

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, except from the school system, which submits in April.

The County Manager usually presents the recommended budget to Commissioners and the public on the first Monday in May.

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

Following the public hearings, commissioners hold one or more work sessions in late May and early June to review the budget. Staff incorporates changes approved by Commis-

sioners and prepares the budget ordinance for adoption at the regular June meeting.

Nonprofit Funding Process: Historically, Chatham County has funded county nonprofits 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 nonprofits and appointed volunteers to review the applications, using a standardized scoring sheet also approved by the board. Following the numerical ranking, volunteers 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.

Revenue Projection Methodology:

For the most part, staff uses trending to estimate revenues. Staff tracks major revenues by month, estimates revenue for the current year (usually three-to-four months remaining), and projects next year's revenue at a slightly more conservative amount, usually 3% less than estimated. In some cases, next year's projection is informed by additional information, such as

known grant or intergovernmental revenue. Additional information is also available from expert sources, such as guidance on sales tax revenues (from NCACC and NCLM). Where possible, staff uses a combination of local trending and outside guidance to reach the best possible estimates and projections.

General Fund Revenue Summary:

	2016 Amended	2016 Estimated	2017 Recommended	% Increase/ Decrease
Fees & Permits	1,563,820	1,620,072	1,555,429	-1%
Intergovernmental	10,384,418	11,479,181	10,840,530	4%
Interest	140,000	163,725	140,000	0%

	2016 Amended	2016 Estimated	2017 Recommended	% Increase/ Decrease
Grants/Donations	203,250	407,536	188,540	-7%
Miscellaneous	257,984	324,956	257,924	0%
Other Taxes/Licenses	657,800	769,133	745,298	13%
Property Tax	59,147,000	59,914,164	62,290,000	5%
Sales & Service	2,346,863	2,866,232	2,115,854	-10%
Sales Tax	10,280,000	11,021,000	12,215,000	19%
Transfers	8,967,169	8,688,842	11,207,697	25%
Other Financing Sources	0	23,835,596	0	0%
Fund Balance	6,216,485	0	5,873,989	-6%
Total Revenues	\$100,164,789	\$121,090,437	\$107,430,261	7%

Enterprise Fund Revenue Summaries:

Solid Waste & Recycling Fund

	2016 Amended	2016 Estimated	2017 Recommended	% Increase/ Decrease
Intergovernmental	\$173,000	\$169,162	\$183,927	6%
Interest	\$13,000	\$-	\$10,000	-23%
Miscellaneous	\$115,000	\$63	\$115,000	0%
Sales & Service	\$2,803,191	\$2,954,950	\$2,774,295	-1%
Fund Balance	\$-	\$-	\$116,463	100%
Total Revenues	\$3,104,191	\$3,124,175	\$3,199,685	3%

Southeast Water District

	2016 Amended	2016 Estimated	2017 Recommended	% Increase/ Decrease
Interest	\$1,200	\$1,306	\$1,100	-8.33%
Sales & Service	\$600,000	\$638,894	\$608,500	1.41%
Total Revenues	\$601,200	\$640,200	\$609,600	1.39%

Water Fund

	2016 Amended	2016 Estimated	2017 Recommended	% Increase/ Decrease
Interest	\$10,000	\$15,957	\$12,000	20%
Miscellaneous	\$-	\$457	\$-	0%
Sales & Service	\$5,578,000	\$5,966,828	\$5,787,000	4%
Fund Balance	\$18,726	\$-	\$416,078	2122%
Total Revenues	\$5,606,726	\$5,983,242	\$6,215,078	11%

Property Taxes:

Real property values are estimated to grow by 3.7% in FY 2017. This increase is the largest, by far, since the recession began, but less than growth before the recession. Half of the additional value (\$191 million) was added in the North Chatham Fire District. Growth in Cary accounted for another \$45 million and Pittsboro Fire District another \$31 million. The increase in value results from mostly residential development, some of which is exempt because of the new legislation resulting in building inventory and new developments being exempt for three to five years.

The 5.5% increase in **personal property** results from a potential loss in value from business appeals.

Exempt values are expected to increase significantly by 5.1%. Much of this increase results from the legislature's action to exempt houses in builders' inventory and land held by developers. This inventory is now exempt. In addition, the total value of exemptions includes nonprofits with property tax exemptions and the senior citizen homestead exemption. Some business personal property, such as pollution control, is also exempt.

The increase in utility values from the FY 2016 budget results from last year's conservative estimation of this part of the tax base. For FY 2016, we were not sure how much more value we would lose from the decommissioning and removal of the Duke coal-fired plant in Moncure. The FY 2017 values are equivalent to what was billed for FY 2016.

The county must rely on NC Department of Motor Vehicles (DMV) to estimate the **motor vehicle** tax base, since DMV took over collection of local motor vehicle taxes in FY 2014. This change was brought about because many counties had significantly lower collection rates for motor vehicles. Because Chatham's collection percentage was among the highest in the state, our staff was not certain the change would be beneficial. Indeed, early numbers did not show an increase in revenue. However, FY 2015 and FY 2016 have proven that the change is beneficial to Chatham County. Overall, DMV collected revenues are up 8% over last year. Staff is basing the FY 2017 values on what we estimate the FY 2016 values to be. In a good economy, motor vehicle values do tend to grow, but with little history through the DMV system, staff is reluctant to project an increase.

