

Budget Message

*“A good hockey player plays where the puck is. A great hockey player plays where the puck is going to be.”
-- Wayne Gretsky*

Chatham County Commissioners and County Residents,

The past four years have represented the worst economic collapse since the Great Depression. The county and the various agencies it funds, including the school system, have taken numerous steps to ensure the provision of critical services without overburdening taxpayers. Many of the steps were in the spirit of hockey player Wayne Gretsky's quote. Like Gretsky, we have tried to anticipate changes and position ourselves for success. We have planned ahead, anticipated increased expenses, and made reductions where possible so that we are ready and able to provide services to a population poised for growth.

Some of the time we have had to play defense. The county anticipated significant reductions in state-shared revenues and cost shifting in FY 2011-2012 that did not materialize. Thankfully, with the exception of funding for health services, the state has not balanced its budget on the backs of local government.

The same cannot be said for education. Because of reductions in state funding, Chatham County Schools now spends approximately \$1,000 less per student than in FY 2008-2009 (source: Department of Public Instruction Statistical Profile). During this time, Chatham County has increased local funding and worked closely with the school system to manage the deep cuts. As a result, of the 54 positions eliminated by the school system, only two were filled, meaning that position cuts were handled through attrition, not layoffs. The Superintendent

has cited that most other school systems in the state have laid off many more employees than ours.

We propose to increase our support of education again in FY 2012-2013. The recommended budget includes an \$800,000 increase to fund increased enrollment and help close a projected budget deficit. The increase is funded by 1) delaying construction of the new high school by one year, as requested by the Board of Education (\$226,119) and 2) through a one-time appropriation of \$400,000, also requested by the



Acme-McCrary Ribbon Cutting (L-R): Twig Wood, Brookwood Farms Barbecue; Joseph Rebolledo, Acme-McCrary; Garry Estes, Acme-McCrary; Chatham County Commissioner Chairman Brian Bock,; Dianne Reid, Chatham Economic Development Corporation; Bill Redding, Acme-McCrary; Siler City Town Commissioner Tony Siler; Siler City Mayor Charles Johnson; Randy Julian, Acme-McCrary

Board of Education (with the rest being absorbed by general fund revenue).

Prior to FY 2012-2013, 19 county positions have been cut (though only four people have been laid off) and county employees have absorbed additional work. The FY 2012-2013 budget proposes to cut an additional four positions. Only one of these is filled.

Because of the unpredictable economy and its effect on our local revenues, the threats to the school system budget, and the fact that many local residents were dealing with job loss, the county has not increased employee pay and benefits in four years. The only additional compensation given during this time was a one-time bonus funded from a reserve set aside for that purpose. The bonus honored pay-for-performance agreements suspended in FY 2008-2009 because of the economic situation. Many surrounding jurisdictions, including the Town of Pittsboro, restored employee pay raises in FY 2011-2012. As the pay study conducted in 2008 showed, county employees were already behind their counterparts by 15%. For the county to remain competitive in salaries, I believe implementation of the 2008 pay study is essential. While the county cannot financially support full implementation of the study, estimated at \$3 million, we do recommend the first phase of implementation, which increases employee salaries by an average of 6%. We also propose giving employees who do not benefit from the pay study a 2% salary increase. These pay adjustments cost \$1,302,058 in the general fund and are recommended beginning July 1.

The current year budget (FY 2011-2012) was prepared under the Board of Commissioners' direction to cut \$1.5 million from the county budget. Commissioners approved a funding reduction strategy that asked all county agencies,

except the school system, to identify proposed cuts. The manager recommended and the board approved cuts that maintained mandated services, but reduced discretionary spending. This defensive action, plus additional targeted cuts identified by the Board of Commissioner during its annual budget retreat this year, places us in the position to absorb significant increases in the FY 2012-2013 budget that will advance the county without raising taxes. These include:

- \$800,000 in school current expense (also partially funded by delaying the high school one year)
- \$1,302,058 for pay study implementation (general fund only)
- \$837,415 to operate the new justice center for six months
- \$1,275,328 for increased debt reserve contribution for the new jail and retirement of school and community college debt (the debt model requires that retired debt be transferred to the reserve less the \$226,119 savings from delaying the high school one year).

