

# Budget Message

*"Things do not happen. Things are made to happen" – John F. Kennedy*  
*"Hitting is about timing. Pitching is about upsetting timing" – Warren Spahn*

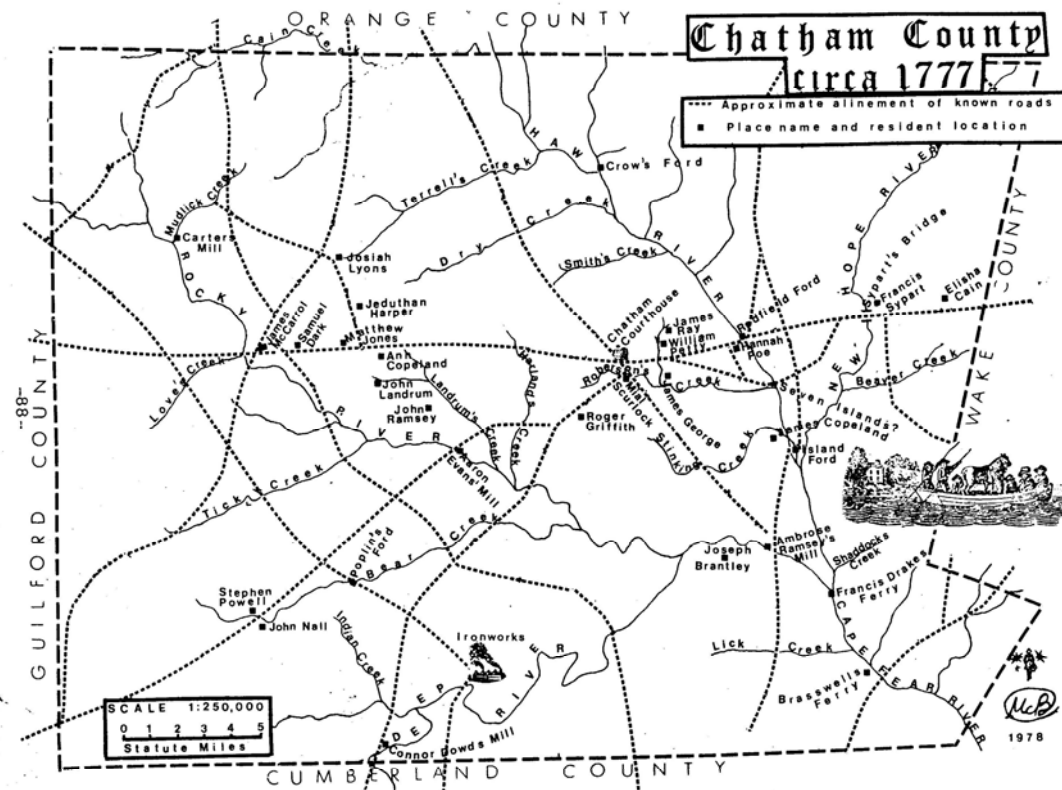
Chatham County Commissioners and County Residents,

Based on many indicators, our time is now. Over the next 30 years, the Triangle region is expected to grow by 1 million residents. No doubt, that growth is headed our way. Obviously, that is on top of what is already here.

Between 2014 and 2015, Chatham County was the fastest growing county in the state. Since 1990, the county has almost doubled in population. We now stand at 72,243 residents.

In 2016, Briar Chapel ranked 40<sup>th</sup> in planned developments in the country and 1<sup>st</sup> in the Triangle for new home sales. Countywide, building permits for FY 17 may top prerecession levels.

Chatham Park's somewhat sluggish start has picked up steam, with land being developed for two commercial areas off US 15-501 across from Northwood High School. Within the next 15 months, plans include 140,000+ square feet of commercial space, construction of the interchange with the Chatham Parkway and US 64



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Bypass, a private school, 200 multi-family residential units, and 150 single-family residential units.

We could sit by idly, but, in Chatham, we make things happen. In some ways, we've timed it just right.

We've taken steps to be better prepared for the impacts of Chatham Park by hiring a consultant to produce a fiscal impact analysis for the first 10 years of the 30-to-40 year project. The study will show the overall effect on the county's bottom line, as well as give us valuable information for planning services levels and capital facilities.

As is always the case, the county prioritizes funding of Chatham County Schools. The recommended budget fully funds the Board of Education's request to add \$630,000 to current expense to fund two reading teachers, 3.5 instructional coaching positions, and three teachers to address growth and configuration issues. The budget includes a 19% increase in supplement funding to ensure Chatham remains competitive with surrounding jurisdictions. Finally, the budget includes a 3% increase in capital outlay funding. The overall increase in operating funds for Chatham County Schools is \$1.5 million or 5%.

The budget includes \$769,000 to provide a 3% increase in employee pay. This investment helps us maintain our ability to recruit and retain a workforce of highly trained and knowledgeable employees. I would argue that this is the most essential step in ensuring we are ready for the coming growth.

In August 2016, the Board of Commissioners adopted zoning for 388 square miles of the county. Additionally, as the economy has recovered from the 2008 recession, we are receiving an increasing number of requests for rezonings and conditional use permits. Non-residential site plan reviews and site visits for compliances have also increased, which limits the time that the zoning administrator has to investigate

complaints. The recommended budget includes funds for a Zoning Officer to handle investigations and field inspections in response to complaints, issue notices of violation, handle some routine permitting and approvals, and coordinate weekly pre-application meetings. Additionally, this position will establish a schedule to inspect the 79 active home occupations and 138 conditional use permits that are on file [+\$51,576].

The Comprehensive Plan is nearing completion. No doubt, much of our energy in FY 2018 will be developing strategies for implementing the goals in the Comprehensive Plan. We plan to work with the Board of Commissioners to refine its goal-setting process to align with the plan. We also plan to work with departments to develop strategies that support it.

In addition, the FY 2018 budget moves us forward on several fronts in implementing the plan's draft goals:

- One major undertaking that will begin in FY 2018 is development of a Unified Development Ordinance (UDO). The recommended budget provides \$100,300 in initial funding. Because the exact timing of implementation of the Comprehensive Plan and UDO is somewhat hard to estimate, the budget also includes funds in contingency for a Planner I for half of the year to provide support for these efforts if existing staffing is not adequate [+\$42,894].
- Our actions in FY 2017 to support infrastructure for the two megasites (CAM in Siler City and Moncure) further the goals of focusing development in our municipalities and employment centers and preserving our rural agricultural lands. The recommended budget includes funds to pay for the first year of the option on the CAM site and uses most of the balance in the Coal Ash Fund for the Moncure Megasite sewer line.

Approximately, \$100,000 will remain in the fund for environmental testing.

- If you look at a early map of Chatham County, you will see that few things look the same. Even the county's boundaries have changed. What endures is our major waterways. Protection of water quality remains a top priority in the draft Comprehensive Plan and in the FY 2018 budget. We've renamed our Land and Water Resources Division of Public Works to Watershed Protection. We are recommending hiring an additional Water Quality Position to maintain comprehensive water quality protections. This position would be cross-trained in four regulations and would add much needed support for riparian buffer determinations, erosion control inspections, stormwater runoff complaint response and all other day-to-day operations of the division. The position will also help the division keep pace with the growth planned in Chatham Park. New fees for expedited plan review are expected to more than offset the cost of this position.
- The draft plan calls for promoting countywide planning and coordination with municipalities for water and sewer. We are currently working with Pittsboro on a water interconnection study and the FY 2018 budget includes funds to develop a master utilities plan for the county and three towns. We are also recommending \$750,000 in funding to assist with Siler City's plans to upgrade its wastewater treatment plant, which helps enhance the water quality of Rocky River.
- Adequate affordable and workforce housing is another draft goal of the plan. The county and towns have formed a Task Force that is working in FY 2017 to address affordable rental housing. The budget includes

funds to contract with Triangle J to staff a standing Affordable Housing Advisory Committee and to use the recommendations of the Comprehensive Plan and Task Force to develop a comprehensive affordable housing strategy. The budget also provides \$85,000 in funding to the Council on Aging to continue its efforts to address substandard housing.

- The draft Comprehensive Plan calls for an update of the Parks and Recreation Master Plan. We've included funding for that in the amount of \$30,000.

It's important to note that with the exception of the water quality, zoning and planning positions and the Triangle J housing contract, all other funding is one time and is being paid for by fund balance, not property taxes.

Even as we've built our skill to hit when the time is right, we face some disruptive pitching. In many ways, the FY 18 budget is about dodging wild throws and preparing for curve balls. In some cases, we may not see the ball until it's too late to even foul it off.

The hardest wild pitches to avoid are changes being made at the state and federal levels. A bill passed last year by the General Assembly to reduce class sizes in kindergarten through 3<sup>rd</sup> grade has a major impact on Chatham County Schools. While the goal is laudable, the impact is an unfunded mandate from the state that will either require greater local funding, the elimination of arts and physical education programs, or greater class sizes above 3<sup>rd</sup> grade. The Board of Education has discussed four strategies to address the impact. One of those strategies is to request additional funding [approximately \$1.5M] from the county, but that request has not yet been made. A bill has been introduced in the House to mitigate this situation, but as of the writing of this message, its fate is

uncertain. The recommended budget does not include this funding.

Another bill would repeal the county's impact fee authority entirely, resulting in a \$4.5M loss in school and water impact fees. This loss would be devastating. The county would either have to postpone critical school and water projects, cut other services at a time when demands are increasing, or raise taxes and shift the cost of new development to all taxpayers in the county. Working with county partners, including prominent Republicans, the Economic Development Commission, and the Chamber, we had a successful outcome on April 20 when House Bill 436 was amended to study impact fees, rather than repeal them. We will know by April 27, the date of this document's printing, about whether the bill makes the crossover deadline in its revised form. The recommended budget does not include funding to make up the potential loss in impact fees.

Another curve ball is the pending lawsuit over NC legislative districts. The US Supreme Court has temporarily stayed the lower court's order to redraw the districts, but the court could eventually rule that districts must be withdrawn and a special election held. Funds for an August 2017 primary and November 2017 general election have been set aside in contingency [+\$140,187].

