
Fleet Management	New Vehicle for Motor Pool:	\$0.00	0.00
Health -- Animal Control	Animal Shelter Attendant Position: Establish a permanent full-time shelter attendant position.	\$20,391.00	0.03
Health -- Animal Control	Animal Control Subsidized Spay/Neuter Assistance: Provide a \$20,000 subsidy to pet owners.	\$20,000.00	0.03
Health -- Community Health Promotion & Advocacy	Increase Hours of Office Assistant III: Provide County funding for 25 percent increase in time for the administrative support position in the Community Health Promotion and Advocacy (CHPA) Division of the Health Department currently funded through a grant.	\$6,874.00	0.01
Health -- Family Outreach and Support Services	Public Health Processing Assistant IV Position: Fund an administrative support position for the Family Outreach and Support Services (FOSS) Division of the Health Department.	\$13,709.00	0.02
Health -- Sedimentation & Erosion Control	Erosion Control Officer Position: Hire a second erosion control officer to conduct inspections and respond more promptly to complaints.	\$72,103.00	0.11
Management Information Systems (MIS)	Information Assistant Position: Provide funding for an Information Assistant Position in the Management Information Systems (MIS) Department to support Social Services, Health, and Elections.	\$48,857.00	0.07
Management Information Systems (MIS)	Increase Network Storage: Provide adequate storage space on the county's servers to accommodate growing data needs.	\$0.00	0.00
Planning	Planning Department Vehicle: Purchase a vehicle for the Zoning Enforcement	\$3,400.00	0.00

Department	Expansion Request	Net Cost	Tax-rate Equivalent
	Officer.		
Recreation	Recreation Assistant Position: Provide funding to increase the hours of the recreation assistant from half to full-time.	\$22,299.00	0.03
Recreation	Recreation Specialist. Position: Fund a position to handle the department's special programs.	\$41,555.00	0.06
Sheriff's Office -- Law Enforcement	Domestic Violence Investigator Position: Provide county funding for a domestic violence investigator position previously funded through a grant.	\$57,477.00	0.08
Sheriff's Office -- Law Enforcement	Two Criminal Investigator Positions: Hire two additional criminal investigators to assist the department in investigating an increasing number of crimes.	\$91,718.00	0.13
Social Services	Special Assistance/Medicaid Transportation Caseworker Position: Fund a caseworker position to relieve these duties from the division's interpreter and supervisor.	\$27,228.00	0.04
Social Services	Children's Protective Services (CPS) Supervisor Position: Fund a CPS supervisor to reduce the ratio between workers and supervisor to the state-recommended level.	\$24,038.00	0.04
Tax -- Administration	Online Tax Services: Provide a user-friendly web interface for taxpayers to access tax records.	\$3,100.00	0.00
	Total	\$1,363,973.00	2.00

Criteria and Process: The expansion budget is developed by a team, consisting of department heads, county manager, finance officer, and assistant county manager. The team used a scoring mechanism to rank all expansion requests received. Points were assigned based on whether the request met the following criteria adopted by the Board of Commissioners and listed in order of priority:

- Commissioner Goals
- Mandate
- Safety
- Operating Budget Impact
- Maintain Current Service Levels
- Efficiencies
- Consistency with Long-range Plans/Community Support & Impact

- Economic Impact
- Service/Access Improvement
- Service Additions
- Functional Area Ranking

Prioritization of Recommended Budget: Once all expansion projects were scored, the team met and prioritized expansion requests. Using funds available, the Manager followed this priority ranking, and additional information gathered from departments, to develop the recommended expansion budget. Details on these items is provided above. More detail is also available in the department budget.

Expansion Requests Not Recommended: The following expansion requests were not recommended:

- Full-time Equipment Maintenance Technician Position (Board of Elections)
- Administrative Support Position (Board of Elections)
- Narcotics Investigator Position (Sheriff's Office)
- Environment and Natural Resources Extension Agent Position (Cooperative Extension)
- Water Sampling Position (Water-Distribution)
- Communicable Disease Public Health Nurse Position (Health-Preparedness and Surveillance)
- Family and Children's Medicaid Worker Position (Social Services)

- Administrative Assistant Position (Social Services)
- Adult Services Social Worker Position (Social Services)
- Increase Time of Adult Medicaid Caseworker Position (Social Services)
- Chatham County Volunteer Coordinator Position (Council on Aging)
- No funding was provided for Chatham County Schools' expansion request.