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

- Tax base: \$9.9 billion—Staff used actual numbers for real property values as of April 2016, 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: 63.38 cents, a 1.19-cent increase over FY 2016.
- Staff again used collection percentage recommended by the Chatham County Tax Collector: Real and personal property collection percentage: 98%.

	FY 2016 Budgeted	FY 2017 Projected	% Increase/ (Decrease)
Real Property	9,104,101,651	9,398,043,554	3.2%
Personal	471,162,748	497,147,573	5.5%
Exemptions	-817,586,524	-859,594,408	5.1%
Utilities	193,720,059	222,986,538	15.1%
Motor Vehicles	609,178,183	660,093,637	8.4%
Total	9,560,576,117	9,918,676,894	3.7%

Fire District Tax Rates:

Fire department budgets are reviewed by the Chatham County Finance Officer and the Fire Marshal. Of the 11 fire departments that provide services within Chatham County, three departments have requested an increase in their tax rates, and one has requested a decrease. The requested tax rate increases range from .01 cents to .30 cents. Major issues to be aware of include:

- The Bennett Volunteer Fire Department is requesting a fire tax rate increase from .08 to .09 to fund the financing and insurance of a new fire response engine.
- The Goldston Rural Fire Department is requesting a fire tax rate increase from .08 to .09 to fund four (4) new

part-time personnel, establish a fund for future emergency apparatus purchases, and to establish a fund to purchase the present property and fire station.

- The Northview Volunteer Fire Department is requesting a fire tax rate increase from .083 to .086 which is in conjunction and in line with their Lee County fire tax rate.
- Durham County Fire & Rescue Department has requested a decrease in their fire tax rate from .115 to .105 and will continue to provide the same level of fire protection services to the area served within Chatham County.

Fire District	FY 2016 Tax Rate	FY 2017 Requested	FY 2017 Recommended	Recommended Increase/ Decrease in Fire Tax
Bells Annex (North Chatham FD)	0.1030	0.1030	0.1030	0.0000
Bennett (Bennett FD)	0.0800	0.0900	0.0900	0.0100
Bonlee (Bonlee FD)	0.0700	0.0700	0.0700	0.0000
Central Chatham (Siler City FD)	0.0900	0.0900	0.9000	0.0000
Circle City (Pittsboro FD)	0.1225	0.1225	0.1225	0.0000
Goldston (Goldston FD)	0.0800	0.0900	0.0900	0.0100
Hope (Silk Hope FD)	0.0685	0.0685	0.0685	0.0000
Moncure (Moncure FD)	0.1250	0.1250	0.1250	0.0000
North Chatham (North Chatham FD)	0.1030	0.1030	0.1030	0.0000
Northview (Northview FD)	0.0830	0.0860	0.0860	0.0030
Durham County Fire & Rescue FD (Parkwood)	0.1150	0.1050	0.1050	-0.0100
Staley (Staley FD)	0.1000	0.1000	0.1000	0.0000

Fee Increases:

In order to recoup costs, we are recommending fee increases in Central Permitting, Planning, the Health Clinic, and the rental of the Chatham County Agriculture & Conference Center. One fee, for the inspection of handicap ramps, is recommended to be eliminated to encourage residents to use the permitting process and ensure the safety of the ramps. The fee increases would cumulatively generate approximately \$11,263 in additional revenue, as follows:

- In Central Permitting, a revision to the fee for the inspection of generators is recommended. Generator inspections typically require two trips but sometimes one trip. Permitting staff must decide whether to charge

the customer for one trip (\$50) or two (\$100). A single flat fee of \$75 will be more efficient and is projected to decrease revenue by approximately \$1,500.

- Planning currently has no fee for reviewing exempt plats, but these reviews are taking more time for staff due to additional background research that is required to verify the exemption.
- Increases in health clinic fees reflect increased costs for vaccines.
- Chatham County Agriculture and Conference Center fee revisions are recommended to make the fees more in line with similar venues.

Sales Tax:

Because of changes brought about by Medicaid relief, sales tax is down as a percent of general fund revenues from 14% in FY 2009 to a projected 11% in FY 2017. The 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.

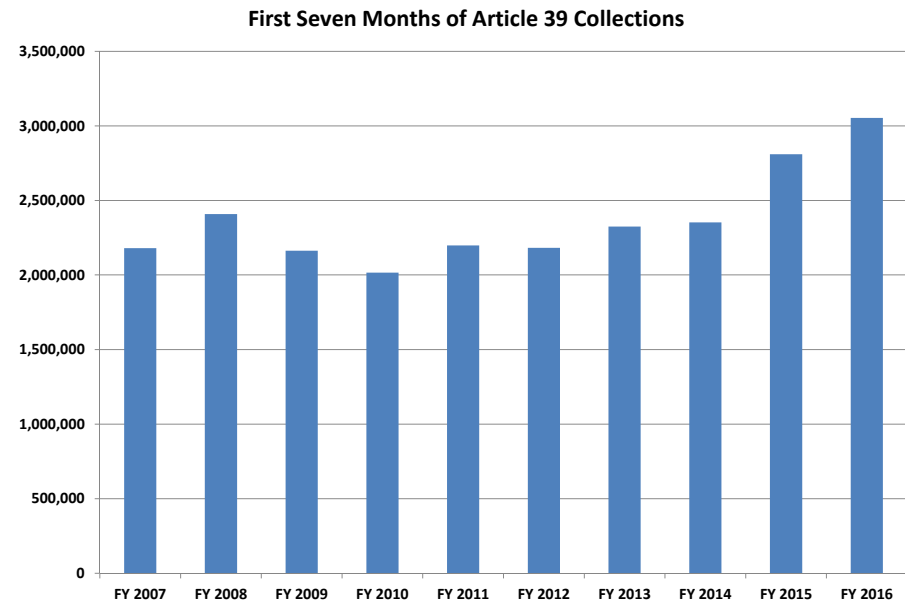
Article 42: One-half cent on every dollar – comes back to the county based on where it is collected. Sixty percent must be spent on school capital or debt.