One pitch that has been particularly hard to time is how to deal with the problems at Family Violence/Rape Crisis (FVRC). Concerns about leadership and the lack of financial oversight were well documented in a January 2017 report to Commissioners. The report recommended that the county step in and provide several services, including victim coordinators in the Sheriff's Office, victim advocates in the Family Visitation Center, sheltering, and the school program. These services are recommended in the FY 2018 budget, but staff is

recommending that one-time funding be used. We consider our provision of these services as temporary and will explore partnerships with other agencies as well as grant funding to sustain these services in future years. The total cost of these services in FY 2018 is \$237,946, funded from fund balance.

The Chatham Park fiscal impact analysis may well find that the development will have an overall positive impact on the county's bottom line. In the short term, however, we must provide a full array of development services. To keep up with Chatham Park and other development demands, in FY 2018 we must add two building inspectors, a fire inspector, and a water quality position to provide direct development services. In addition, funds for land records and GIS positions and contingency funding for a Register of Deeds position ensure we can keep up with the land transactions and mapping of property as it is subdivided, developed and sold.

Another pitch that is hard to anticipate fully is the octennial revaluation of real property required by state law, which is effective for FY 2018. Budgeting in a revaluation year is challenging, particularly because the appeals process has not concluded before the recommended budget must be presented. Approximately \$124M in value is under appeal. We have conservatively estimated that we will lose all of this value. It is also possible that additional appeals will be filed and additional value lost before the Board of Equalization and Review adjourns.

During the budget retreat, the Board of Commissioners directed staff to develop a budget based on the revenue neutral tax rate, but agreed that the rate should be based on FY 2018 values had revaluation had not occurred. In other words, the FY 2018 tax levy could be determined without revaluation and the revenue neutral rate calculated from this levy. This

calculation results in a tax rate of 62.81 cents, a decrease of 0.57 cents.

The statutorily defined revenue neutral rate allows the county to consider growth during each of the eight years of the revaluation cycle. This growth has been higher in recent years, but because recession years are included, the average growth is only 2.36%. In contrast, the actual growth between FY 2017 and FY 2018 (without revaluation) is 4.62%. The statutorily defined revenue neutral tax rate is 61.86 cents.

The limitation on the tax rate and the additional funding needed to address growth pressures means that no new services were added or service levels improved in the FY 2018 budget. Realizing the difficulty of balancing the budget, we did not recommend two positions that would address critical workloads in administration: a budget analyst in the Manager's Office and construction manager in Facilities. These positions are desperately needed now to allow us to keep up with our work, but were sacrificed to balance the budget and provide positions in departments delivering direct services.

In addition, several requests for positions to enhance and increase direct services had substantial merit, but because they were not mandated or provided new services, they were not recommended. A slight increase in the tax rate of 0.19 cents would allow commissioners to consider adding these services, listed in recommended priority order, and still reduce the current tax rate by 0.38 cents:

- **A new school resource officer to serve Northwood High School.** The officer would be added now, instead of when the new high school opens, to address the school's increasing population. Northwood currently has approximately 1,400 students. This is almost twice the number of students as Jordan Matthews, the next largest high school. Northwood's freshman class of

approximately 375 students is nearly the size of the total population of Chatham Central High School [+\$102,363].

- **A pre-arrest program for 16 and 17 year olds housed in Chatham 360.** North Carolina is one of only two states in the country that still treats 16 and 17 yearolds as adults in the criminal justice system. Judges and other court officials have expressed interest in expanding Chatham County's misdemeanor diversion program to include a new pre-arrest program for 16- and 17-year-olds. The program would allow youth who commit their first misdemeanor crime to avoid having criminal charges and arrests on their record if they satisfy the requirements of the program [+\$27,185].
- **A part-time veterans services officer.** A State reduction in funding has resulted in decreased services for Chatham County veterans. Access to a veterans services officer has been reduced by half, while the number of veterans has increased 18% since the 2010 Census. The reduction has caused Chatham veterans to seek services in neighboring counties, as confirmed by Lee County. In looking at neighboring counties, Chatham has one of the highest veteran populations (9%), lower only than Moore and Harnett County (both 11%). Out of the eight surrounding counties, Chatham is the only county without a county-funded veteran's services department [+\$18,742].
- **School Health and Wellness Instructional Program Facilitator.** This position will be hired by Chatham County Schools through a contract with the Public Health Department. This position would significantly enhance expertise, knowledge, and accountability for an expanding student and faculty population. The position

will focus on prevention efforts and target many important health issues faced by Chatham County youth, such as physical inactivity and obesity; mental health conditions, including bullying; substance use, including alcohol, tobacco and electronic cigarettes, and opioids; and unintended pregnancy and sexually transmitted infections [+ \$80,000].

The FY 2018 Recommended Budget is not perfect. It doesn't fund everything we think we need, but it does meet the direction of the Board of Commissioner and funds the positions and other requests that help us keep up with growth and prepare to move the county forward through the Comprehensive Plan.

In his book *The Science of Hitting*, baseball legend Ted Williams shared what he did when a dark cloud changed

the lighting on the field. He stepped out of the batter's box and pretended something was in his eye until he was able to adjust his vision to the darkness.

The county's environment is changing rapidly. Some of the change we are in control of through our good planning and fiscal management. Some of it we are not. In some ways the FY 2018 budget is a step out of the batter's box to pause, avoid taking on new commitments that are not centered on our long-term planning, and focus on what is important, while we prepare to deal with the wild pitches and curve balls ahead. In other ways, it is about making things happen by providing the funds needed to begin critical implementation of the Comprehensive Plan.

### **Major Revenue Highlights:**

- Revaluation will take effect in FY 2018. Commissioners directed staff to hold the tax rate at the enhanced revenue neutral rate. This is the rate that would produce the same levy had revaluation not occurred. The enhanced revenue neutral county tax rate is recommended to decrease to 62.81 cents, a decrease of .57 cents..
- Some federal and state reimbursements to DSS will decrease as the state makes payments directly to daycare providers instead of issuing payments through local DSS departments.
- The Parkwood Fire District rate decreased 1.1 cents. Other fire department tax rates remain unchanged from the current year and are not set a revenue neutral.
- In an effort to recoup costs, a \$100 fee for riparian buffer confirmation for major subdivisions and voluntary calls for customers is proposed in Watershed Protection. The Watershed Protection Division also proposes two new voluntary express plan review fees of \$5,000, one for erosion control and one for stormwater buffers. The express review is offered by the NC Department of Environmental Quality and has been requested by developers to expedite plan review. A \$75 pool reinspection fee is proposed in Environmental Health, along with adjustments to water sampling fees that reflect increased costs for materials. Several fees for clinical services in the Health Department are recommended to increase to reflect Medicaid rates and maximize reimbursement. The Library is proposing an increase of late fees for Interlibrary Loans that will cover return of materials to other libraries and discourage the late return of items by patrons. Many fee reductions are proposed in the Agriculture Center fees to reflect research

on rates of other venues. Elimination of the fee for residential ramps that was approved in FY 2017 to assist nonprofit agencies who build ramps for the elderly and disabled is confirmed in the Planning Department. The fee changes would cumulatively generate approximately \$77,973 in additional revenue.

- Consistent with the Board of Commissioners Financial Policy, appropriated fund balance in the General Fund, Water, and Solid Waste & Recycling are earmarked for one-time items.

## **Economic Indicators & Assumptions:**

Predictions of modest economic growth are consistent across sources which leads staff to estimate revenues with a conservatively optimistic outlook. Uncertainty over potential changes at the federal and state levels combined with uncertainty over the outcome of revaluation appeals create a sense of caution

According to Wells Fargo, while nonfarm payroll jobs decreased in January, the state added almost 100,000 jobs overall in 2016. While the rate of national population growth is fairly flat, the population of North Carolina increased by 5% between FY 2011 and FY 2016 and the corresponding rate of growth in Chatham County is 13%. On some indicators, such as register of deeds excise tax, building permit revenue and unemployment, Chatham County is close to or at pre-recessionary levels.

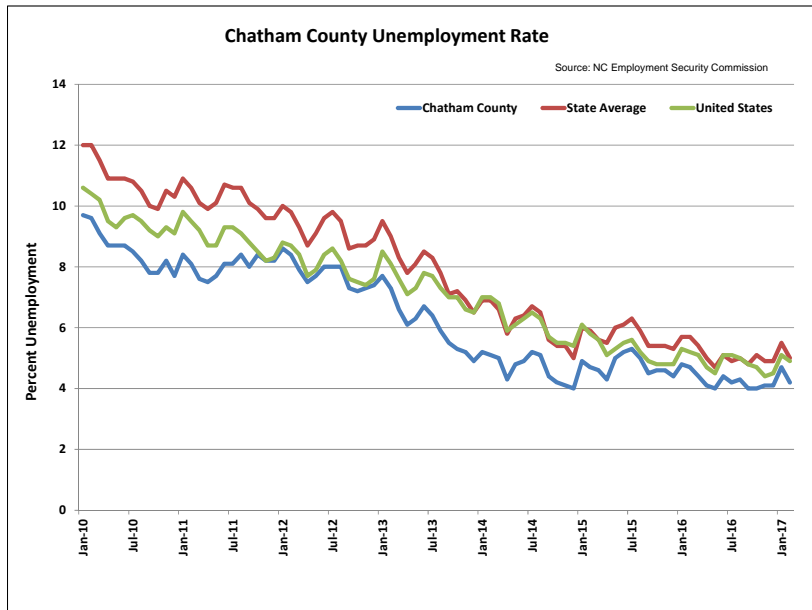
In general, the state expects growth in North Carolina's economy to outpace growth in the nation. The Quarterly General Fund Revenue Report from the Fiscal Research Division of the NC General Assembly shows revenue for the first 6 months of the fiscal year exceeded target by 3.1%, Sales tax collections have maintained moderate growth since last summer, and first and second quarter collections are up from the same quarters in the prior year. The state also reports a

steady increase in consumer debt, which adds to the sales tax base.