Even though some indicators in the national economy point to improvement, staff is still concerned about the local economy, as indicators are mixed. Recent business and industry announcements, especially in the western part of the county, are encouraging. Large expansions of Galloway Ridge and Carolina Meadows retirement communities are estimated to add approximately 50 jobs and \$43 million to the tax base by the end of FY 2012-2013 (most of the increase is already reflected in the property tax base). The recent announcement of Wal-Mart promises to increase the tax base (amount not yet disclosed), add about 300 jobs and substantially increase locally collected sales tax.

EDC's Business Attraction Efforts (does not include Wal-Mart)	2011 Actual	2012 Target	Through 1/31/12
Number of new clients locating in Chatham County	3	3	4
Number of new jobs created by new businesses	80	150	156
Value of jobs created (millions of dollars, measured by annual payroll)	\$2.9	\$3.0	\$3.6
Capital investment by new client firms (millions of dollars)	\$11.4	\$15	\$2.5

Last year EDC worked with eight businesses that invested \$7.9 million and created 63 new jobs. As of January 31, EDC is working with nine business expansions that account for more than \$129 million in new investment and create 220 new jobs representing \$5.7 million in new payroll. EDC is on track to beat all of its business attraction targets for FY 2011-2012, as the table above shows.

Meanwhile, the closing of Townsends, which had been the county's largest private employer, and the resulting increased county unemployment rate are sobering. Since the Townsends closing announcement in July 2011, the county has also seen locally collected sales tax trend significantly below the state average. Opening a new jail will add between \$1 and \$1.7 million in additional operating expenses, beginning in FY 2014-2015 (with a \$1 million increase in FY 2013-2014). The looming closing of the coal-fired Progress Energy plant in 2014 could result in a \$40 million loss in the property tax base. Finally, the postponed tax revaluation ensures growth in the tax base for two more years, but declining property values may offer county leadership a significant challenge in the FY 2015-2016 budget.

We believe the FY 2012-2013 budget takes an optimistic view of the county's economic position, but maintains our

careful financial management strategy that has allowed the county to progress in the face of enormous uncertainty. In spite of the Townsend closing, both major bond rating agencies recently affirmed Chatham County's AA+/Aa2 bond rating, citing good financial management, long-range planning, and strong financial indicators. As Harry Davis, an economist with Appalachian State University, said at the NC Economic Forum this year, "It's going to get better. It's going to be slow... slower than it used to".

Gretsky's talent lay in sensing the opposing team's play and getting to the puck before it arrived. While perhaps not as smoothly as him, the county has successfully anticipated issues and problems and positioned ourselves to stay ahead of the curve and not be left behind or, worse, clobbered.

We've anticipated economic decline and catastrophes – like declining and flat revenues, increasing foreclosures, business closings – and have taken steps that were well thought out and strategic. Last year's budget cuts were painful, but they made us stronger. We're now operating even more efficiently and have the flexibility necessary to let us invest in people, facilities, and schools without a tax increase.

Major Revenue Highlights:

- The county tax rate is recommended to remain at at 62.19 cents.
- Fire tax rate increases are proposed for the Bells Annex & North Chatham Fire District/North Chatham Fire Department, Bennett District/Fire Department, Circle City District/Pittsboro Fire Department, Hope District/Silk Hope Fire Department, and Moncure District/Fire Department.
- In an effort to recoup costs, fee increases are proposed in Environmental Quality, Health, and Parks & Recreation. The fee increases would cumulatively generate approximately \$15,000 in additional revenue. Changes are also proposed in several Planning fees, which will reduce revenue slightly.
- Consistent with the Board of Commissioners Financial Policy, appropriated fund balance is earmarked for one-time items in the general fund and waste management fund. Because of substantial cuts in last year's operating budget, the county was able to absorb most of its capital expenses in operating revenues. FY 2012-2013 marks a return to appropriating fund balance for nearly all capital expenses. A modest amount of fund balance is used for operating expenses in the water fund, which has a substantial fund balance.

