

Expenditure Assumptions & Long-term Financial Goals

Board of Commissioners Priorities:

At its retreat in January, 2006 the Board of Commissioners discussed the following guidelines for preparation of the budget:

- ❖ Fully funding the approved capital improvements program
- ❖ A thorough review by the Manager of staffing needs
- ❖ Avoiding a property tax increase, if possible.

Last year, the Board of Commissioners approved a four-cent tax increase over the revenue neutral rate of 55.7 cents to fund the debt service on the capital improvements program. As approved last year, we have again transferred the proceeds of these four cents to a capital reserve. This capital reserve, along with school impact fees and restricted sales tax, are expected to pay the debt on these projects.

In addition to capital projects, the budget includes funding for several expansion requests.

Administrative Priorities:

At the kickoff of the budget process, the County Manager identified the theme of “Making a Difference through Public Service” and four organizational priorities for the FY 2007 budget. Those priorities are 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.

Work plans include department goals, strategies for meeting the goals, and key measures of performance.

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 \$6 million in expansion requests, many of them for new personnel. Without raising property taxes, the County Manager had approximately \$400,000 to allocate to expansion programs.

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 (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.

The following items are recommended. More detail on each request can be found in the department budget:

1. **Management Technician Position:** Establish a management technician position to support the Assistant County Manager in meeting increased responsibilities. (Total/Net Cost: \$54,747)
2. **Website Redesign and Maintenance:** Redesign the county's website to make it easier to use and more relevant for citizens. Funded by a transfer from capital reserve. (Total Cost: \$23,000; Net Cost: \$0)
3. **Collection Clerk Position:** Establish a tax clerk position to improve the county's ability to increase delinquent tax collections and provide a one-stop collection site for water and tax payments. The position will more than pay for itself by increasing collection of delinquent taxes. (Total Cost: \$37,391; Net Revenue: \$67,610).
4. **Appraiser Position:** Establish an appraiser position January 1, 2007 to meet increased workload demands. Funding for the appraiser's vehicle comes from capital reserve. (Total Cost: \$41,721; Full Year Personnel Cost: \$40,942; Net Cost: \$16,721)
5. **Enterprise Agreement:** Enter into a three-year agreement with Microsoft to standardize and provide for updated software across all county departments. Funding comes from capital reserve. (Total Cost: \$51,000; Net Cost: \$0)
6. **Database Administrator:** Establish a position to maintain the increasing number of county databases to ensure data integrity and integration. (Total/Net Cost: \$75,656)
7. **Upgrade the County's GIS Web Server:** Purchase software to update the GIS web site in order to increase the number of users who have access and to provide for additional data. Funding comes from capital reserve. (Total Cost: \$11,000; Net Cost: \$0)
8. **Information Technology Assistant for Public Health and Elections:** Provide county funding for the loss of grant funds to cover a halftime technology position for Health and Elections and move the position organizationally from Health to MIS, to increase capacity for the organization. (Total/Net Cost: \$25,231)
9. **Dually Certified Court and Law Enforcement Personnel:** Effective October 1, 2006, establish three positions in the Sheriff's Office that can function as certified law enforcement officers, court officers, and detention officers. Funding for vehicles comes from capital reserve. (Total Cost: \$187,008; Full Year Personnel Cost: \$143,544; Net Cost: \$112,008)
10. **Jail Refrigeration and Freezer Space:** Expand refrigeration and freezer space in the jail kitchen and repair the refrigerator floor to meet expected increases in prisoner populations and comply with health regulations. Funding comes from capital reserve. (Total Cost: \$15,000; Net Cost: \$0)
11. **Two Telecommunicator Positions:** Establish two additional telecommunicators to handle increased call volumes and meet standards prescribed by NENA and NFPA 1221. (Total/Net Cost: \$91,847)
12. **Planning Permitting Technician Position:** Effective January 1, 2007, establish permitting technician to assume all initial public contact duties for the Planning Department. (Total/Net Cost: \$23,148; Full Year Personnel Cost: \$46,295)
13. **Land Use Administrator I Position:** Effective January 1, 2007, establish a Land Use Administrator position to allow subdivision

and zoning duties to be split. (Total/Net Cost: \$27,107; Full Year Personnel Cost: \$54,214)