Per capita income in North Carolina for 2015, the latest available data, showed 4% growth over the previous year. Chatham County's per capita income remained fairly flat from 2014 to 2015 but was the third highest in the state.

The economic forecast from Dr. John Connaughton, UNCC's Babson Capital Professor of Financial Economics, projected a 2.3% increase in the state's gross state product (GSP) from 2015 to 2016. Dr. Connaughton projects GSP growth for 2017 will show an increase of 2.3% over 2016. He projects that 13 of the state's 15 economic sectors will increase in 2016 and that information will lead this growth at 8%. For 2017, growth is anticipated in all 15 sectors.

**Unemployment:** Because of our proximity to stable employment centers such as state government, three major universities, and Research Triangle Park, the county unemployment rate trends well below the state and nation. In October 2011, after the closing of the then-largest private employer, the county's unemployment rate rose to levels at the national average. The rate has dropped substantially in the last two years and is, again, well below the state and nation.



**Property Tax Base:** Before the recession, the county saw growth exceeding 5% annually. We have not yet returned to those levels. Revaluation has been in progress in 2017 and will take effect in 2018. Growth in property values has been slow but fairly constant since 2014, with an average growth of roughly 2.5%. Growth between FY 17 and FY 18 is much more robust, at an estimated 4.29%. If the new residential and commercial construction anticipated in FY18 materializes, growth in FY 2019 may approach pre-recession levels.

Revaluation appeals were still being filed during budget development, which complicated the projection of the property tax base.

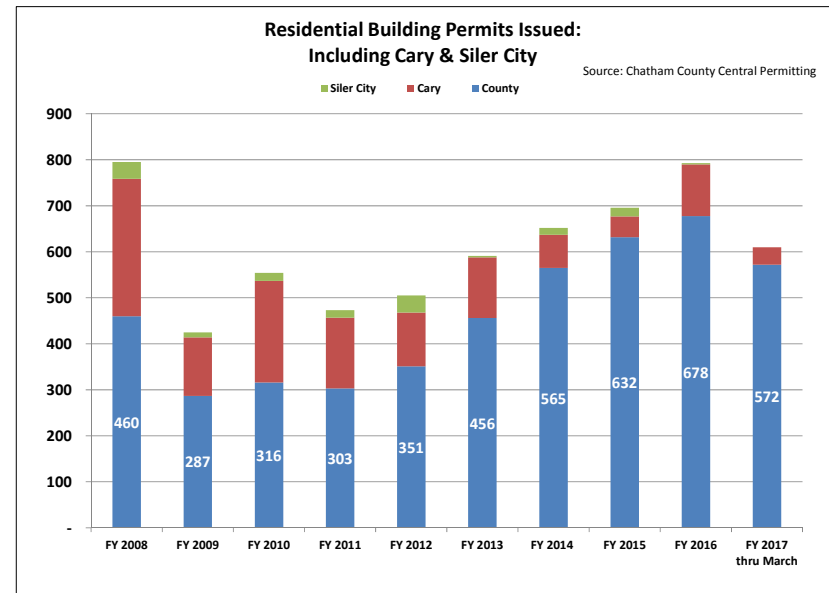
**Retail Sales:** Locally collected sales tax (Article 39) began to show a rapid increase beginning in FY 2014 and reached a new peak in FY 2016. This was due in part to increased use of the 9-digit zip code and in part to collections from online vendors such as Amazon. In FY 2017, this sharp growth has leveled off. Growth in Article 39 collections has tapered off from the prior year sharp increases, while Article 40, which is based on population, reflects the county's population growth and is estimated to exceed prior year by 7%. Last year, the legislature agreed to levy a new tax on some services to be distributed to rural areas. This revenue is restricted for schools, community college, and economic development. Chatham is on target to receive slightly over \$1M of this additional collection.

**Building Permits:** The number of residential building permits issued countywide through March 2017 appears to be on track to exceed the FY 2016 total. The total number of building permits in the county for the first 9 months of FY 2017 has already exceeded the total for FY 2014. For FY 2018, Chatham Park is expected to begin development of 140,000+ square feet of commercial space, 200 multi-family residential units, and one subdivision, which will have a positive impact on the number of permits and permit revenue.



**State and Federal Budgets:** The impact on the school system has been significant, but, so far, the greatest impact on counties has been a reduction in Medicaid hold harmless. Legislation passed in 2014 reduces our hold harmless benefit by \$125,000 over the next four years. FY 2018 is the fourth year of this reduction. However, two bills that have been introduced in the NC House threaten the county's school and water impact fees. If Chatham County's impact fee authority is repealed, the county would lose \$4.5 million annually, which equates to approximately 4.7 cents on the property tax rate. Other proposed legislation would increase property tax exemptions and redistribute sales tax away from Chatham County. As of the writing of the budget, none of these bills have passed, so their impact is not reflected in the budget.

The impact of the Federal government is likewise not anticipated. Reductions in funding for programs like Meals on Wheels threaten our ability to provide services to our vulnerable populations. However, it is too early in the



legislative process to be able to anticipate these possible threats.

## Board of Commissioners Goals

By unanimous agreement, commissioners made some modifications to the FY 2016-2017 goals and adopted the following goals for the FY 2017-2018 budget. Departments have linked specifically to these goals in their budget submissions. See the department section entitled "Link to Commissioner Goals" for this information. Some highlights of FY 2017 accomplishments toward goal attainment and overall strategies for meeting the goals in FY 2018 are described below.

**Vision:** We envision Chatham County as a thriving community of healthy people living in a safe environment that provides opportunities for prosperity for all.

- *Governing Board and County Manager worked with towns and Triangle J to form Affordable Rental Housing Task Force. The committee, consisting of town and county representatives, is working to identify barriers to and best practices for affordable rental housing.*

- *Chatham County ranked 8<sup>th</sup> out of 100 counties in the Robert Wood Johnson Foundation County Health Rankings.*
- *Chatham County was awarded \$10,000 as one of 50 members of the HealthyCommunity50 in the Healthiest Cities & Counties Challenge, sponsored by Aetna Foundation, the American Public Health Association, and the National Association of Cities and Counties.*
- *The Chatham County Health Alliance piloted a promising new initiative with Piedmont Health Services called Exercise is Medicine, which aims to prevent and reduce the effects of chronic disease by connecting patients to opportunities to be physically active.*
- *Council on Aging established a collaborative database of home modification/repair needs, using Airtable software, that includes input from Rebuilding Together of the Triangle, the State Division of Vocational Rehabilitation (Independent Living), and the Council on Aging [as the principal contributors]; it also includes referrals from Habitat, DSS and NC Baptist Aging Ministry. Council on Aging created a Memorandum of Agreement among these partners.*
- *Rebuilding Together of the Triangle applied for a Project Reinvest: Neighborhoods grant to provide rehabilitation of owner-occupied houses in 3 census tracts in Siler City.*
- *The Chatham County Public Health Department, in conjunction with the Chatham Health Alliance, will establish a cohort of Chatham residents to assess changes in the community's health over time and provide a new avenue to gather statistically representative community input*

**GOAL #1: Demonstrate sound fiscal stewardship and promote economic development to produce the revenue needed to meet the important service needs of our residents.**

**Objective:** Maintain the county's AAA bond rating as a key foundation for other goals and objectives.

- *The FY 2018 recommended budget continues the past fiscal stewardship of not appropriating fund balance for ongoing expenses and fully funds the pay-as-you-go portion of the adopted Capital Improvements Program.*
- *The AAA rating from Standard and Poor's and the Aa1 from Moody's was maintained in FY 2016.*
- *Revenues are budgeted conservatively, while recognizing sustainable increases.*

**Objective:** Foster an environment that helps diversify the job base, encourage higher wages, and increase the commercial and industrial tax base from the baseline of FY 2015.

- *Mountaire Farms processing facility is coming to former Townsend's facility in Siler City. (\$70.7 million investment). The Board of Commissioners approved granting economic development incentives in October 2016.*
- *Central Permitting has completed 8 commercial fast track plan reviews for commercial projects with revenue of \$8,000. The fast track commercial plan review reduces wait time from 14 business days to 5 business days.*

**Objective:** Maintain the property tax rate at the lowest level possible while meeting critical needs of the community.

- *Chatham's FY 2017 tax rate is lower than the state average and lower than many surrounding counties. The FY 2018 rate is recommended at the "enhanced revenue neutral rate," which is the rate required to produce the same tax levy had revaluation not occurred.*

**Objective:** Increase the readiness of the Chatham-Siler City Advanced Manufacturing megasite and the Moncure Super Park.

- *The County Manager's Office and Economic Development Corporation worked with Siler City and Sanford to apply for Golden Leaf funding to provide critical infrastructure to each site. Each site received \$4 million in Golden Leaf funding, which will enable the CAM site to be served with water from Siler City and the Moncure site to be served with sewer from Sanford.*
- *CAM Site – NC Certified Site – received recertification for July 1, 2016 – June 30, 2018.*

**Objective:** Maintain a business-friendly environment for new and expanding businesses.

- *CVB launched a website portal to promote Chatham County Bed and Breakfasts, and the local beverage industry to support growth in those sectors.*
- *Central Permitting has completed 8 commercial fast track plan reviews for commercial projects with revenue of \$8,000. The fast track commercial plan review reduces the wait time from 14 business days to 5 business days. 89 small project plan reviews have been conducted so far this fiscal year with revenue of \$2,225 and the customer was able to walk out the door with their permit the same day.*

**Objective:** Support the marketing of the new Agriculture & Conference Center and advocate for lodging to accommodate overnight visitors.

