

# Budget Message

*To strive, to seek, to find and not to yield...*  
- Alfred Lord Tennyson

Chatham County Commissioners and County Residents,

Without a doubt Chatham County will continue to suffer the effects of the Great Recession into FY 2011. Revenues are expected to decline 4% from the FY 2010 budget, while demands for service continue to increase in many departments. The county will also open several major facilities in FY 2011, including Margaret Pollard Middle

*Note that the Budget Message has not been updated to reflect approved changes in the budget. For those changes, please see the beginning of the Summary Section.*

School, a new library, two community college buildings, and two major parks. As staff presented to commissioners during the budget retreat, it is not possible to open these new facilities without additional revenues. These expenses equal 1.83 cents of a proposed 2.5-cent tax increase.

## **Major Revenue Highlights:**

- The tax rate is recommended to increase from 60.22 to 62.72 cents, a 2.5-cent increase.
- A 3% increase in the occupancy tax to a total of 6% is proposed, which would generate \$28,205 in revenue to enhance efforts to attract visitors.
- A few minor fee increases are proposed in the Sheriff's Office, Health Department, and Parks & Recreation to reflect better the cost of delivering services. The fee increases would cumulatively generate \$19,735 in additional revenue.
- Consistent with the Board of Commissioners Financial Policy, appropriated fund balance is earmarked for one-time items in the general fund. A modest amount of fund balance is used for operating expenses in the water and waste management funds.

## **Budget Balance Strategies:**

The continuation budget, meaning the budget required to continue delivering services at the same level as FY 2010, shrunk by 4% overall, nearly matching available revenue. Staff and departments worked hard to trim budgets while

maintaining core services. Departments were asked to propose budgets with no increase in continuation funding and to identify cuts. A major cut was made by suspending the transfer to the water capital reserve.

The bulk of the budget was prepared in the aftermath of the courthouse fire. The fire has led to additional costs, which we expect to be reimbursed by insurance. However, commissioners and the public should be aware that not all expenses may be covered or, even if they are, it may take some time to receive the reimbursements.

The expansion budget includes the new facilities and implementing the county's capital improvements program (CIP). In addition to the increase for Margaret Pollard Middle School, the budget increases Chatham County Schools' funding for operating expenses by another 3%. Faced with severe state budget cuts, the school system would have to cut personnel without additional county funds. Finally, increases in health insurance and mandated increases in the county's retirement contribution increased other personnel costs by 6%. Driven by these increases, the budget increased by 2% over FY 2010 and required the tax increase.

I am pleased to report that Chatham County continues to be in good financial condition despite the recession. Standard and Poor's and Moody's both recently upgraded the county's bond rating by two levels from AA-/A1 to AA+/Aa2, proving the county's good stewardship of its financial resources. The Recommended Budget makes prudent cuts, but does not employ risky strategies, such as appropriating the county's savings for operating costs or furloughing employees. Fund balance is used only for one-time capital outlay (assets costing \$2,500 or more) or capital projects (which cost \$100,000 or more).

In preparing the budget, we use several roadmaps, including Board of Commissioner Goals (see Appendix D), the Capital Improvements Program (see Appendix E), and Chatham County Financial and Budgetary Policies (see Appendix A).

## **Goals: Board of Commissioners Goals**

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At their annual Budget Summit, commissioners revisited goals adopted for the FY 2010 budget. Commissioners discussed making minor revisions, but have not had the opportunity to finalize them. Therefore, staff used FY 2010 goals as the framework for preparing the budget. Below is a summary of the goals and how the FY 2011 Recommended Budget addresses them. Please see Appendix D for a complete listing of goals and strategies.

**Open Government.** The Recommended Budget addresses this goal in the following ways:

- Expands community outreach through a pilot project using social media (Twitter, Facebook, etc.) for specific county issues, such as H1N1, and develops an updated email database of churches and civic groups.
- Purchase of a sound system for commissioner meetings.
- Improves the budget document as a communications device. The budget document was revised substantially

- last year to make it a more effective tool for decision makers and citizens. Additional changes have been in the FY 2011 Recommended Budget to comply with the Government Finance Officers Association Distinguished Budget Presentation Award and include:
- A more comprehensive budget message.
  - A section clearly detailing how the operating budget impacts the Capital Improvements Program (CIP).
  - An organizational chart for the county.

- A list of accomplishments and innovations for each department.
- Clear delineation between ongoing and one-time expenditures. One-time expenses are noted in each department budget and the percent difference between FY 2010 and FY 2011 is stated with one-time expenses excluded.
- Funding for a comprehensive community survey to gauge citizen concerns and priorities.

**Land Use Planning.** The Recommended Budget addresses this goal in the following ways:

- Funds the update to the Land Development and Conservation Plan.
- Hires an Affordable Housing and Green Building Specialist.
- Hires a Resource Conservation Manager to integrate the many plans that affect the land use plan, which will help develop an integrated approach to protecting and promoting high-quality open space, recreation, historical, and tourism locations.

**Fiscal Management.** The Recommended Budget addresses this goal in the following ways:

- Achieves a tax rate increase of 2.5 cents, consistent with the limit set by commissioners during the retreat. The FY 2010 effective tax rate ranks 46th out of 100 counties.
- Implements recommendations made during the department evaluation process instituted by commissioners to improve efficiency. Benchmarks identified in the process were used to staff the county's new parks as efficiently as possible.
- Reallocates existing department positions to create new positions needed in the Sustainable Communities Department.

- Zeroes out (does not fund salaries or benefits) positions in departments with a decreased workload, including two unfilled building inspection positions, a central permitting technician, and an MIS position.

**Conservation.** The budget addresses this goal in the following ways:

- Provides funds to complete energy efficiency upgrades to county buildings and measure and verify savings.
- Funds a waste audit in the Waste Management budget.
- Continues funding for the Pittsboro Express Bus.
- Funds an additional utilities service worker to improve the valve-exercising program, which reduces water loss.

**Public Safety.** The Recommended Budget addresses this goal in the following ways:

- Funds replacement of the county's emergency communications equipment to comply with the Federal Communication Commission's mandate that all equipment be capable of operating at 12.5 KHZ or less.
- Converts two temporary dispatchers to regular status to ensure proper coverage in emergency dispatch.
- Funds a lieutenant's position in the Sheriff's Office to improve administration of the patrol division.
- Purchases equipment and software to equip the mobile Emergency Operations Center with a satellite backup for receiving 911 calls, using 911 funds (no general fund impact).
- Create an additional school resource officer position for Margaret Pollard Middle. Chatham County's policy is to provide one SRO for each middle and high school.
- Increases temporary staffing of the jail kitchen to deal with increased inmates and reduce reliance on detention officers to staff the kitchen.

**Personnel/Hiring/Staffing.** The Recommended Budget addresses this goal in the following ways:

- Funds are provided for a cultural competency survey, the first step in providing cultural competency training for employees.
- All filled positions are retained to ensure the county is ready to meet future service needs.
- Unfortunately, because of economic circumstances, market-driven pay is not addressed.

**Economic Development.** The Recommended Budget addresses this goal in the following way:

- Funds are provided to operate the two new community college buildings, which will be used to provide job training.

**Schools.**

The Recommended Budget addresses this goal in the following way:

- Increases funding for Chatham County Schools to offset losses in state funding.
- Increases time for a school health position.

**Other Goals/Issues.** The Recommended Budget addresses this goal in the following way:

- The county is partnering with the Town of Pittsboro to provide stormwater services. The town will contribute \$4,000 for this service. The county will utilize existing staff.

**Follow Up from FY 2010 Budget Critique.** During the critique of the FY 2010 budget process, Commissioners identified the following issues for staff to address in the FY 2011 Recommended Budget:

- **Review sewer rates to make sure they are covering their costs**—The wastewater system rates only cover

about one-half of costs. Please see that department budget for a phased-in option for increasing rates.

- **Provide statistics on bookmobile**—Statistics previously provided show that the bookmobile costs almost twice as much per visitor (\$48) as the Pittsboro Memorial Library (\$25).
- **Maximize 911 funds for operating costs**—According to the NC 911 Board, 911 funds can now be used for the following:
  - Phone Systems—The county does fund 911 phone lines with 911 funds.
  - Furniture—No furniture has been purchased recently.
  - Software—All software and maintenance associated with 911 is paid for with these funds. Staff has determined that the oblique photography requested by the Tax Office can be paid for with 911 funds. However, funds can only be used once every four years for this purpose and using it for the photography would preclude GIS updates. In addition, the 911 center would be required to use the oblique photographs in lieu of GIS. This is not a realistic option as the addressing system and the CAD system are both based on GIS.
  - Staff does believe that 85% of the addressing staff could be paid for with 911 funds because maintenance of GIS and addressing are allowable uses. This is equal to roughly \$40,000 per year. The recommended budget has not factored in that revenue.
  - Hardware—All hardware, is purchased with 911 funds.

