

**MINUTES**  
**CHATHAM COUNTY BOARD OF COMMISSIONERS**  
**SUMMIT SESSION**  
**FEBRUARY 04, 2009**

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The Board of Commissioners (“the Board”) of the County of Chatham, North Carolina, met in the Henry H. Dunlap Building Classroom, 80 East Street, located in Pittsboro, North Carolina, at 9:00 AM on February 04, 2009.

Present: Chairman George Lucier; Vice Chair Sally Kost; Commissioners Mike Cross, Carl Thompson and Tom Vanderbeck; County Manager, Charlie Horne; Assistant County Manager, Renee Paschal; Finance Officer, Vicki McConnell; and Clerk to the Board, Sandra B. Sublett

*Summit Agenda*

**DAY ONE:**

1. Adopt Financial and Budget Policies and Budget Calendar
2. Financial Indicators/Budget Trends
3. Current Year Projections and FY 2010 Revenue/Expenditure Picture
4. Survey Results
5. Review of “Heads-Up” from Departments
6. Begin Discussion of FY 2010 Commissioner Goals/Work Planning (Brainstorming)
  - General Topic Areas:
  - Open Government
  - County Administrations/Fiscal Administration/Finding Efficiencies and Savings
  - Economic Development
  - Environmental Protection/Conservation
  - Land Use/Planning/Infrastructure
  - Public Safety/Emergency Management
  - Human Services

The Chairman called the meeting to order at 9:07 AM.

**FINANCIAL AND BUDGETARY POLICIES**

Renee Paschal, Assistant County Manager, reviewed “Financial and Budgetary Policies” Power point as follows:

**Why?**

- Maintain and enhance the county’s financial position
- Clear guidelines
- Viewed favorably by bond rating agencies

**Where did this come from?**

- GFOA
- Local Government Commission
- Numerous policies from other jurisdictions
- Staff experience
- Board of Commissioners originally adopted December 2003; amended January 2008

**Sections**

Budget

Debt  
Fees & User Charges  
Capital Improvements Program  
Fund Balance  
Capital Reserves  
Cash Management  
Accounting & Financial Reporting

### **Budget Policies**

**Objective:** The County will manage its annual budget to meet its legal and debt obligations, ensure adequate funding of current service levels, meet the priorities of the Board of Commissioners, maintain the County's financial condition, and keep property tax increases to a minimum.

#### **New or Increased Services:**

The County should ensure its current service levels are adequately funded before funding new or enhanced services.

#### **Mid-year appropriations:**

All agencies supported by the county must function within the resources made available to them through the annual budget. The county will consider requests for new or expanded programs during the course of the regular budget process. Only in extreme circumstances will such requests be considered outside of the budget process.

#### **Use of one-time revenues:**

One-time revenues should not support ongoing personnel and operating costs. Use of one-time revenues is appropriate for capital outlay, debt retirement, contribution to capital reserve, and other non-recurring expenses. Proceeds from the sale of surplus capital items will go into the County's general capital reserve, unless proceeds are otherwise restricted.

#### **Grants:**

The County will pursue federal, state, and private grants to enhance services to County residents. However, the County will strictly limit its financial support of grant-funded programs to avoid commitments which continue beyond funding availability. The County will not continue programs after grants have expired except as expressly approved by the Board of Commissioners as part of the annual budget process.

#### **New Positions:**

New positions should be added as a last resort. Other alternatives, such as contracting, technology, and reassignment of duties should be fully explored and documented before new positions are funded.

#### **Level of Budgeting:**

In order to tie costs to specific services, departments shall submit budgets for each of their divisions or program areas. Department heads are authorized to transfer operating funds between their divisions without prior approval. Transfers for personnel and capital outlay must be approved by the Budget Officer. The County shall adopt budgets at the program level.

#### **Justification for funding:**

Departments and agencies requesting funding from the county should justify their requests in terms of maintaining or increasing service levels. Departments should measure their performance in key service areas and periodically compare their performance to other jurisdictions to discover efficiencies and develop best management practices.

#### **Contingency funds:**

Departments shall not include contingency funds in their respective budgets. The county shall include a general contingency fund in its annual budget. The amount of the contingency fund shall not exceed one percent of the annual budget.

#### **Budget Officer:**

The County Manager serves as the budget officer. He is authorized to perform the following functions or delegate them:

- 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 \$20,000 from contingency to any department with a memorandum report of such transfers at the next regular meeting of the Board of Commissioners.
- Transfer, terminate, or create positions, and transfer associated funds, without limitation, provided that actual personnel costs do not exceed budgeted personnel costs and position counts are not increased.
- Employ temporary help from time to time to meet circumstances.
- Execute contracts provided that funds for the contract have been approved as part of the annual budget and the contract does not exceed the funds appropriated, the contract's term does not exceed one year, all applicable state laws and county policies regarding purchasing are followed, and the contract does not exceed \$20,000.
- Execute change orders provided that the change order is for a project approved as part of the annual budget or by a project ordinance approved by the Board of Commissioners, the change order does not exceed the funds appropriated, and the change order does not exceed \$20,000.

