

Budget Message

“The wind and the waves are always on the side of the ablest navigator” – Edmund Gibbon

Chatham County Commissioners and County Residents,

Outsiders might look at Chatham’s growth and financial indicators and say that we’ve had a fair wind and following seas; our population has been growing, our bond rating is the highest possible for a county our size and the population density in surrounding counties has resulted in spillover growth for Chatham County as development pushes west. It looks like we’ve had smooth sailing.

Anna Van DeWiele, one of the first sailors to sail around the world in the early 1950s, described the art of sailing as leaving nothing to chance. Chatham County has weathered the storm of the recession and rebounded to even higher levels during the economic expansion due to our long-standing navigational and planning skills. Like good sailors, we try to leave nothing to chance.

Our careful financial planning and budget management processes have been cited by rating agencies as a best practice.

For example, we began long-term financial planning and capital planning back in 2005 in preparation for significant capital and operating needs. We committed to careful preparation for debt-funded capital projects by consistent contribution to a debt reserve. This plan allowed us to continue to build during the recession and take advantage of the buyer’s market. Since establishing the debt reserve the county has seen completion of Virginia Cross Elementary School, Margaret Pollard Middle School, the Chatham Community Library and CCCC Sustainable Technologies



Sailing at Jordan Lake – Photo courtesy of Dr. John Shillito

Building, the Justice Center, the Chatham County Detention Center, and the Agriculture and Conference Center. Two schools are currently under construction, the first new schools since 2011, and a new Health Sciences Building for Central Carolina Community College is nearing completion.

There are many things I’m proud of as we prepare to close the books on Fiscal 2018-2019 and prepare for the new fiscal year.

Our investment in the Chatham County Comprehensive Water and Wastewater Management Plan has provided both the county and our municipal partners with the foundational guidance we will need to provide basic infrastructure services to support the growth that is coming. This plan has examined all elements of water and wastewater demand and capacity and has identified recommendations and alternatives for meeting that demand and providing regional interconnection options for resiliency.

Our allocation of funds to establish an Affordable Housing Trust Fund has supported development of affordable housing at the old Henry Siler School in Siler City, completed an analysis of impediments to Fair Housing in Chatham County, and served over 23 individuals/families in need of emergency shelter.

We finalized a Parks and Recreation Master Plan, and work is in progress on improvement plans for two parks: Southwest Community Park and Earl Thompson Park.

Staff has more than stepped up to the challenge of working in Collaborative Impact Teams, and I'm as proud of their dedication, teamwork, and collaborative spirit as I am of our strong bond rating. Some examples:

- A strong partnership between public safety agencies across the county helped us to survive two major hurricanes and strengthened our resiliency and ability to respond when faced with disaster. We received aid from the National Guard and swift water rescue teams from Winston-Salem and New Hampshire to address flooding in the Gulf area after Hurricane Florence and sent staff to assist in their storm recovery.
- Collaboration between the county, the NC Department of Transportation, and the property owners resulted in a tri-party agreement for funds to improve the transportation



A Jeremiah Drive resident canoes up the flooded roadway to get home.

infrastructure at the Chatham Advanced Manufacturing (CAM) megasite.

- Chatham entered into an agreement to study a joint partnership with Sanford, Fuquay-Varina, and Holly Springs for the expansion of the Sanford water treatment facility.
- When residents on Jeremiah Drive remained stranded due to flooding of the road – a problem that is beyond the jurisdiction of local government to address – we facilitated the dialogue between residents, the US Army Corps of Engineers, and the North Carolina Department of Transportation to identify a solution. We will continue to work with residents and first responders until improvements can be made.
- Staff in the County Manager's department developed a project that will offer Chatham's Leadership Academy training to Tier 3 counties that struggle to find the resources

available for costly professional development training for staff.

- Cooperative Extension and the Chatham County Agriculture & Conference Center worked together to host a second annual Spring Ag Fest. An estimated 3,000-3,500 people attended, up from 2,000 last year. The Ag Fest promotes community engagement and increases awareness about Chatham County agriculture, forestry, and natural resources.