14. **Ice Maker:** Purchase and installation of an icemaker in the Agriculture Building. Funding comes from capital reserve. (Total Cost: \$4,000; Net Cost: \$0)
15. **Inspector/Cross Connection ORC position:** Establish an inspector/cross connection ORC position to ensure the proper installation of water lines. Funding comes from Utility Operating. (Total/Net Cost: \$73,053)

16. **Automatic Notification System:** Purchase an automatic notifier in the Water Department to improve customer service. Funding comes from Utility Operating. (Total/Net Cost: \$3,968)
17. **Increase in Time for Environmental Health Specialist from 50% to 100%:** Increase the time of an existing position to meet increased workload demands. (Total/Net Cost: \$32,094)
18. **Adult Medicaid Caseworker Position:** Establish an additional Medicaid worker position to meet increased workload demands. Funding for one-half of the cost of the position comes from the federal government. (Total Cost: \$40,731; Net Cost \$21,366)

The following requests were made by departments for the county to pick up losses in grant funds. Because of limited funds available, these requests were not recommended by the expansion team or the County Manager.

- **Chronic Disease Program Manager/Public Health Nurse II:** This nursing position is currently being funded 50% by the “Diabetes Today Grant.” This grant funding will end on 6/30/2006.
- **Clinical Assistant/Interpreter:** This full time position is funded 50% by a Family Planning Grant through the Family Resource Center. Funding next year will not be sufficient to cover the costs of the position.
- **Medical Lab Technician (MLT):** This MLT position is currently being funded 20% by the “Diabetes Today” grant, which will be ending on 6/30/2006.

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 1.5 percent, which is much less than the increase in the Consumer Price Index of 3.4 percent (change from December 2004 to December 2005). The slight increase is due in part to large appropriations made in FY 2006 to the Council on Aging and Central Carolina Community College.

- **Salaries:** Continuation salaries increased by 3.8 percent. The amount for pay raises plus benefits was funded from the “Personnel Savings Fund.” This fund captures lapsed salaries and is used for pay raises. A transfer of \$341,232 funds the additional amount required for salaries and benefits.
- **Other Personnel Costs/Benefits:** Overall, this category increased by 6.6 percent, caused in large part by a six percent increase in health insurance rates.
- **Operating:** Operating expenses increased 3.2 percent, which is also less than the rate of inflation.
- **Debt:** The County’s debt service obligations continue to decline, as a result, this expenditure category is down 3.7 percent in the General Fund for FY 07. This trend will be reversed in future years as capital projects are built and funded through debt.
- **Transfers:** Continuation transfers to capital reserves in the General Fund will increase 7.1 percent and include: a \$2,501,181 transfer to a facility reserve to fund future capital projects, transfers to the Water Capital Reserve totaling \$1,125,295 to fund future capital projects, a \$100,000 transfer to the electronic document management system/imaging, a \$500,000 transfer to the vehicle replacement reserve, and a \$100,000 transfer to the general capital reserve.
- **Capital Outlay:** Expenditures for replacement capital outlay and CIP projects total \$1,472,326.

Approved Budget:

Commissioners made the following changes to the Manager’s Recommended Budget:

Change	Budget Effect
Commissioner Salaries: No salary increase (originally budgeted 5% increase)	\$(3,295.85)
Salary increases for County Manager, Sheriff, and Register of Deeds (originally budgeted 3%)	27,641.64
Office space rent and other costs for Recreation (Manager's Office considered after Recommended Budget had been prepared)	29,600.00
Salary increase for Cooperative Extension (Manager's Office notified after Recommended Budget had been prepared)	3,664.00
Increase capital outlay appropriation to Chatham County Schools	1,585,300.00
Increase transfer to water capital reserve (from fund balance)	5,000,000.00
Total (amount is off because of rounding)	\$6,642,917.00

Non-Profit Allocations

Historically, Chatham County has funded county non-profits that provide important services to our citizens. In the past, agencies have been able to use one application to apply jointly to United Way and Chatham County. This year, with the approval of the Board of Commissioners, these processes were merged. For the first time, volunteer evaluators made recommendations on county funding levels for non-profits. Evaluators ranked the agency requests using a standardized scoring sheet. Following the numerical ranking, evaluators discussed and reached consensus on funding recommendations.