### **Debt policies**

**Objective:** The County will manage its debt obligations to meet demands for capital facilities while striving to maintain or improve the County's AA-/A+ bond rating.

#### **Types of debt:**

The types of debt available to North Carolina county governments include general obligation bonds, certificates of participation (COPs), other leases, revenue bonds, and proceeds from the refunding of general obligation bonds. In general, the county will select the appropriate type of debt given financial circumstances and feasibility.

#### **When debt is appropriate:**

Debt is an important tool for financing capital facilities. Over-reliance on debt, however, is negatively perceived by bond rating agencies. The county should exhaust all possible resources, such as grants and pay-as-you-go funding, before borrowing funds. Debt should only be used for the construction of capital facilities and the purchase of capital assets. In general, the assets should not be recurring capital replacements, such as vehicles. If terms are favorable, however, the county may elect to use debt in this manner. Debt should never be issued to meet recurring operating expenses.

#### **Terms:**

The term of the debt service payments shall not exceed the useful life of the asset purchased through debt.

#### **Debt limitation:**

Debt issuance guidelines and formulas established by the Local Government and rating agencies will be closely monitored and appropriately applied.

#### **Relationship to operating and capital budgets:**

Debt for items meeting the requirements of a capital project shall be requested through the capital improvements program (CIP) process. Other debt requests shall be made through the annual budget process. The annual budget will include sufficient funding to meet the County's debt service obligations.

#### **Fees and user charges policies:**

**Objective:** The County will set its fees and user charges to recover the costs of services at a predetermined recovery threshold and thereby reduce reliance on property taxes.

#### **Enterprise funds:**

The operating budgets of enterprise funds shall not be subsidized by the general fund and shall be supported wholly by fees generated by the enterprise. To the extent possible, the capital costs

of enterprise funds should not be subsidized by the general fund, unless Commissioners identify a compelling need to provide a subsidy.

**Other fees and charges:**

The County should charge other fees when it is allowable, when a limited and specific group of beneficiaries can be identified, when it is feasible to charge beneficiaries for the services rendered, and when there is no reason to subsidize the service wholly or in part. To the extent possible, fees levels should be set to recover the full costs of the services provided, unless it is deemed necessary or desirable to subsidize the service.

**Subsidy:**

Factors to consider in deciding whether a subsidy is appropriate include the burden on property tax payers, the degree to which the service benefits a particular segment of the population, whether beneficiaries can pay the fee, and whether the service provides a broader benefit to the community.

**New and increased services:**

Part of the decision-making process in establishing new services or increasing service levels should include an analysis of fees and user charges and a desired cost-recovery threshold.

**Review and approval of fees and charges:**

As part of the budget process, the County shall annually review the fees and user charges. All changes to the schedule of fees and charges must be approved by the Board of Commissioners.

**Capital Improvements Program (CIP) policies**

**Objective:** The County will plan for its capital needs at least five years into the future in order to address needs and to earmark revenues.

**Process:**

A five-year capital improvements plan shall be prepared and updated each year. Departments and agencies shall request items meeting the definition of a capital asset through the County's annual CIP process. Only in extreme circumstances will the County consider items outside the CIP process. Generally, agencies should plan five years ahead for capital improvements and project additions to the CIP should occur in Year 5 of the CIP.

**Relationship to annual budget:**

The operating impact of each project shall be identified and incorporated into the annual operating budget.

**Capital project ordinances:**

A separate capital project ordinance shall be submitted to the Board of Commissioners for approval for all capital improvements which span more than one fiscal year and cost \$100,000 or more.

**Fund balance**

**Objective:** The County shall maintain an undesignated fund balance in its general fund of 20 percent of the previous annual operating budget in order to meet emergency obligations, avoid interruptions in cash flow, generate interest income, and maintain an investment grade bond rating.

**Allowable uses:**

Fund balance may be used as appropriate under sound management practices.

**Capital Reserves**

**Objective:** The County will strive to fund capital improvements on a pay-as-you-go basis in order to enhance its financial condition and bond rating.

**Annual Contribution:**

The County shall annually contribute one percent of its operating budget to a capital reserve.

**Cash Management:**

Objective: The County shall effectively manage its cash resources in order to maximize interest earnings and minimize loss of revenue.

