

Budget Message

“The Whole is Greater than the Sum of its Parts” – Aristotle

Chatham County Commissioners and County Residents,

Some say Chatham is a tale of two counties, one rural, one suburban; one west, one east; one native, one newcomer; and on and on our differences are described, often in an attempt to separate us. To me these differences make us special. I would go so far as argue that these differences make us strong.

Plan Chatham, our recently adopted comprehensive plan, recognized this too. The plan acknowledged the tremendous growth that is on our door step. It’s a fact we can’t ignore. The Triangle Region is expected to grow by one million residents in the next 25 to 30 years. Some of that growth is coming here. We’ve already seen our fair share in the last two decades.

But the plan also challenges us to protect what’s important to us—our natural resources, our farms, and our rural way of life.

Some may look at the Big Ideas of the plan and wonder how seemingly opposite things can be achieved. Take for instance the Big Idea of adding 14,000 new jobs by 2040 and the Big Idea of becoming a carbon neutral county. I have heard the contention that those who want to preserve our environment and natural resources have to be at odds with those who want to bring good jobs to our county. I don’t think it’s an either or proposition.

If we destroy our natural resources, we take away the very thing that attracts new growth and sustains our way of life. If



we don’t bring jobs and tax base to our county, we may lack the financial resources it takes to maintain our natural resources. I would argue that each of these things depends on the other.

It’s about sustainability—both in the sense of being smart about the demands we place on our natural environment, and also being smart about the demands we place on our taxpayers.

The FY 2019 budget and plan of work moves us forward on both of these fronts. Financially, it continues our strong fiscal stewardship. A modest 2% increase in spending allows us to maintain the tax rate and fund the most important initiatives that move the needle on implementing the comprehensive plan.

If we had additional resources, we could do more. I regret not being able to fund several of the new positions requested by departments. But, knowing that we could not fund everything and maintain the tax rate, we tried to make the best choices to advance our goals.

One of the impacts on revenue is Chatham Park's slower-than-projected pace of development. A fiscal impact study we recently completed shows its net positive impact on the

county's bottom line over the next 10 years, but that could be affected if growth projections are not realized. In FY 2018, at a cost of \$336,000, we funded and hired four positions for building and fire inspections and sedimentation and erosion control to serve Chatham Park. These positions must be hired ahead of time so that staff can be properly trained. Chatham Park has not move forward as projected, causing us to overestimate fees by more than \$200,000. This also meant less-than-projected sales and property tax in FY 2019.

The FY 2018 (current year) budget included funding for a number of Plan Chatham initiatives. The FY 2019 budget builds on that.

One of the key actions to achieve Plan Chatham is rewriting and simplifying our land use regulations. Right now, 10 different ordinances govern development. A Unified Development Ordinance (UDO) will help us modernize and streamline our rules and will operationalize many of the comprehensive plan recommendations. Initial funding for the UDO was provided in FY 2018 and will be rolled over in FY 2019. The FY 2018 budget also set aside contingency funds to hire staff in our Planning Department. The FY 2019 budget continues funding for the new planner.

Ninety percent of county development since 2000 has occurred outside our towns. Plan Chatham calls for 70% of new growth to be inside our towns or in employment, community or neighborhood centers. To do that, we have to help our towns' infrastructure be ready. The FY



Architect rendering of Seaforth High School, projected to open in August 2021.

2019 budget reallocates \$750,000 to the Town of Siler City to upgrade its wastewater treatment plant (this was originally funded in FY 2018, but not spent). We were also recently notified that the county's application for Golden Leaf funding to upgrade the Town of Siler City's water treatment plant was awarded. The NC Department of Commerce awarded another \$3 million for wastewater upgrades because of Mountaire Farms. Though it doesn't directly affect the FY 2019 budget, it does build on our ongoing work to develop a countywide water and sewer master plan in conjunction with the towns. By complying with state law as required by July 1, 2018, proposed revisions to our water system development fees readies us to participate in the Western Intake Partners water treatment plant. The water development fee actually goes down slightly for the majority of new water customers.

Another Big Idea of Plan Chatham is adding 100 affordable housing units each year. How we will do that is still being fleshed out by the Affordable Housing Advisory Committee. Two things are clear, though. First, the county can't possibly spend its way out of the affordable housing problem. We will have to work with our towns, nonprofits, and the private sector to solve this issue. Second, this effort WILL take county resources to leverage private sector spending. We've already been able to do that to some extent. A \$120,000 loan has attracted a company to submit a proposal to redevelop Henry Siler School into 44 affordable units. Currently we are waiting on word as to whether this project will receive low-income housing tax credits, the final piece of the puzzle to make the project a reality. A \$75,000 FY 2018 allocation to fund home repairs has leveraged \$3 in grants and federal dollars for every \$1 in county funds. The FY 2019 budget allocates \$200,000 to an affordable housing trust fund to leverage future partnerships like Henry Siler School. The budget also appropriates a total of

\$100,000, an increase of \$25,000, for Rebuilding Together of the Triangle and Council on Aging to continue their home repair program and continues a contract with Triangle J Council of Governments to staff the Affordable Housing Advisory Committee.

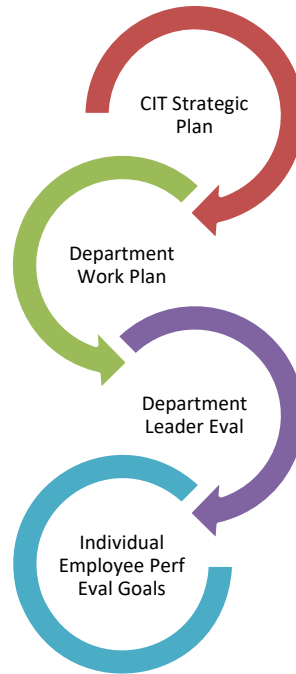
Plan Chatham calls for providing equitable access to quality education for all. Consistent with our ongoing priorities, the FY 2019 budget fully funds Chatham County Schools' request for an additional \$1,075,000 in current expense. A bill passed in 2016 by the General Assembly to reduce class sizes in kindergarten through third grade could have a major impact on Chatham County Schools. While the goal is laudable, it is an unfunded mandate from the state that will either require greater local funding; the elimination of enhancement classes like physical education, music, band, art, and world language; or greater class sizes above third grade. As part of our budget planning process, the Board of Education requested funds to maintain current enhancement classes. Since that time, the legislature has acted to provide additional funding for class-size reduction. If that action survives a court challenge, **Chatham County Schools will be able to use \$450,000 of the funding to increase supplement funding and implement the first phase of converting from a flat-rate supplement for licensed employees to one based on a percent of salary.** Full implementation of this plan would require an additional \$1.3 million over the next three years and move Chatham's supplement from fifth to third among surrounding counties, making us more competitive in recruiting teachers and other licensed personnel. The remaining \$625,000 would be used to offset the inflationary increases and enhance programming in several areas.

Becoming a Carbon Neutral County is another Big Idea in Plan Chatham. In February, the Board of Commissioners

prioritized goals from the Climate Action Plan. Staff is finalizing recommendations for implementation, which will be folded into our strategic planning process, described below. In the meantime, we have worked with Chatham County Schools to ensure our two new schools are LEED Silver certified. Funds are also included to train our Facilities and Construction Director on LEED practices.

Even as the final revisions were made to Plan Chatham, Team Chatham was gearing up to implement it. Our departments have been organized into Collaborative Impact Teams (CITs) and these teams are working on strategic plans to identify the right next steps. We expect full alignment between Plan Chatham and department and employee work plans in the FY 2020 budget. In the meantime, for FY 2019, we are recommending \$812,000 to provide employee pay increases. 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 able to implement Plan Chatham.

A modest amount of funding, \$20,000, is set aside in contingency to fund small grants to extend broadband into underserved areas. Lack of high-speed internet is a barrier to achieving Plan Chatham goals, particularly equitable access for residents and economic development. Our MIS Director and Economic Development President have worked hard this past year to identify possible private sector partners to extend broadband coverage. These partners have identified the need



for funding of feasibility studies and pilot projects to assist their efforts.

Plan Chatham calls for doubling the mileage of trails in the county. At a cost of \$148,000 (\$79,000 of this one-time), the FY 2019 budget funds a trails master plan and an Assistant Parks & Recreation Director to take the first steps in achieving this goal. The budget also fully funds the transfer to the capital reserve, allowing us to move forward with repairing the trail at Central Carolina Community College.