- Addressing—As of July 1, 2008, these expenses are no longer eligible.
- Training—Training expenses are charged to 911 (\$3,677 to date in this fiscal year).
- **Track use of oral contraceptives (because of fee imposed last year)**—Statistics show that the \$5/pack fee instituted last year has not had a detrimental effect on the number of clients using birth control. The number of patients getting birth control pills has increased by 152%. The number of packs distributed has increased by 199%.
- **Provide Information on false alarm fees**—Information about this issue was previously distributed. It showed that the number of false alarms has not

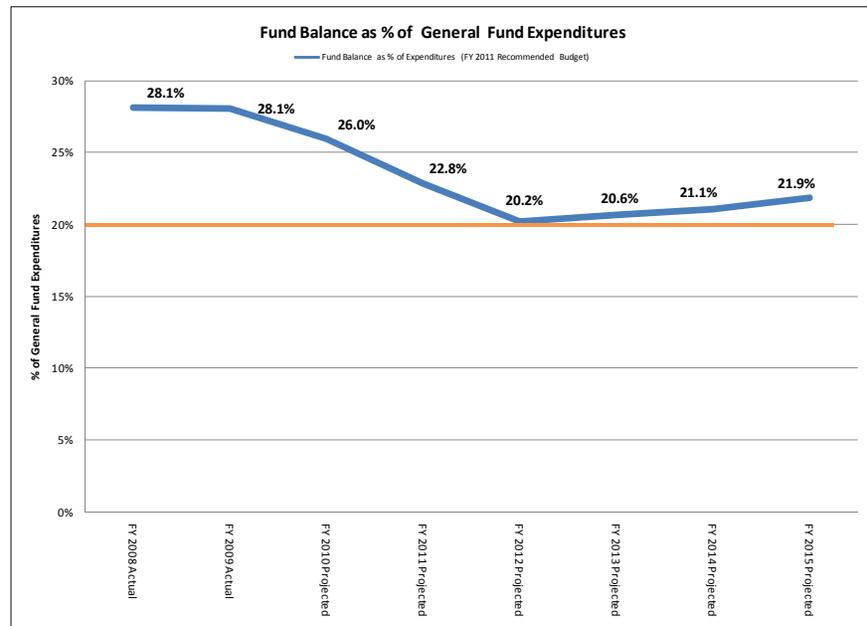
increased significantly since 2005. That year budget staff and the Sheriff produced a report that showed administrative costs to collect a fee would exceed revenue.

- **Countywide fire service**—This issue will be addressed by the County Manager in the goals process.
- **Provide options for a Graduated Water Availability Fee**—Staff has contracted with the Environmental Finance Center housed in the School of Government to present options for graduating the fee based on the size of house, etc. The report will be finished in the next couple of weeks and presented during one of the budget work sessions.

## Goals: Financial and Budgetary Policies

Long-term goals include those adopted by the Board of Commissioners in its Financial and Budgetary Policies.

- Meeting or exceeding revenue projections. In general, revenues are budgeted conservatively so that projections will be exceeded by 2% in FY 2011.
- Maintaining or enhancing the county’s AA+/Aa2 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. Maintaining adequate savings (fund balance) and not using it for operating expenses is crucial for this goal.
- 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. The budget also eliminates the roughly one-cent contribution to the water capital reserve.

- Fund balance. The stated goal of the Board of Commissioners is to maintain General Fund savings (fund balance) equal to at least 20% of the budget. 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, 2010, staff estimates the fund balance (including restricted amounts) will be at 25.96% of FY 2011 budgeted expenditures. The table below shows the change in fund balance since FY 2008 and the projected fund balance for the next five years. All assumptions upon which the fund balance projection is based are listed below.

	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Projected</b>	<b>FY 2011 Projected</b>	<sup>a</sup> <b>FY 2012 Projected</b>	<sup>b</sup> <b>FY 2013 Projected</b>	<sup>c</sup> <b>FY 2014 Projected</b>	<sup>d</sup> <b>FY 2015 Projected</b>
1. Budgeted Revenues	68,500,222	73,927,339	71,977,521	74,108,155	75,590,318	79,902,693	83,098,801	87,300,700
2. Budgeted Revenues (CIP)					1,239,195	0	844,180	286,420
3. Total Revenues	68,500,222	73,927,339	71,977,521	74,108,155	76,829,513	79,902,693	83,942,981	87,587,120
4. Debt Transfer In	0	1,311,624	6,450,719	5,654,228	8,417,361	10,281,201	12,415,254	13,158,055
5. Other Transfer In				889,471	0	0	0	0
6. Total Transfers In	0	1,311,624	6,450,719	6,543,699	8,417,361	10,281,201	12,415,254	13,158,055
7. Budgeted Expenditures	70,989,858	72,653,826	66,664,335	69,854,135	71,251,218	74,813,779	78,554,468	82,482,191
8. Operating expenditures per CIP				0	1,239,195	0	844,180	286,420
9. CIP Projects		1,308,471	1,073,608	2,773,093	1,311,343	1,689,053	530,000	119,000
10. General Fund Capital Outlay			0	787,476	826,850	868,192	911,602	957,182
11. School Capital Outlay		1,887,039	999,668	800,000	1,779,391	1,782,402	1,785,412	1,788,422
12. New Debt Service		1,311,624	6,450,719	5,654,228	8,417,361	10,281,201	12,415,254	13,158,055
13. Total Expenditures	70,989,858	77,160,960	75,188,330	79,868,932	84,825,357	89,434,627	95,040,916	98,791,271
14. Transfers Out	6,854,010	6,178,133	4,537,130	4,690,000	4,783,800	5,022,990	6,576,439	6,905,260
15. Projected Revenues	72,086,457	76,066,197	73,347,864	75,590,318	78,366,103	83,098,801	87,300,700	91,090,605
16. Projected Expenditures	69,148,218	73,502,248	75,701,262	78,956,849	83,375,549	86,442,076	91,864,970	95,480,526

	<b>FY 2008 Actual</b>	<b>FY 2009 Actual</b>	<b>FY 2010 Projected</b>	<b>FY 2011 Projected</b>	<sup>a</sup> <b>FY 2012 Projected</b>	<sup>b</sup> <b>FY 2013 Projected</b>	<sup>c</sup> <b>FY 2014 Projected</b>	<sup>d</sup> <b>FY 2015 Projected</b>
17. Revenues over Expenditures	2,938,239	2,563,949	(2,353,398)	(3,366,531)	(5,009,446)	(3,343,275)	(4,564,270)	(4,389,921)
18. Transfers/other financing sources/uses	(3,073,617)	(1,868,666)	1,913,589	1,853,699	3,633,561	5,258,211	5,838,816	6,252,795
19. Fund Balance Beginning of Year	21,829,083	21,693,705	22,388,988	21,949,179	20,436,347	19,060,462	20,975,398	22,249,944
20. Increase in Fund Balance	(135,378)	695,283	(439,809)	(1,512,832)	(1,375,885)	1,914,936	1,274,546	1,862,873
21. Fund Balance End of Year	21,693,705	22,388,988	21,949,179	20,436,347	19,060,462	20,975,398	22,249,944	24,112,818
<b>22. Fund Balance as % of Expenditures</b>	28.11%	28.08%	25.96%	22.81%	20.18%	20.64%	21.05%	21.86%

**Assumptions and methodology:**

- a. Staff assumes recessionary impacts will continue in FY 2012. The rate of growth in revenue is estimated at 2%. Growth in expenditures is estimated at 2%.
  - b-d. Staff assumes the economy will recover in FY 2013 and revenue growth will more robust, though not as high as pre-recessionary levels. For FY 2013 to 2015, the rate of growth in revenues is estimated at 4%. Growth in expenditures is estimated at 5%. Assumes tax rate in revaluation years is revenue neutral.
1. See a-d above for how revenue projections are determined. Transfers and fund balance are excluded from revenue.
  2. The revenue needed to fund additional operating expenses required by projects (usually new facilities) in the approved Capital Improvements Program (CIP).
  3. Total of #1 and #2.
  4. Funds are transferred in from the capital improvements reserve to cover debt service incurred after FY 2005.
  5. Other funds are transferred from capital reserve to fund replacement vehicles and capital outlay and capital improvements program (CIP) requests. No transfers are factored into future years, as capital reserves are being depleted during this economy.
  6. Total of #4 and #5.
  7. See a-d above for how expenditures are determined. Includes operating expenditures. Debt, transfers to other funds, capital outlay, and CIP are show separately and are not included in this amount.
  8. Equal to #2 above.
  9. As approved in the 2011-2015 CIP.
  10. Uses FY 2011 as base and increases 5% per year.
  11. Assumes school capital outlay returns to normal (non-recessionary) appropriations in FY 2012.
  12. Matches#4 above.
  13. Total of 5 through 10.
  14. Reflects transfer to the capital improvements reserve, equivalent to five cents on the tax rate. The amount of the transfer is increased by 15% in revaluation years. Staff assumes that an \$800,000 transfer to the water capital reserve, eliminated in FY 2010-2013, will be reinstated in FY 2014.
  15. During FY 2011 and FY 2012, revenues are expected to be 2% above budget to reflect increased uncertainty in sales tax and state funding. During FY 2013 to 2015, revenues are expected to be 4% above budget.
  16. Assumes that funds budgeted for capital expenditures and all debt is 100% spent. Assumes operating funds are reverted as follows: 2% in FY 2011 and FY 2012 and 4% in FY 2013 to 2015.
  17. #13 minus #14.
  18. #6 minus #14.
  19. Fund balance at the beginning of the year.
  20. Total of 17 and 18.
  21. Total of 19 and 20.
  22. 21 divided by the next year's budgeted expenditures (#13).

## Budget Process

The county's budget process has evolved over many years and is considered a model in the state. The last two editions of ICMA's reference book on capital budgets have included Chatham County's capital budgeting process. Staff also frequently presents on the budget process at the School of Government.

The county uses a comprehensive budget process with the following goals:

- Commissioner leadership
- Input from all agencies and departments receiving funding
- Team approach to budget development
- Community input
- Full information, including performance data

The process begins in the fall with preparation of the Capital Improvements Program (CIP). Staff presents the CIP document to commissioners and the public in the fall. Commissioners hold a public hearing on the CIP, usually in December. Commissioners usually adopt the CIP during their retreat in January.

Prior to the budget retreat, departments prepare the "Heads Up" document, a list of issues or services impacting the budget in the upcoming year. Staff presents Heads Up and financial trends to commissioners before the retreat. Every two years, staff also conducts a survey of community priorities that is also distributed to commissioners before the retreat.

Commissioners review this information and set goals for preparation of the recommended budget, including expenditure priorities and revenue constraints.