**Cash Disbursements:**

The County's objective is to retain moneys for investments for the longest period of time possible. Disbursements will be made on the contractually agreed date unless earlier payments provide a greater economic benefit to the County. For County checks, one signature will be required. Facsimile signatures will be safely stored and used when appropriated.

**Investment Policy:**

County funds will be invested in a prudent and diligent manner with emphasis on safety, liquidity, and yield, in that order. The County will conform to all state and local statutes governing the investment of public funds.

**Accounting and Financial Reporting**

**Objective:** The County will establish and maintain its accounting system in accordance with the NC Local Budget and Fiscal Control Act. All records and reporting will be in accordance with Generally Accepted Accounting Principles. The County will maintain an accounting system which provides internal budgetary and accounting controls designed to provide reasonable assurance regarding both the safeguarding of assets against the loss from unauthorized use or disposition and the reliability of financial information used in the preparation of financial statements and reports.

Ms. Paschal reviewed the key policies related to finances.

- Chairman Lucier asked about "new or increased services" and suggested inserting "critical."
- Commissioner Kost asked about clarifying to departments in the budget process that any grants requiring matches or other county funding should be part of their request. Ms. Paschal said that this is done through the budget process by requiring them to be included as expansion items. Commissioner Thompson asked about making some stated intent about continuing or not continuing the program after grant ends. Ms. Paschal said that the process does include this.
- New positions: The group discussed revising wording so that new positions are added when there are no "no other viable options."
- Chairman Lucier asked about the level of budgeting and suggested going into greater detail on any requested transfers between personnel and capital outlay. Commissioner Kost asked about transfers between agencies and Ms. Paschal said that we have not done this in the past.
- Ms. Paschal highlighted some differences between policies on budget transfers and the budget ordinance.
- Change the numbers in the policies to be consistent with the ordinance.
- Debt policies...Ms. Paschal noted that we probably should not state the specific bond rating since it changes, but just say "current bond rating."
- Commissioner Kost asked about whether or not we revisit assumptions for subsidizing costs when fees do not cover entire amount. Ms. Paschal said we don't look at the fees on a specific cycle. Usually is done when it is clear that we need additional funds for new position, etc.
- Commissioner Kost asked about the schools providing operating impact information. Ms. Paschal said that they do a good job of this for new schools but not necessarily expansions or other changes. Need to look at doing this for expansions, not just new schools.
- They suggested changing language to setting aside "a minimum of 1%" of operating budget for capital budget because we sometimes do more than this.

Commissioner Vanderbeck moved, seconded by Commissioner Thompson to adopt the Financial Policy with noted changes as follows:

## Chatham County Financial and Budgetary Policies

**Objective:** Chatham County government exists to meet the needs of residents through the services the County is mandated to provide or has elected to provide. In order to meet these needs, the County must maintain its financial integrity. In addition, the County is constantly confronted with requests for new and enhanced services from a growing and diverse population. The County's Financial and Budgetary Policies are intended to maintain and improve the County's financial condition thereby preserving our ability to meet future needs while giving County leaders a framework for balancing increased service demands and financial position.

### Budget Policies

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**New or increased services:** The County should ensure ~~its current service levels are adequately funded~~ adequate funding of critical services funding of critical services before funding new or enhanced services.

**Mid-year appropriations:** All agencies supported by the county must function within the resources made available to them through the annual budget. The county will consider requests for new or expanded programs during the course of the regular budget process. Only in extreme circumstances will such requests be considered outside of the budget process.

**Use of one-time revenues:** One-time revenues should not support ongoing personnel and operating costs. Use of one-time revenues is appropriate for capital outlay, debt retirement, contribution to capital reserve, and other non-recurring expenses. Proceeds from the sale of surplus capital items will go into the County's general capital reserve, unless proceeds are otherwise restricted.

**Grants:** The County will pursue federal, state, and private grants to enhance services to County residents. However, the County will strictly limit its financial support of grant-funded programs to avoid commitments which continue beyond funding availability. The County will not continue programs after grants have expired except as expressly approved by the Board of Commissioners as part of the annual budget process.

**New positions:** New positions for existing programs and services should be added as a last resort when there is no other viable option. Other alternatives, such as contracting, technology, and reassignment of duties should be fully explored and documented before new positions are funded.

**Level of budgeting:** In order to tie costs to specific services, departments shall submit budgets for each of their divisions or program areas. Department heads are authorized to transfer operating funds between their divisions without prior approval. Transfers for personnel and capital outlay must be approved by the Budget Officer. The County shall adopt budgets at the program level. Commissioners reserve the right to review and/or adopt budgets at a greater level of detail.

**Justification for funding:** Departments and agencies requesting funding from the county should justify their requests in terms of maintaining or increasing service levels. Departments should measure their performance in key service areas and periodically compare their performance to other jurisdictions to discover efficiencies and develop best management practices.

