

Summary Information

Summary of Changes to the Recommended Budget

As is required by state law, the County Manager develops a “recommended” budget that is presented to County Commissioners in early May. Commissioners hold public hearings and work sessions to review the recommended budget in depth. Prior to the budget work sessions, corrections or adjustments were identified that resulted in a net gain to the budget that permitted commissioners to make changes to the FY 2018 Recommended Budget. Specifically:

- Revenue to cover an School Resource Officer had not been included [\$83,094]
- Projected federal grant revenue increased [\$40,070]
- The completion of the Board of Equalization & resulted in an improved projection for real and personal property tax revenue [\$595,237]
- Expenses to support an additional board member on the Board of Elections had not been included [\$5,124]
- Three agency awards in nonprofit funding had been budgeted twice and were removed [\$36,616]
- Salary and benefits for a position in the Finance Department had been omitted [\$87,149].

Commissioner-directed additions to the FY 2018 Recommended Budget include are as follows:

- An additional \$18,742 to cover an additional part-time veterans services officer.

- An additional \$28,611 to add a Misdemeanor Diversion program to serve 16 and 17 year olds who receive a first-time misdemeanor offense.
- An additional \$70,769 to cover an additional School Resource Officer for Northwood High School.
- An additional \$80,000 to cover a School Health and Wellness Instructional Facilitator
- An additional \$83,723 to cover a budget analyst
- An additional \$54,768 to cover a construction project manager
- An additional \$450,000 to the Town of Pittsboro.

A summary of changes follows:

Recommended General Fund Revenues	110,055,537
School Resource Officer	83,094
Federal grant revenue	40,070
Additional real/personal property tax	595,237
Additional fund balance appropriation	126,571
Decreased revenue with Misdemeanor Diversion	-2,700
Approved General Fund Revenues:	110,897,809
Recommended General Fund Expenses	110,055,537
Additional board member on BOE	5,124
Nonprofit	-36,616
Finance position	87,151
Part-time veterans services officer	18,742
Misdemeanor Diversion Program	28,611
School Resource Office	70,769
School Health And Wellness Instructional Facilitator	80,000

Budget analyst	83,723
Construction Project Manager	54,768
Town of Pittsboro	450,000
Approved General Fund Expenditures:	110,897,809

History & Demographics

Founded in 1771 and located in the geographic center of North Carolina, Chatham County encompasses an area of more than 707 square miles and is known as the "The Heart of North Carolina." The county is situated between two of the state's three largest centers of population and commerce, the Triangle Region and the Piedmont Triad.

Early History

According to *Chatham County: 1771-1971*, edited by Doris Goerch Horton, Nell Craig Strowd, and Wade Hadley, the county's early history was as follows:

Records show that settlers from Europe arrived in the area as early as the mid 1700s, including a Quaker settlement formed in 1751. Early settlers entered from the north through a trading route of the Catawba Indians and from the south through the Cape Fear River Valley.

The Colonial Assembly established Chatham County through legislation introduced on December 5, 1770, which was effective on April 1, 1771. The county was formed from a portion of what was once Orange County. The county was named for the Earl of Chatham, William Pitt, who was a "defender of American rights in the British Parliament." A portrait of the Earl of Chatham, replacing one destroyed in the March 2010 courthouse fire, hangs in the newly restored Chatham County Historic Courthouse.

The legislation forming Chatham County noted that the new county was needed to provide greater access to inhabitants living in the southern part of the county. It was too difficult and expensive for those residents to travel to the Orange County government seat (Hillsborough) to conduct business.

In the early years, the county was governed by justices of the peace, which served the Court of Pleas and Quarter Sessions. The justices were appointed by the state's General Assembly. For a period of time, the justices also appointed other county officials, which included the sheriff, coroner, constables, clerk, register, county attorney, standard-keeper, entry-taker, surveyor, rangers (which dealt with stray animals), and overseers of roads.

Reconstruction and the new State Constitution of 1868 established a five-member board of county commissioners, divided the county into townships, and radically changed the court system. Justices of the peace were eliminated from county government in 1894.

Modern History

In 1977, the county adopted the council-manager form of government and appointed the first county manager. We now have five county commissioners elected to four-year staggered terms. They must reside in specific districts but are elected by voters at large.

County manager's authority: Unlike town managers, the county manager only has hiring authority for about one-third of all county department heads. Even though the county manager has limited authority over selecting department heads, she has to work closely with all of the departments and their leaders because the county often is responsible for funding all or some of their budgets.

Education: Chatham County contributes funds to, but does not govern, K-12 public education and the community college system. The Chatham County School System is governed by its own elected board. Central Carolina Community College, which has two campuses in the county, is governed by its own appointed Board of Trustees.

Chatham County's population and economic base have changed substantially during its history. The county has experienced a dramatic increase in population due to residential growth in the eastern part of the county near Chapel Hill, Durham, and Cary.

Demographics:

The Census estimates the 2016 population at 72,243, an increase of approximately 14% since 2010. Chatham's

Fund Descriptions and Structure:

The county's accounts are structured by fund. Each fund is a separate accounting entity with a separate set of self-balancing accounts reflecting assets, liabilities, fund balance, revenues and expenditures. Funds are created to capture the varied activities of the county and to comply with legal requirements.