Board of Commissioners Goals

By unanimous agreement, commissioners identified the following issues as their top priorities for the FY 2012-2013 budget:

1. **No tax increase**--The recommended budget does not propose to raise taxes.
2. **Increase employee pay**--The recommended budget provides funding for the first phase of pay study implementation and a 2% pay adjustment for employees not benefiting from the pay study.
3. **Long-range planning for expenses**--The recommended budget continues the county's long history of long-range planning, including a seven-year capital improvements program, which addresses increased operating costs, and a fund balance model that ensures the level of capital spending is sustainable.
4. **Determine how the County will respond to state and federal cuts**--County management has worked closely with Chatham County Schools, the Health Department, and other agencies to manage cuts in state funding. County staff works closely with the NC Association of County Commissioners and other professional associations to ensure the accuracy of revenue projections.
5. **Plan for the impact of property revaluations**--This issue remains unresolved. The county has postponed revaluation for two years to avoid having to substantially increase the tax rate to "revenue neutral." A second postponement is possible to FY 2017-2018, but no further. The commissioners can deal with this issue in three ways: increase the tax rate to revenue neutral, reduce expenses by \$4 to \$5 million, or postpone revaluation as long as possible. The first strategy shifts the tax burden to areas of

the county with lower incomes. The second strategy is believed to be impossible, as the county has already made substantial cuts in non-mandated services. The final strategy is unfair to property owners whose values have declined more than the county average, but who are still paying taxes based on higher values. The issue is difficult, complicated, and warrants much more discussion and study.

Commissioners adopted the following long-range goals and strategies during the retreat (note: these are in draft form) that have been or will be addressed in the coming fiscal year.

Goal: Create an environment that promotes more jobs for Chatham County without putting the burden on taxpayers and while minimizing our impact on natural resources.

Strategies:

- A. Work with the towns on changing the perception of the county to being business friendly; ask EDC to meet with town business owners associations on what the county can do to be more business friendly
- B. Implement EDC’s strategic plan and monitor the plan
- C. Invite EDC to come on a regular basis to commissioner meetings (ACHIEVED), including the marketing of the business campus in Siler City

Targeted Budget Reductions

As mentioned above, the \$1.5 million in cuts to the FY 2011-2012 budget puts the county in a position to manage known increases in FY 2012-2013, including the operating expenses of the new justice center and the increased

- D. Encourage the EDC to hold regular meetings with Town Boards and share feedback
- E. Continue to develop our regional water intake system
- F. Encourage providers to expand high speed internet throughout the County

Goal: Improve the Board of Education’s accountability and stewardship to Chatham County and its citizens.

Strategies:

- A. Partner with schools to develop a user friendly budget format for 2012-2013 (ACHIEVED)
- B. Ask schools to share their goals and objectives and measures (ACHIEVED)
- C. Partner with charter schools to develop a user friendly budget format for 2012-2013
- D. Ask charter schools to share their goals and objectives and measures
- E. Ask community college to come to a commissioners’ meeting to give an annual report (ACHIEVED)

Goal: Provide open and responsive government.

Strategies:

- A. Educate the community by holding town hall meetings in different locations on specific topics
- B. Hold listening sessions with all five commissioners in the community in different locations

contribution to the debt reserve for the new jail. During the planning retreat, the Board of Commissioners also directed staff to implement the 2008 pay study to the extent possible. Taking into account these priorities and known increases, staff

projections at the retreat showed a slight shortfall, of approximately \$400,000.