- *Incentives for a 100+ bed hotel were approved in November 2016 by the Board of Commissioners. The hotel has agreed to serve as the conference center hotel and cross promote.*
- *The new Agriculture and Conference Center held its Grand Opening on March 25, 2017 and an estimated 1,500*

*residents attended. The conference center was opened for public use on April 1, 2017.*

**GOAL #2:** Ensure effective, efficient government that is responsive to the needs and input of all residents.

- *Chatham Transit Network (CTN) has increased the number of stops along the Pittsboro-Chapel Hill route and has increased the number of trips that are made daily.*
- *Facilities successfully completed the transition of all county fleet vehicles to the joint bus garage.*
- *Human Resources developed and delivered a new cultural competency class for new employee orientation and Leadership Academy.*

**Objective:** The goal is for our working departments to get to 'yes' by assisting the public to achieve its interests within operating guidelines.

- *Parks and Recreation managed the Siler City Parks and Recreation Department during their transition to hire a new director.*
- *County Manager worked with colleagues at Chatham County Schools to develop Capital Improvements Plan schedule that would incorporate the school board's priorities and that the county could reasonably fund*
- *CTN worked with the county, CCCC and Briar Chapel to establish a park-and-ride lot with shelter at new Health Sciences Building*

**Objective:** Provide and measure strong customer service throughout county government, including contractors acting on behalf of the county.

- *Solid Waste & Recycling is assessing the feasibility of accepting mercury containing items such as fluorescent light bulbs at recycling centers*

- *DSS: The Childcare Subsidy and Energy Assistance programs will be incorporated into NC FAST system, enhancing service delivery for clients with all benefits in one system and information shared across programs.*
- *The County Manager is launching the Dawn Stumpf Customer Service Awards Program to recognize excellent service provided by county employees.*
- *In FY 2018, the County Manager's office will oversee the biannual statistically valid phone survey with a focus on customer satisfaction.*

**Objective:** Review on-going processes to evaluate how the county does business to identify and make needed improvements.

- *DSS is implementing a Continuous Quality Improvement (CQI) plan in Child Welfare to formalize case record review procedures across the program.*
- *Parks & Recreation improved the distribution of recreation information to residents by working with Chatham County Schools to utilize their Peachjar e-flyer*
- *Emergency Operations will implement software to expedite the damage assessment, evaluation and calculation of loss of life and property of citizens within the county.*
- *Watershed Protection will begin offering Express Review as a fast-tracking option for plan review and permit issuance for time-sensitive projects.*
- *DSS will expand clinical services for 12-19 year old youth by implementing Structured Psychotherapy for Adolescents Responding to Chronic Stress (SPARCS.) SPARCS is an evidenced-based practice shown to significantly improve overall functioning specifically in the areas of level of behavioral dysfunction, social problems, and interpersonal relations.*

- *Working with operating departments, the HR Risk Management Division received 7 gold and 5 silver level safety awards from the NC Department of Labor.*

**Objective:** Seek and utilize partnership opportunities with municipalities, regional entities and the private sector that will enhance effectiveness and efficiency.

- *The new joint county/bus garage began servicing county vehicles July 1, 2016.*
- *COA secured commitment of 5 years of support from Carolina Meadows for the frozen meals program.*
- *DSS partnered with Communities in Schools to expand parenting services to include an additional evidenced based curriculum called Strengthening Families. This has shown to reduce substance abuse and aggression in youth ages 10-14.*
- *Parks and Recreation worked with Chatham County Schools to expand youth volleyball program at schools.*
- *In November 2016, the Board of Elections and Staff conducted one of the largest and most contentious elections in memory, with minimal problems. In the absence of their long-term Director, many county departments and volunteers worked to help conduct a successful election. Chatham County had the highest voter turnout in the state and had a record 29,825 residents vote early.*
- *The County Manager continues to meet regularly with town managers. The Board of Commissioners held one joint meeting with the Town of Pittsboro and Board of Education.*
- *County staff has been meeting with the Town of Cary about possibly partnering with the town on its CDBG housing grant.*

**Objective:** Provide a strong county voice on state-controlled mental health services in our county.

- *If approved by Cardinal, county staff will work with any new safety net mental health provider to get off to a strong start in Chatham County.*
- *Council on Aging will work with the UNC Center for Excellence in Community Mental Health to explore ways to implement the Wellness on Wheels model through the Senior Centers as an integrated, comprehensive health approach.*

**Objective:** Provide more opportunities for citizen engagement and participation.

- *A new website was rolled out in December of 2016 with enhanced mobile device access and browser capability. Features that will be introduced in 2017 include quick polls and a business directory for those offering discounts to veterans*
- *Register of Deeds introduced the Thank-A-Vet program, with 56 businesses offering discounts and 70 veterans participating as of December*
- *COA introduced a new Meals on Wheels route in Bear Creek/Bennett area with support from Tyson Creek Baptist Church*
- *The County Manager's Office will focus on recruiting a more diverse group of students who enroll in Citizens' College.*
- *Watershed Protection will partner with Muddy Water Watch to assist in training events for citizens and conduct educational workshops regarding issues of concern based on citizen input.*
- *Council on Aging will seek a partnership with Community College, Chatham schools, and others to offer a one-day Educational Retreat for seniors using the new Ag Center. The Council will explore how its kitchen can support the Ag Center with catering services.*

**GOAL #3:** Be proactive in protecting natural resources and promoting responsible growth and land use, while balancing the differing needs of our county.

**Objective:** Complete and adopt a Comprehensive Plan, including revised land use policy with input from community stakeholders representing all geographic areas.

- *The Planning Department continues to coordinate the comprehensive plan update leading to completion in FY17 or early FY18. The department will seek opportunities to implement the recommendations of the comprehensive plan in FY18, including development of a unified development ordinance.*
- *Health Department staff worked with the comprehensive plan consultant and provided grant funds that expanded the scope of the contract.*

**Objective:** Serve as an effective voice for Chatham County on urgent environmental issues, such as coal ash disposal, fracking and water quality of Jordan Lake.

- **Target:** Ensure that all parties comply with the terms of the coal ash disposal agreement and closely monitor the Brickhaven coal ash structural fill and surrounding area. Provide needed support to any neighbors adversely affected by the disposal site.
- *Watershed Protection met with Charah several times throughout the year to discuss coal ash and contracted with a consulting firm for ongoing monitoring; the division incorporated all legislative changes into our Ordinances as required by State law.*
- *The County Manager's Office met with the State Toxicologist to develop a protocol to measure air quality, which has been implemented. The county also provided water connections to those who accepted it, and*

*coordinated a Board of Commissioners one-on-one session to visit the Brickhaven site.*

**Objective:** Ensure that the county has effective protections of water resources.

- *Water quality of Nature Trail Mobile Home Park will be improved with the Water Department's replacement of the distribution system*
- *Watershed Protection partnered with Clean Jordan Lake on cleanup efforts.*
- *Watershed Protection will obtain GPS coordinates of stormwater structural best management practices (BMPs) for GIS integration.*
- *The Soil and Water Conservation staff is presently assisting 26 customers with resource protection planning on an additional 1,487 acres. Staff has completed natural resource projection plans for a total of 5,565 acres for the first six months of FY17.*
- *Comingled recycling began January 26, 2017.*

**Objective:** Continue to conduct and use the results of energy audits of county facilities.

- *Staff continues to conduct energy audits for County facilities through our contractor. Staff has been working with the Climate Change Advisory Committee to use the energy audits for the preparation of an emissions inventory for the County.*

**Objective:** Design all new buildings to achieve high energy efficiency.

- *Staff continues to promote energy efficient design with all new facilities. The Board of Commissioners has adopted standards for sustainable buildings, as proposed by the Climate Change Advisory Committee and refined through staff recommendations.*

**Objective:** Work in partnership with our towns on a regional approach to planning our future water and wastewater infrastructure

- *Public Works/Water Department is working with Jordan Lake Partnership and Western Intake Partners to support long-range water supply planning and expand/update information on potential raw water sources. The county has continued discussions with the Town of Pittsboro staff regarding potential interconnection options.*
- *The county is participating in a water interconnection study with the Town of Pittsboro to improve future redundancy in our water supply.*
- *The FY 2018 Recommended Budget includes funding to support upgrades to the Siler City wastewater treatment plant to address nutrient removal.*
- *The FY18 Recommended Budget includes funding to develop a utilities master plan for the county and municipalities.*

**GOAL #4: Support Pre-K through 12 and the community college in providing a quality education for all students.**

- *The Library promoted on-grade reading level achievement. Children logged 2,634 hours of reading during 2016-17 winter reading program.*
- *The library's youth services' collection increased by more than 3,000 new e-books to supplement student resources.*

**Objective:** Provide safe and healthy school communities

- *DSS is anticipating providing the second round of Incredible Years Baby Program in spring 2017 for parents of younger children.*
- *County Manager worked with schools to resolve the concerns with the sexual abuse awareness program in the schools; the county added these duties to the Child Victim*

Services Coordinator to provide programming and develop a new curriculum.

**Objective:** Support initiatives that foster an educated workforce

- Governing Board approved a CIP that includes a new Health Sciences Building at Briar Chapel
- CCCC introduced an Associates in Engineering degree in Fall 2016

**Objective:** Strengthen relationships between county staff and education leaders

- The County Manager's Department has continued regular meetings with leadership at K-12 schools and CCCC.

**Objective:** Publicize positive achievements of Chatham County schools and Central Carolina Community College

- The County Manager included major CCCC and Chatham Public Schools highlights in the annual State of the County report, including school facility projects and key new initiatives.