Chatham County has four fund categories: governmental, proprietary, fiduciary, and capital projects. Governmental, proprietary, and fiduciary funds are appropriated annually and included in the approved budget. Capital project funds are multi-year and are not appropriated in or included in the annual

population growth is tracking higher than neighboring Orange County (6 %), Lee County (3 %) and Moore County (8.5 %), but not as high as Wake County at 16%. Between 2014 and 2015, Chatham was the fastest growing county in the state, according to Census data.

Only 22% of county residents live in incorporated towns. The county has about 93.1 residents per square mile, which reflects its generally rural nature. According to the state demographer, the incorporated towns in the county have an estimated 2015 population as follows:

- Siler City: 8,552
- Pittsboro: 4,415
- Goldston: 268
- Cary: 2,283 (with a total population of 159,769 ; most of Cary's population is in Wake County)

Ethnic/Racial Diversity: As of 2015, the overall racial/ethnic composition of Chatham County was estimated at 82.1% white, 13.0% African American, 12.4% Hispanic, 1.9% Asian, and other races less than 1%.

operating budget. All funds, including capital projects, are included in the county's annual audited financial statements.

Governmental Funds

Government Funds account for resources other than those accounted for in proprietary or fiduciary funds. Most of Chatham County's functions are included in this fund type.

In accordance with North Carolina General Statutes, the basis of accounting and budgeting governmental funds is modified accrual. This means revenues are recorded in the period in which they are measurable and available. Revenues are recognized when they are received in cash (example:

licenses, fines, etc.) or when the collection of the amount is estimated to be received in the near future (example: property taxes). Expenditures in a modified accrual basis are generally recognized in the period goods and services are received or liabilities incurred. This type of accounting is considered the most conservative, because expenditures are recorded as soon as the liability is incurred and most revenues are not recorded until they are received in cash. The county's governmental funds include:

- **The General Fund** is the primary operating fund for the county. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund and includes typical governmental activities, such as human services, public safety, and education. Major revenues that support these functions include property tax and sales tax. The majority of departments are funded through the General Fund, with the exception of Utilities and Waste Management, which are funded through the Water Fund and the Solid Waste & Recycling Fund, which are proprietary funds.
- **Facility Reserve/Capital Improvement Reserve Fund:** The County transfers annually an amount equivalent to five and one-half cents on the tax rate into this fund. The transfer is used to fund debt for a variety of general capital projects, including a library, Central Carolina Community College facilities, an addition to the Department of Social Services, and a judicial facility.
- **Impact Fees Fund** accounts for an additional fee charged on all building permits issued for the construction of new dwellings. Impact fees collected are to be used to offset a portion of the cost of new school construction or debt.
- **Non-major Special Revenue Funds** account for the proceeds of specific revenue that are legally restricted to

expenditures for specific purposes, including Bynum Canoe Access, Coal Ash, Courthouse Clock, Enhanced 911, Forfeited Property, Library Foundation, Recreation Fees, and Special Fire Districts.

- **Capital Project Funds** account for the acquisition and construction of capital and capital facilities, other than those financed by proprietary and trust funds. Except for non-major capital project funds, capital projects are not included in the operating budget. Non-major capital project funds include the Equipment Capital Reserve Project and the Emergency Vehicle Replacement Reserve Project.

Proprietary Funds

These funds account for operations that are similar to the private sector, including enterprise, internal service, and capital reserve funds. Proprietary funds focus on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. There are two types – enterprise and internal service.

The basis of accounting and budgeting proprietary funds is accrual. This means revenues are recorded in the period in which they are earned or realized. Expenditures in an accrual basis are generally recognized in the period goods or services are received or liabilities incurred.

Enterprise funds are intended to be self-supporting through user charges, and include:

- **Solid Waste & Recycling** accounts for the operations of the county's collection and disposal of solid waste.
- **Southeast Water District** accounts for the operations of the water district covering the southeastern portion of the county.
- **Water Fund** accounts for the county's water and sewer operations.

- **Capital Reserve Funds** that support the enterprise funds include the Utility Capital Reserve, the Utility Vehicle Reserve, and the Waste Management Capital Reserve.
- **Water & Solid Waste Capital Projects Funds** account for the acquisition and construction of capital financed by proprietary funds. Water and Solid Waste project funds are not included in the operating budget
- **Internal Service Funds** report activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The county's budget includes one internal service fund, the Health

Internal Service Fund. This fund tracks premiums paid by the county on behalf of its employees for workers compensation and health insurance coverage. The funds also tracks health premiums paid by employees for dependant coverage.

Fiduciary Funds

Fiduciary funds report assets held in a trustee or agency capacity for others which cannot be used to support the government's own programs, including pension trust funds and agency funds. Chatham County's operating budget includes one fiduciary fund, the Law Enforcement Pension Trust.