Department work plans and requests for new positions are due in early February. The budget staff reviews these items carefully and works with departments to refine them.

### Chatham County Budget Calendar

Deadline	Actions
15 September 2009	Capital Improvements Program (CIP) forms distributed to agencies
15 October 2009	Forms due from agencies and departments for new/changed CIP projects
27 November 2009	Manager submits recommended CIP to the Board of Commissioners
1 December 2009	"Heads Up" document due from departments and agencies (document which gives Commissioners a preview of likely requests, upcoming problems or concerns, etc.)
14 December 2009	Hold public hearing on the proposed CIP
21 December 2009	Budget summit materials (survey results, financial trends, and departmental "Heads Up" document) submitted to Board of Commissioners
Early January 2010	Budget Summit: Board of Commissioners sets goals and guidelines for FY 2010 budget; Commissioners adopt CIP Work plan and new position forms distributed to departments
18 January 2010	Remaining budget forms distributed to departments/agencies
1 February 2010	Requests for new positions and work plans (with goals, objectives, and performance targets) due from departments
8 March 2010	Budgets due from departments and agencies (budgets must include organizational charts and list of major responsibilities)
17 May 2010	Budget submitted to Board of Commissioners and public
1 June 2010	Official public hearing held
June 3, 7, 8, and 9	Board of Commissioners holds budget work sessions
By 30 June 2010	Board of Commissioners adopts budget (legal deadline)

All other budget forms are due from departments in March.

The Manager presents the recommended budget to commissioners and the public usually at the first meeting in May. This year work associated with the courthouse fire delayed the presentation by two weeks.

Commissioners hold two public input sessions, including the required public hearing, to gain public feedback on the budget.

Commissioners hold three to five budget work sessions in early June to review the budget. Staff incorporates changes approved by commissioners and prepares the budget ordinance for adoption at the second June meeting.

Historically, Chatham County has funded county non-profits that provide important services to our citizens.

Commissioners voted two years ago to devote one-half of one cent on the tax rate to non-profit agencies. For FY 2011, this is equivalent to \$397,000. In addition, county commissioners have reserved \$10,000 of this amount to allocate directly.

Agencies are able to use one application to apply jointly to United Way and Chatham County. 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, which are explained more fully in the Human Services Agencies budget.

### **General Fund Revenue Summary:**

	<b>2010 Amended</b>	<b>2010 Estimated</b>	<b>2011 Total Rec.</b>	<b>Inc./Dec.</b>
Fees & Permits	871,400	837,901	815,600	(6%)
Intergovernmental	9,823,269	9,797,964	9,193,908	(6%)
Interest	620,000	300,000	300,000	(52%)
Grants/Donations	157,549	297,635	294,196	87%
Miscellaneous	(125,000)	(32,776)	(66,200)	(47%)
Other Taxes/Licenses	650,600	639,117	635,205	(2%)
Property Tax	50,309,194	51,656,716	53,530,541	6%
Sales & Service	2,255,440	2,250,958	2,181,705	(3%)
Sales Tax	7,862,748	7,600,349	7,223,200	(8%)
Transfers	5,649,169	6,450,719	6,543,699	16%
Fund Balance	4,777,955	439,809	3,901,112	(18%)
<b>Total Revenues</b>	<b>82,852,324</b>	<b>82,852,324</b>	<b>84,552,966</b>	<b>2%</b>

More in-depth information regarding economic assumptions and background information can be found in the Summary Information section.

## Property Taxes:

### Assumptions:

- Real property values are estimated to grow 1.6% in FY 2011, much lower than the average growth of 7% between FY 2006 and FY 2009.
- Motor vehicle values are projected to decline 6.9% from amounts budgeted in FY 2010.
- The large increase in personal property results from Uniboard's "construction in progress" equipment, which is listed at 100% of market value.
- The large increase in utility values results from a reduction recommended in FY 2010 by the Department of Revenue that did not materialize.

The graph shows the increase in Chatham County's tax base since 1999. The table below shows the growth or decline in each part of the tax base.

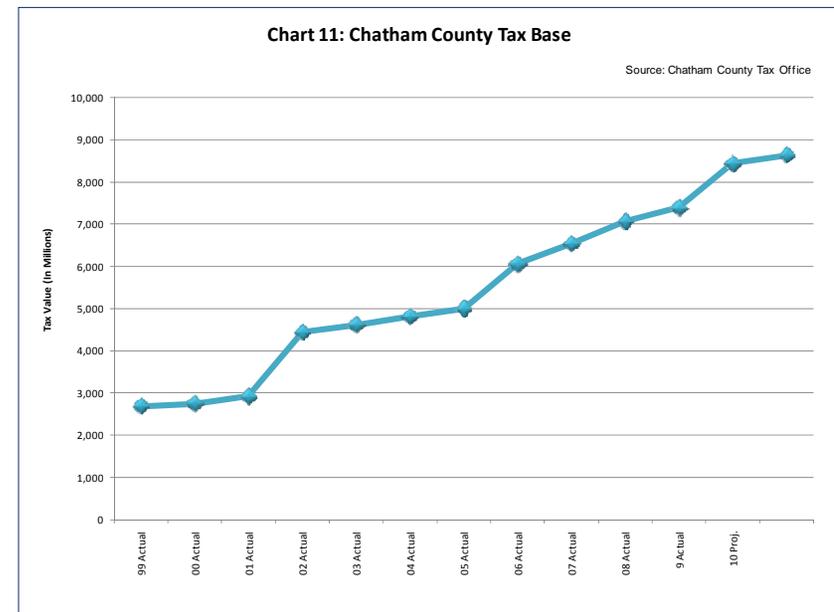
Overall, the tax base is expected to grow 2.1%, resulting in additional revenue of \$1.07 million. In addition, staff is recommending a 2.5-cent increase to cover additional operating costs of facilities coming on line in FY 2011. The increase will generate \$2.1 million in revenue.

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

- Tax base: \$8.6 billion—Staff used actual numbers for real property values as of January 1, 2010 and reduced values by the amount released by the Board of Equalization and Review. Because the budget is being presented slightly later this year, the Board of

Equalization and Review has already adjourned (usually the loss from appeals is not finalized). Staff used estimated numbers for personal property, utilities, and motor vehicles since these values have not yet been finalized.

- Tax rate: 62.72 cents, a 2.5-cent increase.
- Staff again used conservative collection percentages recommended by the Chatham County Tax Collector: Real and personal property collection percentage: 97.5%. Motor vehicle collection percentage: 89.7%.



	<b>FY 2010 Budgeted</b>	<b>FY 2011 Projected</b>	<b>% Increase/ (Decrease)</b>
Real Property	7,977,721,360	8,104,062,211	1.58%
Loss from Appeals	(25,439,157)	Already Known	-100.00%
Personal	433,237,061	526,749,733	21.58%
Exemptions	(653,035,919)	(709,065,734)	8.58%
Utilities	211,644,851	235,000,000	11.04%
Motor Vehicles	493,479,312	459,547,963	-6.88%
<b>Total</b>	<b>8,437,607,508</b>	<b>8,616,294,173</b>	<b>2.12%</b>

### **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. Recommended rates and contract amounts are as follows:

	<b>FY 2010 Tax Rate</b>	<b>FY 2011 Recommended</b>	<b>Contract Amount Requested/ Recommended</b>	<b>Tax Rate Recommended Versus Requested</b>
Bells Annex	0.06200	0.06600	Included in North Chatham	
Bennett	0.06550	0.07000	82,760	0.0045
Bonlee	0.05700	0.06500	185,438	0.0080
Central Chatham	0.05520	0.08000	259,304	0.0248
Circle City	0.09000	0.10000	834,670	0.0100
Goldston	0.06590	0.08000	204,464	0.0141
Hope	0.06140	0.06000	284,118	(0.0014)
Moncure	0.08390	0.08420	528,000	0.0003
North Chatham	0.06200	0.06600	2,522,610	0.0040
Northview	0.10900	0.08350	25,300	(0.0255)
Parkwood	0.09600	0.09600	252,620	0.0000
Staley	0.09050	0.10000	47,329	0.0095

Staff reviews budgets presented by the fire departments. All of the departments, except three, requested an increase in their fire tax rates. Most departments saw revenues decrease from last year's budget because early property tax projections did not factor in the full loss of appeals. In addition, expenditures are increasing in most departments as follows:

- **Bells Annex/North Chatham Volunteer Fire Department:** Increased tax rate needed for a 27.14% increase in radio equipment due to radio frequency narrowing banding requiring new radios/pagers; a 42.86% increase in truck maintenance due to an aging vehicle fleet and the need to out-source vehicle maintenance due to legal liability; and a 200% increase in travel due to increased staffing when returning for major incidents and required training while not on duty.
- **Bennett Volunteer Fire Department:** Increase needed to fund a 68% line item increase for salary of "new" part-time firefighter position.
- **Bonlee Volunteer Fire Department:** Increase needed to fund increases for utilities, building maintenance, department supplies, and salaries.
- **Central Chatham (Siler City Fire Department):** Increase requested to fund the lease/purchase of a new tanker and the purchase of six self-contained breathing apparatus units.
- **Circle City (Pittsboro Fire & Rescue Department):** Increase needed to fund a 39 % increase in debt service to fund payments on new vehicles.

- **Hope (Silk Hope Volunteer Fire Department):** The rate decreased because of decreased building maintenance and supplies.
- **Goldston Volunteer Fire Department:** Increase needed to fund a 33% increase for the purchase of a new computer; a 50% increase for the purchase of five sets of turnout gear; a 100% increase for new call reimbursement for responding firefighters; and a 100% increase for new radios and pagers due to frequency narrow banding.
- **Moncure Volunteer Fire Department:** Increase needed to fund a 150% increase in firefighter consumables, which includes items that are consumed and/or disposed of after an emergency response (such as, emergency medical supplies and Class "B" firefighting foam and a 23% increase for salaries to man the fire station 24/7.
- **Northview Volunteer Fire Department:** Requested tax rate .0835, which is the same rate as in Lee County. Chatham is required by the original petition that formed the fire district to charge the same tax rate as Lee County.
- **Parkwood Volunteer Fire Department:** No increase in rate.
- **Staley Volunteer Fire Department:** Increase needed for purchase of turnout gear, medical supplies, vehicle maintenance.