Commissioners identified several "targeted budget reductions," including:

- **Reduce attorney fees by \$50,000.** Overall the recommended budget reduces attorney fees by \$78,100. \$45,000 of this savings results from reducing the number of commissioner meetings the attorney attends from two to one per month. \$28,100 results from changes the Department of Social Services has made to how it works with contracted attorneys.
- **Reduce the appropriation to EDC by \$80,000 to place more responsibility for funding on the private sector.** EDC reduced its county request by \$45,000, by eliminating one position midyear (in FY 2013) and funding for arts organizations (only funding for Chatham Arts remained) and by reducing its marketing budget.
- **Reduce contingency by \$200,000.** The recommended budget eliminates contingencies for gasoline and sentenced misdemeanants. The contingency line item has been reduced \$35,295, but "department contingencies" have been eliminated, so that the overall reduction is \$200,000.
- **Reduce the NC Forestry Service by \$10,000.** The recommended budget does not reduce the forestry service; the value to local residents in cost-share revenue more than offsets the county's appropriation. We believe this is a good investment that we should continue.
- **Examine the Animal Control Division's spay and neuter program for possible reduction or elimination.** The manager does not recommend this. A review of the Animal Control spay/neuter program showed that the program is complimented and supported by Chatham Animal Rescue and Education (CARE), a local non-profit agency. The two

programs, operating together, have reduced the shelter intake of owner-surrendered animals by 24.4 % between 2008 and 2011. Eliminating or reducing the Animal Control program would weaken the impact of the programs. We recommend that Animal Control develop a plan for the program that will continue to decrease the intake of owner surrendered animals and at the same time decrease the intake of stray animals.

- **Reduce the appropriation for county road signs, since most eligible roads have been named.** The recommended budget reduces funding for road signs by \$5,000.
- **Eliminate the one-time expense of \$90,000 as a match for the Oak Foundation, since FY 2011-2012 completes the county's obligation.** The recommended budget does eliminate this expense.
- **Reduce the number of commissioners meetings from two to one per month.** Because of the short length of recent meetings, commissioners raised the possibility of reducing the number of monthly meetings. The manager recommends this action, which will save \$45,000 in attorney fees and \$1,900 savings in other expenses.
- **Eliminate the \$68,513 pass-through funding for the community college lease with the NC Arts Incubator.** The recommended budget eliminates funding for nine months of the lease (\$51,392), which does not expire until September 30, 2012, but also includes one-time transition funding from fund balance for the equivalent of an additional six months of rent.
- **Reduce the Health Department budget.** The manager and Health Department recommend reduction of the lead program, combining the Community Health Promotion and Advocacy and Family Outreach and Support Services divisions, and reallocation of staff. Because the number of

lead investigations is far fewer than originally projected, the manager and Health Department support continuing the enhanced program with existing staff and reducing the additional expenses approved when the program was established. Staff in positions established with the lead program will be moved to other vacant Health Department positions, assume additional duties, but continue to carry out the enhanced lead program. In addition, combining the divisions of Family Outreach and Support Services and Community Health Promotion and Advocacy to create a new division, Community & Family Health Connections is recommended. The merger of the two divisions will increase efficiencies within the department. Staff in the newly merged division have responsibilities that bring them into daily contact with the community, making it a good fit for coordination of activities and services. Total savings in the Health Department: \$110,045.

- **Examine dues paid to Triangle J Council of Governments for possible savings.** Staff did a thorough review of these dues and determined the county can eliminate one category of dues, resulting in a savings of \$2,500. All other Triangle J services are important, if not essential, to county operations.
- **Consider contracting out recreation programs.** The manager is not recommending this action because the county offers only two major sports programs, youth basketball and softball, which are not provided on a large scale by other organizations. Additionally, the county is able to offer the programs at a reduced participant fee.

However, the manager's office will work with the Parks & Recreation Department to ensure services are not duplicative and that other organizations could not provide as effectively at a lower cost.