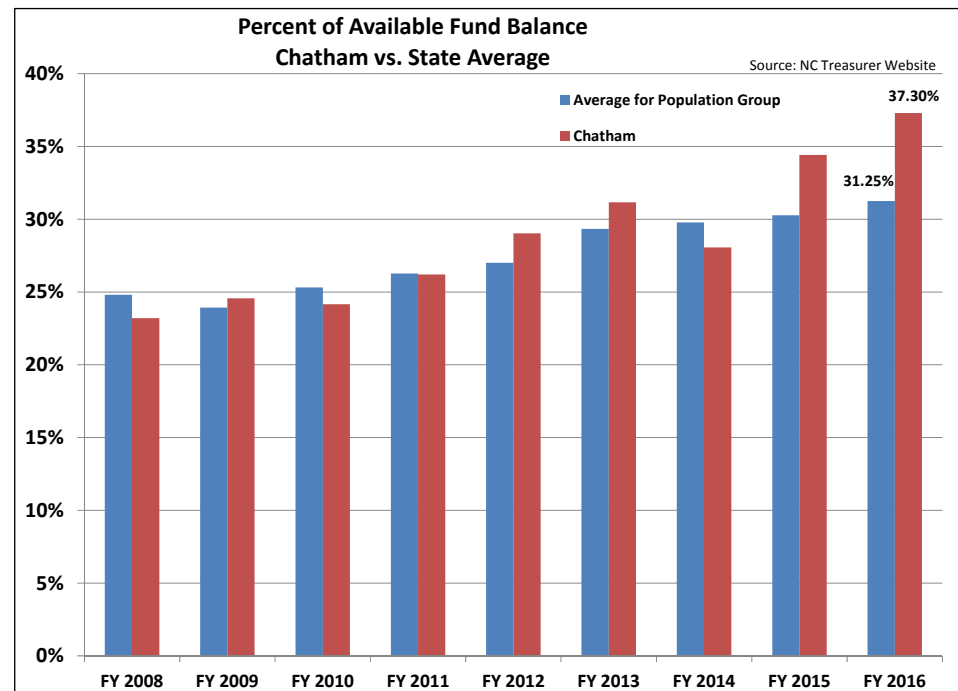
## Goals: Financial and Budgetary Policies

Long-term financial and budgetary 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 2018.

**Maintaining or enhancing the County's AAA/Aa1 bond rating.** Current and future debt obligations, especially for schools and other county 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 of AAA by Standard & Poor's and Aa1 by Moody's was reaffirmed in the fall of 2015. Chatham 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. The FY 2011 budget eliminated the roughly one-cent contribution to the water capital reserve and the FY 2018 budget continues this practice.

**Maintaining adequate fund balance.** The stated goal of the Board of Commissioners is to maintain unassigned General Fund savings (fund balance) equal to at least 20% of last year's budget. 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

unassigned fund balance stands at 26.2% of FY 2016 actual expenditures, above the stated goal.

In order to benchmark fund balance against jurisdictions of similar size, we use the "available" fund balance, the only data available for comparison purposes. The main difference is the unassigned does not include fund balance appropriated in the current fiscal year. Available fund balance, 37.3%, is higher than state average for counties our size, which is 31.25%, as shown in the graph.



## 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 presents on the budget process at conferences and the School of Government. Finally, the FY 2010-2011 and 2012-2013, 2014-2015, 2015-2016 budgets won the Government Finance Officers Association Distinguished Budget Presentation Award. The FY 2016-2017 budget process included a budget critique held immediately after the FY 2017 budget process. Commissioners did not request any changes.

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

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

The process begins in the fall with preparation of the Capital Improvements Program (CIP). Staff presents the CIP document to Commissioners and the public in the fall. Commissioners hold a public hearing on the CIP in November. Commissioners usually adopt the CIP at their December meeting.

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.

### Chatham County FY 2017-2018 Budget Calendar

Deadline	Actions
2 September 2016	<ul style="list-style-type: none"> <li>• Capital Improvements Program (CIP) forms distributed to agencies</li> </ul>
7 October 2016	<ul style="list-style-type: none"> <li>• Forms due from agencies and departments for new/changed CIP projects</li> </ul>
14 November 2016	<ul style="list-style-type: none"> <li>• Manager submits recommended CIP to the Board of Commissioners at a special meeting</li> <li>• Heads Up document due from departments</li> </ul>
21 November 2016	<ul style="list-style-type: none"> <li>• Hold public hearing on the proposed CIP</li> </ul>
22 November 2016	<ul style="list-style-type: none"> <li>• Work session on the proposed CIP</li> </ul>
19 December 2016	<ul style="list-style-type: none"> <li>• Board adopts CIP</li> </ul>
28 December 2016	<ul style="list-style-type: none"> <li>• Budget summit materials (trends, financial indicators, performance team recommendations, and departmental “Heads Up” document) submitted to Board of Commissioners</li> <li>• Work plan and new position forms distributed to departments</li> </ul>
Weeks of January 9 and 16, 2017	<ul style="list-style-type: none"> <li>• Budget Retreat: Board of Commissioners sets goals and guidelines for FY 2017-2018 budget</li> </ul>
30 January 2017	<ul style="list-style-type: none"> <li>• Requests for new positions and work plans (with goals, objectives, and performance targets) due from departments</li> <li>• Remaining budget forms distributed to departments/agencies</li> </ul>
3 March 2017	<ul style="list-style-type: none"> <li>• Budgets due from departments and agencies (except schools)</li> </ul>
18 April 2017	<ul style="list-style-type: none"> <li>• Budget due from schools</li> </ul>
1 May 2017	<ul style="list-style-type: none"> <li>• Budget submitted to Board of Commissioners and public at a special meeting</li> </ul>
May 15 and 16, 2017	<ul style="list-style-type: none"> <li>• Public hearings held in Pittsboro and Siler City</li> </ul>
Late May and early June, 2017	<ul style="list-style-type: none"> <li>• Board of Commissioners holds 2-3 budget work sessions</li> </ul>
By 30 June 2017	<ul style="list-style-type: none"> <li>• Board of Commissioners adopts budget (legal deadline)</li> </ul>

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 a staff recommendation to maintain total funding of FY 2018 awards to nonprofit agencies at the same level of program funding as FY 2017. In FY 2018 staff will propose revisions to the nonprofit process that will focus on linking nonprofit outcomes to the comprehensive plan and making the process less time-consuming for volunteers and staff.

### **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:**

	2017 Amended	2017 Estimated	2018 Recommended	% Increase/ Decrease
<b>Fees &amp; Permits</b>	1,555,429	1,810,863	1,908,231	23%
<b>Intergovernmental</b>	11,064,575	11,468,063	9,687,913	-12%
<b>Interest</b>	140,000	221,237	140,000	0%
<b>Grants/Donations</b>	419,951	480,420	348,626	-17%

	2017 Amended	2017 Estimated	2018 Recommended	% Increase/ Decrease
Miscellaneous	257,924	394,905	308,776	20%
Other Taxes/Licenses	745,298	852,327	848,020	14%
Property Tax	62,290,000	64,086,940	65,366,000	5%
Sales & Service	2,167,470	2,664,296	2,264,703	4%
Sales Tax	12,215,000	12,437,000	12,847,000	5%
Transfers	11,207,697	10,248,377	10,964,009	-2%
Fund Balance	6,806,172	0	5,873,989	-14%
<b>Total Revenues</b>	<b>\$108,869,516</b>	<b>\$104,664,428</b>	<b>\$110,055,537</b>	<b>1%</b>

### Enterprise Fund Revenue Summaries:

#### Solid Waste & Recycling Fund

	2017 Amended	2017 Estimated	2018 Recommended	% Increase/ Decrease
Intergovernmental	183,927	210,691	189,414	3%
Interest	10,000	19,000	18,000	80%
Miscellaneous	115,000	115,077	0	-100%
Sales & Service	2,774,295	3,003,043	2,883,498	4%
Fund Balance	116,463	0	206,213	77%
<b>Total Revenues</b>	<b>\$3,199,685</b>	<b>\$3,338,811</b>	<b>\$3,297,125</b>	<b>3%</b>

#### Southeast Water District

	2017 Amended	2017 Estimated	2018 Recommended	% Increase/ Decrease
Interest	1,100	2,036	1,500	36%
Sales & Service	608,500	654,434	608,500	0%
<b>Total Revenues</b>	<b>\$609,600</b>	<b>\$656,470</b>	<b>\$610,000</b>	<b>0%</b>

**Water Fund**

	<b>2017 Amended</b>	<b>2017 Estimated</b>	<b>2018 Recommended</b>	<b>% Increase/ Decrease</b>
<b>Interest</b>	12,000	24,367	23,000	92%
<b>Miscellaneous</b>	0	27,650	0	0%
<b>Sales &amp; Service</b>	5,787,000	6,251,029	6,016,000	4%
<b>Fund Balance</b>	611,625	0	897,638	47%
<b>Total Revenues</b>	<b>\$6,410,625</b>	<b>\$6,303,046</b>	<b>\$6,936,638</b>	<b>8%</b>

**Property Taxes:**

Had we not had revaluation, our **real property** values would have grown by 4.3%, which is the most robust growth since the recession although still less than growth before the recession. 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 6.3% increase in **personal property** results from increases in business property listings, including a new solar farm.

**Utility** values are provided by NC Department of Revenue in September. Staff uses values from the previous year, which have decreased by 5.1%.

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, FY 2016, and FY 2017 have proven that the change is beneficial to Chatham County. Overall, DMV collected revenues are up 11.2% over last year.

At their retreat in January, the Board of Commissioners asked staff to develop a budget based on a revenue neutral tax rate. The board agreed this rate should be based on the tax base of FY 2018 had revaluation not occurred, not the statutorily defined revenue neutral rate. In order to calculate the rate, staff used the tax levy produced by FY 2018 values without revaluation and divided by the revaluation tax base. This calculation results in a tax rate of 62.81 cents, a decrease in the rate of 0.57 cents.

The statutorily defined revenue neutral rate allows the county to consider growth during the eight years of the revaluation cycle. This growth has been higher in recent years, but because recession years are included, the average growth is only 2.36%. In contrast, the actual growth between FY 2017 and FY 2018 (without revaluation) is 4.62%. The statutorily defined revenue neutral tax rate is 61.86 cents.

Major assumptions include:

- Tax base: \$10.466 billion—the revaluation tax base.
- Tax rate: 62.81 cents, a 0.57-cent decrease from the FY 2017 rate of 63.38 cents.
- Staff again used a collection percentage of 98%.