A Chatham home damaged by flooding of the Deep River

Looking ahead to FY 2020 is a bit like navigating through the fog; eventually the fog will lift but, until it does, caution is necessary to ensure safety. Economists are uncertain about when the economy will recede from the second longest economic expansion since 1854. While national and state wide economic growth is still steady, the rate of expansion has slowed, and speculation about whether a recession has started or is about to start is widespread. In Chatham County tax values continue to grow, but we are experiencing slower

growth from development services, due in large part to the extremely wet weather. Several promising development projects are in the pipeline and are expected to proceed, but extended wet weather will impact the pace of development. In addition, several bills under development and discussion in the General Assembly could reduce our revenue from tax collection. On the other hand, several capital projects must move forward in FY 2020, and while all expansion requests submitted by departments are worthy of consideration, some are critically needed.

Another sailing analogy comes to mind. Uncertainty about the economic weather indicates that the time is right to drop a sea anchor to keep us moving in the direction of our vision while we slow – not stop – our plans to expand. Our use of the budget as a tool to achieve commissioner goals has always helped us to make cautious decisions about expansion requests. The FY20 budget uses natural growth in revenue to recommend expansion items that address the foundational commissioner goals of providing a quality education for all residents, fostering a healthy community, minimizing the impacts to those in poverty, and becoming more resilient.

The county will partner with Central Carolina Community College to begin Chatham County Promise, a program that will guarantee up to two years of free tuition and fees at CCCC to all eligible Chatham County residents who graduate from high school in 2019 through 2022. By extending a college education to those who may not have been able to obtain it, Chatham County Promise will provide equitable access to a high quality education for all. The program will require \$200,000 in FY 2020.

Chatham County Council on Aging will be severely impacted by two significant cuts in state funding. First, the NC Department of Transportation has informed the agency that

it may receive \$141,860 in FY20, nearly half the amount that was received in FY 2019. Transportation services are a critical component of COA's operations and the loss of funding would be unrecoverable if the county can't provide help. The recommended budget includes an additional \$177,140 to hold transportation services for seniors harmless in the face of these cuts.

COA also requested increased support for in-home aide, which had not received any increase since 2008. In-home aide personal Care is one of the most important services helping frail seniors remain living safely at home and delay or avoid placement in a facility. With Chatham's growing older population and increased cost of service, wait lists for these services will surely grow. In addition, if these individuals had to be placed in assisted living and became eligible for state/county special assistance, the county would incur 50% of the cost. The Council is also experiencing rapid growth in demand for services, but their general allocation was reduced during the recession and has never increased. We recommend an additional \$91,020 to support in-home aide personal care services to seniors, and an increase of \$30,362 to restore the general allocation to pre-recession levels.

Shortly after departments had completed expansion requests, Triangle J Council of Governments (TJCOG) notified COA of a \$30,629 reduction to Home and Community Care Block Grant Funding (HCCBG). These funds support in-home aide, nutrition services, senior center operations, and other services. A bill in the State House (HB 335) would increase HCCBG funds, but its future is unknown. In the event that HB 335 does not pass, we have accounted for this potential need in contingency.

A total of five new positions are included in the recommended budget, all of which come with offsetting revenue.

North Carolina Agriculture and Technical University (NC A&T) has made support available in Chatham County for an Agriculture Agent. Traditionally, NC A&T agents have been tasked with creating programming for underserved and limited-resource populations in counties. This agent will have 4-H or Community Rural Development (CRD) responsibilities, addressing gaps in limited-resource youth programming and/or CRD work within the county, especially among impoverished populations. NC A&T will provide half of the funding for the position.

In the Department of Social Services, two new child welfare positions and a new position to administer emergency assistance funding are recommended. The two child welfare positions will allow the caseload size to be lowered in order for social workers to be better prepared to meet state and federal standards. Emergency assistance funding requests (including Work First Emergency Assistance and county Emergency Assistance) have been shared by the two intake social work positions. With NCFASST, intake time has increased due to system requirements, making it more difficult to be available to screen applicants. The new positions would be housed with other economic services programs (Crisis Intervention Program and Limited Income Energy Assistance Program) allowing for increased efficiency in screening for financial assistance.

Finally, an additional utility service worker is recommended for the Water Department to allow the department to better respond to the increased workload demand.

The budget adds \$50,000 to the Affordable Housing Trust Fund to be earmarked for emergency housing needs, and

increases the funding available for nonprofit agencies by \$17,000.