### Fee Increases:

The County Manager is proposing to institute or change the following fees:

Department	Fee Name	Current Fee Amt	Proposed Fee Amt	Justification	Projected Revenue
Sheriff's Office	Storage Lot Fee	\$0	\$10 per day	The Sheriff's Office sometimes has problems with owners reclaiming property held in the Sheriff's Storage Lot. The fee would be charged for each day property is not claimed.	\$5,000
Pittsboro/Siler City Convention and Visitors Bureau	Occupancy Tax	3%	6%	During the retreat, commissioners asked the county manager to prepare a budget reflecting a 3% increase in the occupancy tax. Funds would be used to enhance efforts to attract visitors to the county.	\$28,205
Health—Preventive Division	Diabetes Self-Management Education/Self Pay	\$0	\$300	After a one-year waiting period, the department can now bill Medicaid, Medicare and private insurers for diabetes self-management training. Other agencies charge up to \$600 for the program. The fee would be charged on a sliding scale based on the client's income.	\$1,620
Health—Preventive Division	Diabetes Self-Management Education/Third Party Insurance	\$0	\$300	Same as above, but applies to insurance.	\$5,400
Health—Environmental Health Division	Food Establishment Plan Review-with seating-new	\$200	\$250	Recently, the state legislature increased the maximum allowable charge for plan review from \$200 to \$250. Plan review and site visits take seven to nine hours. The average employee cost ranges from \$260 to \$340.	\$150
Health—Environmental Health Division	Food Establishment Plan Review-no seating-new	\$100	\$150	Plan review for food establishments without seating (food stands) does not take as much time: 3.5 to 4.5 hours for plan review and site visits. The average employee cost ranges from \$130 to \$170.	\$150
Health—Environmental Health Division	Food Establishment Plan Review-remodel	\$100	\$125	Plan review for remodeling of food establishments takes about one-half of the time as plan review for new establishments.	\$75
Health—Environmental Health Division	Volatile Organic Compounds (VOC) Sample	\$150	\$160	The estimated cost for kits to test VOCs has increased to \$160.	\$990
Parks & Recreation	Youth Program Registration Fee	\$20	\$25	The department evaluation showed youth programs currently recoup 40%-45% of direct costs with a \$20 registration fee. The performance team recommended gradually increasing fees to \$35 to recoup between 55% and 75% of direct costs.	\$5,900
Parks & Recreation	Summer Camp Program Activity Fee	\$0	\$10	Summer camp participants are currently charged for each field trip. To make it easier for staff, a flat fee is proposed.	\$0

Department	Fee Name	Current Fee Amt	Proposed Fee Amt	Justification	Projected Revenue
Parks & Recreation	Adult Team Registration Fee	\$300	\$350	The department evaluation showed adult programs are not recouping 100% of costs. The Performance Team recommended gradually increasing adult fees to recoup 100% of costs for adult programs. The fee applies to adult softball and basketball.	\$450
<b>TOTAL</b>					<b>\$47,940.00</b>

### Medicaid Relief:

Beginning with FY 2008, the state has gradually taken over counties' share of Medicaid expense in exchange for a portion of county sales tax revenue and other sales tax changes. Chatham County will lose more from sales tax revenue reductions and changes than we will gain from Medicaid relief. However, the Medicaid relief legislation guarantees counties a \$500,000 benefit annually. Therefore, the county should receive "hold harmless" funds each year to ensure that we benefit by at least \$500,000.

The hold harmless payment is based on the actual sales tax revenue and Medicaid expense if the changes had not been made. A bad economy means that sales tax revenues are way down and Medicaid expenses are way up, decreasing the overall benefit to counties. Staff recommended budgeting \$600,000 in FY 2010, but the county will only receive an estimated \$166,282.

Because the loss of sales tax will increase considerably, as will the hold harmless payments to the town, staff recommends budgeting \$588,486 based on a worksheet completed by the NC Association of County Commissioners.

Elements of the Medicaid "swap" include:

- County loses all of Article 44 sales tax.
- Article 42, switches from being shared statewide on a per capita basis to being distributed based on local collections.
- State takes over 100% of county's Medicaid costs.
- County must reimburse towns for their share of lost sales tax revenues.
- County must hold schools harmless for portion of Article 42 earmarked for school capital.
- Guaranteed "hold harmless" amount: +\$500,000.

### Sales Tax:

Because of Medicaid relief and a slowing economy, sales tax is down as a percent of general fund revenues from 14% in FY 2009 to a projected 8.5% in FY 2011.

The three parts of sales tax are:

Article 39: One cent on every dollar - comes back to the county where it is collected.

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-comes back to the county based on where it is collected. Sixty percent must be spent on school capital or debt.

Last year, staff followed the advice of the North Carolina League of Municipalities and North Carolina Association of County Commissioners to budget a 4% decline in sales tax. Unfortunately, the recession was far worse than predicted.

Statewide collection of sales tax is projected to be down almost 7% from FY 2010. Local sales tax collections are trending slightly above this and are projected to be down about 6% for the year. Overall, staff estimates a shortfall of \$262,000 in FY 2010.

The North Carolina Association of County Commissioners and the North Carolina League of Municipalities are recommending that cities and counties budget between a 1 and 1.5% increase. Staff is recommending 1%.

## **Intergovernmental:**

Intergovernmental revenues are those that the state and federal government “share” with counties, generally to fund specific programs. Intergovernmental revenues are expected to decline by 6%. Intergovernmental revenues have historically been declining as a portion of total revenue.

- **Hold Harmless Payment:** Explained above.
- **Social Services Reimbursements:** 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 decline by 1.4% to reflect reduced expenditures in foster care and adoptions.
- **Safe Havens Grant:** Federal funding for the Safe Havens Program, which provides secure court-ordered visitation services for families, was renewed for three years in October 2009. In the meantime, the department secured a

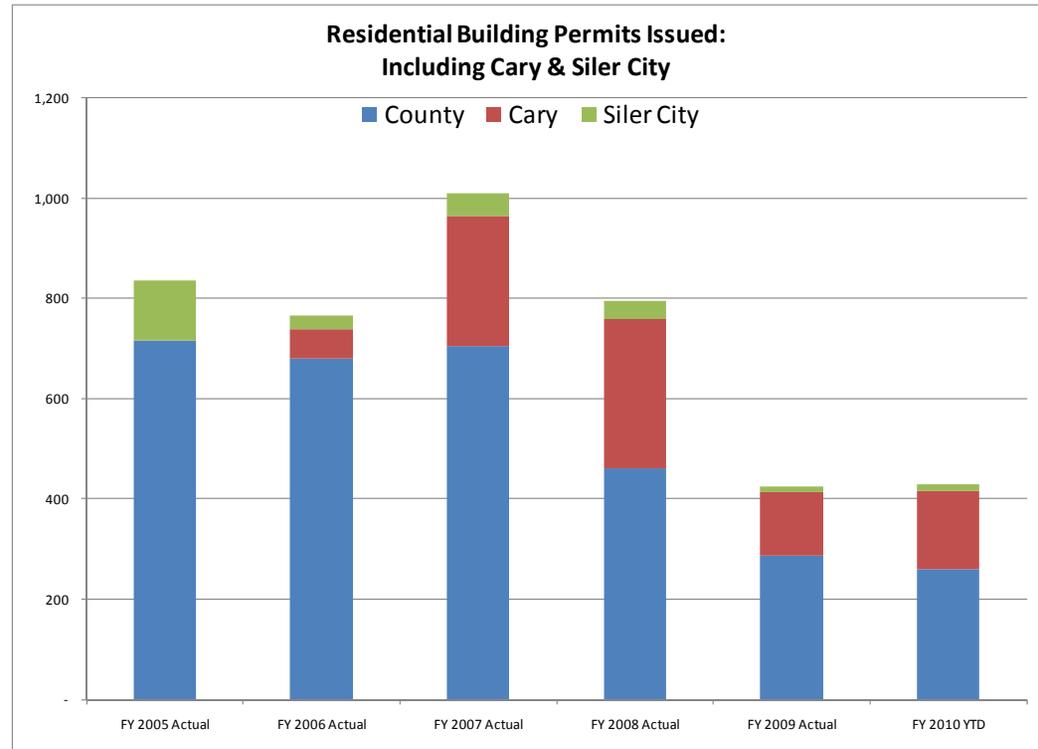
Governor’s Crime Commission grant to continue operations without interruption in FY 2010.

- **State-shared Corporate Income Tax (ADM):** The biennium budget withholds this source for two years; no revenue is projected for FY 2011.
- **ABC Revenue:** The finance officer has reviewed the financial statements from the ABC Board and believes it can increase its legally required contribution from \$40,000 budgeted in FY 2010 to \$100,000 in FY 2011.
- **Court Facility Fees:** Court facility fees continue to increase along with court activity in the county. Staff recommends a 20% increase over amounts budgeted in FY 2010, based on actual receipts in FY 2010.
- **Beer and Wine Excise Tax:** In FY 2010, the state reduced counties’ share of beer and wine tax by two-thirds. As a result, the county will see a \$149,000 shortfall in FY 2010. The reduction is expected to continue in FY 2011; therefore, staff recommends leaving the revenue at the one-third level, plus a 2% increase recommended by the NC Association of County Commissioners.

## 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 category is expected to decline 6%, a clear reflection of the economic downturn.