	<b>FY 2017 Values Budgeted</b>	<b>FY 2018 Values (w/o Revaluation) Projected</b>	<b>% Increase/ (Decrease)</b>
<b>Real Property</b>	8,608,669,206	8,977,925,022	4.29%
<b>Personal</b>	426,927,513	453,842,948	6.30%
<b>Utilities</b>	222,986,538	211,552,731	-5.13%
<b>Motor Vehicles</b>	660,093,637	734,024,404	11.20%
<b>Total</b>	<b>9,918,676,894</b>	<b>10,377,345,105</b>	<b>4.62%</b>

### **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, no departments have requested an increase in their tax rates. However, none of the rates have been adjusted to revenue neutral. Major issues to be aware of include:

- Of the eleven (11) fire departments that provide services within Chatham County one (1) department has requested a change in their current tax rate. The Durham County Fire and Rescue Department has requested a decrease in their fire tax rate from the present rate of .1050 to .0940 and will continue to provide the same level of fire protection services to the area served within Chatham County. A study is currently being conducted as to the feasibility of the

City of Durham Fire Department absorbing the Durham County Fire and Rescue Department.

- The North Chatham Volunteer Fire Department is proposing three (3) new full-time positions and six (6) part-time positions. The North Chatham Volunteer Fire Department has advised that they will be seeking approval to the tax-exempt borrowing of \$2,000,000.00 for the purchase of an aerial apparatus and fire engine.
- The Pittsboro Fire and Rescue Department is proposing three (3) new full-time positions.
- The new projected positions within the North Chatham Volunteer Fire Department and the Pittsboro Fire and Rescue Department will result in an increase in the county’s annual VFIS Accident & Sickness insurance policy premium.

- The majority of funds earmarked for capital outlay are for fire station repairs and improvements, personal

protective equipment, water rescue, and computer hardware and software.

<b>Fire District</b>	<b>FY 2017 Tax Rate</b>	<b>FY 2018 Requested</b>	<b>FY 2018 Recommended</b>	<b>Recommended Increase/ Decrease in Fire Tax</b>
Bells Annex (North Chatham FD)	0.1030	0.1030	0.1030	0.0000
Bennett (Bennett FD)	0.0900	0.0900	0.0900	0.0000
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)	0.0900	0.0900	0.0900	0.0000
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	0.0000
Durham County Fire & Rescue FD (Parkwood)	0.1050	0.0940	0.0940	(0.0110)
Staley (Staley FD)	0.1000	0.1000	0.1000	0.0000

### **Fee Increases:**

In order to recoup costs, we are recommending fee adjustments in Watershed Protection, Environmental Health, and the Health Clinic; the 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; and fees for the rental of the Chatham County Agriculture & Conference Center are recommended to be decreased so that rates are more competitive with similar venues.

The fee increases would cumulatively generate approximately \$77,973 in additional revenue, as follows:

- Watershed Protection: two new express review options with associated fees are recommended, to expedite the process for developers who desire this service. A new fee is also recommended for riparian buffer identification for major subdivisions and voluntary buffer calls to reflect staff time and service.

- Environmental Health: a pool reinspection fee to discourage operators from scheduling visits unless pools are ready to be permitted. Adjustments are also proposed for water sample fees to recoup the cost of materials and staff time.
- Library: an increase to the inter-library loan fees to encourage patrons to return materials on time.

- Increases in health clinic fees reflect increased costs for vaccines and the need to match Medicaid reimbursement rates.
- Chatham County Agriculture and Conference Center fee reductions are recommended to make 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 12% in FY 2018. The parts of sales tax are:

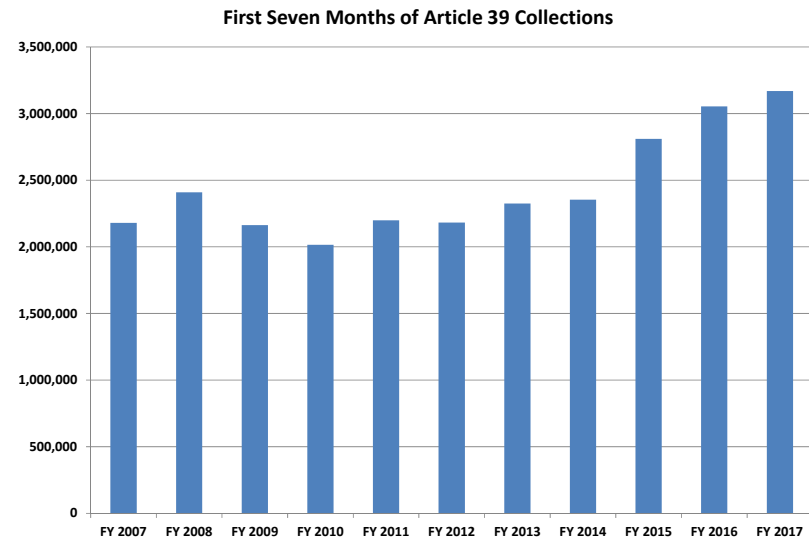
Article 39: One cent on every dollar – comes back to the county where it is collected.

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 44: Beginning the last month of FY 2016, the state levied sales tax on some services and these proceeds are distributed to rural areas. This revenue is restricted for schools, community colleges, 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.

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 are \$1,128,948.

Locally, FY 2017 sales tax revenues (Articles 39 and 42) are trending roughly 4% above FY 2016, compared with 8% for sales tax collected statewide (Article 40).

The new Article 44 revenue is projected to bring Chatham about \$1.09 million in FY 2017.

Overall, experts from the state, the NC League of Municipalities (NCLM) expect FY 2017 statewide sales tax growth to be 4.5% above FY 2016. Staff used this guidance to project local and statewide collections.

For next year, the NCLM expects statewide local sales tax distributions to be 4.25% over current year. Staff is recommending 3.75% for both local and statewide collections.

As the chart on the 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 gradually took 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 2018, the last year of the phase-out, we will lose the full \$500,000 and the revenue from this benefit [196, 213].

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 have relied 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 2018, we used FY 2017 projected amounts (from the NC Department of Revenue) and reduced by \$125,000 (the legislative reduction in hold harmless), resulting in a \$2,180,000 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 in addition to the Jordan Lake Payment in



Lieu, and DSS reimbursements. Intergovernmental revenues are expected to decrease by 12%. 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. DSS revenue is expected to decrease by 73% from FY 2017 to FY 2018 due to the intention by the state to reimburse childcare providers directly through NC FAST instead of through local Departments of Social Services, so this reduction in revenue is matched by an equal reduction in expense.
- **Safe Havens Grant:** Federal funding for the Safe Havens Program, which provides secure court-ordered visitation services for families, continues through FY 2018. The program also received funding from the Governor's Crime Commission, which is 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 2018. 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 2018, \$92,000.

- **ABC Revenue:** Staff is estimating approximately \$90,000 for FY 2017, but is recommending that the FY 2018 budget be set at \$87,000.
- **Court Revenues:** Court facility fees have been trending down for the past few years. The number of criminal and infraction cases disposed have decreased, which mirrors the statewide trend. In addition, online payments have increased. The estimated revenue for FY 2017 is 12% lower than FY 2016 and is below the budgeted amount. For FY 2018, staff recommends budgeting a 4% decrease from the FY 2017 estimate.
- **Beer and Wine Tax:** The NC League of Municipalities reports that DOR expects FY 2017 beer and wine distributions to local governments to be unchanged from FY 2016 amounts. The NCLM recommendation was based on guidance from the Department of Revenue, which also relayed that the state alcoholic beverage tax collection is up 5% from prior year. Based on NCLM guidance – and taking into account the unexplained discrepancy between the increase in state collection and the distribution to counties, staff estimates that FY 2017 collections (not yet received) will be unchanged from FY 2016 and FY 2018 will be projected conservatively.

## 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 increase by 23% in FY 2018.

- Register of Deeds Fees:** Fees are charged when legal documents are recorded. Staff estimates that FY 2017 receipts will be about equal to FY 2016. FY 2018

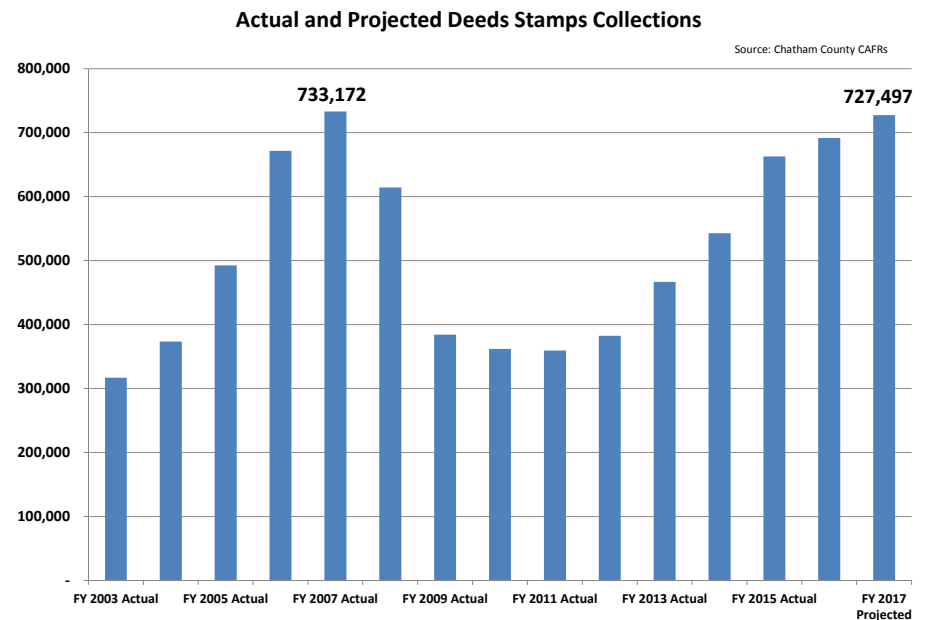
projections are slightly more conservatively than FY 2017 estimated receipts.

- Building Inspection Fees:** Staff estimates that the revenues for FY 2017 will be \$1.4M, 6% above FY 2016. For FY 2018, staff estimates \$1,500,000 to reflect the anticipated additional fees from Chatham Park for 140,000-square-feet of commercial and 350 residential units.

## Other Taxes and Licenses:

Other Taxes and Licenses represent locally collected taxes, other than the property tax. Overall, this revenue category is expected to increase 14%.