- **Eliminate the code enforcement position in the Planning Department.** Because the current Board of Commissioners has directed staff to return to a complaints-driven enforcement process, rather than proactively seeking violations, the code enforcement position in the Planning Department is less important. Over the past two years, the workload of the position has been substantially reduced (the position is currently being shared with Building Inspections). Therefore, the manager recommends elimination of this position, resulting in a savings of \$54,704.
- **Continue the phased elimination of payments to towns for recreation.** The manager recommends this action, resulting in a savings of \$14,275.
- **Commissioners also asked staff to look at user fees and a four-day work week.** Staff has not had time to examine fully the impacts of a four-day work week. Departments were asked to look at user fees. Changes are proposed in Parks & Recreation, Health, and the Land and Water Resources Division of Environmental Quality.

Below is a summary of the targeted cuts and resulting savings:

Targeted Cut	Commissioner Requested Savings	Recommended Savings
Attorney fees	\$50,000	\$78,100
Economic Development	\$80,000	\$45,000
Contingency	\$200,000	\$200,000
Forestry	\$10,000	\$0
Spay & Neuter	Not specified	\$0
Road signs	Not specified	\$5,000
Matching grant for Oak Foundation	\$90,000	\$90,000
Reduce commissioner meetings¹	\$1,200	\$1,900
Arts Incubator lease²	\$68,513	\$51,392
Health Department	\$80,000+	\$143,314
Triangle J dues	Not specified	\$1,200
Contract recreation programs	Not specified	\$0
Code enforcement position	\$50,000	\$54,704
Recreation payments to towns	\$14,275	\$14,275
4-day work week	Not specified	\$0
Fees	Not specified	\$15,000
Total	\$643,988	\$699,885

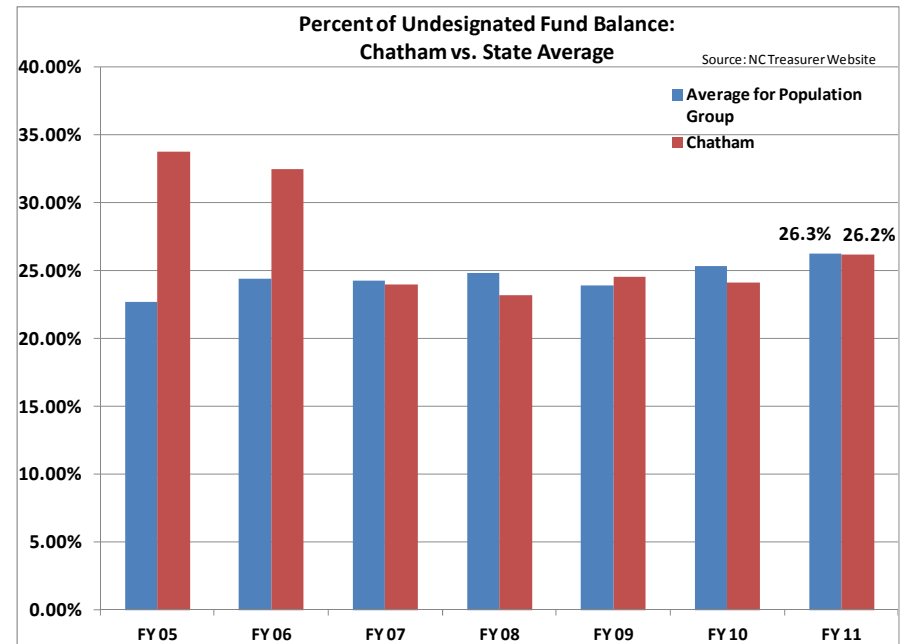
¹Savings also included \$45,000 reduction in county attorney retainer already included in attorney fee savings.

²The manager recommends one-time transition funding for the incubator equivalent to an additional six months of the lease. This funding would be taken from the recommended contingency.