**Contingency funds:** Departments shall not include contingency funds in their respective budgets. The county shall include a general contingency fund in its annual budget. The amount of the contingency fund shall not exceed one percent of the annual budget.

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- Execute contracts provided that funds for the contract have been approved as part of the annual budget and the contract does not exceed the funds appropriated, the contract's term does not exceed three years, all applicable state laws and county policies regarding purchasing are followed, and the contract does not exceed \$100,000 ~~Execute contracts provided that funds for the contract have been approved as part of the annual budget and the contract does not exceed the funds appropriated, the contract's term does not exceed one year, all applicable state laws and county policies regarding purchasing are followed, and the contract~~

~~does not exceed \$20,000.~~

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### **Fund balance**

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**Annual contribution:** The County shall annually contribute a minimum of one percent of its operating budget to a capital reserve.

### **Cash Management:**

**Objective:** The County shall effectively manage its cash resources in order to maximize interest earnings and minimize loss of revenue.

**Cash Receipts:** Departments shall deposit receipts daily as required by law. Departments are responsible for ensuring the security of cash receipts. The Finance Officer is responsible for ensuring funds are deposited into interest bearing accounts.

**Cash Disbursements:** The County's objective is to retain moneys for investments for the longest period of time possible. Disbursements will be made on the contractually agreed date unless earlier payments provide a greater economic benefit to the County. For County checks, one signature will be required. Facsimile signatures will be safely stored and used when appropriated.

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Adopted by the Board of Commissioners:  
December 15, 2003

Amended by the Board of Commissioners:  
January 16, 2008

Amended by the Board of Commissioners:  
February 4, 2009

The motion carried five (5) to zero (0).

### **BUDGET PROCESS**

Commissioner Kost asked that the public hearing for the Capital Improvements Plan (CIP) be held on February 16, 2009 CIP and that its adoption be set for March 2, 2009.

Commissioner Kost moved, seconded by Commissioner Vanderbeck, to amend the 2009-2010 Budget Process Calendar; that the public hearing for the Capital Improvements Plan (CIP) be held on February 16, 2009 CIP; and that its adoption be set for March 2, 2009. The motion carried five (5) to zero (0). The calendar is attached hereto and by reference made a part hereof.



## Amended FY 2009-2010 Budget Process

### Calendar

Deadline	Actions
15 September 2008	<ul style="list-style-type: none"> <li>• Capital Improvements Program (CIP) forms distributed to agencies</li> </ul>
15 October 2008	<ul style="list-style-type: none"> <li>• Forms due from agencies and departments for new/changed CIP projects</li> <li>• “Heads Up” document due from departments and agencies (document which gives Commissioners a preview of likely requests, upcoming problems or concerns, etc.)</li> </ul>
3 November 2008	<ul style="list-style-type: none"> <li>• Open budget survey</li> </ul>
19 November 2008	<ul style="list-style-type: none"> <li>• Manager submits recommended CIP to the Board of Commissioners</li> </ul>
1 December 2008	<ul style="list-style-type: none"> <li>• Commissioners hold budget work session on CIP; action on CIP requested</li> <li>• Close budget survey</li> </ul>
Mid January 2009	<ul style="list-style-type: none"> <li>• Budget summit materials (survey results, financial trends, and departmental “Heads Up” document) submitted to Board of Commissioners</li> </ul>
Early February 2009	<ul style="list-style-type: none"> <li>• Budget Summit: Board of Commissioners sets goals and guidelines for FY 2010 budget</li> </ul>
21 January 2009	<ul style="list-style-type: none"> <li>• Forms distributed to departments/agencies</li> </ul>
2 February 2009	<ul style="list-style-type: none"> <li>• Requests for new positions and work plans (with goals, objectives, and performance targets) due from departments</li> </ul>
16 February 2009	<ul style="list-style-type: none"> <li>• Hold public hearing on the proposed Capital Improvements Plan</li> </ul>
2 March 2009	<ul style="list-style-type: none"> <li>• Adopt Capital Improvements Plan</li> </ul>
16 March 2009	<ul style="list-style-type: none"> <li>• Budgets due from departments and agencies (budgets must include organizational charts and list of major responsibilities)</li> </ul>
4 May 2009	<ul style="list-style-type: none"> <li>• Budget submitted to Board of Commissioners and public</li> </ul>
18 May 2009	<ul style="list-style-type: none"> <li>• Official public hearing held</li> </ul>
Late May and June 2009	<ul style="list-style-type: none"> <li>• Board of Commissioners holds budget work sessions</li> </ul>
By 30 June 2009	<ul style="list-style-type: none"> <li>• Board of Commissioners adopts budget (legal deadline)</li> </ul>

Renee Paschal, Assistant County Manager, reviewed “Budget Process” Power point as follows:

### *The Budget Process*

#### **The Role of the Budget**

- The budget decides:
- Will we continue current services?
- Will we increase current services?
- Will we reduce current services?
- In other words, who gets what, when, and how

#### **Past Goals of the Process**

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

#### **Commissioner Leadership**

- Happens early, generally during the January Summit
- What are your expenditure priorities for the upcoming year?