- 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 2017, this revenue source is 9% above FY 2016. As the chart to the right shows, while land transactions have not quite reached the peak levels of FY 2007, they have improved dramatically since the downturn in the economy. For FY 2018 we are holding the revenue projection steady.
- Occupancy Tax:** Collections for the first nine months of FY 2017 are 10% above FY 2016. FY 2018 projected collections of \$104,530 are based on the estimate for FY 2017 and reduced by 3%, consistent with our methodology.



## **Other General Fund Revenues:**

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**Interest:** FY 2017 is estimated to exceed budget due to the Finance Office strategy of investing approximately 50% of available cash in agencies, treasury notes, and commercial paper. Staff recommends keeping the budget constant at \$140,000 in FY 2018, allowing additional time to gather historical data on the effects of GASB Standard 72. This standard requires the book recording of certain investments at fair market value.

**Grants/Donations:** This revenue source is projected to decrease 17% from FY 2017 to FY 2018. This is due to a federal grant that will not be renewed. There is also uncertainty concerning grant applications that are in process.

**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 increase by 4%.

## **Enterprise Fund Revenue:**

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

Water sales and services are expected to increase 4% from FY 2017 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 were 4% above FY 2014. We suspect the trend was related to the economic downturn and water customers conserving more. The usage per customer is slightly down, but

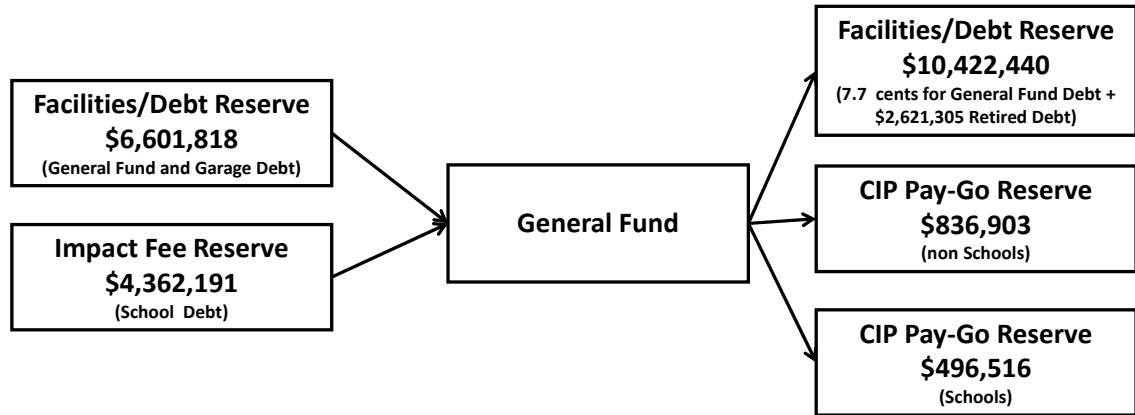
the number of customers has increased as we add new water customers in areas such as Briar Chapel.

Solid Waste and Recycling revenues overall are expected to be slightly over budget in FY 2017 and projected conservatively with a 3% increase in FY 2018. Sales and service is expected to increase by 4% 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 decrease 2% as debt service is reduced slightly in the General Fund.

- CIP Reserve:** This reserve was established as part of the County’s financial plan to fund capital improvements. 7.7 cents on the property tax rate, plus the decrease in debt service on general obligation bonds, is transferred annually to this reserve to pay for debt service on general County projects and schools. 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.
- 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 \$4,362,191 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 an 11% increase over FY 2017.

## Fund Balance:

### General Fund:

General Fund One Times	\$1,744,491
Replacement Capital	\$768,891
General Fund Transfer To CIP Reserve	\$836,903
School Capital Outlay	\$2,362,872
Total One Time Expenses	\$5,713,157
Fund Balance Appropriated	\$5,372,259

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 down \$565,575 or 9.5% from the original fund balance appropriation in FY 2017 (the amended figure reflects changes in the budget since the original appropriation). Staff recommends a lower amount of fund balance appropriation

given the uncertainty in how the State and Federal government may affect our revenues and expenses.

The Solid Waste & Recycling Fund appropriation is recommended at \$206,213. The fund includes one-time expenses totaling \$369,910.

The Water Fund appropriation is recommended at \$897,638. The fund includes one-time expenses totaling \$903,465.

The table on the next page shows the amount of fund balance available for appropriation in FY 2018 in the three major operating funds.

<b>Fund Balance Available for Appropriation:</b>	<b>General</b>	<b>Water</b>	<b>Solid Waste &amp; Recycling</b>	<b>Southeast</b>
Cash and Investments	39,813,703	4,850,493	4,850,493	283,473
Less:				
Liabilities	(3,181,143)	(247,710)	(189,259)	(78,657)
Deferred revenues	(171,329)	0	0	0
Fund balance available for appropriation	36,461,231	4,602,783	4,661,234	204,816
Recommended for appropriation	\$5,372,259	\$897,638	\$206,213	\$0

### **General Fund Expenditure Summary:**

	<b>2017 Amended</b>	<b>2017 Estimated</b>	<b>2018 Recommended</b>	<b>Variance</b>	<b>%Inc./ (Dec.)</b>
<b>Administration</b>	7,333,854	6,477,485	8,203,598	869,744	12%
<b>Debt Service</b>	11,522,210	11,522,211	11,276,266	-245,944	-2%
<b>Debt/Capital Transfers</b>	12,041,488	10,844,842	11,855,859	-185,629	-2%
<b>Chatham County Schools</b>	31,566,180	31,566,180	33,099,582	1,533,402	5%
<b>Other Education &amp; Culture</b>	3,513,795	3,346,754	3,470,159	-43,636	-1%
<b>General Government</b>	2,950,752	2,921,401	2,824,491	-199,065	-7%
<b>Human Services</b>	18,817,966	17,739,696	17,876,209	-941,757	-5%
<b>Natural Resource Management</b>	3,340,342	3,064,753	3,212,007	-128,335	-4%

	2017 Amended	2017 Estimated	2018 Recommended	Variance	%Inc./ (Dec.)
<b>Public Safety</b>	17,710,125	16,916,632	18,337,366	627,241	4%
<b>Total</b>	<b>108,869,516</b>	<b>104,399,954</b>	<b>110,155,537</b>	<b>7,265,472</b>	<b>7%</b>

**Administration:** The 12% increase in this grouping can be explained primarily by a new position in MIS, the 3% increase in salary and accompanying benefits and a large one-time expenditure in Facilities to replace the roof on the CORA building and add a warehouse[+\$869,744].

**Debt Service:** Debt service is decreasing by 2% because we will not be taking on new debt in FY 2018. As we pay existing debt, interest costs decrease from year to year [-\$245,944].

**Debt/Capital Transfers:** Overall, this category is down 2%. A reduction in the transfer to the capital reserve fund to pay for pay-as-go capital explains the overall reduction [-\$185,629].

**Chatham County Schools:** Overall, funding for Chatham County Schools is increasing 5%. Current expense funding is increasing \$630,000, or 3%. Capital outlay is increasing \$68,822, or 3%. Supplement is increasing 19% to ensure Chatham’s supplement remains competitive with surrounding counties.

**Other Culture & Education:** Spending in this category has decreased 1%, mainly due to a reduction in the mowing contract for parks and the fact that the FY 2017 amended budget includes the rollover of donations and grants for Library Services which are not budgeted in the recommended budget [-43,636].

**General Government:** The 7% decrease results mainly from not having to budget for revaluation expenses in FY 2018. Elections also had one-time expenses in FY 2017 that no longer have to be budgeted: purchase replacement computers [-49,321] and a decrease in the amount needed for temporary staffing [-37,430] that was created by the unexpected absence of the Director.

**Human Services:** The 5% reduction in the Human Services grouping primarily reflects the reduction in day care expense, which will be paid by the state directly in FY 2018 (there is an offsetting reduction in revenue) [-\$941,757].

**Natural Resource Management:** Natural Resource Management is decreasing 4% because incentives due to Acme McCrary are complete [-16,067], reduction in grants in Soil and Water [-\$220,500] and payments for development of the comprehensive plan are complete [-311,685].

**Public Safety:** The 4% overall increase results primarily from expansion increases to provide services for victims of domestic violence Court-Related Programs [+\$237,946—one-time], the addition of a fire inspector position [+\$88,888] and a transfer of \$100,000 to the Emergency Vehicle Fund to cover planned replacements of first responder vehicles in Emergency Management – EMS.

## Enterprise Fund Expenditure Summaries

	2017 Amended	2017 Estimated	2018 Recommended	Variance	% Inc./ (Dec.)
<b>Solid Waste &amp; Recycling</b>	3,199,685	3,729,570	3,297,125	97,440	3%
<b>Southeast Water District</b>	609,600	604,625	610,000	400	0%
<b>Water Fund</b>	6,410,625	6,107,596	6,936,638	526,013	8%