Goals: Financial and Budgetary Policies

Long-term financial 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 3% in FY 2013.
- 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. The county's bond rating was recently affirmed by Moody's and Standard & Poor's and, along with Carteret County, has the highest rating among counties in the 50,000 to 99,999 population group.
- 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 FY 2011 budget eliminated the roughly one-cent contribution to the water capital reserve and the FY 2013 budget does the same.
- Maintaining adequate fund balance. The stated goal of the Board of Commissioners is to maintain undesignated unreserved 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. Chatham County's undesignated fund balance stands at 26.2% of budgeted expenditures, above the stated goal. This level of fund balance is slightly below the state average for counties our size, which is 26.3%, as shown in the graph above. In addition, fund balance is a major funding source for the capital improvements program and that plan calls for spending \$6.8 million over the next seven years.

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. Finally, the FY 2010-2011 budget won the Government Finance Officers Association Distinguished Budget Presentation Award. The FY 2012-2013 budget includes improvements requested by Commissioners during a budget critique held immediately after the FY 2012 budget process:

- The retreat should focus on goal-setting by the board of commissioners. The board may want to hire an outside facilitator to assist in that process. (ACHIEVED)
- Do not include discussion of the Capital Improvements Program (CIP) during the retreat. (ACHIEVED)
- The board of commissioners should focus more on future issues during the retreat. (ACHIEVED)
- The budget document should show the dollar variance, in addition to the percent change, in the budget summary. (ACHIEVED)
- The highlight section should be improved to explain the cuts in department budgets. (ACHIEVED)

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

- Commissioner leadership
- Input from all agencies and departments receiving funding

Chatham County FY 2012-2013 Budget Calendar

Deadline	Actions
7 September 2011	<ul style="list-style-type: none"> • Capital Improvements Program (CIP) forms distributed to agencies
7 October 2011	<ul style="list-style-type: none"> • Forms due from agencies and departments for new/changed CIP projects
7 November 2011	<ul style="list-style-type: none"> • Manager submits recommended CIP to the Board of Commissioners • Heads Up document due from departments
21 November 2011	<ul style="list-style-type: none"> • Hold public hearing on the proposed CIP
30 November 2011	<ul style="list-style-type: none"> • Work session on the proposed CIP
5 December 2011	<ul style="list-style-type: none"> • Board adopts CIP
21 December 2011	<ul style="list-style-type: none"> • Budget summit materials (trends, financial indicators, performance team recommendations, and departmental "Heads Up" document) submitted to Board of Commissioners • Work plan and new position forms distributed to departments
Mid January 2012 (preferably week of 9th)	<ul style="list-style-type: none"> • Budget Summit: Board of Commissioners sets goals and guidelines for FY 2013 budget
1 February 2012	<ul style="list-style-type: none"> • Requests for new positions and work plans (with goals, objectives, and performance targets) due from departments • Remaining budget forms distributed to departments/agencies
8 March 2012	<ul style="list-style-type: none"> • Budgets due from departments and agencies (except schools)
15 April 2012	<ul style="list-style-type: none"> • Budget due from schools
7 May 2012	<ul style="list-style-type: none"> • Budget submitted to Board of Commissioners and public
May 21 and 22, 2012	<ul style="list-style-type: none"> • Official public hearings held in Pittsboro and Siler City
Late May and early June	<ul style="list-style-type: none"> • Board of Commissioners holds budget work sessions
By 30 June 2012	<ul style="list-style-type: none"> • Board of Commissioners adopts budget (legal deadline)

- 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.

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.

All other budget forms are due from departments in March. For a description of the budget reduction strategies used in FY 2013, please see the section with that title above.

The County Manager presents the recommended budget to Commissioners and the public usually at the first meeting in May. This year staff recommended that this be delayed by two weeks to allow more information to be received on the state budget.

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. Agencies are able to use one application to apply jointly to United Way and Chatham County. The Board of Commissioners approved evaluation criteria 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. Commissioners approve the funding and also have \$10,000 to allocate directly.