Article 46: One-quarter cent on every dollar – comes back to the county based on where it is collected. Proceeds are not shared with municipalities. Five surrounding counties have enacted this increase, while Chatham has not. A referendum would be required. The estimated proceeds from enacting the tax is \$1,128,948.

Locally, sales tax revenues (Articles 39 and 42) are trending 12% above FY 2015, compared with 5% for sales tax collected statewide (Article 40).

In addition to these articles, effective July 1, 2016, the state has levied a new tax on services with the intention to distribute this new revenue to rural counties. The revenue will be restricted for schools and economic development. The state has developed a formula which projects the expected revenue distribution to counties, and part of these funds will be removed from the regular distribution formula.

Last year, staff made efforts to improve locally collected sales tax by educating businesses, residents, and construction contractors about ensuring sales tax is credited properly for



delivered items. Many vendors reported sales tax by zip code and most of the county's building activity occurs in zip codes associated with other counties. The education effort seems to be reflected in the growth in locally collected sales tax revenue. Amazon's collection of NC sales tax, which began in 2014, may also be contributing to the growth of locally collected sales tax.

Overall, experts from the state, the NC League of Municipalities (NCLM) and the NC Association of County Commissioners (NCACC) expect statewide sales tax growth to be 4.5% for FY 2016. Staff used this guidance to project local and statewide collections.

For next year, because of the new distribution of the sales tax base discussed above, both NCLM and NCACC recommend a conservative approach to budgeting sales tax

revenues and suggest 3 to 4% growth for statewide collections. Staff is recommending 3.75% for both local and statewide collections.

As the chart on this previous page demonstrates, locally collected sales tax has surpassed pre-recession levels, a positive indicator of our economy.

Medicaid Relief:

Beginning with FY 2008, the state has gradually taken over the counties' share of Medicaid expense in exchange for a portion of County sales tax revenue and other sales tax changes. Overall, Chatham County loses more from sales tax revenue reductions and changes than we gain from Medicaid relief. The original legislation provided a hold harmless provision for counties in our situation, plus a \$500,000 additional amount per year. In the 2014 session, the legislature decided to phase out the \$500,000 benefit. In FY 2017, we will lose \$375,000 in revenue.

The hold harmless payment is based on the actual sales tax revenue and Medicaid expense, as if the changes had not been made. A good economy means that sales tax revenues are up and Medicaid expenses are down, increasing the overall benefit to counties.

Typically, we rely on projections from the NC Association of County Commissioners, which uses actual Medicaid expenditures and sales tax receipts to estimate the hold harmless payment. Those projections are no longer available.

To estimate FY 2017, we used FY 2016 projected amounts (from the NC Department of Revenue) and reduced by \$125,000 (the legislative reduction in hold harmless), resulting in a \$2,050,000 estimate for this revenue.

Elements of the Medicaid "swap" include:

- County loses all of Article 44 (one-half cent) sales tax.
- Article 42 (one-half cent) sales tax 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.
- Counties are guaranteed a "hold harmless" amount: +\$125,000 (this will be phased out completely in FY 2018).

Intergovernmental:

Intergovernmental revenues are those that the state and federal government "share" with counties, generally to fund specific programs. This category includes Medicaid relief, described above. Because of Medicaid relief, the Jordan Lake

Payment in Lieu, and DSS reimbursements, intergovernmental revenues are expected to increase by 4%. Intergovernmental revenues have historically been declining as a portion of total revenue.

- **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 increase by 3% to reflect increased expenditures overall and a higher reimbursement rate (75% versus 50%) for Medicaid administration.
- **Safe Havens Grant:** Federal funding for the Safe Havens Program, which provides secure court-ordered visitation services for families, continues through FY 2017. The program is also reapplying for a state grant from the Governor's Crime Commission, which is not budgeted. The grants and fees completely cover the cost of this program.
- **Lottery Proceeds:** This revenue does not affect the general fund directly, as revenues are budgeted in the debt reserve. Approximately \$500,000 is estimated for Chatham in FY 2017. Efforts are underway to request that the NC General Assembly restore all lottery proceeds originally dedicated for school construction, which is about twice the amount we estimate receiving.
- **Federal Payment in Lieu of Taxes (PILT):** This payment depends on authorization from Congress. The National Association of Counties guidance is that the PILT payments will be authorized in the coming year so staff is recommending that the typical amount of PILT be projected for FY 2017, \$97,000.
- **ABC Revenue:** Staff is estimating approximately \$91,000 for FY 2016, but is recommending that the FY 2017 budget be set at \$80,000 which reflects a 7% increase from FY2016 budget. .
- **Court Revenues:** FY 2016 court facility fees are trending 11% lower than FY 2015 and are below budgeted amounts. Staff recommends budgeting an 11% decrease from amounts budgeted in FY 2016. Based on trends year-to-date, revenue from court costs is expected to be lower than expected.
- **Beer and Wine Tax:** The NC League of Municipalities reports that DOR expects FY 2016 beer and wine distributions to local governments to decrease 6% below FY 2015 amounts, but no rationale has been provided to support the decline. Based on strong collections last year, and increasing trends in the beverage industry at the national level, NCLM guidance is to expect FY 2017 distributions to increase by 5%. Taking both DOR and NCLM projections into account, staff estimates that FY 2016 collections (not yet received) will be 6% below FY 2015 and FY 2017 will be 3% above FY 2016.