When our residents look at farms in Chatham, they may see different things. Farmers see their livelihoods. Suburban residents may see the beauty and lifestyle that drew them here. Educating our residents on the importance of agriculture and its contribution to our local economy

is an important goal of Plan Chatham and the NC Cooperative Extension Service. We were fortunate to hire an extension director this year whose vision and leadership will move us forward on our goal to preserve, protect, and enable agriculture and forestry. However, she must have adequate staffing. We are in negotiations with the state to increase funding for extension; if that falls through, we have budgeted \$42,000 in contingency for staff to focus on this work.

Chatham, east and west, rural and suburban, native and newcomer, is far more than the sum of its parts. My hope is that as Team Chatham makes progress on achieving Plan Chatham, our unity will be more important and apparent than our differences.

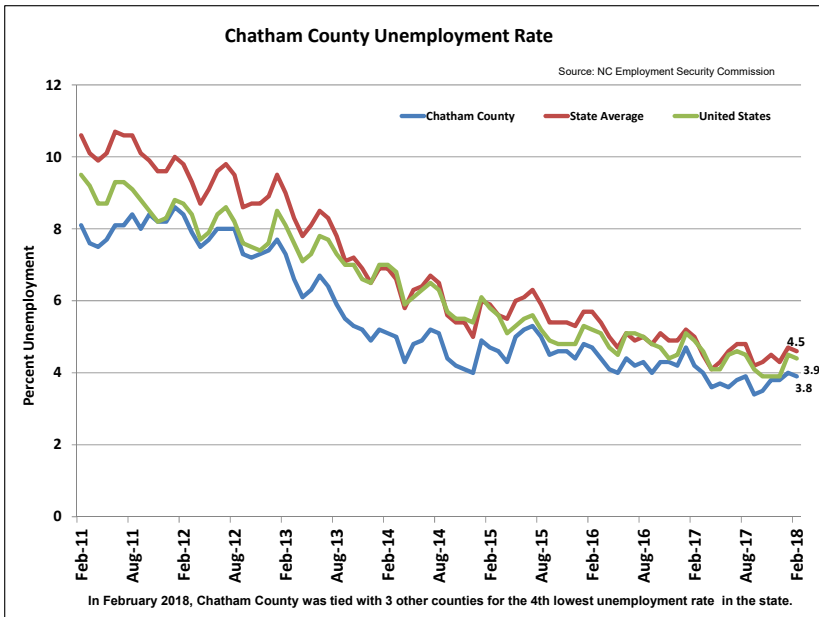
Major Revenue Highlights:

- The county property tax rate is recommended to remain at the current rate of 62.81 cents.
- Sales tax growth continues to be strong within Chatham County, with sales tax revenues increasing by 5.9% over the FY 2018 budget.
- Provider payments for Medicaid Transportation and Daycare Subsidies were officially taken over by the state in November, 2017; therefore, federal and state reimbursements to DSS will decrease. There is a corresponding decrease in DSS expenditures.
- The Parkwood Fire District is requesting to increase its rate by 0.6 cents to a total district tax rate of 10 cents per \$100 of valuation. Additionally, the Hope Fire District is requesting to increase its rate by 1.0 cent to a total district tax rate of 7.85 cents per \$100 of valuation.
- In an effort to recoup costs, a \$75 per inspection fee for after hours fire inspections is recommended in Central Permitting. Several fees for clinical services in the Health Department are recommended to increase to reflect Medicaid rates and maximize reimbursement. The fee for youth basketball is recommended to increase \$5 (to a total of \$35) per participant for in-county youth and increase \$10 (to a total of \$50) per participant for out-of-county youth. The fee changes would cumulatively generate approximately \$5,500 in additional General Fund revenue. The changes to the water system development fees, proposed in the study prepared by TischlerBise, would result in a net decrease of approximately 1% in total water system development fees. These fees are not budgeted in the General Fund and would have no impact on the General Fund operating budget.
- 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:

Uncertainty over continued economic growth nationally, combined with uncertainty over how quickly Chatham Park will develop, call for a sense of caution. As we enter the 10th year of the economic recovery and the second longest economic expansion in history, we realize that what goes up eventually must go down. A threatened trade war with China

and other counties has caused construction costs to escalate and threatens the underlying economy. While the recommended budget does not use assumptions based on recession, our sensible approach to revenue estimation helps ensure the county can weather an economic downturn.



An analysis by Barry Boardman, the NC Fiscal Research Economist, indicates that while the economy is stronger now than it was a year ago, improvements have not been strong enough to offset some of the weaknesses that persist in parts of the economy. Inflation adjusted wage growth is stagnant, and while the stock market remains bullish on the economy, those gains are mostly being captured by the wealthiest 10%.

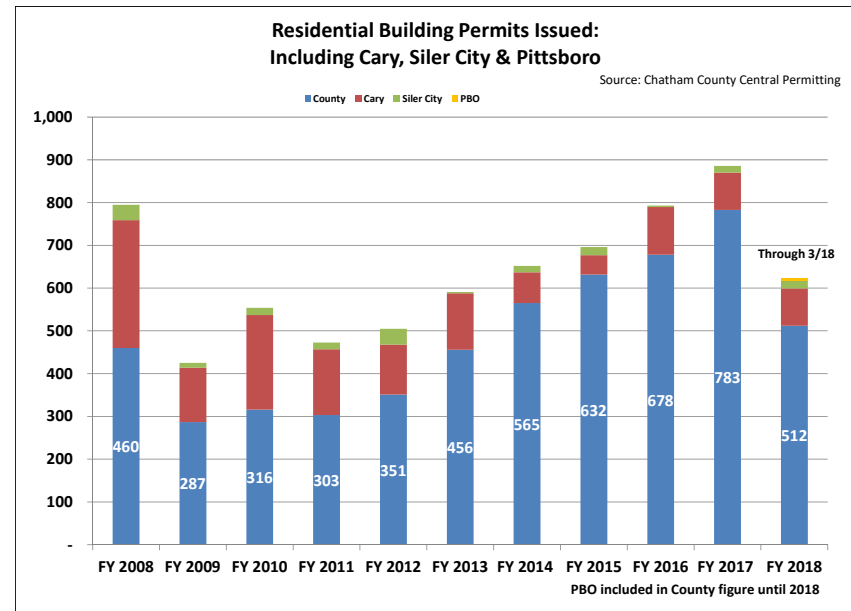
The January 2018 General Fund Revenue Report from the Fiscal Research Division of the NC General Assembly concludes that despite a modest shortfall in second quarter, the state is on track to reach the fiscal year revenue target. Sales tax collections are ahead of what the state has on average experienced during post-recessionary periods.

Per capita income in North Carolina for 2016, the latest available data, showed 4% growth over the previous year. Chatham County's per capita income grew by 3% in the same time period and was the fourth third highest in the state.

The economic forecast from Dr. John Connaughton, UNCC's Babson Capital Professor of Financial Economics, projects 2.2% growth in 2019.

Locally, although growth in building permit revenue did not reflect what was expected from Chatham Park, register of deeds excise tax and the unemployment rate, both indicators of the local economy, are at or better than pre-recessionary levels.

Unemployment: According to Wells Fargo, although the state added 9,000 jobs in February, neither the seasonally adjusted unemployment rate nor the labor participation rate has changed. However, the most recent unemployment statistics available show Chatham's February unemployment rate at 3.9%, which is below the state average and is the fourth lowest rate in the state. The county 'unemployment rate has returned to prerecession levels and this is ahead of the 1,280 jobs Mountaire Farms is expected to add late this year and early next year.



Population growth: The rate of national population growth is fairly flat, and the population of North Carolina increased by only 2% between 2016 and 2017. Although North Carolina is in the top ten for numeric population growth and total population, western states had the largest percentage increase.

However, the Research Triangle area continues to see robust population growth. Last year Raleigh's population growth outpaced all other metro areas in the state and was the 16th highest growth rate in the country. According to a report by the University of North Carolina, Chatham is eleventh in the state in the rate of population growth between July 2016 and July 2017.

Property Tax Base: Current estimates of the property tax base show a return to at or near pre-recession levels. Before the recession, the county saw growth exceeding 5% annually. Growth in property values had been slow but fairly constant since 2014, with an average growth of roughly 2.5%. Without revaluation, FY 2018 was nearly 4% above FY 2017. Projections for property tax values for FY 2019 are also higher than average, at approximately 5.5%.