- What are the revenue constraints (property taxes, fees, etc.)? Staff presents estimates of fund balance and revenue
- What long-term goals for the county (such as debt loads and fund balance) do you want staff to follow?

### **Financial Policy**

- Based on the commissioners' long-term goals
- Covers areas such as capital reserves, fund balance, debt levels, bond ratings, enterprise funds, etc.

### **Input from Agencies and Departments**

- Occurs in October or November
- "Heads Up" document
- Lets you know what the problems and issues are
- Gives you information for setting expenditure priorities

### **Team Approach**

- The Manager develops a recommended budget based on:
  - Commissioner direction
  - Revenue projections
  - Department and agency requests
  - Ranking of "expansion" requests by Budget Steering Team

### **Expansion v. Continuation**

- The budget is broken into continuation and expansion
- Continuation means the funding necessary to provide the same services as the previous year
- Expansion means additional funding to provide better, more, different (etc.) services

### **Criteria for Ranking**

- Commissioners' priorities
- Safety
- Mandate
- Timing/linkages
- Economic impact
- Efficiencies
- Maintain service levels
- Improve access
- Improve service quality
- Add services
- Operating budget impact
- Community support/impact
- Financing

### **Special Review Processes**

- Coordination of non-profit requests with United Way (joint application and process)
  - Needs assessment information
  - Commissioners will select volunteer panelists to review and make recommendations on non-profit requests
- Review of Fire Department budgets by the Fire Marshal

### **Special Budgets**

- Enterprise funds (water and waste management) – fees generated from operating these systems (plus other revenues) should pay the costs
- Special revenue funds – contain revenue which has been earmarked by law or policy for a special purpose

### **Community Input**

- Budget published well before the legal deadline of June 1
- Recommended budget is available on the web and in the county's libraries

### **Full Information**

- Budget document includes performance data and a summary of all recommended expansion items
- Performance information included to help you make decisions about service levels

Ms. Paschal reviewed the key policies related to the budget process:

- Chairman Lucier asked Ms. Henzey to provide a simplified way to describe the budget process for the “State of the County” address.
- Chairman Lucier and Commissioner Vanderbeck noted that the intent is to shoot for June 15<sup>th</sup> to adopt a budget, but that the Board can go to June 30.
- Commissioner Kost suggested incorporating the citizen survey in the process chart as well.
- Ms. Paschal noted that we can also add the budget workshop for citizens in the future when the economic situation improves. This would have been in December with the survey in November, if the economy had been better.
- Chairman Lucier noted that the Board of Commissioners can prioritize early but they are subject to change based on citizen input, department requests, revenues, etc., and should be reflected in the process.
- Commissioner Vanderbeck asked if there are incentives for departments to make changes if they ask for expansions, such as doing other things more efficiently or items you can cut. A new program goes through expansion process, but if happens during the year, there is a mechanism for departments to reduce costs to add something new. Need to make sure that the new item is not going to expand next year’s budget. The group will talk more about this later.
- Ms. Paschal still needs volunteers for the nonprofit committees.

Ms. Paschal stated that it our intent to give the Board as much information as they need to make a good decision and for staff to get all the information that they need to make a good recommendation.

### **BREAK**

The Chairman called for a short break.

### **FINANCIAL INDICATORS**

Ms. Paschal reviewed introduced a new financial indicators model spreadsheet which she stated came from the School of Government. She stated that not all indicators have specific benchmarks, but most do. Commissioner Vanderbeck asked about selection of counties for comparison. Ms. Paschal stated that she might select another one that has similar wealth indicators next time; that the analysis was a bit rushed this year, doing it the first time. The County Manager noted that some of these would be good to feature in the “State of the County” Address and the Chairman agreed.

#### **Financial Indicators Introduction:**

- Based on a model produced by School of Government Faculty
- Provides for a measure of financial health that can be easily compared with other counties
- The model is designed to help us answer questions, such as:
  - Can we meet our obligations?
  - Can we continue to provide services?
  - Can we meet unexpected problems?
  - Do we have financial flexibility?

