

## Budget Message for Chatham County Budget Fiscal Year 2006-2007

*The drops of rain make a hole in the stone  
not by violence but by oft falling.*  
Lucretius 96-55 B.C.

That quote may seem strange leading off a budget message, but I found it really on-point as it relates to achieving our mission in local government. We strive onward, sometimes in small increments, to meet the needs and growing demands of citizens we serve. Achievement comes through perseverance. I believe we are moving forward, too fast for some and not fast enough for others. This budget moves us forward not at great speed, but we are addressing needs of the public in a multifaceted way. With this budget we recommend expansions in law enforcement, telecommunications, planning, information technology, environmental health, and social services.

That said, we are pleased to present this no tax increase budget to you for your consideration. Your staff has work long and hard to make this \$65,427,982 General Fund budget fit the service requirements of a growing county and your expressed interests at the outset of the FY 2007 budget process. It is a 1.5 percent increase over FY 2006.

As noted earlier, this is a no tax increase proposal. One penny of ad valorem tax generates approximately \$625,295 for local government operations in Chatham County. Our total estimates for general fund property tax is \$38,375,052, based on a 98.2 collection percentage for real property. If realized, this will be a 6.3 % increase in revenues over the current fiscal year. We anticipate slightly more than \$11 million from sales taxes and we recommend using \$1,706,075 from fund balance to make this budget work. The use of fund balance is consistent with your fiscal policy.

On the expenditure side our recommendation for schools is \$19,891,055 for operating and capital. Continuation salaries (without additional positions) account for \$13,904,132, a 3.8 percent increase over the current fiscal year. We anticipate related benefits to be up 6.6 percent at \$5,726,624. The continuation operating budget will increase by 3.2 percent at \$29,119,133. Debt service will decline by 3.7 percent.

With this budget we are recommending several position additions. Our priorities are as follows:

- Tax Clerk
- Jail Positions
- Planning Positions
- Database Administrator
- Adult Medicaid Caseworker
- Telecommunicators
- Management Technician
- Increase in hours for an Environmental Health Position
- Appraiser Position
- Information Technology (1/2 time to support Health and Elections)

Rather than add lengthy justification data here, analysis and need documentation are contained in the specific departments where these positions will be housed.

Additionally, we are recommending several technology improvements that will assist employees and the public with computer use. Among those are upgrades in software for GIS and a website redesign.

We are able to fund these priorities with growth in revenue sources.

The reader will be thinking no doubt, that we are recommending several new positions in this budget, which is very true. I point out, however, that five of the recommended positions are in the public safety divisions of Chatham County government. Public safety is a fundamental responsibility of government. Our data clearly underscore the need for the positions we are recommending. We are pleased to report that over the years Chatham County's employees have performed well and have generated ways to improve the work process, delaying the need for hiring more employees. As this is written, Chatham County's employee to population ratio is significantly below the average for counties in our great state. If approved we still are below statewide average statistics for employees per thousand.

It goes without saying that there are legitimate service needs that we have not been able to meet because of revenue limitations with the proposed 59.7 cent tax rate. Additional service needs can be met with an additional penny on the tax rate.

### **Administrative Priorities**

At the kickoff of the budget process, we 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, were directly linked to departmental goals and administrative priorities. In order to give departments sufficient time for this integration, the deadline for completing work plans was extended to May 31. Ordinarily, departmental work plans are part of the Manager’s Recommended Budget. Once work plans have been completed, staff will distribute them to the Board of Commissioners for review. Work plans will include department goals, strategies for meeting the goals, and key measures of performance.

### **Fee increase proposals**

We are proposing major fee increases in the Water Fund to pay for future debt service. Other fee changes are proposed for Environmental Health, Sedimentation and Erosion Control, and Planning.

### **Lottery proceeds and schools capital**

Based on recent information released by the Department of Public Instruction, it appears that Chatham County's effective tax rate now slightly exceeds the state average, making us eligible for additional lottery proceeds. In addition, analysts' predictions for lottery proceeds are currently on track. The state is estimating that Chatham County will receive \$1,104,243 in FY 2007 from lottery proceeds. After reviewing the Board of Education's request for capital projects, county staff contacted DPI to find out which of these projects would be eligible for lottery funds. Eligible projects total \$712,250, the amount staff is estimating for the FY 2007 budget. Additional receipts would be used to offset the expense of school construction, thereby reducing future debt service. Because of the uncertainty associated with this revenue source, the Manager recommends that this funding be made contingent upon receipt of revenue or official state notification.

### **Solid waste**

The recommended budget for our waste management division is \$2,548,420. Our fees have been able to keep the division on an even field. With rising energy costs, increases in collection center staffing, and inflation, we will be recommending use of fund balance from this enterprise to underwrite operating costs. We are not recommending fee increases this year. We will be reviewing this and doing research to come up with our best options for addressing this issue. Next year you will very likely see recommendations to ensure revenues match expenditures in this enterprise.

### **Utilities**

With this budget we are recommending increases in rates to fund future debt service. If our calculations are correct and consumption is consistent, revenues generated from the sale of water will be such that we can begin to build capital reserves for water projects the county is planning. The total budget for the water fund is \$4,583,550.

### **A look ahead**

You will read in this budget that we are decreasing our reliance on the general fund fund balance. As you are aware, we have appropriated more than \$4.6 million from fund balance in the current fiscal year. Our

recommendation for the coming year is just over \$1.7 million. We need to maintain our discipline to keep fund balance levels healthy.

Our recommended budget for the school system does not match up, even closely, to the Board of Education's request if their proposal remains as posted on their website. This is a tough situation. The school system has established needs and has teaching targets driven by state legislative and federal guidelines. Additionally, in the next two years two new schools are scheduled to open. Operating expenses for those will be in the range of \$1 million each. With other service commitments established by the Board of Commissioners, and depending on Commissioners' priorities, we may need to look at a tax increase this year or, more likely, next year to fulfill education obligations.

Lottery proceeds will aid in lessening the impact of capital projects on Chatham County's budget. We will be able to use in excess of \$700,000 to fund capital projects the school system has marked as priority. The other source of funds for those projects is impact fees.

**Some Cautions:** This budget assumes the economy remains stable and we don't have major disruptions in economic infrastructure. Unexpected downturns in the economy, changes in Federal Reserve policies, and Congressional decisions could alter our expectations in the coming fiscal year.

Energy costs are a serious concern. We've added an additional 10 percent in the budget plus set aside additional funds in contingency in the event fuel prices soar higher than economists predict. Additionally, transportation cost increases tend to ripple throughout our budgets. Whether we transport goods and services by truck, rail or air, increased fuel costs will be tagged onto good and services that we purchase/provide. That ripple impacts many items in our budget.

Weather specialists predict a "full" hurricane season and some believe that weather and wind patterns have changed such that the East coast will get the lion's share of activity in the coming months. So weather could have an impact on our plans.

Our debt service requirements dropped 3.7 percent this year but that will not last long. Our long-term debt will rise with the borrowing we will soon undertake for numerous capital projects, including the school bond scheduled for a vote in the fall of 2006.

This budget is reasonable in that it maintains our service level and increases our ability to utilize technology in the delivery of services, while increasing our capabilities in public safety.

**Special thanks** and bouquets to all our employees for their work in bringing their talents to the budget process; to the budget teams for their work in review and prioritization of needs creating pieces of the budget; to Renee Dickson for her work in fitting the pieces of the budget together to make the budget whole; and to Vicki McConnell for the financial glue that binds the picture together. It is a great team.

Thank you for your consideration.

Respectfully Submitted,

Charlie Horne

May 4, 2006