Financial Indicators:

	Chatham	Lee	Moore	Orange
Budgeted Expenditures	\$107,494,106	\$69,759,729	\$90,236,676	\$215,843,812
<i>State Rank</i>	26	44	35	12
Non-school Expenditures	\$70,670,191	\$52,897,451	\$56,173,990	\$116,470,671
<i>State Rank</i>	30	43	42	17
Effective Tax Rate	\$0.6105	\$0.7780	\$0.4636	\$0.8712
<i>State Rank</i>	62	22	91	91
FY 2016 Population	71,815	58,908	94,492	140,144
<i>State Rank</i>	37	46	29	20
Valuation/capita	\$137,728	\$85,798	\$125,954	\$118,262
<i>State Rank</i>	11	45	16	19
2015 Per Capita Income	\$51,839	\$35,655	\$43,725	\$55,338
<i>State Rank</i>	3	38	11	1
Total Funding Per Student (LEA only)	\$3,401	\$1,675	\$2,651	\$3,945
<i>State Rank</i>	4	35	29	2
Number of Students (LEA only)	8,608	10,067	12,849	19,568
<i>State Rank</i>	43	38	29	23

The University of North Carolina at Chapel Hill’s School of Government created a series of financial indicators that enable local governments to review and analyze their financial condition and benchmark against other jurisdictions. Each indicator is graphed showing the trend over the past nine years

in Chatham and a corresponding benchmarking graph that compares Chatham to Moore, Lee, and Orange. Lee County was chosen for comparison because of its geographic proximity and similar population size. Moore County was chosen because of its geographic proximity, similar budget, and similar per

capita valuation. Orange County was chosen because of its geographic proximity, similar per capita income, and similar per capita valuation.

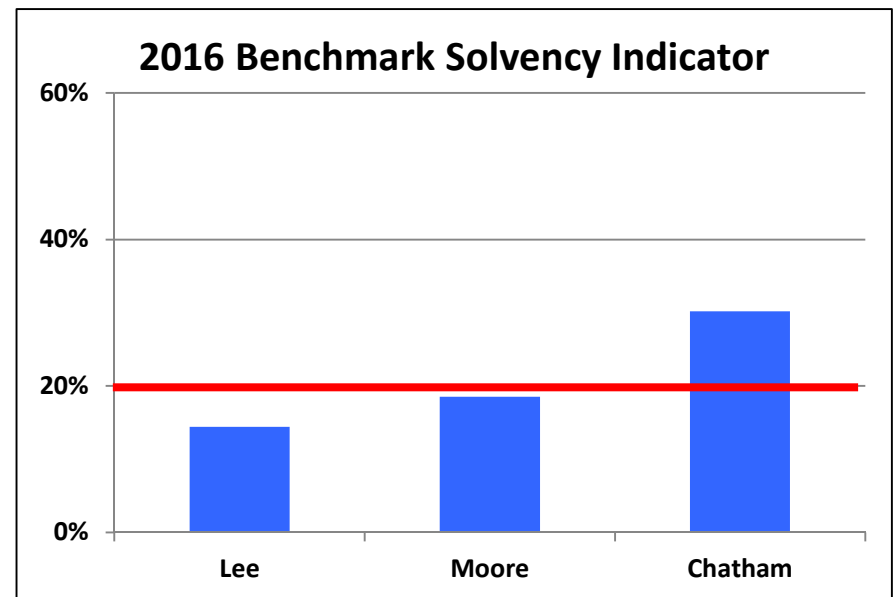
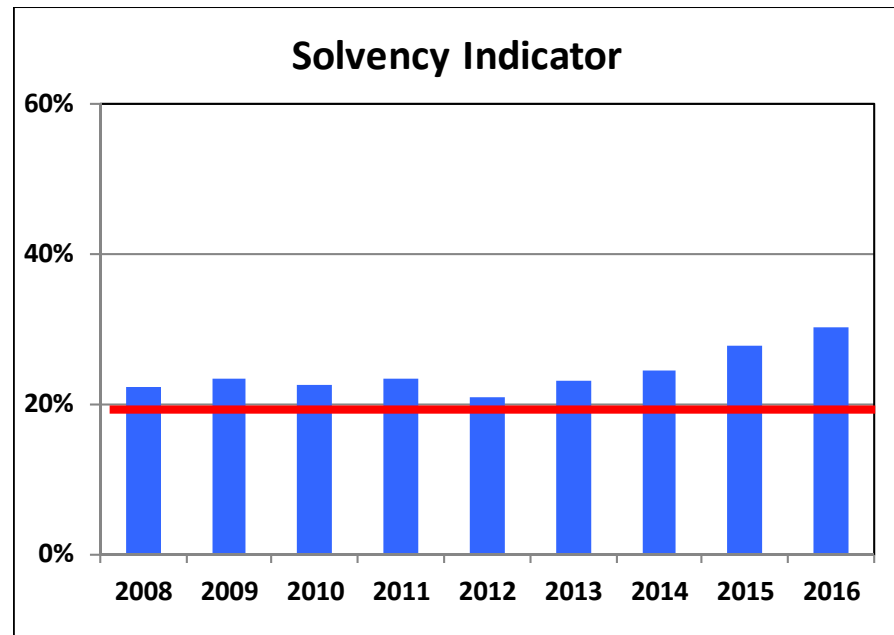
All of the indicators, except the Capital Assets Condition Indicator, are based on financial data from the General Fund. The Capital Assets Condition Indicator uses government-wide financial data which includes all governmental funds.

An analysis of Chatham County's financial indicators shows that the county is in excellent financial condition. In addition, the indicators revealed financial data that was incorporated into the budget decision-making process. On the next page are the financial indicators that may provide insight into budget decisions and provide background information about Chatham County's financial condition:

Solvency

The Solvency Indicator measures a government's ability to address long-term obligations. A high ratio suggests a government can meet its long-term obligations. The Solvency Indicator is calculated by dividing the available fund balance by total expenditures (less proceeds from capital leases) plus transfers out.