Vicki McConnell, Finance Officer, reviewed Benchmark Counties (Chatham, Franklin, Lee, and Moore Counties), Financial Condition Assessment at Government-Wide Level, Financial Condition Assessment for Enterprise Funds, and Financial Condition Assessment for Governmental Funds

#### **A. Government Wide:**

**Total Margin & Financial Performance:** The year 2007 was a planned decrease due to monies transferred from governmental funds (General Fund) to enterprise funds (Water Fund).

**Self Sufficiency:** Commissioner Kost stated that she needs to think about this one as they may not be a true representation.

**Solvency:** Chairman Lucier and Commissioner Kost wondered why Lee County looked so low on this measure.

**Leverage:** This looks good for us now, but will change.

**Capital Assets:** Not investing as much in general capital assets as water/waste management capital assets.

**B. Enterprise Funds:**

**Enterprise Funds:** As we start to pay off debt, many of these measures will change. Chairman Lucier noted that this would look very different if we had upgraded the eastern water plant and would not look as positive; that big ticket items are looming. Chairman Lucier noted that we are moving in the right direction, but this is just a snapshot of one point in time. Ms. Paschal stated that it does show the starting point, which is positive. Commissioner Kost suggested that it would be good to see some of the key charts with future projections to do forecasting.

**C. Governmental Funds:**

**Dependency:** Could change some with stimulus funds.

**Financing Obligation:** The five cents set aside for capital is reflected in the Total Governmental Funds Chart.

**Solvency:** Chairman Lucier asked how total budgets compare to the Benchmark Counties in 2008 and 2009. Ms. Paschal stated that she would retrieve the information and that it would be a good thing to include.

**Leverage:** The comparison with other counties depends on where the other counties are with revaluation.

Commissioner Kost asked if staff thought this was a helpful analysis to do. Ms. Paschal stated that it was, but hopes that other counties will start to use the model so that it would be easier to get comparisons.

**HISTORICAL POPULATION GROWTH 1980 TO 2007**

**BUDGET TRENDS:**

- Chairman Lucier asked if the use of State Demographer estimates on population creates problems for the county because they are often low. Ms. Paschal said that generally did not because the trends are the same.
- Per capita income continues to be high which can hurt with grants but help with bond ratings.
- Building permits are way down in entire region. Commissioner Kost noted that we need to add Cary and Siler City to this chart.
- All revenues related to building are down and expected to stay down for a while.
- Sales tax revenues are down.
- Our tax base is not dropping here yet. Collections down a bit, but not much considering.
- Assessed value per capita also looks very positive compared to surrounding area.
- Chart 18 - does include new debt obligations.
- Our debt per assessed value is not as bad as debt per capita.
- Expenditures per capita...Is this mostly due to capital debt? Ms. Paschal said not entirely...other expenses are going up too.

- Chart 27 - Why does sales tax per capita look this way? Ms. Paschal thinks it is because the comparison is with other counties in our population group, not all counties or surrounding counties.
- Chart 30 - The “other” category includes water expenses so that is why it is likely higher.
- Chart 31 - Commissioner Kost asked if the salaries and wages include all benefits. The Finance Officer stated that it does, because it is based on audits.
- Chart 35A - Teacher salary supplements are still lower than most surrounding counties but are close to state average. We are losing teachers because of these issues. Must compete with all of them. Commissioner Kost stated that the school system is looking at restructuring supplements based on levels of experience which would be phased in. Chairman Lucier would like to see our historical record on this.
- Chart 37 - We need more information on why this is dropping. May be that we are spending more on other areas, but Board of Commissioners would like to see how we rate compared to state average over time.

### **CURRENT REVENUE & EXPENSE PROJECTIONS**

**Preliminary FY09 Estimates:** Revenues may be 1% above where we budgeted, instead of our goal of 5%. Frozen positions have saved some money. Ms. Paschal said that if the State starts withholding monies, we need to be ready for this. Commissioner Kost asked if we were drawing down as much money as we can now before they are frozen by the state. Many of the items on the list of potential state cuts listed in the newspaper were things that would impact counties and cities. Commissioner Kost noted that some frozen positions need to be evaluated to make sure that we are not freezing positions that hurt us in the long run.

**Preliminary FY10 Estimates:** Ms. Paschal said that she is using what would be a revenue neutral rate with revaluation, but some homeowners will be impacted more than others; that it looks like we would be fairly flat in revenues, but revenue neutral rate prevents this from being worse; that sales tax distributed by point of sale actually should use delivery location, if goods are delivered. Are we sure that this is being done so that it does not hurt our revenues? Commissioner Cross wants to know if the zip code that some stores collect is used for sales tax. Commissioner Kost said that she would like to see building supply places be tied to building permits. How does this distribution process work and what do phone numbers/zip codes collected by some stores mean?