Amendment Process: The budget is adopted by fund and department. Departments are authorized to transfer funds within their departments without limitation, except that funds cannot be transferred to or from personnel or capital items. The County Manager is authorized to:

- Transfer funds within a department without limitation.
- Transfer amounts of up to \$5,000 between departments of the same fund with a memorandum report of such transfers at the next regular meeting of the Board of Commissioners.
- Transfer amounts of up to \$50,000 from contingency to any department with a memorandum report of such transfers at the next regular meeting of the Board of Commissioners. Greater amounts can be made available upon agreement by Chair and Vice-Chair and notification of other Board members.

All other amendments must be approved by the Board of Commissioners.

General Fund Revenue Summary:

	2012 Amended	2012 Estimated	2013 Recommended	%Inc./ Dec.
Fees & Permits	902,900	972,997	993,354	10%
Intergovernmental	10,016,214	10,958,169	9,420,841	(6%)
Interest	75,000	72,000	70,000	(7%)
Grants/Donations	280,392	393,207	229,841	(18%)
Miscellaneous	(56,000)	82,052	(50,000)	(11%)
Other Taxes/Licenses	640,000	645,637	619,700	(3%)
Property Tax	54,045,000	55,619,328	55,612,300	3%
Sales & Service	1,981,370	2,224,241	2,131,319	8%
Sales Tax	7,970,000	7,978,642	8,036,000	1%
Transfers	6,731,611	6,476,344	6,010,328	(11%)
Fund Balance	1,595,278	0	4,964,392	211%
Total Revenues	84,181,765	85,422,617	88,038,075	5%

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 2.4% in FY 2013, much lower than the average growth of 7% between FY 2006 and FY 2009, but slightly higher than the FY 2012 growth of 2%. The increase in value resulting from commercial development, Briar Chapel, Amberly, and Powell Place account for more than half of the growth. Commercial increases include Townsends' expansion prior to closing, Uniboard expansion, Governors Club office buildings, Powell

Place apartment buildings, Carolina Meadows expansion, and Galloway Ridge expansion.

- The 1.5% decrease in personal property results from loss of leased Townsend equipment and depreciation of business equipment. Most companies are still not replacing equipment in aftermath of the recession. In addition, Uniboard had been listing equipment at full value, but has now started depreciating it.
- A majority of the \$52 million increase in exemptions results from additional governmental buildings (more

than half is attributable to the Justice Center and Margaret Pollard School), \$3 million in senior citizen exemption, \$1.5 million for new church in Briar Chapel and property owned by Habitat for Humanity, and a change in the way the Tax Office treats common areas and open space, which have not been included as exemptions in the past.

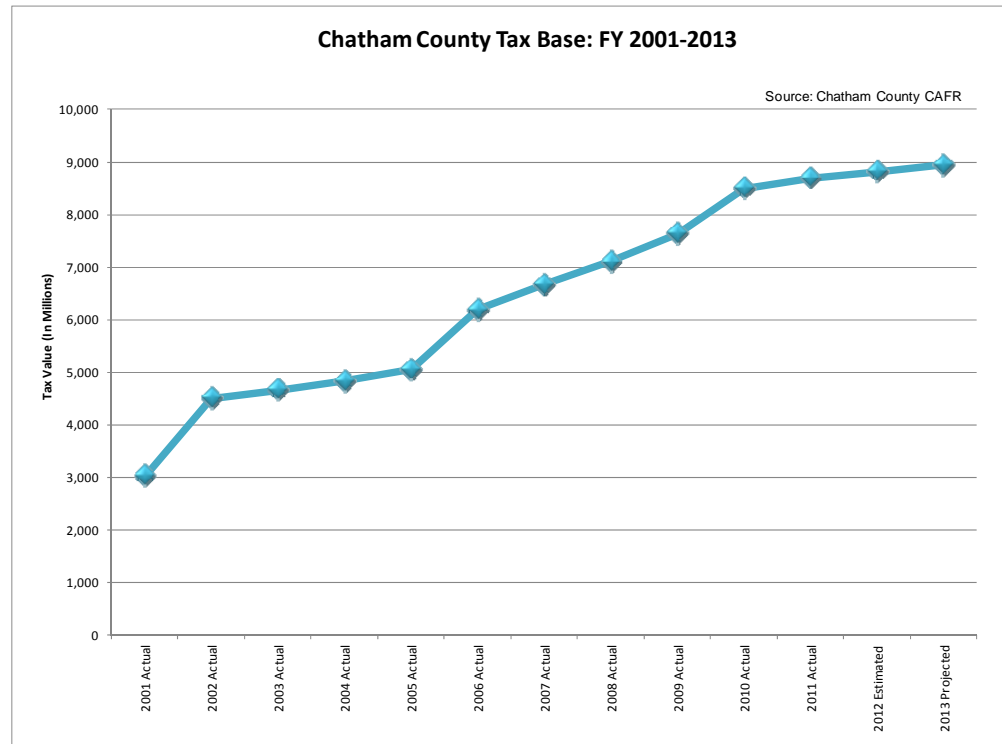
- The Department of Revenue (DOR) advised the County to budget \$250,000,000 for utilities in FY 2013. Actual values for FY 2012 were \$252 million. Because DOR's projections are usually very conservative, staff used the FY 2012 actual number in estimating utility values.
- After three years of decline, motor vehicle values are stabilizing and are projected at estimated FY 2012 levels, which are 7% above FY 2012 budgeted amounts.