- Register of Deeds Fees:** Recording fees are charged when legal documents, such as deeds, plats, and marriage licenses, are recorded. Because of fewer deed and plat recordings, this revenue is expected to decrease by 1%.
- Building Inspection Fees:** Staff estimates that the revenues for FY 2010 will be about \$50,000 (or 10%) short of estimates. Though residential building permit activity has picked up, much of the increase is occurring in Cary. In addition, an increased number of permits does not necessarily translate into additional revenues, as permit amounts are based on the square footage of housing. Staff recommends budgeting

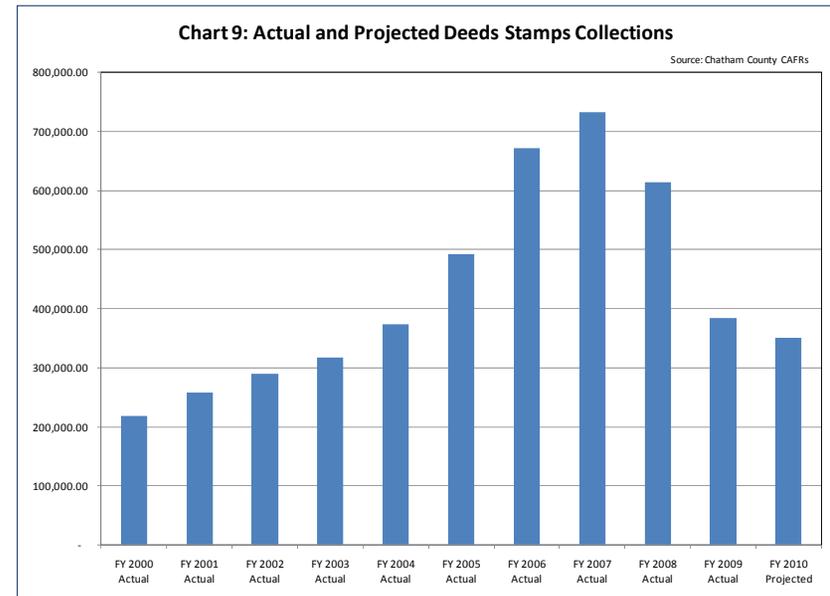


10% less in revenue for FY 2011, equal to the projection for FY 2010.

## Other Taxes and Licenses:

Other Taxes and Licenses represent locally collected taxes, other than the property tax. Overall, this revenue category is expected to decline by 2%.

- 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. This revenue source is expected to decrease 3% from FY 2010 budgeted amounts. Since 2008, this revenue is down 41%. Projections for FY 2011 are based on a slight decline from FY 2010 estimated amounts.
- Occupancy Tax:** The closing of Governor's Club golf cottages and the economic downturn have had a dramatic effect on occupancy tax revenues. A shortfall of \$9,000 (14%) is projected for FY 2010. Without the recommended increase in the occupancy tax, revenues for FY 2011 are projected to be down another 8%. The increase is projected conservatively: 75% of current revenues for all lodging establishments except Fearington (budgeted at 100%). As a practical matter, the expenses of the Pittsboro-Siler City Convention and



Visitors Bureau are set equal to occupancy tax revenues. Any deficit is subtracted from the occupancy tax reserve, while any excess contributes to the reserve.

## Other Revenues:

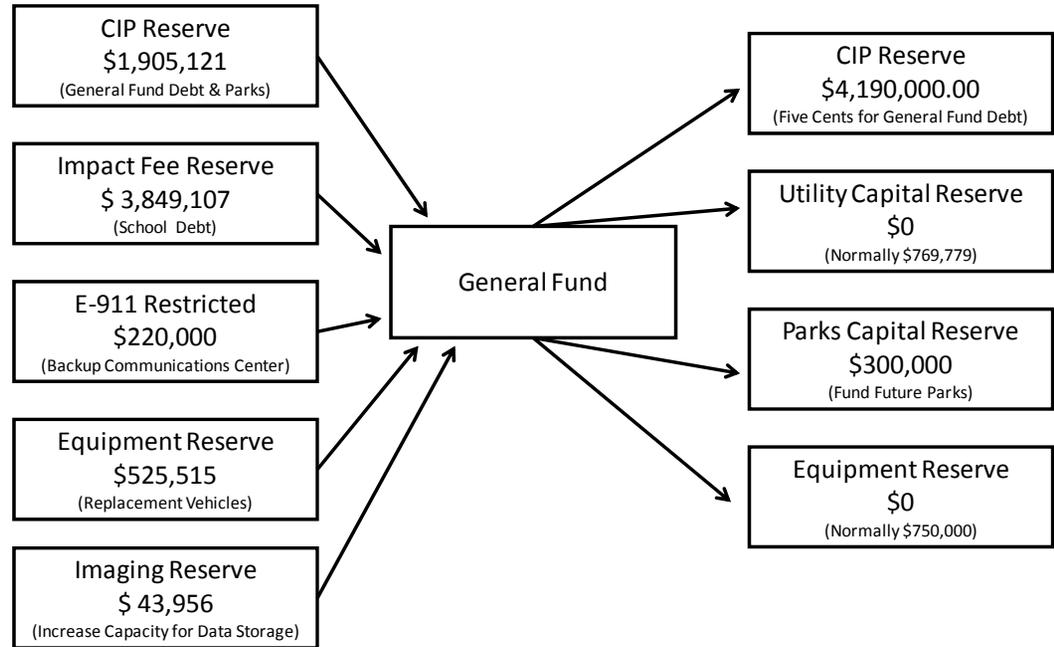
**Interest:** With interest rates at all-time lows, the amount of interest the county earns on its funds has declined by more than 50% from FY 2009 levels (and more than 75% from FY 2008 levels). As a result, a shortfall of \$320,000 is expected in FY 2010. Staff recommends budgeting \$300,000 for FY 2011, the same amount as projected for FY 2010.

**Grants/Donations:** This revenue source is projected to increase by 87%, due in large part to the \$76,083 contribution from Central Carolina Community College to fund two positions in the new library.

**Insurance Reimbursements:** Staff is budgeting \$60,000 for known insurance reimbursements for renting space for the District Attorney and Probation.

**General Fund 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. In the general fund, this revenue source is expected to decline 3%, largely because of cuts in Medicaid for health services.

**Enterprise Fund Sales and Service:** Sales and service account for a greater portion of the Water and Waste Management Funds. In both funds, sales and service revenue is expected to be flat.



**Transfers:**

Transfers of revenues generally occur from special revenue funds to the operating funds for one-time expenditures. Overall, this revenue source is expected to increase by 16% in the General Fund because of transfers from the CIP, Impact Fee, and 911 reserves to pay for debt, replacement capital outlay, and capital projects.

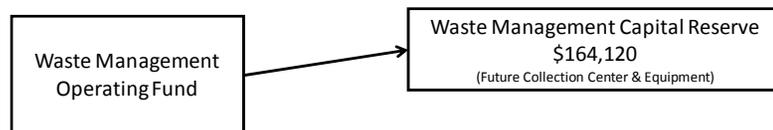
- **CIP Reserve:** This reserve was established as part of the county’s financial plan to fund capital improvements. Five cents on the property tax rate is transferred annually to this reserve to pay for debt service on general county projects. In turn, funds to cover principle and interest on the county’s debt-financed CIP projects are transferred to the general fund

each year. This approach avoids large increases in property taxes to pay for debt service. A transfer of \$1,805,121 is needed to cover debt service for the Social Services Addition, Central Carolina Business Campus, Chatham Community Library, Sustainable Technologies Building, and the Siler City Campus of Central Carolina Community College.

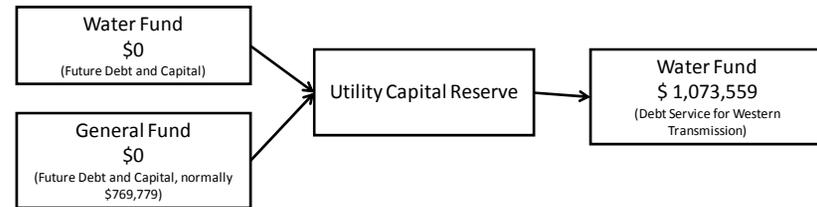
- **Parks Reserve:** This reserve was established to accumulate funds for constructing parks on a pay-as-go basis. A transfer of \$100,000 is needed to fund improvements to Northwest Park to open the facility on a full-time basis.

- **School Impact Fee Reserve:** This reserve accumulates school impact fees to pay for capital and debt service for Chatham County Schools. A transfer of \$3,849,107 is needed to cover debt for Virginia Cross Elementary, Northwood High School Renovations, and Margaret Pollard Middle School.
- **E-911 Restricted:** This reserve accumulates 911 funds that are restricted for purposes set out by state law. A transfer of \$220,000 is recommended to purchase equipment and software to equip the mobile Emergency Operations Center with a satellite backup for receiving 911 calls.
- **Equipment 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 \$525,515 to fund replacement vehicles and other replacement capital.

## Waste Management Transfers



## Water Fund Transfers



- **Imaging Reserve:** This reserve accumulates funds to pay for scanning county documents. To date, \$400,000 has been transferred to the reserve. About \$200,000 has been spent. Staff is proposing to transfer \$43,956 for additional software and equipment for scanning.
- **Utility Capital Reserve:** This reserve accumulates funds from the General Fund transfer (previously two cents, reduced to one cent in FY 2010, and eliminated in FY 2011), availability fees paid when new meters are installed, and a transfer from the water operating fund. A transfer of \$1,073,559 into the Water Operating Fund is needed to pay for increased debt service for the Western Transmission project.
- **Waste Management Fund:** No transfers to the Waste Management Fund are recommended.