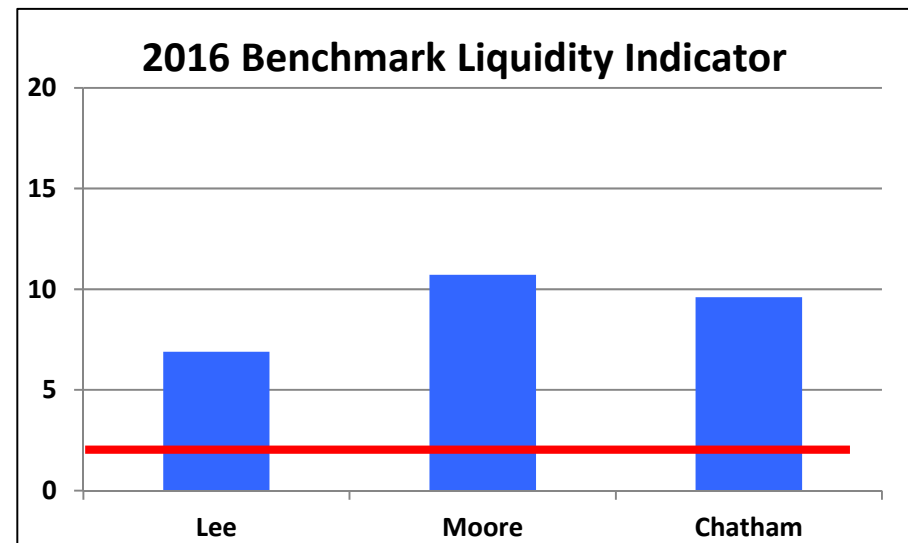
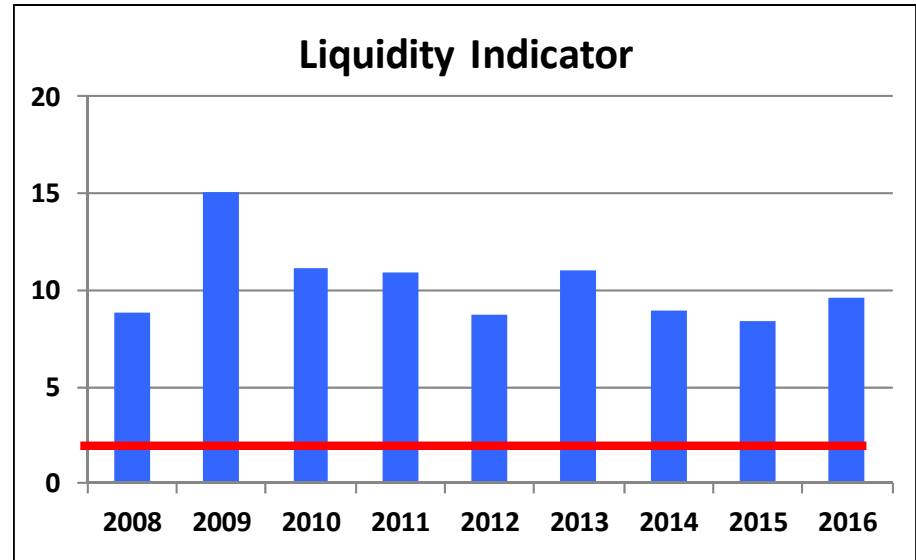
Chatham County's solvency ratio is 30.2%, meaning the county has funds available for capital projects, such as one-time expenses and the capital improvements program. It also suggests that Chatham County is financially prepared in case of disaster. Chatham County has been able to save resources and keep expenditures low.



Liquidity

The Liquidity Indicator measures a government’s ability to meet its short-term obligations. The Liquidity Indicator is calculated as cash and investments divided by current liabilities (not including deferred revenue).