Capital Improvements Program (CIP):

During its budget summit, the Board also adopted a five-year capital improvements program (CIP). The recommended budget includes full funding for the CIP, as follows:

- ❖ Interest payments on certificates of participation (COPs) used to finance construction of infrastructure in the Central Carolina Business Campus and the addition to the Social Services Building. Funding to cover this cost was transferred from the debt reserve, established in 2006. (Taxes were increased four cents above the "revenue neutral" tax rate. The four cents are accumulated in the debt reserve with the purpose of paying principal and interest on all non-school, COPs-financed projects.) Without the debt reserve, a 0.87-cent tax increase would have been required to cover this amount.
- ❖ Interest payments on COPs used to finance construction of Virginia Cross Elementary in Siler City. Funding to cover

this cost was transferred from impact fees. Without the transfer from impact fees, a 1.55-cent tax increase would have been required to cover this amount.

- ❖ A transfer of \$100,000 into the Electronic Document Imaging System (EDMS) project. This project is underway to scan and index county documents to provide for easy retrieval and reduce paper.
- ❖ Funding for improvements to the Law Enforcement site. This project will improve the roadway, expand parking for staff and the public, construct a vehicle impoundment lot, and provide for secure vehicle access into the jail (\$650,000).
- ❖ Funding for replacement of the county's telephone system (\$300,000).

Administrative Priorities:

Continuing last year's theme of "Making a Difference through Public Service," the County Manager identified four organizational priorities for the FY 2008 budget as follows:

- **Service to Customers and Residents:** Improving our ability to effectively and efficiently meet the needs of customers and residents through departmental goals linked to individual pay-for-performance agreements.
- **Employee Development and Retention:** Providing opportunities to develop employees professionally and personally, including promoting employee and family wellness and implementing strategies to retain good employees.
- **Resource Stewardship:** Ensuring wise use of county funds, including maintaining our current assets and

pursuing options to leverage other resources through partnerships and grants.

- **Vital Communications:** Sharing critical information within and across departments and seeking opportunities to inform and positively engage the public.

Departments were asked to include strategies for meeting these priorities in their departmental work plans. Further, department leaders were asked to ensure that individual work plans, completed by every county employee, tied back to departmental goals and administrative priorities. Department work plans include department goals, strategies for meeting the goals (objectives) and key measures of performance for each goal.

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 continuation budget rose by just 2.4 percent, which is less than the increase in the Consumer Price Index of 2.5 percent (change from December 2005 to December 2006). However, when the increase is adjusted for the \$5 million appropriation to the Water Capital Reserve in FY 2007, the continuation budget rose 9.6%. Reasons for this increase are cited below.

- **Salaries:** Continuation salaries increased by 5.5 percent. One reason for this increase is the addition of a full-time County Attorney and a Human Relations Director. The

continuation budget assumes that two percent of the pay increase will be paid from continuation revenues. The remainder of the pay increase is funded from the "Personnel Savings Fund." This fund captures lapsed salaries and is used for pay raises. A transfer of \$426,029 funds the additional amount required for salaries and benefits.

- **Other Personnel Costs/Benefits:** Overall, this category increased a modest 4.4 percent because the County was able to hold health insurance rates at FY 2007 levels.
- **Operating:** Operating expenses increased 9.3 percent. This increase can be explained by large increases in appropriations to outside agencies, one-time studies, and a significant increase in contingency. The chart below shows

the major increases in the operating budget. Contingency was increased to cover items that the Board of Commissioners has discussed funding, but not taken formal action (such as an additional Sedimentation and Erosion

Control Officer, Planning Position, Affordable Housing Needs Assessment, Allocation to Chatham Hospital, etc.).

	Amount of Increase
Chatham County Schools--Operating	\$1,478,885.00
Chatham County Schools--Teachers Supplement	\$400,366.00
Chatham County Schools--Capital Outlay	\$396,880.00
Match for Habitat's Affordable Housing Grant	\$200,000.00
Contingency	\$200,000.00
One-time Studies (Impact Fee, Pay and Classification Study, and Facilities Study)	\$190,000.00
Economic Development Study	\$154,000.00
Contract with Wake County Emergency Medical Services for Cary Coverage	\$88,530.00
Increase in First Health Contract	\$85,000.00
Economic Development Corporation Appropriation	\$64,645.00
Recreation Master Plan	\$60,000.00
Central Carolina Community College Appropriation	\$56,004.00
Total	\$3,374,310.00

- Debt: The County's debt service obligations are increasing by 60.5%. The increase is a result of certificates of participation (COPs) issued for the Social Services addition, Central Carolina Business Campus, and Virginia Cross Elementary School. Debt service will continue to rise as the County borrows funds for additional capital needs.
- Transfers: Continuation transfers to capital reserves in the General Fund will decrease 34.6 percent. This decline is a result of the \$5 million transfer to the Water Capital Reserve in 2007, which was one time.
- Capital Outlay: Expenditures for replacement capital outlay are increasing 8.5 percent.