Ms. Paschal stated that overall, we project a slight deficit next year, assuming a revenue neutral rate and no increase in the overall budget; and that we will recommend a temporary decrease in school capital outlay. Commissioner Kost said that we may have to look at capping the PFPs at less than 6% in next year’s budget. Departments have been informed that there may be tough choices on pay raises versus layoffs. Commissioner Kost said that the pay equity study is also an issue as some staff fall further behind.

**Fund Balance Projection:** Ms. Paschal said she used more conservative assumptions for FY09, FY10 and FY11 due to recession; and that very fluid situation with many factors. Chairman Lucier asked what FY11 looks like if we had 5% growth in revenues. Ms. Paschal said that it would increase the fund balance to 24.6% if no changes in expenses.

Chairman Lucier noted that we need to emphasize the lean government we run versus other counties...not as much to cut; that it should be part of State of the County Address; and that we also should look at lack of sales tax revenues and our expenses for salaries and benefits (other than schools) versus other counties.

Ms. Paschal asked if the Board is satisfied with the information they are getting from the schools, if they want a different format, or different information in their budget request. Commissioner Thompson asked if the schools have goals and objectives like the other departments do. The Board of Commissioners would like to see something like this: Make sure that they are maximizing state funding. Federal is more based on poverty and income, but what about state funds? Chairman Lucier suggested going back to a less formal meeting with the school board to discuss these issues. Commissioner Kost said that timing can be an issue since they don’t have to give us a budget until after May 1<sup>st</sup>. Asked if we could ask the School Board to submit their budget earlier, Ms. Paschal said that she feels the Board needs to get the Manager’s budget, realize everything in context, and then hear from the schools.

- Commissioners would like to hold a work session on the Board of Education request after May 1<sup>st</sup>
- Commissioners would like to see the following information:
  - Total district budget, including all revenue sources

- How we are maximizing other sources of revenue (state and federal)? We rank very high in county funds per student, but low in these other sources. For example, are we paying the most expensive employees out of state funds and the least expensive out of local funds?
- Tie funding requests to stated goals and objectives
- For new programs, state the costs and benefits of the programs broken down by school. Commissioners would also like a report on past-funded programs, such as AVID.
- Commissioners want to see something similar to the "State of the County" report our Chairman gives.
- Commissioners want information on student performance and they want expenditures tied to goals and objectives.

By consensus, the Board agreed.

### **LUNCH**

Chairman Lucier called for a lunch break with the meeting to resume at 1:00 PM.

### **COMMUNITY SURVEY RESULTS**

Debra Henzey reviewed the major findings with the survey. Chairman Lucier said we need to find more ways to highlight what we are doing on the priority issues and send out information to the news media with summary of what we are doing related to the priorities. Ms. Henzey said this could be done as part of the State of the County or shortly before. Ms. Paschal and the County Manager also suggested noting in the budget document when it relates to the survey priorities. Ms. Henzey said that the survey took about 55-60 hours of work total, including analysis of results and inputting hard copy responses.

### **REVIEW OF HEADS UP FROM DEPARTMENTS**

Next year, give the departments a template to use to provide their heads up information to provide consistency.

- **Human Relations**...move up outreach as a higher priority.
- **Goal:** Meet with the towns in the County, but focus on things that are a specific common interest. Must be very well defined topics, such as water/sewer and agribusiness. Maybe a summit with the towns in one room together on general issues.
- Complexity of developing HUD ordinance, must integrate with the federal and state laws and regulations.
- Ms. Henzey reported that Census work gears up this summer and will require a lot of time through May of 2010.
- **Grant writer** - We need her to focus on this as long as grants are available
- **Goal:** Coordinate efforts focused on obesity, linking Health Department, Cooperative Extension, and others concerned about this issue.
- **Goal:** Coordinate promotions to buy local agriculture products.
- Does the Board of Commissioners have any input in the selection of new Cooperative Extension Director? They would like to know how they might provide some input.
- Can we get more on what #2 item is under Council on Aging?
- The Board of Commissioners would like to see the full budgets of groups like Council on Aging, Economic Development Commission, Schools, etc?
- Can Economic Development Commission get some technology solution to answer the phones? Not a live person to answer the phones. Any way to address this? A way to get call forwarding?
- The Economic Development Commission needs to get some other funds to subsidize what county is providing, such as Committee of 100. Look at fund balance and see what is going on.
- Economic Development Commission should partner with the libraries to provide resources for entrepreneurs and access to materials.