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 2017. We believe 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. Despite the peak in FY 2017, the sharp growth has leveled off. Growth in Article 39 collections is estimated to exceed prior year by 3%. Article 40, which is based on population, reflects the county's population

growth and is estimated to exceed prior year by 6%. In FY 2017, 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 total number of building permits in the county for the first nine months of FY 2018 is about 10% below the same time period in FY 2017. Chatham Park development has been slower than anticipated. When it picks up, the number of permits and permit revenue will likely show more growth.

State and Federal Budgets: The impact of the state budget on the school system has been significant, but, so far, the greatest impact on counties has been a reduction in Medicaid hold harmless funds. Legislation passed in 2014 reduced our hold harmless benefit by \$125,000 each year over four years. FY 2018 was the fourth and final year of this reduction. However, two bills that have been introduced in the NC House threaten the county's school impact fees. If our authority is repealed, the county would lose \$3 million annually, which equates to approximately three 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 recently passed federal budget does not appear to shift revenues away from counties.

Board of Commissioners Goals

Commissioners adopted the following goals for the FY 2017-2018 budget. Departments have noted accomplishments toward these goals in their budget submissions. Accomplishments are summarized below and can be found in the department section entitled "Accomplishments:" For FY 2019, Commissioners adopted the Plan Chatham goals as their goals, and added three goals that were not addressed directly in the comprehensive plan. Departments have linked specifically to these goals in their budget submissions. See the department section entitled "Link to Commissioner Goals" for this information. A summary of progress towards the newly adopted goals is not provided here. Currently, teams of departments and agencies are working to build a strategic plan that will serve as the basis for implementing Plan Chatham and Commissioners' goals and we will use that as the model for reporting moving forward.

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

- *The County Manager's Office developed and RFP and awarded a contract to develop the abandoned Henry Siler School into low-income affordable rental housing.*
- *The 2017 biennial survey of residents was completed and showed substantial improvement in residents' impression of the county as a place to work, live, and raise a family.*
- *The Council on Aging and the Chatham County Sheriff's Office collaborated on an elderly protection task force and on the Coffee with a Deputy program.*
- *Health Department and Sheriff's Office organized the Chatham County Opioid Prevention Leadership Summit.*

- *Council on Aging was competitively selected for a UNC School of Global Health Capstone Project Team to help develop a Comprehensive Plan for Optimal Aging in Chatham.*
- *The Eastern Senior Center was approved by the NC Division of Aging and Adult Services for another five years as a Senior Center of Excellence, following an extensive process of documentation and review of the center.*
- *The Chatham Health Alliance, in partnership with the Health Department, Chatham Hospital, and funding from multiple sources, began the 2018 Community Assessment.*
- *The Chatham Family Violence Prevention Services program began to provide services to domestic violence victims.*

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

- *Parks and Rec was awarded a PARTF grant in the amount of \$150,000 for further development at Briar Chapel Park.*
- *Council on Aging was awarded \$11,880 from Meals on Wheels America/Subaru.*
- *EDC & MIS published a Broadband RFI to identify potential partners to extend broadband to underserved areas of the county.*
- *Planning and Environmental Quality did work necessary to ensure the county remains in FEMA'S flood insurance program.*
- *The Health Department transferred primary care services to Piedmont Health Services, which reduced the cost for the county while maintaining services for patients.*

- *The Health Department and Piedmont Health Services entered into a staff sharing agreement for a registered dietician.*
- *The Tax Office collaborated with Cooperative Extension, Register of Deeds, County Manager's Office and Finance to develop a program to confirm present use values.*
- *Solid Waste & Recycling secured a contract with Waste Management Inc. to use Great Oak Landfill in Randolph County. This will save Chatham approximately \$200,000 annually.*

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

- *The County Manager's office collaborated with all departments and Chatham County Schools to complete an analysis of Chatham Park's fiscal impact, special assessment districts, and the potential effect on the bond rating.*
- *The FY 2019 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.*

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.

- *The Chatham Park Fiscal Analysis includes projections of nonresidential tax base.*
- *Mountaire Farms is projected to open and begin production in late 2018 or early 2019. The company is expected to invest \$156 million and provide 1,280 jobs.*

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

- *Chatham's FY 2018 tax rate is lower than the state average and lower than many surrounding counties. The FY 2018*

rate was 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 CAM and Moncure site options have been secured.*
- Objective:** Maintain a business-friendly environment for new and expanding businesses.
- *Planning completed site visits to 500+ properties zoned in FY 2017 to confirm the use of the property as a business. This information was used to create an online GIS application for the BOC and is the basis for rezoning properties to business use.*
- *Building Inspections, Fire Inspections, and Zoning Enforcement began using CityView Mobile to allow inspectors to record results in the field and make them available real time for office staff and the public.*
- *Permitting for Building Inspections, Fire Inspections Environmental Health, Watershed Protection, and Planning was implemented in CityView portal to allow online application, payment, and access to results.*
- *EDC, County Manager staff, and the Town of Siler City submitted a request for Golden Leaf funding of the Siler City Water Treatment Plan. Siler City was awarded \$600,000.*
- *CVB offered marketing assistance and taught social media classes to six Siler City organizations.*
- *The two departments with the most interaction with new businesses, Planning and Central Permitting, received a B+ and A- respectively for customer service from staff.*

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

- *Cooperative Extension hosted the Piedmont Regional Beef conference and a 4-H livestock show.*
- *Cooperative Extension partnered with NC A&T State University to offer the 2017 Grassroots Leadership Conference at the new conference center.*
- *Twelve additional caterers and fourteen additional vendors were approved.*
- *The Center celebrated its one-year anniversary on March 24 with Spring Ag Fest, with 2,000+ attendees.*

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

- *The Detention Center received three back-to-back “No Deficiencies” reports from the State Jail Inspector.*
- *Elections streamlined the delivery process on the night before the election and used staff to sort early voting ballots instead of hiring additional help.*
- *DSS expanded clinical services for 19 year olds by implementing Structured Psychotherapy for Adolescents Responding to Chronic Stress.*

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

- *The transition to Daymark as Chatham’s mental health safety net provider has been very successful. Staff is working to provide additional space in the county’s facility.*

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

- *The 2017 Biennial Resident Survey showed major overall increases in customer since 2015. The survey firm noted*

that the improved grades for staff interactions reflected the greatest change they’ve seen over two years for staff service.

- *DSS implemented child welfare programs into NC FAST, to enhance service delivery by having all benefits in one system so that information can be shared across programs and counties.*
- *Council on Aging received approval from the NC Division of Aging and Adult Services to use Community Care Block grant funds to pay for background checks on volunteers who have direct, unsupervised contact with clients and who have exposure to client information.*
- *Solid Waste & Recycling conducted annual training for all collection center attendants to promote customer service and specific education on identifying business waste and recycling.*
- *Solid Waste & Recycling began a project to improve collection centers and extend service life by paving, improving drainage, and installing stormwater controls.*
- *County Manager’s Office hired a part-time veterans services officer to meet the needs of local veterans no longer well served by the state office.*

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

- *Environmental Health completed the scanning of 11,700 existing well and septic permits for online access to assist the buying and selling of homes and businesses.*
- *Planning developed a minor subdivision expedited review program to comply with a 2017 legislative mandate.*
- *County Manager’s Office is implementing a new online job application form that is more user friendly.*

- *Solid Waste & Recycling and the Detention Center collaborated on a pilot food waste program.*
 - *The Health Department, Emergency Operations, and United Way collaborated on the 211 Call Center program.*
 - *GIS worked with the Sheriff's Office (CCSO) to map crime data back to 2000 in a secure web application for CCSO staff.*
 - *Animal Services implemented Chameleon Software to ensure better efficiency in responding to service calls, increase adoptions and rescues, and better organize all records.*
 - *Human Resources implemented a new way to share job applications with department heads that reduced paper and enhanced efficiency.*
 - *Council on Aging was awarded the Local Government Federal Credit Union Excellence in Innovation Award for the collaborative database for home repair.*
 - *DSS developed a comprehensive Continuous Quality Improvement Plan for economic services, including measurement and monitoring of accuracy and timeliness in addition to training, education, and process improvement.*
- Objective:** Seek and utilize partnership opportunities with municipalities, regional entities and the private sector that will enhance effectiveness and efficiency.
- *Council on Aging and Rebuilding Together of the Triangle offered workshops on the installation of windows and grab bars,*
 - *Council on Aging and Tyson Creek Baptist Church partnered to provide a new Meals on Wheels route.*
 - *Parks and Recreation and the Health Department implemented a tick repellent program at county parks.*