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 revenue is expected to decrease slightly by 1%.

- **Register of Deeds Fees:** Fees are charged when legal documents are recorded. Staff estimates that FY 2016 receipts will be about equal to FY 2015. FY 2017 projections are slightly more conservative than FY 2016 estimated receipts.

- **Building Inspection Fees:** Staff estimates that the revenues for FY 2016 will be 6% below FY 2015. FY 2015 included some large atypical development projects, which increased revenue. Although revenues for FY 2016 are less than FY 2015 due to the absence of these 'outliers', revenue is still showing an increase over FY 2014 and FY 2013. For FY 2017, staff recommends a conservative \$1,150,000, or 4% less than the FY 2016 estimate.

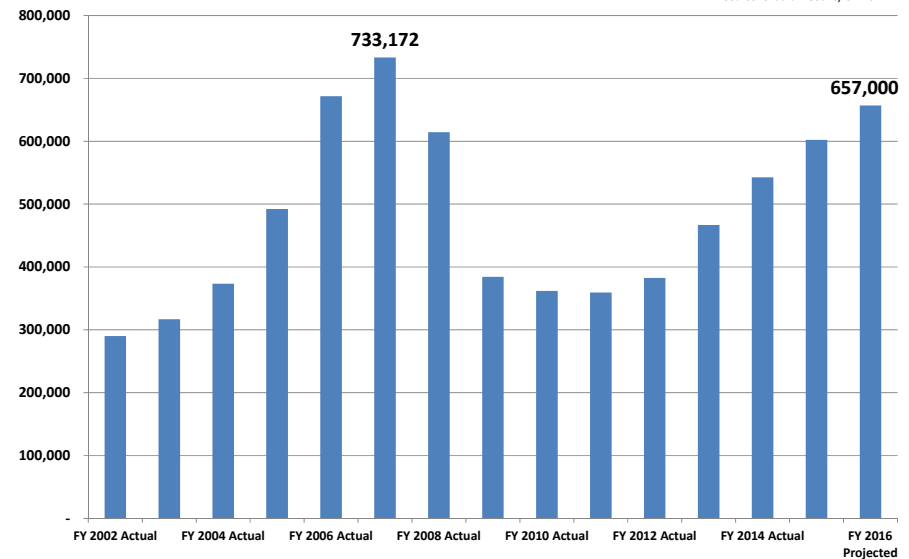
Other Taxes and Licenses:

Other Taxes and Licenses represent locally collected taxes, other than the property tax. Overall, this revenue category is not expected to increase.

- **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 with the state. For the first nine months of FY 2016, this revenue source is 15% above FY 2015. Consistent with our methodology of budgeting 3% less than the previous year's actual, projections for FY 2017 are slightly more conservative than FY 2016 estimated. As the chart to the right shows, while land transactions have not reached the peak levels of FY 2007, they have improved dramatically since the downturn in the economy.

Actual and Projected Deeds Stamps Collections

Source: Chatham County CAFRS



- **Occupancy Tax:** Collections for the first nine months of FY 2016 are 5% above FY 2015. FY 2017 projected collections of \$93,000 based on the estimate for FY 2016 and reduced by 3%, consistent with our methodology.

Other General Fund Revenues:

Interest: FY 2016 is estimated to exceed budget by 17% due to the Finance Office strategy of investing approximately 50% of available cash in agencies, treasury notes, and commercial paper. Staff recommends budgeting \$140,000 in FY 2017, which is slightly more conservative than the FY 2016 estimate.

Grants/Donations: This revenue source is projected to decrease 7% from FY 2016. One reason is the uncertainty of some special project donations and grants.

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. Several adjustments in health clinic fees are recommended to match Medicaid reimbursement rates.

In the general fund, this revenue source is expected to decrease by 10%.

Enterprise Fund Revenue:

Sales and service revenue accounts for most of the revenue in the Water and Solid Waste & Recycling Funds.