Agencies were divided into four funding areas: Investing in Our Children, Building Self-Sufficiency, Health and Wellness, and Strengthening Families/Assisting Seniors. Funds were earmarked for each area based on the FY 2006 allocation, plus a two percent increase.

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 reduces reliance on debt and increases 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. The bond rating was recently upgraded by Standard and Poor's. 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 for the receipt, deposit, and disbursement of funds designed to maximize investment opportunities.
- Stabilizing school funding: The budget for Chatham County Schools is based on a funding formula, which takes into consideration student and inflationary increases.

- Fund balance. The stated goal of the Board of Commissioners (according to the recently 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, 2006, staff estimates our fund balance will be at 35.87 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 07.

	2001 Actual	2002 Actual	2003 Actual	2004 Actual	2005 Actual	2006 Estimated	2007 Projected
Budgeted Revenues	42,655,304	45,457,235	46,076,259	50,072,364	53,143,389	57,588,571	62,840,541
Budgeted Expenditures	45,852,928	48,515,370	50,118,880	50,874,394	55,809,869	59,003,578	62,789,423
Budgeted Transfers				784,218	1,000,000	3,881,722	9,326,476
Actual/Estimated Revenues	44,872,067	47,525,841	48,813,523	52,233,632	55,566,360	60,453,780	64,725,757
Actual/Estimated Expenditures	43,237,328	44,677,545	47,545,875	49,033,672	52,964,154	57,313,703	60,905,740
Revenues over Expenditures	1,634,739	2,848,296	1,267,648	3,199,960	2,602,206	3,140,077	3,820,017
Transfers/other financing sources/uses	(1,114,444)	41,001	(128,544)	(945,149)	(336,994)	(3,069,944)	(8,342,493)
Fund Balance Beginning of Year	12,793,577	13,313,872	16,203,169	17,342,273	19,597,084	21,862,296	21,932,429
Increase (Decrease) in Fund Balance	520,295	2,889,297	1,139,104	2,254,811	2,265,212	70,133	(4,522,476)
Fund Balance End of Year	13,313,872	16,203,169	17,342,273	19,597,084	21,862,296	21,932,429	17,409,953
Revenue Variance	2,216,763	2,068,606	2,737,264	2,161,268	2,422,971	2,865,209	1,885,216
Expenditure Variance	(2,615,600)	(3,837,825)	(2,573,005)	(1,840,722)	(2,845,715)	(1,689,875)	(1,883,683)
Revenue % over Budget	105.20%	104.55%	105.94%	104.32%	104.56%	104.98%	103.00%
Expenditure % of Budget	94.30%	92.09%	94.87%	96.38%	94.90%	97.14%	97.00%
Fund Balance as % of (Next Years) Expenditures	24.00%	29.00%	27.01%	34.50%	34.77%	30.41%	24.37%
Fund Balance Available for Appropriation	6,927,690	10,025,354	10,551,185	13,251,679	13,819,685	15,493,388	17,919,343
Original amount budgeted for fund balance	1,646,846	2,095,461	3,851,213	936,837	2,523,802	4,197,731	8,291,375

The table below shows the amount of fund balance available for appropriation in FY 07 for Water and Waste Management:

	Utility Fund	Waste Management
Cash and Investments	3,170,341	1,764,607
Less:		
Liabilities	196,334	1,250
Deferred revenues arising from cash receipts		
Fund balance available for appropriation	2,974,007	1,765,857
Budgeted Expenditures	4,583,550	2,548,420
Percent of Fund Balance Available	64.88%	69.29%