- *Parks and Recreation partnered with Chatham Reads to establish Little Libraries in parks and with Boy Scouts to construct a bridge over a small creek at Northwest Park.*
 - *Solid Waste & Recycling partnered with NC Wildlife Resource and Cooperative Extension to create a pollinator habitat on top of the closed landfill.*
 - *Chatham Trades provided office space to Salvation Army at no charge to provide increased efficiency and visibility of both programs.*
 - *The County Manager's Office partnered with the towns of Siler City and Pittsboro to fund staffing of the Affordable Housing Advisory Committee.*
 - *The County Manager's Office worked with the three towns to fund and hire an engineering firm to begin work on the countywide water and sewer master plan.*
- Objective:** Provide a strong county voice on state-controlled mental health services in our county.
- *County staff met twice with staff from DHHS leadership to share concerns about mental health services.*
 - *The Health Director was elected to serve on the board of Cardinal Innovations.*
 - *County staff successfully transitioned the county to a new primary mental health provider, replacing an unstable provider.*
- Objective:** Provide more opportunities for citizen engagement and participation.
- *The Library expanded book clubs to provide one club in each library location, a book club kit for those who prefer to meet in an alternate location and a book club for Spanish language books.*
 - *Cooperative Extension 4H and Family and Consumer Services teams doubled the enrollment of youth campers in*

Jr. Chef Cooking Camps due to the expanded space available in the CCACC.

- *Elections hosted a “Meet and Greet” for Chief Judges and Party Judges to meet the Board of Elections, staff, and Party Chairs. The Elections Director, along with the directors from Orange and Durham Counties, also participated in a forum held by the League of Women Voters.*
- *Chatham Transit added Siler City Dial-A-Ride and provided 839 rides to Siler City residents.*
- *The Clerk to the Board hosted a mock commissioners meeting for Girl Scouts.*
- *Council on Aging held a one-day Educational Retreat for seniors with more than 200 attendees from Chatham and other counties.*

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

- *Solid Waste & Recycling collaborated with Emergency Operations to create a Disaster Debris Management Plan.*
- *Soil and Water completed 29 conservation plans on agricultural land in Chatham. They also completed cultural resource reviews on 15 farms as part of their conservation plan efforts.*
- *Solid Waste & Recycling became a Keep America Beautiful Affiliate. The department provided outreach to the Latino community with the Family Fishing Fiesta at Jordan Lake.*

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

- *Plan Chatham was adopted in November 2017 following a herculean effort by the Planning Department to coordinate*

a team of county departments, residents, and the Planning Board.

- *The County Manager’s Office created Collaborative Impact teams comprised of county departments to develop an implementation plan for Plan Chatham goals and objectives.*

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.

- *Planning Department provided oversight of the hydraulic fracturing assessment report prepared by Charles Yuill in response to the county’s moratorium on oil and gas exploration.*
- *Chatham and Lee counties are developing joint hydraulic fracturing regulations.*
- *County Manager’s Office and County Commissioners continued to advocate for state implementation of Jordan Lake Rules.*

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

- *Solid Waste & Recycling designed bioretention stormwater control measures at the Siler City and Bonlee Collection Centers.*
- *Soil & Water partnered with the Piedmont Conservation Council and the Town of Siler City to provide technical assistance for a \$420,000 grant to address urban nonpoint source pollution within Loves Creek.*
- *Construction began on the Nature Trail water line replacement.*

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

- *Staff continued to conduct energy audits for county facilities through our contractor and achieve our targets*

for cost savings. The Justice Center, CCACC, and Detention center are in the process of being added to the program to help monitor energy use in those facilities. .

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

- *LEED Silver is included in the project budgets of Chatham Grove Elementary School, Seaforth High School, and the CCCC Health Sciences Building. Both schools were designed and bid as LEED Silver.*

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 hired Hazen and Sawyer to develop a countywide water and sewer master plan in conjunction with Siler City, Pittsboro, and Goldston.*

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

- *The Adopted CIP includes construction of Chatham Grove Elementary School, Seaforth High School, and a new CCCC Health Sciences Building.*
- *Cooperative Extension 4-H conducted a successful 4-H School Incentives Program with Chatham County Schools that reached all 695 students at Siler City Elementary, Perry Harrison School, and Silk Hope Elementary. Students addressed behavioral issues, increased reading opportunities during out-of-classroom time and many*

achieved honor roll distinctions over the course of each nine-week session.

- *4-H partnered with United Way and Triangle Community Foundation to fund 43 underserved youth to attend a week-long residential 4-H camp during July.*
- *Child Victim Services provided a sexual abuse awareness program in all fourth grade classes.*

Objective: Provide safe and healthy school communities

- *The Health Department and CCS collaborated on a new position within schools to advance school-based health curricula and programs to improve health outcomes among Chatham youth.*
- *Parks and Recreation conducted an Open Gym pilot program at North Chatham Elementary School.*

Objective: Support initiatives that foster an educated workforce

- *Discussions began between Chatham County Schools, several nonprofits, and the County Manager's Office to develop options to engage students in county government and promote public service as a career.*

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's Office 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 2019.

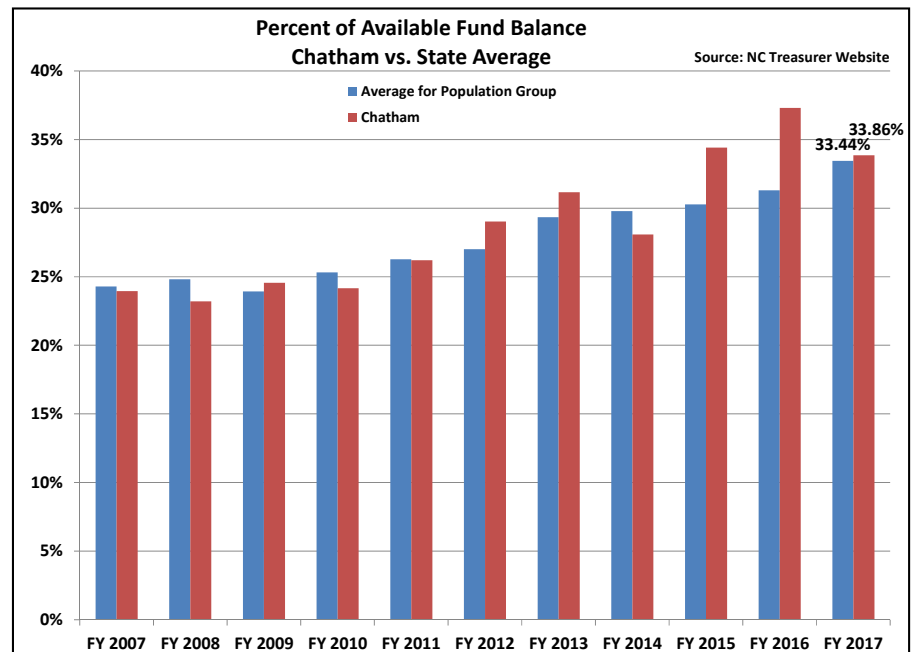
Maintaining or enhancing the County's AAA/Aa1 bond rating. Current and future debt obligations, especially for schools and other county facilities, make it critical that the county receive the best possible interest rate to keep the cost of borrowing funds low. Maintaining adequate savings (fund balance) 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. The county will be rerated in the summer of 2018 when funds are borrowed for two new schools and the CCCC building. 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 business-like activities by paying for them through fees. The FY 2011 budget eliminated the roughly one-cent contribution to the water capital reserve and the FY 2019 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 24.7% of FY 2017 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, 33.9%, is slightly higher than state average for counties our size, which is 33.4%, 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 three 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 2010-11 and 2012-13, 2014-15, 2015-2016 budgets won the Government Finance Officers Association Distinguished Budget Presentation Award.

The FY 2018-2019 budget process included a budget critique held immediately after the FY 2018 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 at the January retreat, during which Commissioners set priorities and guidelines for preparation of the operating budget.