Water revenues are expected to increase 7% from FY 2016 budgeted amounts. Since the recession began, revenue had not grown significantly in the Water Fund, despite an increase in the number of customers. This trend appears to have turned around beginning in FY 2015, when estimated revenues 4% above FY 2014. We suspect the trend was related to the economic downturn and water customers conserving more. With the economy improving, water usage per customer is estimated to increase 4% in FY 2017. Additional growth in

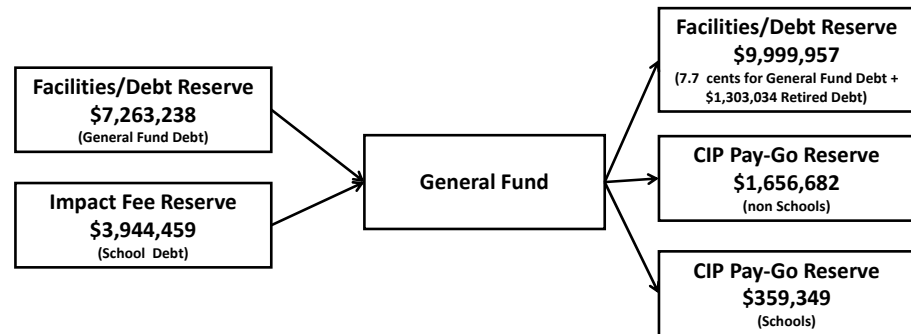
revenue comes from adding new water customers in areas, such as Briar Chapel.

Solid Waste and Recycling revenues overall are expected to be slightly over budget in FY 2016 and projected conservatively with a 3% increase in FY 2017. Sales and service is expected to increase by only 1% overall. This revenue is comprised of collection fees paid by all non-municipal residents and disposal fees paid by non-municipal residents without a private hauler.

Transfers In:

Transfers of revenues generally occur from special revenue funds to the operating funds for special purposes. Overall, this revenue source is expected to increase 25% to cover increased debt service for the Agriculture & Conference Center and Joint Bus Garage.

- CIP Reserve:** This reserve was established as part of the County’s financial plan to fund capital improvements. Prior to FY 2017, 5.6 cents on the property tax rate, plus the decrease in debt service on general obligation bonds, was transferred annually to this reserve to pay for debt service on general County projects. For FY 2017, an additional 2.1 cents are recommended be transferred to cover the new projects approved in the 2017-2023 Capital Improvements Plan. In turn, funds to cover principal 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. For FY 2017, an additional \$901,583 will be transferred from the reserve for increased debt service resulting from the financing of the Agriculture and Conference Center and joint school bus/county garage.



- Impact Fee Reserve:** This reserve accumulates school impact fees to pay for capital and debt service for school improvements related to growth. A transfer of \$3,944,459 is needed to cover debt for Virginia Cross Elementary, Northwood High School Renovations, Margaret Pollard Middle School, and several small projects paid for with funds leftover from the Margaret Pollard project. This represents a 52% increase over FY 2016.

Fund Balance:

General Fund:	
General Fund One Times	\$491,215
Replacement Capital	\$857,409
General Fund Transfer To CIP Reserve	\$1,656,682
School Transfer to CIP Reserve	\$359,849
School Capital Outlay	\$2,294,050
Fund Balance for Expansions	\$283,480

Total One Time Expenses	\$5,942,685
Fund Balance Appropriated	\$5,873,989

Fund balance is typically used as “revenue” to balance the budget. Consistent with the Commissioners’ adopted financial policy, the use of fund balance in the general fund is tied to one-time or capital expenditures, as shown in the table.

Overall, the general fund appropriation from fund balance is up \$262,880 or 5% from the original fund balance appropriation in FY 2016 (the amended figure reflects changes in the budget since the original appropriation). Earlier, the Board of Commissioners approves staff's recommendation to use some of the excess FY 2015 fund balance to move up the animal shelter by one year. The higher FY 2017 appropriation reflects this action. Staff recommends that we work to move the CIP transfer to recurring revenue in future years.

The Solid Waste & Recycling Fund appropriation is recommended at \$116,463. The fund includes one-time expenses totaling \$324,000.

The Water Fund appropriation is recommended at \$416,078. The fund includes one-time expenses totaling \$739,100.

The table on the next page shows the amount of fund balance available for appropriation in FY 2017 in the three major operating funds.

Fund Balance Available for Appropriation:	General	Water	Solid Waste & Recycling	Southeast
Cash and Investments	34,325,453	4,044,264	3,212,160	72,755
Less:				
Liabilities	4,212,982)	(220,256)	(64,915)	0
Deferred revenues	(178,449)	0	0	0
Fund balance available for appropriation	29,934,022	3,824,008	3,147,245	72,755
Recommended for appropriation	\$5,873,989	\$416,078	\$116,463	\$0

General Fund Expenditure Summary:

	2016 Amended	2016 Estimated	2017 Recommended	Variance	%Inc./ (Dec.)
Administration	6,734,789	5,971,278	7,300,877	566,088	8%
Debt Service	10,614,633	33,950,442	11,522,210	907,577	9%
Debt/Capital Transfers	8,056,974	8,056,974	12,041,488	3,984,514	49%
Chatham County Schools	30,037,838	30,037,838	31,566,180	1,528,342	5%

	2016 Amended	2016 Estimated	2017 Recommended	Variance	%Inc./ (Dec.)
Other Education & Culture	3,292,712	3,177,716	3,281,592	-11,120	0%
General Government	2,950,752	2,804,930	3,023,556	72,804	2%
Human Services	18,544,732	17,779,966	18,473,427	-71,305	0%
Natural Resource Management	2,826,075	2,585,437	2,805,584	-20,491	-1%
Public Safety	17,106,284	15,770,626	17,415,347	309,063	2%
Total	100,164,789	120,135,207	107,430,261	7,265,472	7%

Administration: The 8% increase in this grouping can be explained primarily by increases in legal expenses [+108,986]; an increase in utility expense in the court facility budget [+39,750]; the addition of expenses for operating the new joint bus garage a full year [+158,000]; and by the addition of the new Agriculture and Conference Center operating budget, including a new position, to this category [+156,923].