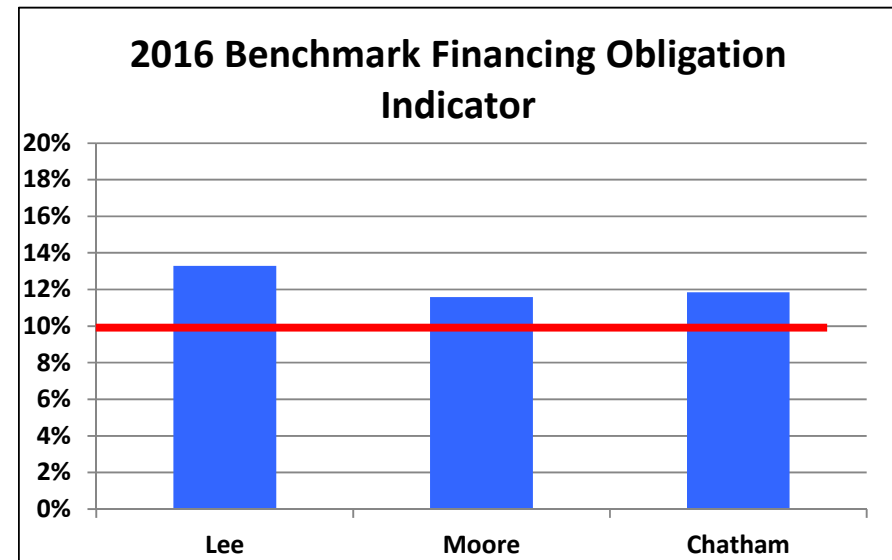
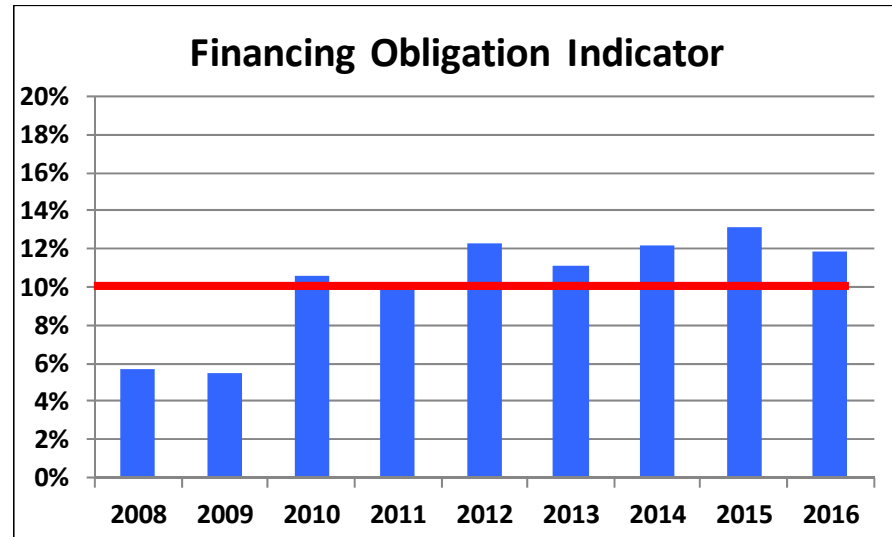
The School of Government recommends having a ratio of 2 or greater. Currently, Chatham County has a ratio of 9.60, meaning the county has cash available to meet its immediate cash needs.



Financing Obligation

The Financing Obligation Indicator provides feedback on the amount of expenditures committed to annual debt service. Service flexibility decreases as more resources are committed to annual debt service. The Financing Obligation is calculated by dividing the debt service principal and interest payment, including transfers to debt service fund, by total expenditures.

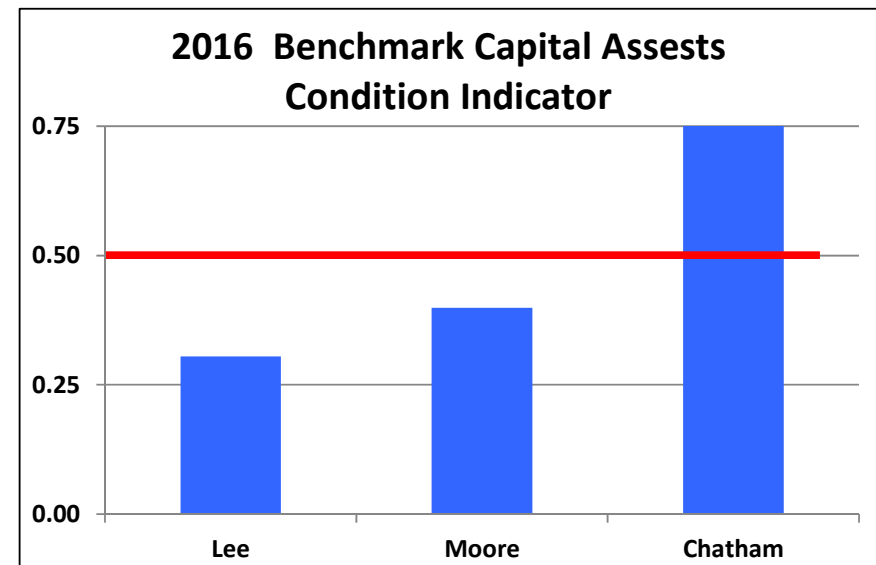
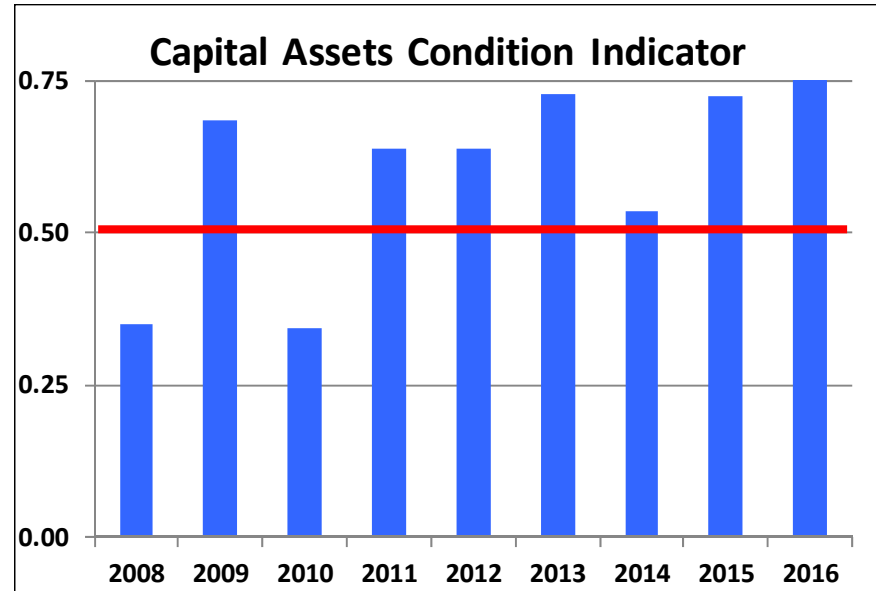
The School of Government recommends that this ratio should be no more than 10%. Chatham County's Financing Obligation Indicator is 12%. For another jurisdiction, this might mean that Chatham's debt is reaching the point where it impedes its ability to provide services. However, Chatham has set aside 7.7 cents on the tax rate in a reserve to pay for the majority of its debt service.