The graph shows the increase in Chatham County's tax base since 2001. Notice the dramatic flattening of growth in the last three years. What is also troubling is that assessed value per capita is declining slightly, a trend not seen in this county in recent history.

The table on the next page shows the growth or decline in each part of the tax base.

Overall, the tax base is expected to grow 1.9%, resulting in additional revenue of \$1.3 million over the amount budgeted in FY 2012.

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



- Tax base: \$8.9 billion—Staff used actual numbers for real property values as of April 15, 2012, reflecting estimated reductions by the Board of Equalization and Review. Staff used estimated numbers for personal property, exemptions, utilities, and motor vehicles since these values have not yet been finalized.
- Tax rate: 62.19 cents, the same tax rate as FY 2012.
- Staff again used collection percentages recommended by the Chatham County Tax Collector: Real and personal property collection percentage: 98%. Motor vehicle collection percentage: 90.72%.

	FY 2012 Budgeted	FY 2013 Projected	% Increase/ (Decrease)
Real Property	8,271,865,859	8,466,636,889	2.4%
Personal	517,571,049	509,690,286	-1.5%
Exemptions	(744,944,548)	(797,033,841)	-7.0%
Utilities	250,159,010	252,455,361	0.9%
Motor Vehicles	479,733,419	513,891,129	6.7%
Total	8,774,384,789	8,945,639,824	1.9%

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:

Fire District	FY 2012 Tax Rate	FY 2013 Requested	FY 2013 Recommended	Contract Amount Requested/ Recommended	Increase/Decrease In Fire Tax
Bells Annex (North Chatham FD)	0.06600	0.08800	0.08800	Included in North Chatham	
Bennett (Bennett FD)	0.07000	0.08000	0.08000	93,317	0.0100
Bonlee (Bonlee FD)	0.07000	0.07000	0.07000	210,391	0.0000
Central Chatham (Siler City FD)	0.08000	0.08000	0.08000	259,307	0.0000
Circle City (Pittsboro FD)	0.10820	0.11580	0.11580	1,022,627	0.0076
Goldston (Goldston FD)	0.08000	0.08000	0.08000	206,686	0.0000
Hope (Silk Hope FD)	0.06670	0.06850	0.06850	336,896	0.0018
Moncure (Moncure FD)	0.08750	0.11040	0.11040	660,158	0.0229
North Chatham (North Chatham FD)	0.06600	0.08800	0.08800	3,494,359	0.0220
Northview (Northview FD)	0.08350	0.08300	0.08300	23,733	-0.0005
Parkwood (Parkwood FD)	0.10000	0.10000	0.10000	269,973	0.0000
Staley (Staley FD)	0.10000	0.10000	0.10000	46,926	0.0000