Debt Service: Debt service is increasing by 9% because of the increased debt service for the Agricultural & Conference Center and the Joint School Bus/County garage. Last year this debt service was offset by savings in general obligation bonds.

Debt/Capital Transfers: Overall, this category is up 49%. The debt model requires a transfer of \$9,999,957 to meet current debt service and prepare for the new CIP projects (expanding the capacity of the New High School, New Elementary School, and the CCC Health Sciences Building at Briar Chapel). The Capital Improvements Program calls for a \$1,656,682 transfer [+700,471] to the capital reserve to fund projects in the CIP, and moves up the animal shelter to open a year earlier.

Chatham County Schools: Overall, funding for Chatham County Schools is increasing 5%. Current expense funding is increasing \$846,000, or 4%. Capital outlay is increasing

\$382,342, or 20%. Staff has budgeted \$300,000 in contingency for potential State salary increases. These increases are offset somewhat by a smaller transfer to CIP projects (last year's was somewhat front loaded) [-90,103].

Other Culture & Education: Spending in this category is consistent, with no increase or decrease.

General Government: The 2% overall increase results from increased pay and benefits. .

Human Services: Spending in the Human Services grouping is holding steady from Fiscal 2016 to Fiscal 2017.

Natural Resource Management: Natural Resource Management is decreasing slightly, due to the transfer of personnel to support the new Agricultural Center from Convention and Visitors Bureau to Facilities [-62,305], which is offset by pay and benefit increases.

Public Safety: The 2% overall increase results primarily from expansion increases in the Sheriff's Office Detention Center associated with taking the first step toward compliance with the federal Prison Rape Elimination Act [+150,672]; Capital outlay expenses in Emergency Management Operations [+84,973] to purchase defibrillators for all fire departments and

a generator for the shelter; an increase in the contract with First Health in Emergency Medical Services [+110,980].

Enterprise Fund Expenditure Summaries

	2016 Amended	2016 Estimated	2017 Recommended	Variance	% Inc./ (Dec.)
Solid Waste & Recycling	3,104,191	2,815,890	3,199,685	95,494	3%
Southeast Water District	601,200	561,200	609,600	8,400	1%
Water Fund	5,606,726	5,428,390	6,215,078	608,352	11%

Expenditures by Department

	FY 2015 Actual	FY 2016 Amended	FY 2016 Estimated	FY 2017 Requested	FY 2017 Rec Cont	FY 2017 Rec Exp	FY 2017 Total	% Inc/ Dec
Cardinal Innovations -Mental Health	485,585	510,434	486,781	513,078	513,078	0	513,078	1%
Central Carolina Community College	1,790,743	1,783,063	1,783,063	1,812,304	1,768,393	0	1,768,393	-1%
Central Permitting-Administration	338,018	392,927	349,925	562,682	350,272	128,446	478,718	22%
Central Permitting-Building Inspections	418,134	564,381	547,237	644,085	656,190	0	656,190	16%
Central Permitting-Fire Marshal Division	244,871	290,510	281,781	260,472	266,522	0	266,522	-8%
Chatham County Schools	33,475,757	35,221,876	35,055,355	36,823,915	36,823,915	0	36,823,915	5%
Chatham Trades	202,733	182,000	182,000	182,000	182,000	0	182,000	0%
Chatham Transit	136,302	254,114	246,472	120,523	120,523	0	120,523	-53%
Cooperative Extension Service	335,882	395,174	359,673	413,054	389,297	7,378	396,675	0%
Council on Aging	881,272	962,641	964,791	962,786	897,857	70,000	967,857	1%
County Attorney	323,346	295,859	392,511	406,319	397,976	10,000	407,976	38%
County Manager	873,518	648,836	593,014	580,112	592,757	1,645	594,402	-8%
Court Facilities	1,162,246	1,167,272	1,200,820	1,155,788	1,185,788	0	1,185,788	2%
Court Related Programs	586,997	595,848	597,324	629,977	625,717	12,000	637,717	7%
Economic Development	968,413	757,557	745,039	1,107,280	1,107,280	0	1,107,280	46%
Elections	346,572	450,153	402,252	442,533	446,568	0	446,568	-1%
Emergency Management-Emergency Medical Service	2,350,586	2,752,438	2,426,408	2,862,374	2,862,374	0	2,862,374	4%
Emergency Management-Emergency Operations	461,382	619,047	532,237	739,711	694,003	46,568	740,571	20%
Emergency Management-Telecommunications	1,317,656	1,613,939	1,457,716	1,621,163	1,551,370	-1	1,551,369	-4%
Environmental Quality-Land & Water Resources	141,948	260,486	252,109	242,116	247,964	0	247,964	-5%
Facilities - CC Agriculture & Conference Center	0	0	0	269,556	122,457	99,309	221,766	0%
Finance	716,526	837,539	821,245	874,566	891,020	1,645	892,665	7%
Governing Board	302,579	363,680	318,114	372,484	377,110	1,000	378,110	4%
Health- Administration	462,391	483,720	478,331	380,786	389,858	0	389,858	-19%
Health-Animal Services	649,732	827,995	668,149	764,250	740,689	0	740,689	-11%