Capital Assets Condition Indicator

The Capital Assets Condition Indicator measures the condition of capital assets as defined by their remaining useful life. A high ratio suggests a government is investing in its capital assets. The Capital Assets Conditions Indicator is calculated as accumulated depreciation divided by capital assets being depreciated. This result is then subtracted from one.

The School of Government recommends maintaining a ratio of .5. Currently, Chatham County's Capital Assets Condition Indicator is .76, meaning Chatham County is maintaining and investing in capital, such as buildings and vehicles, appropriately. In the past, however, Chatham County did not achieve a .5 ratio. Recent capital expenditures reflect an effort to improve this ratio and invest in capital assets.



Employee Summary (full-time equivalents):

Personnel counts shown below are given in full-time-equivalents (FTE) for all regular county employees (temporary positions are not included). The FTE converts the hours worked by a position into a percentage of a full year's number of hours. For most positions, 1 FTE equals 2,080 hours per

year per position (based on a 40 hour work week and a 52 week work year). If a position works 1,040 hours per year, this translates into .5 FTE.

County Department	A 2015 Actual	B 2016 Actual	C 2017 Amended	D 2017 Estimated	E 2018 Total Req.	F 2018 Appr. Cont.	G 2018 Appr. Exp.	H 2018 Total Appr.	I Variance	J Total % Inc./Dec.
Central Permitting - Administration	5.00	4.00	5.00	5.00	5.00	5.00	0.00	5.00	0	0%
Central Permitting - Building Inspections	6.00	7.00	7.00	7.00	9.00	7.00	2.00	9.00	2	29%
Central Permitting - Fire Inspections	3.00	3.00	3.00	3.00	4.00	3.00	1.00	4.00	1	33%
Council on Aging	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0	0%
County Attorney	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00	0	0%
County Manager	5.00	5.00	5.00	5.00	6.50	5.00	1.50	6.50	2	30%
County Manager - Human Resources Div	4.00	4.00	4.00	4.00	4.00	4.00	0.00	4.00	0	0%
Court Related Programs	4.87	5.26	4.99	4.99	7.25	5.00	2.25	7.25	2	45%
Elections	2.50	2.50	2.50	2.50	3.00	2.50	0.00	2.50	0	0%
Emergency Management - Emergency Operations	3.00	3.00	4.00	4.00	4.00	4.00	0.00	4.00	0	0%
Emergency Management - Telecommunications	22.00	22.00	22.00	22.00	24.00	22.00	0.00	22.00	0	0%
Facilities Management	16.00	18.00	18.00	18.00	19.00	18.00	1.00	19.00	1	6%
Facilities - Agriculture & Conference Center	0.00	0.00	3.00	3.00	3.00	3.00	0.00	3.00	0	0%
Finance Office	8.00	8.00	9.00	9.00	9.00	9.00	0.00	9.00	0	0%
Governing Board	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0	0%
Health - Administration	6.00	6.00	4.00	4.00	4.00	4.00	0.00	4.00	0	0%