Non-Profit Allocations

Historically, Chatham County has funded county non-profits that provide important services to our citizens. During the Budget Summit in January, Commissioners voted to devote one-half of one cent on the tax rate to non-profit agencies, resulting in about \$100,000 in additional funds to allocate. However, the county received requests totaling \$232,339 above the total amount available to allocate.

In the past, agencies have been able to use one application to apply jointly to United Way and Chatham County. This year, the Board of Commissioners set funding priorities for non-profits and appointed citizens to review the applications, using

a standardized scoring sheet also approved by the board. Following the numerical ranking, evaluators discussed and reached consensus on funding recommendations. The County Manager made minor revisions to the recommendations; the Board of Commissioners allocated an additional \$20,000 to non-profits above the manager's recommendation. These changes are explained more fully in the Human Services Agencies budget.

Long-term Goals:

Long-term goals include those adopted by the Board of Commissioners in its Financial Policy and goals used by the County Manager to develop the recommended budget.

- ❖ Planning for capital projects and diversifying the sources from which these projects are financed, so that capital reserves and operating revenue balance reliance on debt. The recommended budget attempts to reduce reliance on debt by funding increased transfers to capital reserves.
- ❖ Meeting or exceeding revenue projections. In general, revenues are budgeted conservatively, in the hopes that projections will be exceeded. Additional revenues beyond projections increase the County's ability to provide services and add to the fund balance.
- ❖ Maintaining or enhancing the County's AA-/A+ bond rating. Current and future debt obligations, especially for school facilities, make it critical that the County receive the

best possible interest rate to keep the cost of borrowing funds low.

- ❖ 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. An enterprise fund should support all costs, including depreciation, capital improvements, and equipment. The budget furthers this goal by continuing to fund operating costs in the enterprise funds from fees and other non-tax revenue sources.
- ❖ Maximizing investment opportunities. Through the Board of Commissioners, the County has adopted a cash management plan (within the adopted Financial Policy) for the receipt, deposit, and disbursement of funds designed to maximize investment opportunities.

❖ Fund balance. The stated goal of the Board of Commissioners (according to the adopted Financial Policy) is to reach and maintain a General Fund fund balance of 20 percent. A 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. As of June 30, 2007, staff estimates our fund balance will be at 26.0 percent of budgeted expenditures, well above the level established by the Board of Commissioners. The table below shows the change in fund balance over the past six years and projects the impact on Fund Balance for FY 08.

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007 Projected	FY 2008 Projected
Budgeted Revenues	42,655,304	45,457,235	48,292,733	50,072,364	53,143,389	58,518,916	63,196,523	68,045,648
Budgeted Expenditures	45,852,928	48,515,370	50,118,880	50,874,394	55,809,869	59,849,474	62,962,948	70,482,894
Revenues	44,872,067	47,525,841	48,813,523	52,233,632	55,566,360	62,405,881	67,067,548	70,087,017
Expenditures	43,237,328	44,677,545	47,545,875	49,033,672	52,964,154	55,475,825	62,373,083	68,368,407
Revenues over Expenditures	1,634,739	2,848,296	1,267,648	3,199,960	2,602,206	6,930,056	4,694,465	1,718,610
Transfers/other financing sources	(1,114,444)	41,001	(128,544)	(945,149)	(336,994)	(4,792,417)	(8,835,084)	(3,477,322)
Fund Balance Beginning of Year	12,793,577	13,313,872	16,203,169	17,342,273	19,597,084	21,862,296	23,999,935	19,859,316
Increase in Fund Balance	520,295	2,889,297	1,139,104	2,254,811	2,265,212	2,137,639	(4,140,619)	(1,758,712)
Fund Balance End of Year	13,313,872	16,203,169	17,342,273	19,597,084	21,862,296	23,999,935	19,859,316	18,100,604
Revenue Variance	2,216,763	2,068,606	520,790	2,161,268	2,422,971	3,886,965	3,871,025	2,041,369
Expenditure Variance	(2,615,600)	(3,837,825)	(2,573,005)	(1,840,722)	(2,845,715)	(4,373,649)	(589,865)	(2,114,487)
Revenue % over Budget	105.20%	104.55%	101.08%	104.32%	104.56%	106.64%	106.13%	103.00%
Expenditure % of Budget	94.30%	92.09%	94.87%	96.38%	94.90%	92.69%	99.06%	97.00%
Fund Balance as % of Expenditures	24.00%	29.00%	35.40%	34.50%	34.30%	32.77%	25.95%	22.53%

The table below shows the amount of fund balance available for appropriation in FY 2008 for Water and Waste Management:

	Utility Fund	Waste Management
Cash and Investments	1,222,769	1,740,046
Less:		
Liabilities	105,562	99,534
Deferred revenues arising from cash receipts	0	0
Fund balance available for appropriation	1,117,207	1,640,512