**Fund Balance:**

**General Fund One-time Expenses:**

Energy Contract	197,077
School Capital Outlay	800,000
Land Use Plan	150,000
Capital Improvements Program	2,358,079
Other Capital Outlay	673,500
Total	\$4,178,656
Fund Balance Appropriated	\$3,901,112

Fund balance is typically used as “revenue” to balance the budget. Fund balance are funds accumulated through the under expenditure of appropriations and/or the act of exceeding anticipated revenue. Consistent with the commissioners adopted financial policy, in the general fund, the use of fund balance is tied to one-time or capital expenditures, as shown in the table. Overall, the general fund appropriation from fund balance is down 18% from FY 2010; the water fund appropriation is up 4% and the waste management appropriation is down 78%.

<b>Fund Balance available for appropriation:</b>	<b>General Fund</b>	<b>Utility Fund</b>	<b>Waste Management Fund</b>
Cash and Investments	20,172,975	4,238,481	3,152,894
Less:			
Liabilities	3,715,449	827,840	200,087
Deferred revenues arising from cash receipts	326,380		
Fund balance available for appropriation	16,131,146	3,410,641	2,952,807

The table above shows the amount of fund balance available for appropriation in FY 2011 in the three major operating funds. Note that this fund balance calculation differs from the fund balance model above. The fund balance available for appropriation considers only cash and investments. The

fund balance model includes receivables, such as sales tax and federal reimbursements for social services that are due but not in hand. Staff believes the latter approach provides a more realistic picture of the county’s financial condition.

## General Fund Expenditure Summary:

	2010 Amended	2011 Recommended	Total % Inc./Dec.
Salaries & Benefits	22,845,576	23,836,699	4%
Chatham County Schools	23,327,284	24,832,953	6%
Nonschool Operating	19,891,407	19,068,146	(4%)
Debt Service	7,234,527	7,770,565	7%
Transfers to Reserve	5,306,909	4,690,000	(12%)
Capital	4,246,621	4,360,569	3%
Total	82,852,324	84,558,932	2%

**Salaries & Benefits:** The increase in salaries and benefits is driven by two factors: additional positions to open parks and a new library and increased benefit costs. Health insurance costs are projected to increase 5%. The state has mandated a 31% increase in retirement costs.

**Chatham County Schools:** About one-half of the increase is to fund operating expenses associated with Margaret Pollard Middle, which will open January 2011. In addition, the manager recommends another 3% increase to help offset the loss in state funds.

**Nonschool Operating Costs:** These costs declined 4% as a result of tight budgeting by departments and decreased

human services costs. In addition, the courthouse renovation project was included in the FY 2010 budget.

**Debt Service:** Debt service is increasing 7% over the FY 2010 budget for interest payments on the new library and community college buildings. The first interest payments will actually be paid in FY 2010, but were not included in the original budget.

**Transfers to Reserve:** This category is down 12% because the transfer to the water capital reserve has been suspended.

**Capital:** Capital is increasing 3% as a result of Capital Improvements Projects.

Functional Areas	FY 2010	FY 2011	% Increase/ (Decrease)
Administration	\$10,086,557	\$10,086,374	0%
Capital Improvements	\$282,849	\$1,780,965	530%
Culture/Education/Recreation	\$35,274,488	\$36,174,671	3%
General Government	\$2,367,761	\$2,370,595	0%

<b>Functional Areas</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>% Increase/ (Decrease)</b>
Human Services	\$18,103,334	\$16,947,236	-6%
Natural Resource Management	\$4,714,939	\$4,601,299	-2%
Public Safety	\$12,022,396	\$12,597,792	5%
Water Fund	\$6,311,547	\$5,688,535	-10%
Waste Management Fund	\$3,915,518	\$3,080,558	-21%

## **Impacts of Recession on County Services**

**Administration:** Administration includes departments that provide support functions for departments that deliver services. It also includes non-departmental expense. Besides employee pay, which is an issue that permeates the organization, the economy has had little impact on this functional area. Expenses are increasing next year because of capital improvements projects. Excluding capital outlay, expenditures for this functional area are reduced slightly.

**Culture/Education/Recreation:** This grouping of budgets includes departments that provide education, library services, and recreation. The impact of the economy has been reduced state revenues. In turn, the state has reduced appropriations that have impacted services, especially for schools, but also for the community college and cooperative extension. The community college has seen an increase in enrollment. The increase next year is to offset state reductions to Chatham County Schools and to open major capital facilities, including Margaret Pollard Middle, two community college buildings, two parks and a new library. Capital outlay expenditures are reduced in FY 2011 (because of a large rollover of school capital outlay in FY 2010). Excluding capital, this area increased 8%.

**General Government:** General Government includes departments that carry out mandated functions and support the overall governance of the county. The economy has increased the work load on the Tax Office, in particular, in maintaining its collection percentage. However, only a slight increase is recommended next year because of efficiencies gained with scanning of listing forms and aerial photography.

**Human Services:** Human Services includes departments and funding to agencies that enhance the health and welfare of the county's residents. Social Services, in particular, has seen a dramatic increase in the number of clients applying for economic benefits support. The number of households receiving food assistance is projected to increase 28% from FY 2009 levels. Expenditures are declining to reflect offsetting revenue reductions in the Health Department and because foster care expenses are projected to be less than what was budgeted in FY 2010.

**Natural Resource Management:** Natural Resource Management includes departments that regulate and permit development or are charged with increasing certain types of development, such as tourism or economic development. This

is the one functional area that has seen a decreased work load. This area was cut 18% last year and another 2% in FY 2011.

**Public Safety:** Public Safety includes departments that respond to emergency situations, prevent crime and other public safety hazards, and generally protect the safety of county residents and property. This functional area has seen a significant increase in workload. 911 calls are projected to be 12% above FY 2009 and jail admissions are projected to increase 22% in two years. Expenditures in this area are increasing 5% mostly due to large capital expenditures. Excluding capital outlay, the budget for this functional area is increasing 2%.

**Water Fund:** The Water Fund accounts for the activities of Chatham County's water utility, including the distribution system, water treatment plant, and a small sewer operation in the Bynum area. The Water Fund is an enterprise fund, which

means that fees should fully support operating expenses. The economy has affected water sales. Overall, the budget for this fund is decreasing 10%, mostly due to capital outlay and transfers in the FY 2010 budget. When these items are excluded, the budget is about flat.

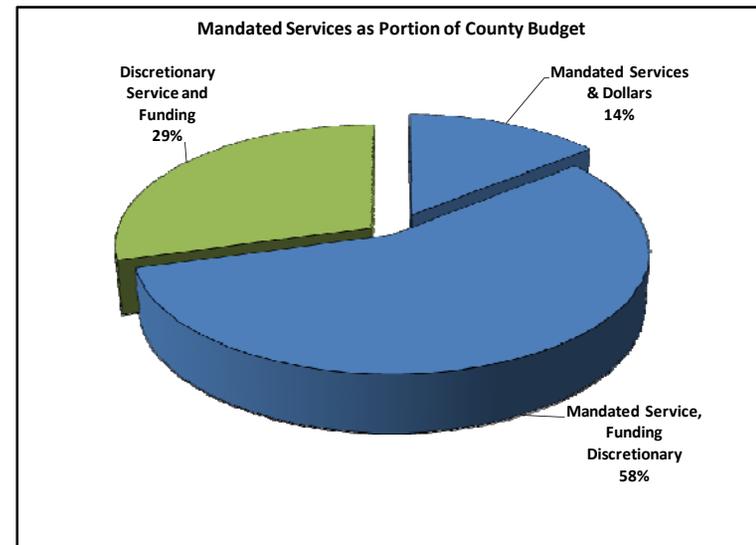
**Waste Management Fund:** The Waste Management Fund accounts for the activities of Chatham County's waste management, including the collection sites, hauling, and disposal costs. The Waste Management Fund is an enterprise fund, which means that fees should fully support operating expenses. The economy has had little effect on this department as fees are billed through the tax bill. This budget is decreasing by 21%, mostly due to large capital outlay and transfers in the FY 2010 budget. When these items are excluded, the budget is increasing 3.5%.

### **Mandated Services:**

Overall, County staff has determined that 71% of the county budget is mandated by state and federal government. This is down slightly from 73% in FY 2010 because of increased operating costs of non-mandated services, including libraries and park. Using a model created by Cabarrus County, staff estimated mandated services as follows:

**Mandated Services and Funding:** 14% of the county budget consists of spending that the county has no control over. The state and federal government mandate that services be provided and how much the county must fund those services. Most of these services are provided by Social Services. Debt service is also included in this category.

**Mandated Services, Discretionary Funding:** 57% of the county budget consists of spending on mandated services.



While state and federal governments do not tell us the amount to spend, they do require that the services be provided. The county can choose what level it wants to fund the service. For example, the state mandates that counties fund current expense for public education. The only requirement is that this funding be “adequate.”

**Discretionary Service and Funding:** 29% percent of the county budget consists of services that the county can choose whether to fund. However, this category includes services that

the public considers essential, such as the 911 center, animal control, and local supplements for teachers. It also includes most administrative expenses of the county, which are required to provide mandated services, such as facilities management and fleet.

For a detailed list of services by category, please see Appendix C.

**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 \$5,999,420 in expansion requests.

The County Manager recommends that the following expansion requests be funded. More detail can be found on these requests in each department’s budget.