County Department	A	B	C	D	E	F	G	H	I	J
	2015	2016	2017	2017	2018	2018	2018	2018	Variance	Total %
	Actual	Actual	Amended	Estimated	Total	Appr.	Appr.	Total		Inc./Dec.
					Req.	Cont.	Exp.	Appr.		
Health - Animal Services	8.00	8.00	9.00	9.00	9.00	9.00	0.00	9.00	0	0%
Health - Clinic & Comm Health Service	24.75	24.20	37.15	37.15	34.35	33.35	0.00	33.35	(4)	(10%)
Health - Community & Family Health	11.75	11.75	7.75	7.75	8.75	8.75	0.00	8.75	1	13%
Health - Community Health & Surveillance	5.50	5.50	0.00	0.00	0.00	0.00	0.00	0.00	0	0%
Health - Environmental Health	15.50	15.50	15.50	15.50	15.50	15.50	0.00	15.50	0	0%
Library Services	17.10	17.10	17.60	17.60	18.10	17.60	0.50	18.10	1	3%
Management Information Systems	13.00	13.00	13.00	13.00	14.00	13.00	1.00	14.00	1	8%
Parks and Recreation	5.50	6.00	6.00	6.00	8.00	6.00	0.00	6.00	0	0%
Pittsboro/SC Visitors Bureau	1.00	2.00	1.00	1.00	1.00	1.00	0.00	1.00	0	0%
Planning	5.75	8.00	8.00	8.00	10.00	8.00	1.00	9.00	1	13%
Register of Deeds	5.75	6.00	6.00	6.00	6.00	6.00	0.00	6.00	0	0%
Sheriff's Office - Law Enforcement	89.00	91.00	90.00	90.00	107.60	101.00	2.60	103.60	14	15%
Sheriff's Office - Detention Center	49.00	49.00	54.00	54.00	52.00	44.00	0.00	44.00	(10)	(19%)
Social Services	87.10	87.10	89.60	89.60	89.60	89.60	0.00	89.60	0	0%
Soil and Water	3.00	3.00	3.00	3.00	3.00	3.00	0.00	3.00	0	0%
Solid Waste & Recycling	13.00	13.00	13.00	13.00	13.00	13.00	0.00	13.00	0	0%
Tax - Administration	11.00	11.00	11.00	11.00	12.00	11.00	1.00	12.00	1	9%
Tax - Assessment & Revaluation	4.00	5.00	5.00	5.00	6.75	5.00	0.00	5.00	0	0%
Water - Distribution	15.00	15.00	16.00	16.00	16.00	16.00	0.00	16.00	0	0%
Water - Wastewater Treatment	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0	0%
Water - Water Treatment	7.00	7.00	7.00	7.00	7.00	7.00	0.00	7.00	0	0%
Watershed Protection	2.00	3.00	3.00	3.00	4.00	3.00	1.00	4.00	1	33%
Total County Employees	485.07	493.91	509.09	509.09	542.40	507.30	14.85	522.15	13	3%

Explanation of changes in staffing levels: The number of county positions is increasing by 9.00 full-time equivalents (FTEs) from the FY 2017 budget.

Nine dual sworn deputy positions were moved from Detention to Law Enforcement to aid the Sheriff's Office in managing personnel. This did not result in a change in total FTE for the Sheriff's Office.

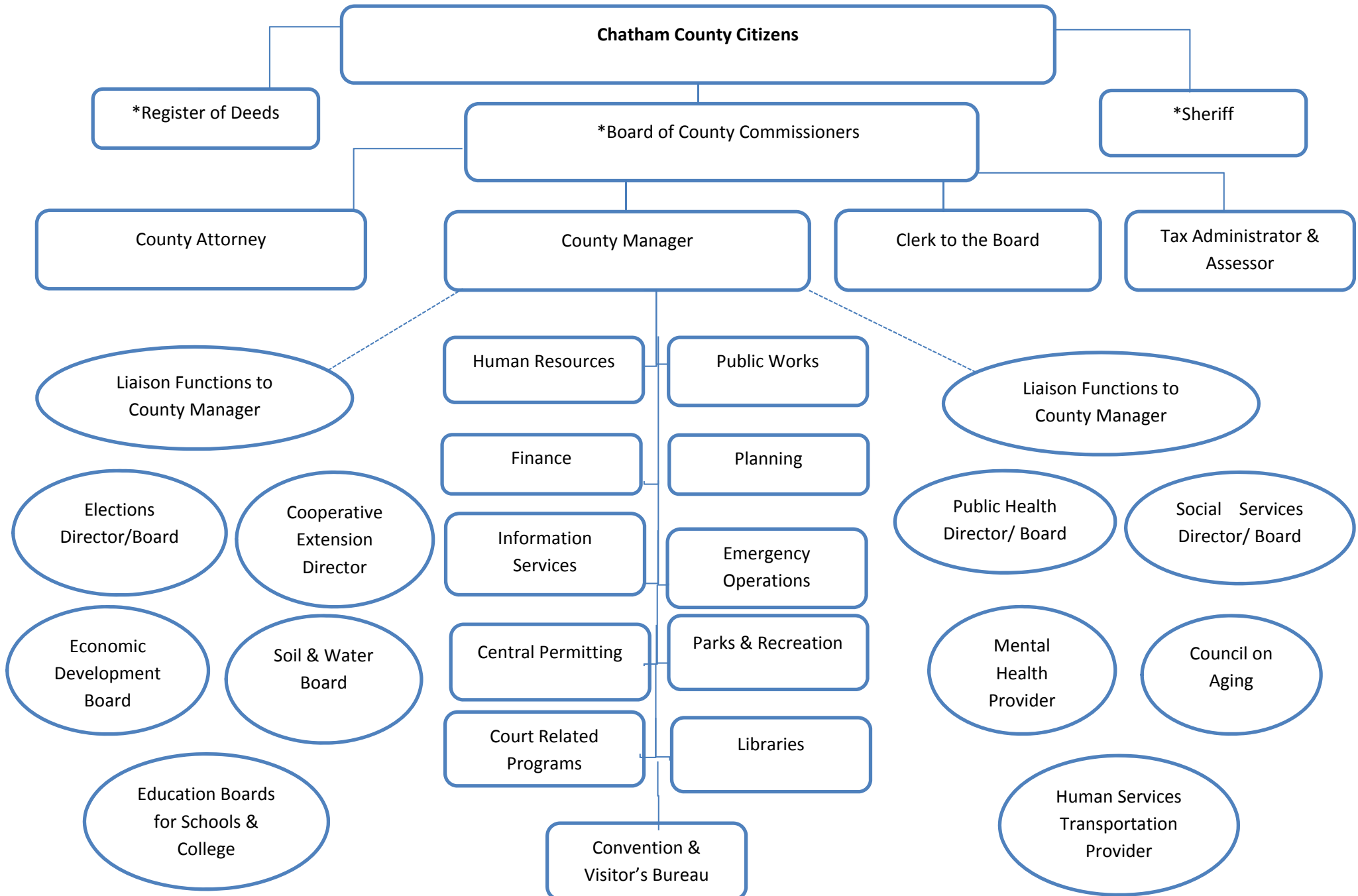
- Building inspectors were added in Central Permitting Inspections[+2.00];
- A fire inspector was added in Central Permitting Fire Inspections [+1.00];
- One full and one part-time domestic violence advocates were added to Court Related Programs[+1.50];
- One part-time position was added in Library [+0.50];
- A GIS specialist was added in MIS [+1.00];
- A zoning official was added in Planning [+1.00];
- One full and one part-time domestic violence coordinator were added in Sheriff's Office [+1.60];
- A land records specialist was added in Tax Administration [+1.00]
- A water protection specialist was added in Watershed Protection [+1.00]