## Expenditures by Department

	FY 2016 Actual	FY 2017 Amended	FY 2017 Estimated	FY 2018 Total Req	FY 2018 Rec Cont	FY 2018 Rec Exp	FY 2018 Total Rec	% Inc/Dec
<b>Cardinal Innovations - Mental Health</b>	486,705	513,078	488,087	452,062	452,062		452,062	-12%
<b>CCCC - Community College</b>	1,783,062	1,768,393	1,771,854	1,772,233	1,750,583		1,750,583	-1%
<b>Central Permitting - Administration</b>	356,176	505,181	506,401	421,112	428,647	0	428,647	-15%
<b>Central Permitting - Building Insp.</b>	545,632	647,357	631,828	847,558	625,244	228,080	853,324	32%
<b>Central Permitting - Fire Inspections</b>	280,028	265,722	253,021	364,372	281,719	88,888	370,607	39%
<b>Chatham County Schools</b>	35,221,875	36,823,915	36,708,911	38,270,546	38,270,546		38,270,546	4%
<b>Chatham Trades - Nonprofit</b>	182,000	182,000	182,000	182,000	182,000		182,000	0%
<b>Chatham Transit - Nonprofit</b>	227,544	120,523	113,083	162,515	162,515	0	162,515	35%
<b>Cooperative Extension Service</b>	345,888	396,675	389,224	398,441	398,441	0	398,441	0%
<b>Council on Aging</b>	967,593	968,757	969,480	1,010,220	930,452	85,000	1,015,452	5%
<b>County Attorney</b>	440,502	407,976	357,725	402,706	404,414	0	404,414	-1%
<b>County Manager</b>	591,113	594,402	575,741	706,507	614,617	4,211	618,828	4%
<b>County Manager - Human Resources</b>	322,533	338,568	337,602	347,072	354,629	919	355,548	5%
<b>Court Facilities</b>	1,187,502	1,185,788	1,177,372	1,193,837	1,193,837	0	1,193,837	1%
<b>Court-Related Programs</b>	599,471	637,717	590,789	817,278	691,086	147,049	838,135	31%
<b>Economic Development</b>	1,305,786	1,107,280	1,106,681	1,597,970	1,097,970	0	1,097,970	-1%
<b>Elections</b>	428,327	446,568	444,996	641,839	408,951	24,993	433,944	-3%
<b>Emergency Management - EMS</b>	2,354,444	2,862,374	2,703,519	2,969,153	2,969,153		2,969,153	4%

	<b>FY 2016 Actual</b>	<b>FY 2017 Amended</b>	<b>FY 2017 Estimated</b>	<b>FY 2018 Total Req</b>	<b>FY 2018 Rec Cont</b>	<b>FY 2018 Rec Exp</b>	<b>FY 2018 Total Rec</b>	<b>% Inc/Dec</b>
<b>Emergency Management - Em Ops</b>	537,234	802,099	654,588	598,183	603,388	0	603,388	-25%
<b>Emergency Management - Telecomm.</b>	1,413,384	1,574,819	1,453,875	1,637,369	1,568,545	0	1,568,545	0%
<b>Facilities - Agriculture &amp; Conference</b>	0	221,766	1,222,389	1,367,651	1,358,149	0	1,358,149	512%
<b>Facilities - Fleet</b>	(42,575)	134,532	112,144	170,391	170,391	0	170,391	27%
<b>Facilities Management</b>	2,763,243	3,481,783	2,467,949	3,045,292	2,686,675	331,326	3,018,001	-13%
<b>Finance Office</b>	805,895	892,665	854,013	903,813	917,675	4,958	922,633	3%
<b>General Services - Non Depart</b>	31,722,167	12,428,277	10,751,466	12,151,824	12,151,824	0	12,151,824	-2%
<b>Governing Board</b>	315,455	378,110	331,429	373,634	379,364	0	379,364	0%
<b>Health - Administration</b>	474,639	391,358	380,909	389,318	398,688	0	398,688	2%
<b>Health - Animal Services</b>	626,034	777,626	678,812	800,093	761,036	51,413	812,449	4%
<b>Health - Clinic &amp; Comm Health Serv.</b>	2,517,624	3,206,421	2,750,563	3,111,047	3,137,021	(12,057)	3,124,964	-3%
<b>Health - Community &amp; Family Health</b>	749,578	736,613	709,298	814,958	738,714	12,523	751,237	0%
<b>Health - Environmental Health</b>	1,176,602	1,271,649	1,258,735	1,252,318	1,280,535	0	1,280,535	1%
<b>Library Services</b>	1,974,629	2,185,437	2,017,274	2,026,493	2,046,543	3,362	2,049,905	-6%
<b>Management Information Systems</b>	1,383,864	1,579,227	1,525,573	1,667,842	1,624,456	35,019	1,659,475	5%
<b>Nonprofit - Pass Thru Grants</b>	141,175	0	117,867	0	0	0	0	0%
<b>Nonprofit Allocations</b>	286,226	434,343	268,482	414,381	265,825	148,556	414,381	-5%
<b>Parks and Recreation</b>	757,130	978,592	928,704	1,149,111	951,353	29,927	981,280	0%
<b>Pittsboro/SC Visitors Bureau</b>	137,905	97,916	105,385	103,095	107,127	0	107,127	9%
<b>Planning</b>	628,276	929,626	894,754	1,209,444	663,336	163,705	827,041	-11%
<b>Register of Deeds</b>	448,844	486,426	479,757	491,477	500,771	0	500,771	3%
<b>Sheriff's Office - Detention Center</b>	4,466,724	5,102,341	4,703,479	5,085,038	4,707,011	0	4,707,011	-8%
<b>Sheriff's Office - Law Enforcement</b>	7,288,475	7,774,878	7,867,186	8,803,531	8,441,287	124,465	8,565,752	10%
<b>Social Services</b>	9,752,001	10,771,023	10,377,805	9,683,721	9,754,451	68,090	9,822,541	-9%
<b>Soil and Water</b>	228,377	499,299	274,985	240,422	245,925	0	245,925	-51%
<b>Solid Waste &amp; Recycling</b>	3,086,682	3,199,685	3,729,570	3,322,954	3,297,125	0	3,297,125	3%
<b>Southeast Water District</b>	457,319	609,600	604,625	610,000	610,000	0	610,000	0%



	FY 2016 Actual	FY 2017 Amended	FY 2017 Estimated	FY 2018 Total Req	FY 2018 Rec Cont	FY 2018 Rec Exp	FY 2018 Total Rec	% Inc/Dec
<b>Tax - Administration</b>	955,002	1,036,984	1,006,052	1,115,430	1,077,765	24,490	1,102,255	6%
<b>Tax - Assessment &amp; Revaluation</b>	613,427	675,468	659,167	516,546	408,157	0	408,157	-40%
<b>Util - Distribution</b>	4,083,460	4,730,909	4,550,045	4,731,410	4,598,222	158,480	4,756,702	1%
<b>Util - Wastewater Treatment</b>	141,118	170,786	160,372	901,039	151,039	750,000	901,039	428%
<b>Util - Water Treatment</b>	1,017,966	1,508,930	1,397,179	1,268,781	1,278,897	0	1,278,897	-15%
<b>Watershed Protection</b>	246,548	247,964	239,000	321,467	263,329	64,413	327,742	32%

### 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	Two additional Building Inspectors	\$182,944
Central Permitting	One additional Fire Inspector	\$88,882
Council on Aging	Improve Substandard Housing for Elderly (one-time)	\$85,000
Court Related Programs	Domestic Violence Advocates (1.5 FTE) and Temporary Housing for Victims (one-time)	\$145,081
Elections	Early Voting Site Spring 2018 (one-time)	\$24,993
Facilities	Storage building for CORA and new roof on existing building (one-time)	\$300,000
Health-Clinic	Adult Health Program Divestiture	(80,223)
Health-Animal Services	Additional vehicle with chassis mount for animal transport (one-time)	\$51,413
Management Information Systems	GIS Application Specialist	\$25,179
Parks and Recreation	Master Plan (one-time)	\$30,000
Planning	Unified Development Ordinance (one-time)	\$100,300
Planning	Zoning Official	\$51,576
Sheriff’s Office	Domestic Violence Victim Assistant Coordinators (1.6 FTE) (one-time)	\$92,865
Social Services	CIP Expansion Software Maintenance	\$16,000
Social Services	Food & Nutrition Employment Training Program	\$25,000
Tax Administration	Land Records Specialist	\$24,487

## Continuation Budget

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“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 decreased slightly from FY 2017.

- **Salaries:** Continuation salaries increased 3.6%. Most of this comprises a recommended 3% market pay adjustment for employees, at a cost of \$769,001 in the general fund.
- **Other Personnel Costs/Benefits:** Overall, this category increased 4%. Pay-based benefits increased as a result of salary increases. A \$126,596 (2%) increase in health insurance is recommended to cover expected costs. An increase of \$52,759 in retirement costs is also recommended due to action by the State Treasurer’s Office to increase the contribution to 7.5% for general employees and by 8.25% for law enforcement personnel. This increase is part of an attempt to stabilize the employer contribution rates. After FY 2018, both rates will continue to increase by 0.25% annually through FY 2021. 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 decreased by 2% because the county will not be incurring any new debt in FY 2018.
- **Transfers:** Transfers are budgeted at a 2% decrease FY 2017. The debt model calls for a transfer of \$10,422,420 to cover current debt service and prepare for the new CIP projects (construction of the New High School, New Elementary School, and CCCC Health Sciences Building), an increase of \$422,483. The Capital Improvements Program calls for a transfer of 1,333,410 to capital reserve to fund pay-as-you-go CIP projects, which is a decrease of \$683,112.
- **Allocations/Programs:** This category decreased 1%. The change in how daycare payments are made to providers (moving from local to state) more than explains this reduction.

## Capital Improvements Program (CIP)

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**Background:** The CIP is a long-term plan for funding the County’s major capital needs. It shows how facilities, equipment, and other projects that cost \$100,000 or more could be scheduled and funded over the next seven years, beginning

in FY 2018. 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. No changes were recommended from the Approved FY 2018-2024 CIP. See Appendix C for a summary of the Capital Improvements Program

## **The Future**

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**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. The property tax base grew at 4.6% overall from FY 2017 to FY 2018 without revaluation. This is the most robust level of growth since the recession began. Local sales tax collections had been trending well above the state for several years, but FY 2017 levels have fallen below statewide collections. FY 2018 marks the first year of substantial development in Chatham Park. A fiscal impact analysis currently being completed should show the development's overall impact on the county over the next 10 years.

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. 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.

## **Invitation for Public to Participate**

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

- **Monday, May 15, 6 p.m.,** Historic Courthouse, Pittsboro.
- **Tuesday, May 16, 6 p.m.,** Siler City Courtroom, Town Hall.

Respectfully submitted May 1, 2017.

*Renee Paschal*

Renee Paschal  
County Manager

You may provide comments or ask questions of our budget staff. Please contact Lisa West ([lisa.west@chathamnc.org](mailto:lisa.west@chathamnc.org)), 919-545-8483. To ensure comments are considered, please submit by May 17, 2017.

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