Chatham County FY 2018-2019 Budget Calendar

Deadline	Actions
1 September 2017	• Capital Improvements Program (CIP) forms distributed to agencies
29 September 2017	• Forms due from agencies and departments for new/changed CIP projects
6 November 2017	• Manager submits recommended CIP to the Board of Commissioners • Heads Up document due from departments
20 November 2017	• Hold public hearing on the proposed CIP
21 November 2017	• Work session on the proposed CIP
18 December 2017	• Board adopts CIP
29 December 2017	• Budget summit materials (trends, financial indicators, performance team recommendations, and departmental "Heads Up" document) submitted to Board of Commissioners • Work plan and staff forms distributed to departments
January 23,24, 26 2018	• Budget Retreat: Board of Commissioners sets goals and guidelines for FY 2018-2019 budget
31 January 2018	• Munis YTD Budget Estimates due from departments. • Budget software opens
1 March 2018	• Budgets due from departments and agencies (except schools)
6 April 2018	• Budget due from schools
7 May 2018	• Budget submitted to Board of Commissioners and public
May 21 and 22, 2018	• Public hearings held in Pittsboro and Siler City
May 24, 29 and 30 2018	• Board of Commissioners holds 2-3 budget work sessions
By 30 June 2018	• Board of Commissioners adopts budget (legal deadline)

Commissioners review this information and set goals for preparation of the recommended budget, including expenditure priorities and revenue constraints.

Department work plans and requests for new positions are due in early February. The budget staff reviews these items carefully and works with departments to refine them.

All other budget forms are due from departments in March, 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 commissioners

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 consider FY 2019 allocation requests from only nonprofit agencies funded in FY 2018. A task force presented recommendations for revisions to the nonprofit funding process to the Board of Commissioners. These revisions will be phased in, beginning in FY 2020, will link nonprofit outcomes to the Comprehensive Plan, and will make 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 (with 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:

	2018 Amended	2018 Estimated	2019 Recommended	Total % Inc./Dec.
Permits & Fees	1,908,231	1,760,566	1,782,300	(7%)
Intergovernmental	9,818,435	9,864,152	9,109,688	(7%)
Interest	140,000	330,575	175,000	25%
Contributions from others	401,512	603,588	321,692	(20%)
Miscellaneous	308,776	472,934	292,400	(5%)
Other Taxes/Licenses	848,020	953,550	924,700	9%
Property Tax	65,961,237	67,293,222	68,773,000	4%
Charges for Services	2,262,003	2,284,154	2,356,829	4%
Sales Tax	12,847,000	13,413,140	13,600,000	6%
Transfers In	10,964,009	9,637,456	10,724,660	(2%)
Appropriated Fund Balance	6,266,061	0	5,928,031	(5%)
Total Revenues	111,725,284	106,613,337	113,988,300	2%

Enterprise Fund Revenue Summaries:

Solid Waste & Recycling Fund

	2018 Amended	2018 Estimated	2019 Total Rec.	Total % Inc./Dec.
Intergovernmental	189,414	216,364	174,213	(8%)
Interest	18,000	29,540	28,655	59%
Miscellaneous	0	12,206	0	0%
Charges for Services	2,883,498	3,062,844	2,903,828	1%
Appropriated Fund Balance	238,698	0	365,919	53%
Total Revenues	3,329,610	3,320,954	3,472,615	4%

Southeast Water District

	2018 Amended	2018 Estimated	2019 Total Rec.	Total % Inc./Dec.
Interest	1,500	5,100	1,500	0%
Charges for Services	608,500	681,838	633,500	4%
Appropriated Fund Balance	0	0	0	0%
Total Revenues	610,000	686,938	635,000	4%

Water Fund

	2018 Amended	2018 Estimated	2019 Total Rec.	Total % Inc./Dec.
Interest	23,000	60,062	58,000	152%
Charges for Services	6,016,000	6,272,870	6,458,691	7%
Appropriated Fund Balance	1,350,531	0	859,725	(36%)
Total Revenues	7,389,531	6,332,932	7,376,416	(0%)

Property Taxes:

Our **real property** values are projected to increase 6% for FY 2019, which is the most robust growth since the recession. The increase in value results mostly from residential development that includes some very large houses in excess of 10,000 square feet.

The 2.22% increase in **personal property** results from increases in business property listings and reflects \$36 million in value for Mountaire Farms.

Utility values are provided by NC Department of Revenue in September. Staff uses values from the previous year, which have decreased by less than 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, motor vehicle values are projected to increase 1.93% over last year.

	FY 2018 Values Budgeted	FY 2019 Values Budgeted	% Increase/ (Decrease)
Real Property	9,066,962,232	9,616,664,019	6.06%
Personal Property	453,842,948	463,934,059	2.22%
Utilities	211,552,731	210,741,503	-0.38%
RMV	734,024,404	748,192,693	1.93%
Total	10,466,382,315	11,039,532,274	5.48%

Fire District Tax Rates:

Fire department budgets are reviewed by the Finance Officer and the Fire Marshal. Of the 11 fire departments that provide services within Chatham County, two departments have requested an increase in their tax rates. Major issues to be aware of include:

- The Silk Hope Volunteer Fire Department has requested an increase in its fire tax rate from 6.85 to 7.85 cents/\$100 value. Durham County Fire and Rescue Department (Parkwood Fire District) has requested an increase in its fire tax rate from 9.4 to 10 cents/\$100 value.
- Negotiations are ongoing concerning the City of Durham Fire Department merging with the Durham County Fire and Rescue Department. A decision on this issue is expected with no interruption of services to Chatham County.
- The Silk Hope Volunteer Fire Department is proposing to add two part-time positions to provide staffing during weekdays.
- The North Chatham Volunteer Fire Department is proposing to add three new full-time positions and six part-time positions. The North Chatham Volunteer Fire

Department is replacing aging fire engines and tankers and will be purchasing an additional aerial truck.

- The new positions requested in the North Chatham Volunteer Fire Department and the Silk Hope Volunteer Department will result in an increase in the annual VFIS Accident & Sickness insurance policy premium.
- The majority of funds earmarked for capital outlay are for fire apparatus replacement, self-contained breathing apparatus and related equipment, personal protective equipment, water rescue equipment, and computer hardware and software.

Fire District	FY 2018 Budget.	FY 2019 Requested	FY 2019 Rec.	Contract Amount	Increase/ Decrease in Fire Tax
Bells Annex (North Chatham FD)	0.1030	0.1030	0.1030	\$126,328	0.0000
Bennett (Bennett FD)	0.0900	0.0900	0.0900	\$128,393	0.0000
Bonlee (Bonlee FD)	0.0700	0.0700	0.0700	\$221,454	0.0000
Central Chatham (Siler City FD)	0.0900	0.0900	0.0900	\$424,845	0.0000
Circle City (Pittsboro FD)	0.1225	0.1225	0.1225	\$1,280,274	0.0000
Goldston (Goldston FD)	0.0900	0.0900	0.0900	\$252,990	0.0000
Hope (Silk Hope FD)	0.0685	0.0785	0.0785	\$431,920	0.0100
Moncure (Moncure FD)	0.1250	0.1250	0.1250	\$773,150	0.0000
North Chatham (North Chatham FD)	0.1030	0.1030	0.1030	\$5,447,953	0.0000
Northview (Northview FD)	0.0860	0.0860	0.0860	\$34,600	0.0000
Parkwood (Durham County FD)	0.0940	0.1000	0.1000	\$316,840	0.0060
Staley (Staley FD)	0.1000	0.1000	0.1000	\$50,040	0.0000

Fee Increases:

In order to recoup costs, we are recommending fee adjustments in Fire Inspections, Parks and Recreation, and the Health Clinic. The fee increases would cumulatively generate approximately \$5,497 in additional revenue, as follows:

- Fire Inspections: Special events periodically require inspections after hours or on weekends, which incurs cost to the county that includes employee compensatory time and vehicle use. A flat fee of \$75 per inspection is recommended.
- Parks and Recreation: The county's goal is to recover 50% of the cost of youth recreation programs. The youth basketball program is not meeting this goal. An increase of \$10 for in-county participants would be needed to meet the goal. However, because this is a significant increase in one year, we are recommending it be phased in over two years. An increase of \$5 for in-county participants and \$10 for out-of-county participants is recommended.
- Health Department: Several fees for clinical services in the Health Department are recommended to increase to reflect Medicaid rates and maximize reimbursement.
- Water System Development: The water system development fees have recommended changes based on the size of the meter, which are reflected in the table on the next page. These changes include increased fees for some meter sizes and decreased fees for others. The

most common meter size 5/8 x 3/4, which comprises approximately 95% of the meters within Chatham County is recommended to reduce from \$3,500 to \$3,431, a 2% reduction. The net result of all fee changes is a 1% decrease in water system development fee revenues.