The Board of Commissioners added several positions to the County Manager's recommendation. Additional positions are as follows:

- A Budget Analyst was added to the County Manager's department [+1.00];
- A part-time Veterans Services Officer was added to the County Manager's department [+0.50]

- A Construction Project Manager was added to the Facilities Department [+1.00]
- A School Resource Officer for Northwood High School was added to the Sheriff's Office [+1.00]
- A part-time administrative position was added to Court Related Programs to support the new Misdemeanor Diversion Program [+0.75]

Chatham County Government Organizational Chart



Summary of All Appropriated Funds

Budget Summary

	A 2015 Actual	B 2016 Actual	C 2017 Amended	D 2017 Estimated	E 2018 Total Req.	F 2018 Total Rec.	G 2018 Appr. Cont.	H 2018 Appr. Exp.	I 2018 Total Appr.	J Variance	K Total % Inc./Dec.
Revenues											
Permits and Fees	4,921,308	4,837,313	3,948,929	5,262,261	4,721,731	4,721,731	4,721,731	0	4,721,731	772,802	20%
Intergovernmental	12,350,067	12,965,177	12,299,351	12,856,332	10,925,367	10,925,367	11,023,531	25,000	11,048,531	(1,250,820)	(10%)
Interest	457,690	875,806	353,540	556,847	400,750	400,750	400,750	0	400,750	47,210	13%
Contributions from others	397,427	6,587,689	419,951	480,632	348,626	348,626	348,626	0	348,626	(71,325)	(17%)
Miscellaneous	1,546,897	330,914	372,924	537,632	308,776	308,776	308,776	0	308,776	(64,148)	(17%)
Other Taxes/Licenses	762,850	751,143	745,298	852,327	848,020	848,020	848,020	0	848,020	102,722	14%
Property Tax	66,075,766	68,549,495	70,626,385	72,959,910	74,347,986	74,347,986	74,943,223	0	74,943,223	4,316,838	6%
Charges for Services	18,714,329	19,517,639	18,303,305	19,762,559	19,008,961	19,011,661	19,009,827	(866)	19,008,961	705,656	4%
Sales Tax	10,130,996	11,298,727	12,215,000	12,437,000	12,847,000	12,847,000	12,847,000	0	12,847,000	632,000	5%
Transfers In	14,988,513	16,489,949	22,864,336	24,516,527	22,323,352	22,323,352	22,323,352	0	22,323,352	(540,984)	(2%)
Debt Proceeds	30,502,945	23,835,596	0	0	0	0	0	0	0	0	0%
Appropriated Fund Balance	0	0	18,426,568	0	21,382,283	21,382,283	21,508,854	0	21,508,854	3,082,286	17%
Total Revenues	160,848,788	166,039,448	160,575,587	150,222,026	167,462,852	167,465,552	168,283,690	24,134	168,307,824	7,732,237	5%
Expenditures											
Salaries	19,494,773	20,736,133	22,576,097	21,578,737	24,146,072	23,833,305	23,456,829	613,689	24,070,518	1,494,421	7%
Other Salaries and Benefits	15,048,070	14,550,272	16,655,953	15,575,588	17,925,743	17,525,842	17,392,531	228,180	17,620,711	964,758	6%
Operating	22,333,679	24,202,596	27,669,232	25,823,698	30,737,020	29,574,178	28,274,596	1,396,388	29,670,984	2,001,752	7%
Debt	43,064,776	35,771,963	13,211,227	13,211,228	12,938,063	12,948,063	12,948,063	0	12,948,063	(263,164)	(2%)
Transfers Out	16,625,398	18,638,438	27,249,185	22,583,649	22,819,868	22,819,868	22,819,868	0	22,819,868	(4,429,317)	(16%)
Allocations/Programs	36,182,900	39,601,090	51,649,545	41,647,797	59,407,068	59,385,418	59,649,047	149,755	59,798,802	8,149,257	16%
Capital Outlay	1,032,379	1,319,609	1,564,348	1,527,026	1,512,831	1,378,878	887,343	491,535	1,378,878	(185,470)	(12%)
Total Expenditures	153,781,975	154,820,101	160,575,587	141,947,722	169,486,665	167,465,552	165,428,277	2,879,547	168,307,824	7,732,237	5%