	FY 2015 Actual	FY 2016 Amended	FY 2016 Estimated	FY 2017 Requested	FY 2017 Rec Cont	FY 2017 Rec Exp	FY 2017 Total	% Inc/ Dec
Health-Community & Family Health	708,686	742,358	755,306	554,601	566,667	0	566,667	-24%
Health-Community Health & Surveillance	470,651	0	0	1,757	1,757	0	1,757	0%
Health-Environmental Health	1,110,004	1,258,365	1,220,209	1,218,802	1,248,684	-2,932	1,245,752	-1%
Health-Preventative Healthcare	1,916,859	2,700,892	2,603,812	3,066,570	3,081,429	45,203	3,126,632	16%
Human Resources Department	2,158	322,115	323,086	330,435	338,568	0	338,568	5%
Human Service Pass Through Grants	134,003	0	141,175	0	0	0	0	0%
Human Services Agencies	269,502	270,564	286,227	414,343	414,343	0	414,343	53%
Library	1,923,928	2,089,382	1,981,902	2,009,752	1,991,897	25,182	2,017,079	-3%
Management Information Systems (MIS)	1,297,777	1,471,623	1,379,106	1,646,121	1,533,876	36,970	1,570,846	7%
Non-Departmental/General Services	37,173,398	8,459,691	31,629,714	12,445,987	12,445,987	0	12,445,987	47%
Parks and Recreation	695,052	825,645	811,330	970,017	889,747	25,000	914,747	11%
Pittsboro/SC Visitors Bureau	88,441	160,221	142,888	95,658	97,916	0	97,916	-39%
Planning	409,125	808,802	651,947	625,222	636,000	3,813	639,813	-21%
Public Works-Facilities Management	2,593,855	3,193,691	2,966,092	3,416,817	3,439,477	0	3,439,477	8%
Public Works-Fleet	-75,406	-1,825	-29,469	134,532	134,532	0	134,532	-7472%
Register of Deeds	437,139	459,763	460,696	542,186	481,584	4,842	486,426	6%
Sheriff's Office-Jail	4,379,200	4,910,173	4,464,011	5,588,873	4,947,145	150,687	5,097,832	4%
Sheriff's Office-Law Enforcement	6,882,321	7,658,754	7,345,574	9,162,091	7,568,787	0	7,568,787	-1%
Social Services	9,833,442	10,659,463	10,009,993	10,625,057	10,658,647	101,049	10,759,696	1%
Soil and Water	214,888	266,467	225,393	266,691	271,984	0	271,984	2%
Solid Waste & Recycling	3,823,696	3,104,191	2,815,890	3,291,077	3,199,685	0	3,199,685	3%
Southeast Water District	599,917	601,200	561,200	609,600	609,600	0	609,600	1%
Tax -- Administration	924,243	1,001,049	982,831	1,026,603	1,036,984	0	1,036,984	4%
Tax -- Assessment & Revaluation	372,626	676,107	641,037	670,839	675,468	0	675,468	0%
Water-Distribution	4,012,094	4,412,951	4,294,484	4,716,564	4,666,171	6,768	4,672,939	6%
Water-Wastewater Treatment	12,829	22,654	17,641	44,786	44,786	0	44,786	98%

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 recommends that the following expansion

requests be funded. (At the suggestion of GFOA, only requests of +/- \$10,000 are listed here). More detail can be found on these and smaller requests in each department’s budget.

Department	Expansion	Net Cost
Central Permitting	Administrative Support Position for all 3 divisions of Central Permitting	\$50,076
Central Permitting	Implement new Cityview Mobile Software	\$78,368
Council on Aging	Improve Substandard Housing for Elderly	\$50,000
Council on Aging	General Maintenance & Repair of Chatham’s Two Senior Centers of Excellence	\$20,000
Court Related Programs	Temporary staff to support pre-trial release phone call volume	\$12,000
Emergency Management	Generator for shelter	\$46,568
Facilities - CC Agriculture & Conference Center	Event Services Leader Position and temporary salaries for setup and tear down for Chatham County Agriculture & Conference Center	\$93,419
Health-Preventative Services	Purchase of additional vaccines for children and adults	\$15,000
Health-Preventative Services	Nutritionist III New Position	\$25,168
Library Services	Expanded hours for Library Outreach Coordinator Position	\$25,179
Management Information Systems	Chatham County Esri Enterprise Licensing Agreement (ELA)	\$36,450
Parks and Recreation	Provide county match funds for Recreational Trail Program Grant for Haw River Trail.	\$25,000
Sheriff’s Office-Jail	Detention Direct Observation Positions for Youth Offenders	\$150,672
Social Services	Income Maintenance Caseworker II Position	\$9,756
Social Services	Convert Processing Assistant Positions from part time to full time	\$13,927
Social Services	Income Maintenance Caseworker I Position	\$17,301

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 General Fund continuation budget increased 7% over FY 2016. Reasons for this are as follows:

- **Salaries:** Continuation salaries increased 4%. Most of this comprises a recommended 3% market pay adjustment for employees, at a cost of \$707,421 in the general fund. The increase also includes positions that were budgeted in

contingency in FY2016 and are now included in the continuation budget (e.g. positions in Planning and Emergency Operations).