Department	Description	Net Cost	Tax Rate Equivalency
Central Carolina Community College	Operating Expenses for New Pittsboro Sustainable Technologies Building: Fund maintenance, utilities, and housekeeping for the new 18,000-square-foot Sustainable Technologies Building scheduled to open in August 2010.	\$73,814	0.09
Central Carolina Community College	Operating Expenses for New Siler City Facility: Fund maintenance, utilities, and housekeeping for the new 23,322-square-foot industrial and education center scheduled to open in October 2010.	\$16,711	0.02
Chatham County Schools	Capital Improvements Program (CIP): Provide funds for asbestos floor tile replacement (\$10,000), indoor bleacher replacements (\$124,896), Northwood football stadium lights (\$116,380), and pavement repair (\$30,000). Funded from fund balance.	\$281,276	N/A
Chatham County Schools	Operating Costs for Margaret Pollard Middle School: Fund teachers, administrators, additional supplements, utilities, insurance, and classroom materials to operate Margaret Pollard Middle. Funds for utilities have been pro-rated to reflect partial year usage. The school system plans to employ all personnel beginning with the start of the school year, so personnel costs have not been pro-rated. The Sheriff’s Office budget contains an expansion request for a school resource officer, which is also related to opening the school. Full Year Costs: \$852,687.	\$788,595	0.94
County Attorney	Codification of County ordinances.	\$20,000	0.02

<b>Department</b>	<b>Description</b>	<b>Net Cost</b>	<b>Tax Rate Equivalency</b>
County Manager's Office-- Community Relations	CUT LIST: Travel.	(\$2,000)	(0.00)
County Manager's Office-- Community Relations	CUT LIST: Retreat facilitator for Human Relations Commission--reduce by half.	(\$600)	(0.00)
County Manager's Office-- Community Relations	CUT LIST: New computer.	(\$1,500)	(0.00)
Court-related Programs	Reclassify position(s).	\$6,424	0.01
Elections	On-Site Voter Registration Database (OVRD): Purchase 38 laptop computers and 38 printers to implement OVRD.	\$37,740	0.05
Emergency Operations-- Telecommunications	Capital Improvements Program (CIP): Purchase equipment and software to equip the mobile Emergency Operations Center with a satellite backup for receiving 911 calls. Funded from a transfer from the 911 reserve. Cost: \$220,000.	\$0	N/A
Emergency Operations-- Telecommunications	Capital Improvements Program (CIP): Replace Chatham County's communications equipment to comply with the Federal Communications Commission's (FCC) mandate that all equipment be capable of operating at 12.5 KHZ or less. Funded from fund balance.	\$365,000	N/A
Emergency Operations-- Telecommunications	Convert two temporary telecommunicator positions to regular status.	\$28,060	0.03
Governing Board	New sound system for commissioner meetings: Replace the existing sound system used for commissioner meetings with something that improves recording and better amplifies sound during meetings. Funded from fund balance.	\$8,500	N/A
Health--Animal Control	Reclassify position(s).	\$940	0.00
Health--Community Health & Surveillance	On-call pay for public health nurses for weekends and holidays for communicable disease reports.	\$3,020	0.00
Health--Community Health Promotion & Advocacy	School Health: Increase in time for Public Health Educator II 60% to Public Health Educator II 100%. A currently frozen Processing Assistant IV position will be reallocated.	(\$7,049)	(0.01)
Health--Environmental Health	Reclassify position(s).	\$2,734	0.00
Health--Preventive	CUT LIST: Various cuts.	(\$20,920)	(0.03)
Health--Preventive	Expanded Pittsboro Clinic Services: Increase the Family Nurse Practitioner's hours from 32 to 36 hours per week.	\$8,433	0.01
Health--Preventive	Reclassify position(s).	\$1,493	0.00
Library	Operating expenses for the new Chatham Community Library: Hire 7.5 full-time equivalent employees and fund utilities and maintenance to operate the new library.	\$362,817	0.43
Management Information Systems	Capital Improvements Program (CIP). Complete the project to the county's existing phone systems with a hybrid "voice over IP" (VoIP) system/PBX system by providing connectivity between all county offices. Funded from fund balance.	\$13,000	N/A

<b>Department</b>	<b>Description</b>	<b>Net Cost</b>	<b>Tax Rate Equivalency</b>
Management Information Systems	Capital Improvements Program (CIP): Purchase hardware and software to scan the County's existing and historical documents and provide file storage and retrieval. The request will be funded by a transfer from capital reserve. Cost: \$43,956.	\$0	N/A
Management Information Systems	Disaster recovery site Storage Area Network (SAN): Upgrade the disaster recovery SAN to match the primary SAN to ensure faster data recovery after a disaster. Funded from fund balance.	\$50,000	N/A
Management Information Systems	Large-scale plotter/scanner/printer for Geographic Information System. Replace existing equipment to provide more effective service. Funded from fund balance.	\$18,145	N/A
Manager's Office	Reclassify position(s).	\$867	0.00
Parks & Recreation	Capital Improvements Program (CIP): Renovate existing facilities and construct a playground in order to open Northwest Park on a full-time basis. The project will be paid for by a transfer from the Park Capital Reserve. Cost: \$100,000.	\$0	N/A
Parks & Recreation	CUT LIST: Parks Foundation.	(\$1,000)	(0.00)
Parks & Recreation	CUT LIST: Youth basketball.	(\$9,200)	(0.01)
Parks & Recreation	CUT LIST: Youth T-ball.	(\$500)	(0.00)
Parks & Recreation	Enclosed cargo trailer storage with concession window. Funded from fund balance.	\$3,475	N/A
Parks & Recreation	Reclassify position(s).	\$3,610	0.00
Parks & Recreation	Resources to operate Northwest, Northeast, and Briar Chapel parks. Fund regular and temporary staff, operating expenses, and capital equipment necessary to operate these three parks which open in FY 2011.	\$223,767	0.27
Pittsboro-Siler City Convention & Visitors Bureau	Increase Occupancy Tax to 6% and Create Free-standing Tourism Development Authority (TDA). Funded from occupancy tax.	\$2,630	N/A
Public Works--Facilities	Capital Improvements Program (CIP). Renovate the old library space for a temporary Superior Courtroom to eventually become office space for MIS. Renovate the existing Economic Development Office for Utilities, which will be displaced by construction of the new judicial facility. Funded from fund balance.	\$769,262	N/A
Public Works--Facilities	Capital Improvements Program (CIP): Provide additional parking and an access road for the Law Enforcement Center and Emergency Operations Center. Funded from fund balance.	\$593,558	N/A
Public Works--Facilities	Capital Improvements Program (CIP): Purchase and renovate a 33,000-square-foot building on Business 64 in Pittsboro for additional office space. Recent bids are approximately \$275,000 more than what was borrowed to fund the building renovation. Funded from fund balance.	\$350,000	N/A
Public Works--Fleet	Garage Software: Purchase software to manage the garage's performance, vehicle replacement and vehicle maintenance. Funded from fund balance.	\$48,393	N/A
Public Works--Fleet	Vehicle lift: Purchase a second vehicle lift to improve staff efficiency and reduce customer wait times. Funded from fund balance.	\$4,300	N/A

<b>Department</b>	<b>Description</b>	<b>Net Cost</b>	<b>Tax Rate Equivalency</b>
Sheriff's Office	Capital Improvements Program (CIP): Complete the purchase of software and equipment to equip deputies with mobile data terminals (MDTs) and automatic vehicle locators (AVLs). Funded from fund balance.	\$82,706	N/A
Sheriff's Office	Patrol Lieutenant.	\$68,990	0.08
Sheriff's Office	Reclassify position(s).	\$11,640	0.01
Sheriff's Office	School Resource Officer (SRO): Create an additional SRO position for Margaret Pollard Middle.	\$60,765	0.07
Sheriff's Office--Jail	Additional temporary staff: Expand temporary staff hours to provide more effective staffing for the jail kitchen.	\$15,125	0.02
Social Services	Food and Nutrition Caseworker: Hire an additional employee to manage increasing caseloads. ARRA funds and federal reimbursements will fully fund the position. Cost: \$42,896.	\$0	-
Social Services	Reclassify position(s).	\$5,634	0.01
Sustainable Communities- -Environmental Resources	CUT LIST: Office Supplies and Materials.	(\$1,861)	(0.00)
Sustainable Communities- -Planning	Affordable Housing and Green Building Specialist: Providing board staffing and program development for affordable housing and green building and energy initiatives. A building inspector position has been reallocated for this position.	(\$4,678)	(0.01)
Sustainable Communities- -Planning	Resource Conservation Manager: Hire an employee to lead a coordinated effort to address conservation and preservation of Chatham County's natural and cultural resources, visual stewardship, and working landscapes. The assistant planning director position has been reallocated for this position.	\$5,458	0.01
Tax--Administration	Electronic Listing: Contract with an electronic listing service to open, separate, scan, and create a database for indexing approximately 50,000 listing forms, making the process more efficient and increasing productivity.	\$13,000	0.02
Tax--Appraisal & Revaluation	Reclassify position(s).	\$1,092	0.00
Tax--Appraisal & Revaluation	Visual Intelligence System: Contract for oblique aerial photos of the county.	\$34,035	0.04
Waste Management	Waste Audit: Hire a professional engineering firm to physically examine the county's waste stream to determine which materials and areas of the county should be targeted for waste reduction programs. Funded from Waste Management fund balance. Cost: \$50,000.	\$0	N/A
Water--Distribution	Utility Service Worker: Hire an additional worker for repairing and maintaining water distribution lines in the Utility Department.	\$35,470	N/A
<b>Total</b>		<b>\$4,371,171</b>	<b>2.09</b>

**Expansion Requests Not Recommended:** The following expansion requests were not recommended. Their tax-rate equivalency is also shown:

<b>Department</b>	<b>Request</b>	<b>Net Cost</b>	<b>Tax Rate Equivalency</b>
Council on Aging	Expand in-home aide services (CHORE program).	\$60,898	0.07
County Manager's Office	Administrative assistant. Position recommended by the Performance Team.	\$40,490	0.05
County Manager's Office	Assistant to the County Manager. Position recommended by the Performance Team.	\$58,657	0.07
County Manager's Office	Human Resources Analyst. Position recommended by the Performance Team.	\$60,845	0.07
County Manager's Office -- Community Relations Div	CUT LIST: Community Survey using professional survey firm to obtain statistically valid results.	(\$6,000)	(0.01)
County Manager's Office -- Community Relations Div	CUT LIST: Reduce annual report to one-page flyer inserted in tax bills or listings,	(\$1,800)	(0.00)
County Manager's Office -- Community Relations Div	Human Relations Specialist: Would help meet commissioner goals & objectives, the human relations startup plan activities and Human Relations Commission priorities and duties.	\$37,545	0.04
Economic Development Corporation	Increase funding for arts organizations by \$10,000.	\$10,000	0.01
Elections Office	Elections Specialist: The Chatham County Board of Elections is proposing a new position to assist in all areas of election administration.	\$32,912	0.04
Emergency Management -- Telecommunications	Training Officer to facilitate and/or create professional training workshops/classes for the full time telecommunicators and train the new part-time telecommunicators on the simulator.	\$50,439	0.06
General Services	Green Team initiatives.	\$3,000	0.00
Health -- Community Health Promotion & Advocacy	Obesity Prevention Coordinator position.	\$58,935	0.07
Health -- Preventive Health Care	Vehicle for communicable disease and clinic staff to make home visits.	\$16,996	0.02
Library	Expand reference and children's services at the new library (+2.5 FTE).	\$103,356	0.12
Library	Library Technical Services position (+.5 FTE).	\$41,229	0.05
Management Information Systems (MIS)	Desktop Virtualization.	\$39,117	0.05
Management Information Systems (MIS)	Service/transportation Van.	\$28,500	0.03
Parks & Recreation	Inflatable mobile outdoor movie screen for outdoor family movies	\$4,800	0.01
Parks & Recreation	Summer volleyball program .	\$1,000	0.00
Public Works—Facilities Management	HVAC Technician position.	\$29,823	0.04

Department	Request	Net Cost	Tax Rate Equivalency
Public Works -- Facilities Management	Maintenance Worker I.	\$11,488	0.01
Sheriff's Office -- Law Enforcement	Four patrol deputies.	\$311,250	0.37
Sheriff's Office -- Law Enforcement	Two Crime Scene Technician positions.	\$168,916	0.20
Sheriff's Office -- Jail	Funds to pay detention officers overtime.	\$70,229	0.08
Soil & Water Conservation District	Funds for temporary salaries to hire a Soil Conservationist graduate student to provide education for Jordan Lake Rules and stormwater.	\$15,620	0.02
Sustainable Communities - - Environmental Resources	Table top display for educational purposes.	\$2,000	0.00
Sustainable Communities - - Planning	Reclassify position(s).	\$9,847	0.01
Tax -- Administration	Administrative Assistant position.	\$39,640	0.05
Tax -- Assessment & Revaluation	Appraiser position.	\$47,024	0.06
<b>Total</b>		<b>\$1,346,758</b>	<b>1.61</b>

## 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 decreased by 4% from FY 2010. **If debt service is taken out of this calculation, the continuation budget decreased nearly 5%.** Reasons for this are as follows:

- **Salaries:** Continuation salaries increased just slightly and reflect positions funded for part of the year in FY 2010. The Recommended Budget includes no pay raises. Positions that were approved in FY 2009, but still frozen in

FY 2010, were zeroed out, meaning no salaries or benefits were budgeted for these positions. Two exceptions are a full-time park attendant in Parks and Recreation and a half-time emergency services information specialist in Management Information Systems. These positions were unfrozen and funded.

- **Other Personnel Costs/Benefits:** Overall, this category increased 7% because of a 5% increase in health insurance costs and a mandated 31% increase in the county’s share of retirement costs.
- **Operating:** Operating expenses decreased 1% because of belt-tightening by county departments.

- **Debt:** The county's debt service obligations increased 7% because of additional debt service required for two new community college buildings and new library.
- **Transfers:** Continuation transfers to capital reserves in the General Fund decreased by 12% because the transfer to the water capital reserve has been suspended.

- **Public Assistance/Grants/Special Programs:** This category decreased 2% because of reduced foster care expenditures.
- **Capital Outlay:** Expenditures for replacement capital outlay decreased 69%.

## **Capital Improvements Program (CIP)**

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**Background:** The CIP is a long-term plan for funding the county's major capital needs. It shows how facilities, equipment, and other projects that cost \$100,000 or more could be scheduled and funded over the next five years, beginning in FY 2011. The CIP is a plan that is updated annually during the budget process and may be modified at any time to reflect changing conditions. A CIP is a systematic way of anticipating, planning, and budgeting for major projects. The adoption of a CIP can improve the credit worthiness (bond rating) of a jurisdiction. CIP requests originate at the department level. The Manager's Office reviews new and existing requests and recommends a proposed CIP to the Board of Commissioners. The Board of Commissioners reviews the recommendation in detail, makes changes, and adopts an approved CIP. During review of the annual operating budget, commissioners may make additional changes to the CIP.

**Board of Commissioner Changes:** On January 22, 2010, Commissioners approved the Capital Improvements Program with the following changes:

- Added the Northeast High School and scheduled it to open in 2015. This change was subsequently approved by the Board of Education.
- Reduced the budget for the Judicial Facility from \$23.9 to \$21.1 million, a savings of \$2.8 million.

- Reduced the budget for the Jail from \$19.1 to \$15 million, a savings of \$4.1 million.
- Added the up fit of Chatham Central and Jordan-Matthews auditoriums and scheduled construction for FY 2012 and 2013. This change was subsequently approved by the Board of Education.
- Reduced the budget for renovation of the Pittsboro Memorial Library and Economic Development building from \$1,037,062 to \$769,262, a savings of \$267,800.
- Reduced the budget for renovation of the Emergency Operations Center from \$817,113 to \$500,000, a savings of \$317,113.
- Rescheduled the replacement of Northwood football field lighting from FY 2012 to FY 2011. Reduced the cost from \$122,199 to \$116,380 (removed inflationary factor).
- Rescheduled the law enforcement site improvements and emergency services storage building from FY 2012 to FY 2011. Added back \$51,058 in grant revenue. Reduced cost by \$79,721 (remove inflationary factor). Total savings: \$141,060.
- Rescheduled the opening of the new northeast collection center from FY 2014 to FY 2015 because of reduced

average visits and the need to use capital reserve to plan for the landfill.

**Recommended Changes in the FY 2011 Operating Budget:** In addition to changes made by the Board of Commissioners, the Manager recommends the following changes to projects scheduled in FY 2011:

- Appropriate \$350,000 in fund balance to fund a shortfall in the project to renovate the county office building located at 964 East Street.
- Postpone the Emergency Services building at the Sheriff's Office to FY 2013 to reduce reliance on appropriated fund balance. According to the Public Works Director who is managing the project, tying this to the law enforcement site

improvements will not result in significant savings, as each project requires a different contractor.

- Remove the Facilities Condition Assessment for the schools to reduce reliance on fund balance. School officials have agreed to this change.
- Budget the entire cost of Emergency Communications Equipment Replacement in FY 2011 (previously half funded in FY 2010) and increase the amount by \$29,803.
- Move school auditorium upgrades to FY 2011 and funded with Qualified School Construction Bonds (not included in operating budget). This change has been approved by the Board of Education.

See Appendix E for a more detailed summary of the Capital Improvements Program.

## **The Future**

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**Short-Term Concerns:** National economists believe the recession officially ended last year. However, local economic indicators, revenue, and unemployment are lagging behind this recovery. The county expects motor vehicle values to continue to decline into FY 2011. Sales tax receipts are expected to increase by only 1%, a very modest figure after two years of significant decline. The number of building permits issued continues to be very low. The high number of residential foreclosures is also troubling. Because the state is facing a deficit for next year, it is still somewhat likely that local government revenues will be negatively affected beyond what is projected in this budget. While a recovery does appear to be underway, it will be a long time before local government revenues return to pre-recessionary levels.

**Trends to Look for:** The number one sign of a recovery is new jobs. As employment increases, so will sales tax revenues,

motor vehicle values, and building activity. In addition, an increased number of building permits issued and local sales tax trending above the state average, as it has done for much of the past decade, will be signs of recovery.

**The Long Term:** Because of excellent financial stewardship in the past, Chatham County is in a much better position than many other jurisdictions, as evidenced by the recent two-level upgrade in bond rating by both major rating agencies. The county has been able to continue critical functions and open new facilities without risky measures such as using fund balance for operating expenses. The county can continue under current conditions for one more year without cutting critical services. If conditions persist beyond FY 2012, the county will need to take action to cut non-mandated services and curtail its capital spending. However, pre-recessionary spending levels will likely not return for many

years. The reduced building permit and development plan activity seen today will translate into less growth in the tax base in the future. Many experts believe that the robust growth in sales tax before the recession was sustained by credit that is

no longer available. Most local governments, including Chatham County, are in for belt-tightening for many years to come.

## **Invitation for Public to Participate**

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Chatham County values the input of its residents. You have several opportunities to give your feedback. First, county commissioners will hold two public hearings on the budget as follows:

- **Tuesday, June 1, 6 p.m.**, CCCC Multi-purpose Room, Building 2, Pittsboro.
- **Wednesday, June 2, 6 p.m.**, Siler City Courtroom, Town Hall.

Respectfully submitted May 17, 2010,

*Charlie Horne*

Charlie Horne  
County Manager

You may provide comments or ask questions of our budget staff. Please contact Renee Paschal ([renee.paschal@chathamnc.org](mailto:renee.paschal@chathamnc.org)), 545-8300 or Sybil Tate ([sybil.tate@chathamnc.org](mailto:sybil.tate@chathamnc.org)), 545-8535.

Commissioners will also hold a series of budget work sessions on June 3, 7, 8 and 9 (if necessary). Check times and places on the county's website: [www.chathamnc.org](http://www.chathamnc.org).