

Budget Message for Chatham County Budget

Fiscal Year 2009-2010

It never has and never will be easy work! But the road that is built in hope is more pleasant to the traveler than the road built in despair, even though they both lead to the same destination.

- Marion Zimmer Bradley

This budget has not been easy work. It was created and recommended in an atmosphere of economic uncertainty. Despite these challenges, this budget is built in hope! I believe you will see that we have done the difficult work; confronted problems that we have, not in despair, but with an eye on the future; a future where economic austerity become prosperity; where uncertainty is swept away by stability. I think you will find that we've provided a budget that fits our time and delivers the services we need in a fiscally prudent way.

The recommended budget for fiscal year 2009-2010 comes amid a global fiscal crisis and national downturn that most economists agree is unprecedented. Going further, we don't anticipate recovery to be quick. We also make this budget in a revaluation year.

Chatham County is a lot more fortunate at this time than many other local governments. Why? I believe it is because of the long-term fiscal stewardship by our finance and budget staff. Their performance over the years has been stellar. Our fiscal condition in this

otherwise dismal economic environment is reasonably sound. It is that way because of careful, strategic financial thinking and resource stewardship. It has not been a short-term realization or a stroke of luck.

As a result of the national malaise, I characterize (and borrowed from the late Charles Levine) Chatham County's condition as a fiscal squeeze. We believe this is a long-term event with slow recovery. Consequently, this recommended budget will pursue two ends. The first reflects our strategy to perform and reasonably maintain our services, even expanding in targeted areas. The second reflects our desire to take a long-term look. We want to keep the county on sound financial footing so future budgets aren't anchored in a fiscal crisis or worse, a fiscal crush.

The recommended budget for Fiscal Year 2009-2010 is \$80,995,539 for the General Fund. Total property valuation for this budget is \$8.5 billion, and the recommended tax rate is 60.32 cents per \$100 valuation. One penny is anticipated to generate \$826,264.

You will find this budget to be almost entirely continuation. The expansion requests, if approved, total \$234,553. I think it is appropriate to point out that all the requests have merit. Given the recession and our residents' difficulties in making ends meet, we limit our expansion recommendations. More detailed explanations of these requests and other recommended expansion requests can be found in the budget document. Major requests include the following:

- Provide for library services needed because of separation from Alamance County. Net cost: (\$1,499).
- Provide county funding of Domestic Violence Investigator (previously grant funded). Net cost: \$30,356.
- Provide county funding of Criminal Enforcement/K9 Team Field Supervisor (previously grant funded). Net cost: \$23,331.
- Land Conservation and Development Plan Update. Net cost: \$60,000.
- Transportation Planner Position. Net cost: \$59,634.
- Increase temporary salaries for additional shift coverage in emergency dispatch. Net cost: \$61,232.
- Storage Area Network (SAN): Increase storage capacity and allow the county government to remain operational during a disaster (paid for out of reserves and fund balance). Net cost: \$0.

- Forklift and ramp for baling recyclables (partially grant funded, remainder from fund balance). Net cost: \$0.

Most revenue sources are down significantly because of the economy, including sales tax, fees and permits, register of deeds revenue, occupancy tax, etc. In response, we have cut the general fund operating budget by nearly 7%, excluding debt service funded from reserve. Departments were asked to identify cuts and with few exceptions, budgets are reduced from the current year, some significantly. For the most part, these cuts will not dramatically affect service delivery. In addition, we are working to shuffle personnel from areas where work load is relatively light to areas where additional staff is needed to address increased service needs in a down economy.

Our budget reflects only known cuts in the Governor's or Senate's budget. However, the state's budget crisis may translate into worse problems for us. With an additional \$1 billion shortfall, we can expect the state to withhold further revenues from local government. Thus, additional cuts may be needed.

A few expenses, mostly Capital Improvements Program (CIP) expenses, have been deferred. We think these deferrals are prudent and will not affect the county's long-term plan. We have limited transfers to capital reserve to those needed for current and future debt.

As noted earlier, this is a revaluation year for Chatham County. After appeal losses are considered, the overall average increase in real property values across the county is 20%. The revenue neutral tax rate is 60.32 cents per \$100 valuation, which is higher than we anticipated because 1) other parts of the tax base – motor vehicles, utilities, and business personal property – are declining; and 2) the revenue neutral rate is based on the average annual growth since the last revaluation, which was a healthy 6.5%. The rate is reduced from the current 65.3 cents.

Unfortunately, our recommended budget takes a toll on our employees, as we were forced to suspend pay-for-performance (merit) raises that employees had earned through their hard work this year. We have also delayed implementation of the pay equity study because of its large financial impact. We agonized over these decisions, but felt we had no choice.

If predictions that the economy will begin a sluggish recovery next year are accurate, our past fiscal stewardship should help us weather this downturn. If the recession is more severe and/or longer lasting, we will have to make more significant cuts, most likely during FY 2010.

Respectfully submitted May 4, 2009.

Charlie Horne

Charlie Horne
County Manager

This page was intentionally left blank.