Meter Size (inches)	Capacity Ratio	Proposed Water Fee	Current Fee	\$ Change	Percent Change
5/8 x 3/4	1.00	\$3,431	\$3,500	(\$69)	-2%
1	1.67	\$5,729	\$7,000	(\$1,271)	-18%
1 1/2	3.33	\$11,425	\$10,000	\$1,425	14%
2	5.33	\$18,287	\$16,000	\$2,287	14%
3	10.00	\$34,310	\$30,000	\$4,310	14%
4	16.67	\$57,194	\$40,000	\$17,194	43%
6	33.33	\$114,355	\$120,000	(\$5,645)	-5%

Source: American Water Works Association, Manual M-6, Water Meters - Selecting, Testing, Installation, and Maintenance; TischlerBise analysis

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 2019. The parts of sales tax are:

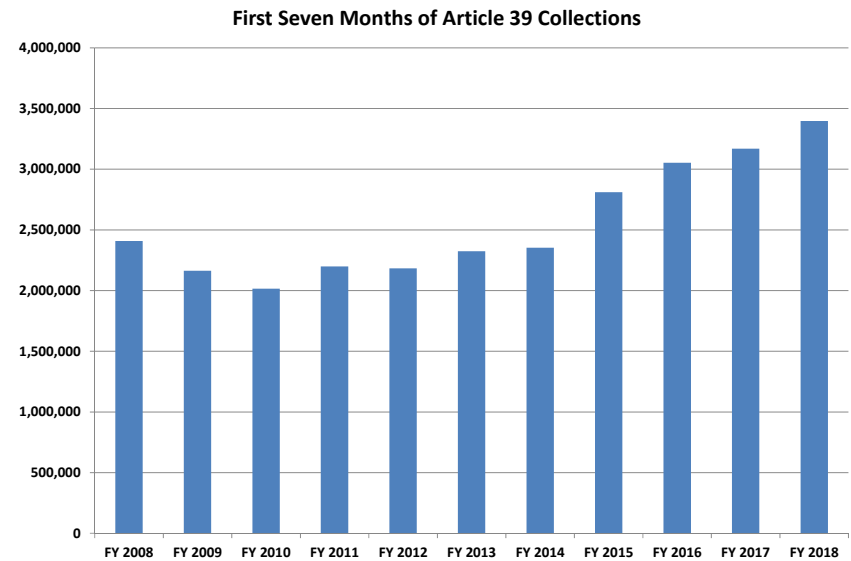
Article 39: One cent on every dollar – comes back to the county where it is collected.

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 and 30 statewide have enacted this increase, while Chatham has not. A referendum would be required. The estimated proceeds from enacting the tax are \$1.5 million.

Locally, FY 2018 sales tax revenues (Articles 39 and 42) are trending roughly 3% above FY 2017, compared with 6% for sales tax collected statewide (Article 40).

The new Article 44 revenue is projected to bring Chatham about \$1.18 million in FY 2018.

Overall, experts from the NC League of Municipalities (NCLM) expect FY 2018 statewide sales tax growth to be 5%

above FY 2017. Staff used this guidance to project local and statewide collections for the remainder of the year.

Next year, NCLM staff expects statewide local sales tax distributions to be 4.5% over the current year. Staff is recommending a more conservative increase of 3.5%.

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. FY 2018 is the last year of the phase-out, and we will lose the full \$500,000.

The hold harmless payment is based on 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.

Historically, we had 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 2019, we used FY 2018 projected amounts (from the NC Department of Revenue) resulting in a \$2.6 million 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 was 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 7%. 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 20% from FY 2018 to FY 2019 due to the state directly reimbursing childcare and Medicaid transportation providers directly instead of through local Departments of Social Services.
- **Safe Havens Grant:** Federal funding for the Safe Havens Program, which provides secure court-ordered visitation services for families, continues through FY 2019. 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 \$550,000 is estimated for Chatham in FY 2019. 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 budgeted for FY 2019, \$92,000.
- **ABC Revenue:** Staff is estimating approximately \$105,000 for FY 2018, but is recommending that the FY 2019 budget be set at \$102,000.
- **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 2018 is 16% lower than FY 2017 and is below the budgeted amount. For FY 2019, staff recommends budgeting a 3% decrease from the FY 2018 estimate.
- **Beer and Wine Tax:** The NC Department of Revenue (DOR) expects FY 2018 beer and wine distributions to local governments will be 5% lower than last fiscal year. However, because of population growth, collections in Chatham appear to be on track to at least meet and probably slightly exceed the budgeted amount. Based on NCLM guidance and taking into account the difference between the reports from DOR and the local collection, staff estimates that FY 2018 collections (not yet fully received) will slightly exceed budget and projects FY 2019 conservatively.

Fees & Permits:

Fees are generated when county residents and others pay for services or for permits charged for regulations the county is required to enforce. Some fees, such as Register of Deeds recording fees, are set by state law. Most other fees are established locally and can be set at various levels. Overall, this revenue is expected to decrease by 7% in FY 2019.

- **Register of Deeds Fees:** Fees are charged when legal documents are recorded. Staff estimates that FY 2018 receipts will be 2% lower than FY 2017 actual receipts due

to fewer legal documents being recorded. FY 2019 receipts have been projected to more accurately reflect recent activity while also anticipating a 2% increase in revenue.

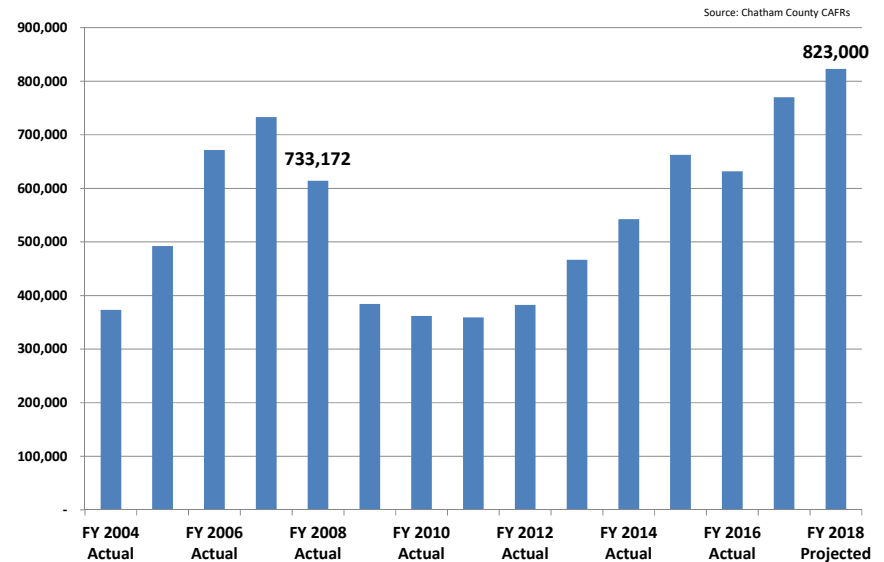
- **Building Inspection Fees:** Staff estimates that the revenues for FY 2018 will be \$1.3 million, 2% below FY 2017. In FY 2018, staff over-projected building permit revenue in anticipation of development in Chatham Park. For FY 2019, staff recommends a more conservative approach and has projected \$1.3 million.

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 9%.

- **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 2018, this revenue source is 5% above FY 2017. As the chart to the right shows, land transactions have improved dramatically since the downturn in the economy and have reached a new peak. Since FY 2018 is expected to exceed budget, we are conservatively projecting an expected increase in FY 2019.
- **Occupancy Tax:** Collections for the first nine months of FY 2018 are 4% above FY 2017. FY 2019 projected collections of \$109,000 are based on the estimate for FY 2018 and reduced by 3%, consistent with our methodology.

Actual and Projected Deeds Stamps Collections



Other General Fund Revenues:

Interest: FY 2018 is estimated to significantly exceed budget. One sign of an improving economy is the Federal Reserve raising interest rates. For us that means additional revenue from our investments. The Finance Office invests conservatively, as required by NC law.

Grants/Donations: This revenue source is projected to decrease 20% from FY 2018 to FY 2019. A Duke Endowment grant in the Community and Family Health Division of the Health Department is ending in December 2018 and renewal is not yet certain. There is also uncertainty concerning other grant applications that are in process. In general, the original budget for these revenues is less than the prior year. Donations, such as for library materials, are not typically budgeted until they are received.