- **Other Personnel Costs/Benefits:** Overall, this category increased 9%. Pay-based benefits increased as a result of salary increases. A \$593,775 (15%) increase in health insurance is recommended to cover expected costs. An increase of \$55,795 in retirement costs is also recommended due to action by the State Treasurer's Office to increase the contribution by 7% for general employees and by 11% for law enforcement personnel. This increase is part of an attempt to stabilize the employer contribution rates. After FY 2017, both rates will continue increase by 0.25% annually through FY2020-21. Adoption of this policy and these contribution rates will allow for predictability and stability in the contribution rates while continuing keeping the local retirement system one of the best-funded systems in the country
- **Operating:** Operating expenses grew by less than 1%.
- **Debt:** Overall, the county's debt service obligations increased by 9% because of increased debt service for the Agriculture and Conference Center and Joint Bus/County Garage. [+999,450]

- **Transfers:** Transfers are budgeted at a 49% increase over FY 2016. The debt model calls for a transfer of \$9,999,957 to cover current debt service and prepare for the new CIP projects (expanding capacity of the New High School, New Elementary School, and CCCC Health Sciences Building), an increase of \$3,369,146. The Capital Improvements Program calls for an increase of \$670,471 transfer to capital reserve to fund pay-as-you-go CIP projects and move construction of the animal shelter up one year.
- **Allocations/Programs:** This category increased 2% overall because the allocation to Chatham County Schools, which increased by \$1,518,342, is now included in this category. This was offset by reductions in one-time allocations in FY 2016, including \$301,000 in special allocations to Siler City and Goldston.

Capital Improvements Program (CIP)

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 seven years, beginning in FY 2017. The CIP 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.

Three changes to the FY 2017-2023 adopted CIP are proposed in the FY 2017 Recommended operating budget:

- Expand the capacity of the new high school from 800 to 1,000 students (with a core of 1,200). This change adds approximately \$5 million to the high school budget and creates the need to transfer the equivalent of 0.5 cents on the tax rate to the debt reserve. The Board of Education voted to make this change on April 21, 2016.
- Move up the Animal Shelter one year to open in FY 2019. This action increases the transfer required to the CIP reserve by \$936,219, but this amount is funded through fund balance appropriation.
- Redirect \$161,157 in funding for the Pittsboro Elementary School roof to a mobile pod for Northwood to provide

sufficient capacity until the new high school is built. This has no net effect on the budget or CIP.

The main impact of the CIP on the FY 2017 is found in three areas:

First, it is necessary to increase the transfer to the debt reserve by 2.1 cents on the property tax rate to fund the new elementary school and CCCC Health Sciences Building.

Second, the \$2 million transfer to capital reserve called for in the CIP is funded.

Third, several projects in the CIP have operating impacts on the FY 2017 budget.

- The Agriculture and Conference Center staff, utilities, and other operating expenses total \$221,766.
- The budget includes \$245,000 to fund a full year of operations for the county's portion of the joint garage.

More Information: See Appendix C for a summary of the Capital Improvements Program.

The Future

Short-Term: National, state, and regional economists expect growth to continue at the current pace into next year. Locally, we appear to be doing better than the state. Indicators of local growth, such as building inspections and deed stamps, are trending at or near pre-recession levels. For that reason, additional revenue growth is anticipated in many areas in FY 2017, significantly in sales tax. Property tax growth, while it has been flat in recent years, is beginning to show the results of this growth in upcoming budgets. In short, the county should have more resources to deliver services to a growing population; however, the rate of growth year-over-year may begin leveling off.

We have made much progress in positioning our workforce and facilities to deal with this growth in the short term. New schools, community college buildings, a new justice center, detention center, a joint school bus/county garage, and agriculture center will ensure the county has the facilities to deliver services. These facilities were built when construction costs had declined substantially and interest rates were at historic lows. We were able to do this only because we had positioned ourselves financially to continue to invest when many jurisdictions had to make deep cuts, particularly in their capital programs. Investments in our employees to maintain market pay and provide comprehensive training means we will

have the skills to move forward. In short, we are ready for new demands on our services.

The Long Term: Chatham Park and our two megasites for economic development present many opportunities and challenges. While our recent investments will help us deal with the expected growth, these developments are game-changers.

Invitation for Public to Participate

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:

- **Monday, May 16, 6 p.m.,** Historic Courthouse, Pittsboro.
- **Tuesday, May 17, 6 p.m.,** Siler City Courtroom, Town Hall.

Respectfully submitted May 2, 2016.

Renee Paschal

Renee Paschal
County Manager

We will have to be even savvier about how we invest our resources to ensure we maximize these opportunities. Careful planning of public facilities, continued efforts to make our pay and benefits competitive, and stewardship will help us be ahead of the change we know is coming.

You may provide comments or ask questions of our budget staff. Please contact Lisa West (lisa.west@chathamnc.org), 919-545-8483. To ensure comments are considered, please submit by May 18, 2016.

Commissioners will also hold a series of budget work sessions. Check times and places on the County's website: www.chathamnc.org.