- **Goal:** Increase public access to computer/internet, especially for job hunting. Short-term and long-term ideas. Look at library and Central Carolina Community College (CCCC) computer access for people without computers. What about K12 computer labs...at least approach Dr. Logan on this idea? Commissioner Thompson felt that we could work with CCCC now on this issue, but also wants to explore other options, including new joint library?
- How does the Board of Commissioners find out if there are plants relocating out of Chatham because they need resources? Make sure Jennifer Nelson, Administrative Support for Economic Development Commission knows that the Board of Commissioners wants to know so they can help if they can. Chairman Lucier will bring this up at next Economic Development Commission board meeting.
- **Goal:** Make sure that we have everything in place to handle emergency planning and disasters. The County Manager will schedule a work session there in the near future.
- Can we fund the Emergency Operations' request with E911 money? No, not for operating costs. They are asking for staff.
- Public Works will not be part of the new Sustainable Development Group, so Environmental Resources will not come under Public Works.
- Facilities...are we looking at a performance contract?
- **Goal:** Move forward on energy efficient buildings. What savings have we realized so far? Include an example of this in our State of the County if we have any figures.
- Get an organizational chart and total budget with all revenues for departments like Health and the Department of Social Services.
- What does the new legislation on wells really involve? There had been an NCACC legislative goal to leave this up to each county to decide. Need to start this process early to propose a goal, but could talk to legislators now.
- For onsite wastewater changes, need information from Planning Department on potential impact.
- **Dual animal shelter**--need to be careful as our shelter could become the "kill" shelter and the other one becomes the adoption shelter. Challenge will be finding a group that can do this.
- Potential inefficiencies related to school health nurses—never brought to closure. Commissioner Kost has gotten information from George Gregor-Holt. Chairman Lucier doesn't think the school board has acted on it. Resistance appears to come from the schools. Need to bring this up with them. Social workers are a related problem, but more barriers to putting our Department of Social Services workers in the school.

## **BREAK**

The Chairman called for a short break.

### **Goals Continued:**

- **Goal:** Commissioner Kost would like to see what we can do on the pay study to retain good employees. Will be a huge challenge in this budget year. Compare with pay and benefits. Get options from the County Manager on what we might do with pay study.
- **Management Analyst Position:** Move forward this as soon as we can. We are looking at hiring an MPA student half-time until he/she graduates.
- **Goal on Updating Strategic Plan:** Did it ever get used? We do have some elements of it already in what has been done with major initiatives, but not consistent across all departments. A key is to get adequate public input.
- Request: The County Manager is to get a copy of the current strategic plan to the Board of Commissioners members.
- If the Board of Commissioners adds positions or programs, we will need to identify things that could be cut.
- MIS space problem may be resolved if moved to the new building.

- Part of Capital Improvements Plan includes doing something at Camp Maranatha (NW Park) after phase one of Northeast Park. Operating funds would come with this and is part of the budget process.
- **Goal:** The Board of Commissioners wants the lighting ordinance is to be applied countywide. Do not see this as waiting for countywide zoning. Why can't we do this now?
- The Board of Commissioners wants to see options for staffing Transportation Advisory Board, but were waiting for new Sustainable Development Director. Would also oversee Green Buildings and Affordable Housing.
- **Goal:** Adoption of Major Corridor Ordinance next year. Not likely to happen this fiscal year. Some amendments will be needed based on information gathered.
- **Goal:** Adoption of Joint Cary-Chatham Joint Land Use Plan. Could help reach agreement on several issues.
- Why do we have problems with THMs and HAAs? Summer heat is the problem. Is Pittsboro prepared for this? Is there a way to approach this?
- **Goal:** Work with Pittsboro to develop a water system that works for everyone.
- Would be helpful to get GIS maps that show where the long waterlines are.
- **Schools:** Aren't there items that could be done through contingency funds? Some of the new requests may already be in existing CIP...i.e. bathrooms at two schools.
- Video cameras for buses are for security...monitoring of students.
- The schools have asked for \$2,088,246, but we have only allocated \$1 million so far, but can remove some of their items.
- **Sheriff** - Won't need the new school resource officer next year.
- **Social Services:** Public needs to understand what is going on to place demands on their services. Big issues here. Need to communicate with state/fed policymakers as we could take budget cuts as needs are going up. Include some of this information in the State of the County. Ms. Henzey noted that we have already asked the Department of Social Services (DSS) for some information.
- Are there places where groups like Soil & Water and Coop Extension can share resources, such as admin staff?
- **Succession Planning:** Do we have a plan to do this for people who are close to retirement, etc?
- Need to communicate unfunded mandates in Tax Office to state legislators (circuit breaker, etc.)

### **RECESS**

Chairman Lucier recessed the meeting at 4:30 PM until Thursday, February 05, 2009, 9:00 AM in the Henry H. Dunlap Building Classroom, 80 East Street, located in Pittsboro, North Carolina.

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George Lucier, Chairman

ATTEST:

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Sandra B. Sublett, CMC, Clerk to the Board  
Chatham County Board of Commissioners