Enterprise Fund Revenue:

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 7% from FY 2018 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

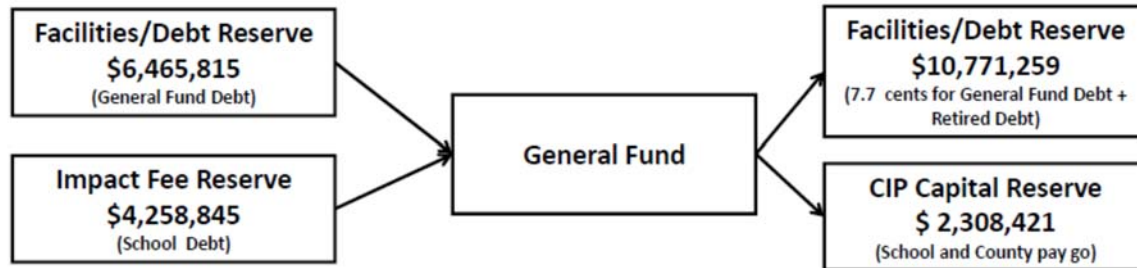
General Fund Charges for Services: Sales and service revenue is generated when county departments provide services directly to residents and are reimbursed either directly from residents or from a third party, such as Medicaid. In general, the county has more control over the “prices” of its services 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%.

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

Solid Waste and Recycling revenues overall are expected to be slightly over amounts budgeted in FY 2018 and projected conservatively with a 1% increase in FY 2019. Sales and service is expected to increase by 1% overall. This revenue is comprised of collection fees paid by all non-municipal residents and disposal fees paid by non-municipal residents without a private hauler.

Transfers In:



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.

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

- **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 \$4,258,845 is needed to cover debt for Virginia Cross Elementary, Northwood High School Renovations, and Margaret Pollard Middle School. This represents a 2% decrease from FY 2018.

Fund Balance:

General Fund:

General Fund One Times	\$1,657,201
Replacement Capital	\$997,908
Expansion Capital	\$97,462
General Fund Transfer To CIP Reserve	\$1,342,177
School Transfer to CIP Reserve	\$966,244
School Capital Outlay	\$2,300,000
Total One Time Expenses	\$7,360,992
Fund Balance Appropriation	\$5,928,031

Fund balance is typically used as “revenue” to balance the budget. Consistent with the Commissioners’ adopted financial policy, the use of fund balance in the general fund is tied to one-time or capital expenditures, as shown in the table. Overall, the general fund appropriation from fund balance is up \$429,201 or 8% from the original fund balance appropriation in FY 2018 (the amended figure reflects changes in the budget since the original appropriation).

The Solid Waste & Recycling Fund appropriation is recommended at \$365,919. The fund includes one-time expenses totaling \$760,420.

The Water Fund appropriation is recommended at \$859,725. The fund includes one-time expenses totaling \$1,102,880.

The table below shows the amount of fund balance available for appropriation in FY 2019 in the three major operating funds.

Fund Balance Available for Appropriation:	General	Water	Solid Waste & Recycling	Southeast
Cash and Investments	35,466,188	5,525,661	3,382,406	353,628
Less:				
Liabilities	(3,868,514)	(267,606)	(189,259)	(77,475)
Deferred revenues	(270,485)	0	0	0
Fund balance available for appropriation	31,327,189	5,258,055	3,193,147	276,153
Recommended for appropriation	\$5,928,031	\$859,725	\$365,919	\$0

General Fund Expenditure Summary:

	2018 Amended	2018 Estimated	2019 Recommended	Variance	%Inc./ (Dec.)
Administration	8,804,457	8,109,810	9,327,635	523,178	6%
Debt Service	11,276,266	11,273,064	11,042,596	-233,670	-2%
Debt/Capital Transfers	11,855,859	10,452,973	13,104,680	1,248,821	11%
Chatham County Schools	33,133,182	33,133,182	34,187,310	1,054,128	3%
Other Education & Culture	3,673,387	3,418,675	3,822,961	149,574	3%
General Government	2,909,615	2,643,564	2,931,848	22,233	1%
Human Services	18,090,161	16,429,530	17,131,280	-958,881	-5%
Natural Resource Management	3,351,639	3,103,871	3,401,945	50,306	2%
Public Safety	18,630,718	17,955,235	19,038,045	407,327	2%
Total	111,725,284	106,523,162	113,988,300	2,263,016	2%

Administration: The 6% increase in this grouping can be explained primarily by large one-time expenditures in Facilities to complete the warehouse construction for CORA building, to repair the roof at the DSS building and to make repairs to the parking lot at the Performance Building.

Debt Service: Debt service is decreasing by 2% because we do not anticipate additional debt in FY 2019. As we pay existing debt, interest costs decrease from year to year. It is possible with the \$120 million expected borrowing in July that a payment on this new debt will be required in FY 2019. If that is the case, we will amend the budget to increase debt and to increase the transfer from the debt reserve.

Debt/Capital Transfers: Overall, this category is up 11%. An increase in the transfer to the capital reserve fund to pay for pay-as-go capital explains most of the increase.

Chatham County Schools: Funding for Chatham County Schools, excluding debt service payments and the transfer to capital reserve, is increasing 3%. Current expense funding is increasing \$1,075,000, or 4%. Capital outlay is decreasing \$68,272, or 3%. While supplement is shown to be constant, \$450,000 of the increase in current expense may be used to implement the first phase of converting from a flat to a percentage based supplement.

Other Culture & Education: Spending in this category has increased 3%, mainly due to the addition of an Assistant Parks

and Recreation Director and one-time expenses to maintain the American Tobacco Trail and complete the Parks and Recreation Master Plan.

General Government: The 1% increase results mainly from an one-time increase in the Tax Department to update the Pictometry software with new pictures. The Governing Board also will have one-time expenses in FY 2019 to host recognition dinners for Chatham County firefighters and to allow for increased prices for food at meetings.

Human Services: The 5% reduction in the Human Services grouping primarily reflects the reduction in day care expense, and Medicaid transportation, which will be paid by the state directly in FY 2019 (there is an offsetting reduction in revenue).

Natural Resource Management: Natural Resource Management is increasing 2% because of higher software maintenance costs, including one-time costs to cover CityView configuration changes and training.

Public Safety: The 2% overall increase results primarily from restructuring of the Court-Related Programs and expansion increases to provide additional telecommunicators in the 911-center.

Enterprise Fund Expenditure Summaries

	2018 Amended	2018 Estimated	2019 Recommended	Variance	Total % Inc./Dec.
Solid Waste & Recycling	3,329,610	3,034,473	3,472,615	143,005	4%
Southeast Water District	610,000	610,000	635,000	25,000	4%
Water	7,389,531	6,662,817	7,376,416	(13,115)	(0%)

Expenditures by Department

	FY 2017 Actual	FY 2018 Amended	FY 2018 Estimated	FY 2019 Total Req	FY 2019 Rec Cont	FY 2019 Rec Exp	FY 2019 Total Rec	% Inc/Dec
Cardinal Innovations - Mental Health	487,591	452,062	447,097	487,019	415,277		415,277	-8%
CCCC - Community College	1,768,480	1,765,148	1,765,148	1,805,994	1,792,025		1,792,025	2%
Central Permitting - Administration	481,119	444,579	436,602	626,497	561,048	58,000	619,048	39%
Central Permitting - Building Insp.	637,161	853,324	800,458	753,653	771,095	0	771,095	-10%
Central Permitting - Fire Inspections	258,123	370,607	361,014	348,768	355,858	0	355,858	-4%
Chatham County Schools	36,719,091	38,304,146	38,301,146	39,730,334	39,730,334		39,730,334	4%
Chatham Trades - Nonprofit	182,000	182,000	182,000	182,000	182,000		182,000	0%
Chatham Transit - Nonprofit	111,206	162,515	162,515	216,993	216,993	0	216,993	34%
Cooperative Extension Service	384,490	398,441	359,627	471,220	408,542	0	408,542	3%
Council on Aging	968,137	1,015,452	1,010,713	1,023,709	929,106	75,000	1,004,106	-1%
County Attorney	349,518	404,414	364,232	401,558	403,321	0	403,321	0%
County Manager	579,306	721,293	643,708	770,880	723,116	0	723,116	0%
County Manager - Human Resources	333,009	355,548	354,485	363,869	372,551	0	372,551	5%
Court Facilities	1,171,002	1,193,837	1,158,915	1,196,191	1,188,191	8,000	1,196,191	0%
Court Services - Court Programs	601,121	479,356	415,559	485,074	489,949	0	489,949	2%
Court Services - Family Visitation Program	0	176,572	174,911	189,018	192,046	0	192,046	9%
Court Services - Support Programs	0	210,818	207,356	231,879	217,779	19,537	237,316	13%
Economic Development	1,107,801	1,147,970	1,146,210	1,066,858	1,066,858	0	1,066,858	-7%
Elections	477,672	439,068	408,277	476,142	435,461	24,762	460,223	5%
Emergency Management - EMS	2,775,366	2,969,153	2,851,431	2,957,026	2,957,026		2,957,026	0%
Emergency Management - Emergency Operations	625,797	655,592	629,777	717,775	652,481	0	652,481	0%

	FY 2017 Actual	FY 2018 Amended	FY 2018 Estimated	FY 2019 Total Req	FY 2019 Rec Cont	FY 2019 Rec Exp	FY 2019 Total Rec	% Inc/Dec
Emergency Management Telecommunications	1,438,609	1,568,545	1,548,873	1,762,684	1,603,315	91,892	1,695,207	8%
Facilities - Ag & Conference Center	134,640	1,358,149	1,100,057	1,317,699	1,290,733	1,104	1,291,837	-5%
Facilities - Fleet	116,979	170,391	174,724	177,363	177,363	0	177,363	4%
Facilities Management	3,418,012	3,079,856	3,142,305	3,476,612	3,697,364	882	3,698,246	20%
Finance Office	865,548	1,009,784	1,010,622	1,065,838	1,114,393	(29,929)	1,084,464	7%
General Services - Non Depart	14,249,313	12,501,212	10,866,084	13,050,316	12,853,113	200,000	13,053,113	4%
Governing Board	330,516	379,364	332,041	395,656	401,648	0	401,648	6%
Health - Administration	376,694	400,188	384,493	388,204	397,517	0	397,517	-1%
Health - Animal Services	666,353	834,617	740,370	802,791	815,274	0	815,274	-2%
Health - Clinic & Community Health	2,636,258	3,251,888	2,748,248	3,087,997	3,152,847	1,768	3,154,615	-3%
Health - Community & Family Health	676,524	844,358	764,434	815,173	785,206	0	785,206	-7%
Health - Environmental Health	1,258,285	1,287,008	1,257,508	1,357,152	1,279,312	72,926	1,352,238	5%
Library Services	1,994,435	2,237,203	2,035,881	2,110,729	2,084,275	4,235	2,088,510	-7%
Management Information Systems	1,530,750	1,659,475	1,637,834	1,872,139	1,788,976	11,855	1,800,831	9%
Nonprofit - Pass Thru Grants	174,959	0	0	0	0	0	0	0%
Nonprofit Allocations	256,608	377,765	256,736	414,500	421,500		421,500	12%
Parks and Recreation	865,274	982,645	968,069	1,305,228	1,070,764	120,080	1,190,844	21%
Pittsboro/SC Visitors Bureau	97,149	107,127	101,132	99,606	102,009	0	102,009	-5%
Planning	824,411	893,925	762,441	898,808	847,882	0	847,882	-5%
Register of Deeds	469,185	580,771	556,666	550,106	508,380	0	508,380	-12%
Sheriff's Office - Detention Center	4,687,439	4,713,811	4,590,416	4,513,415	4,539,818	38,483	4,578,301	-3%
Sheriff's Office - Law Enforcement	7,710,709	8,871,489	8,464,381	9,372,239	9,140,486	0	9,140,486	3%
Social Services	9,932,203	9,822,923	9,016,031	8,845,700	8,907,437	5,973	8,913,410	-9%
Soil and Water	485,301	252,741	240,495	242,690	248,339	0	248,339	-2%
Solid Waste & Recycling	3,724,165	3,329,610	3,034,473	3,431,193	3,472,615	0	3,472,615	4%
Southeast Water District	606,038	610,000	610,000	635,000	635,000		635,000	4%
Tax - Administration	1,007,767	1,102,255	949,625	1,025,047	1,043,509	0	1,043,509	-5%
Tax - Assessment & Revaluation	579,646	408,157	396,955	621,289	518,088	0	518,088	27%
Water - Distribution	7,346,309	5,114,761	5,064,437	4,711,551	4,695,724	123,421	4,819,145	-6%
Water - Wastewater Treatment	139,701	901,039	144,063	927,117	927,117		927,117	3%
Water - Water Treatment	1,415,071	1,373,731	1,454,317	1,461,489	1,630,154	0	1,630,154	19%
Watershed Protection	243,818	327,742	292,302	460,950	405,285	0	405,285	24%

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	CityView contractual support	\$58,000
Council on Aging	Home Modification & repair	\$75,000
Court Services	Restructure Court Programs to be a single department	\$19,531
Elections	Election Specialist	\$24,761
Emergency Management - Telecommunications	Two additional Telecommunicators	\$55,562
General Services - Non Department	Affordable Housing Trust Fund	\$200,000
Health - Environmental	Environmental Health Specialist	\$72,924
Health - Preventative Health	New vehicle	\$26,860
Parks & Recreation	Assistant Director	\$96,285
Parks & Recreation	Updated Comprehensive Master Plan Phase II with Greenway Plan	\$51,635
Sheriff - Detention Center	Guardian RFID	\$38,483
Utilities - Distribution	Billing Administrative Support Specialist	\$46,876
Utilities - Distribution	Utility Service Worker	\$76,536

Continuation Budget

“Continuation” refers to the portion of the budget that assumes that the County will continue to do business as it does currently. In other words, what will it cost next year to continue the same services and service levels without adding people or programs?

Overall, the General Fund continuation budget increased by 1% from FY 2018.

- **Salaries:** Continuation salaries increased 3%. This increase will fund the county’s merit-based pay system at a cost of \$812,541 in the general fund.

- **Other Personnel Costs/Benefits:** Overall, this category increased 4%. Pay-based benefits increased as a result of salary increases. A \$385,121 (5%) increase in health insurance is recommended to cover expected costs. An increase of \$56,379 in retirement costs is also recommended due to action by the State Treasurer’s Office to increase the contribution by .25%. This increase is part of an attempt to stabilize the employer contribution rates. After FY 2019, 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 keeping the local retirement system one of the best-funded systems in the country

- **Operating:** Operating expenses grew by 3%, mostly due to increased costs for inflation and contracts.
- **Debt:** Overall, the county's debt service obligations decreased by 2%.
- **Transfers:** Transfers are budgeted at an 11% increase from FY 2018. The debt model calls for a transfer of 7.7 cents

plus retired general obligation debt service to cover current and projected debt service, an increase of \$348,819. The Capital Improvements Program calls for a transfer of \$2,308,421 to capital reserve to fund pay-as-you-go CIP projects, which is an increase of \$975,002.

- **Allocations/Programs:** This category decreased 1%. The removal of the one-time appropriation to the Town of Pittsboro in FY2018 [-\$450,000] along with the completion of some grants explain this reduction.

Capital Improvements Program (CIP)

Background: The CIP is a long-term plan for funding the County's major capital needs. It shows how facilities, equipment, and other projects that cost \$100,000 or more could be scheduled and funded over the next seven years, beginning in FY 2019. 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 2019-2025 CIP. See Appendix C for a summary of the Capital Improvements Program.

The Future

Short-Term: National, state, and regional economists expect moderate growth into next year. Locally, we appear to be doing well. Although the anticipated revenue from Chatham Park did not materialize in FY 2018, development is projected to pick up in FY 2019. Other indicators of local

growth, such as 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, and from 5.48% from FY 2018 to FY 2019. This is the most robust level of growth since the recession began. Local sales tax collections

had been increasing for several years. We have positioned 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, especially with regard to schools. While our plan for two new schools and a new building at CCCC will help us deal with the expected growth, these investments are substantial and additional capital projects are on the horizon. We will have to be cautious about how we invest our resources to ensure our continued wise financial stewardship.

Invitation for Public to Participate

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

- **Monday, May 21, 6 p.m.,** Historic Courthouse, Pittsboro.
- **Tuesday, May 22, 6 p.m.,** Siler City Courtroom, Town Hall.

Respectfully submitted May 7, 2018.

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), 919-545-8483. To ensure comments are considered, please submit by May 16, 2018.

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

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