The creation of a Unified Development Ordinance (UDO) is an important priority of the Board of Commissioners that will provide a framework to implement many of the Plan Chatham recommendations. This is a multi-year project, which will allocate \$90,000 towards the UDO project in FY2020.

The FY 2020 budget also recommends a Local Government Employees' Retirement System (LGERS) mandated 1.5% increase in the retirement contribution from 7.75% to 8.95%. LGERS has informed local governments that this rate will continue to increase each year until FY 2023, when it will reach 12.45%.

A 3% increase in the county contribution to the health plan and a 3% pay increase for employees who perform at or above the level of "meets expectations" are also included. While many expenses are necessary to continue movement toward our goals, competitive salaries are essential to maintaining and attracting talented staff.

Additional revenue beyond natural growth is needed for several projects that are included in the recommended FY 2020 budget.

The FY 2020-2026 Capital Improvements Plan approved 3 debt-funded capital projects scheduled to begin in FY 2020 that will require an additional contribution equivalent to 1.5 cents on the property tax rate to the debt reserve:

- The existing VHF/UHF radio system used by county public safety agencies is approximately 30 years old, and interoperability with surrounding counties and/or agencies is limited or non-existent due to disparate radio systems. The current radio system poses a serious safety risk for responders and citizens and must be upgraded.

- The existing Emergency Operations Center (EOC) houses the EOC meeting room where decision makers gather during disasters to make informed decisions on response and recovery efforts. It also houses the Chatham County Public Safety Answering Point (PSAP), better known as the 911 Communications Center. Because the communication staff currently exceed the capacity of the room, one telecommunicator console must be located in the EOC meeting room. The EOC must be expanded because as the county population increases, additional telecommunicators must be added. Upgrading the radio system will require changes to the Emergency Operations Center that should be completed at the same time in order to maximize the capacity for borrowing and to provide efficiency between the two related projects.
- Construction of a new Chatham County Schools Central Services Building was approved in the FY 2018-2024 CIP, and construction is scheduled to begin in FY 2020. The new building will accommodate all central services personnel in one building and is designed to enable expansion as staff increases.

We are preparing for the August 2019 opening of the new CCCC Health Sciences Building. This new facility, located in Briar Chapel, will expand health sciences degree programs for students in a rapidly growing employment sector. The site will also provide an early voting/voting site in the northeast section of the county, which has been difficult to find in past elections. An additional \$245,450 in operating expense is needed upon the opening of this facility.

The FY 2020 recommended budget fully funds Chatham County Schools' request for an additional \$1,540,000 in current expense. Last year, the county began implementation of a plan to make Chatham's supplement more competitive in recruiting teachers and other licensed school personnel by converting from a flat-rate supplement to one based on a percent of salary. The additional funding will comprise \$715,000 for the general allocation and an additional \$825,000 to be added to the supplement. Funding for capital outlay will remain constant at \$2,300,000.

Some additional pay-go capital projects and changes to existing projects will increase the FY 2020 contribution to the capital reserve. The radios carried by public safety personnel will be upgraded as a part of the radio replacement project but are not proposed as a part of the borrowing due to their shorter useful life. The total \$4.2M needed to replace the radios will be spread across the seven years of the CIP, beginning with a contribution of \$500,000 in FY 2020. Other projects included in the FY 2020 contribution to the capital reserve include a three-year project to begin resurfacing the tracks at Chatham County high schools, beginning to contribute funds to provide a second generator at the Chatham County Detention Center, and increased construction costs for the new Animal Shelter.

During the latter part of FY 2020, the county will also prepare for the August 2020 opening of Chatham Grove

Elementary School, which will require an estimated \$1.4M additional operating expense.

Because current natural revenue growth can't absorb these additional costs, a 4.19-cent increase in the tax rate – from 0.6281 to 0.67 - is needed.

As we look toward the horizon, we are keeping watch of potential hazards to navigate. Another year of severe weather coupled with the passage of several bills currently under discussion in the General Assembly could impact our revenue at a time when we are faced with increased expense from capital projects, support for schools, and state funding cuts to critically needed services.

The budget presented here is the result of all county departments working together toward the common goal of being wise stewards of public funds while continuing to provide needed services. Thanks is due to all department heads for their teamwork and willingness to make difficult decisions about priorities. Special thanks is due to the budget team – Lisa West, Darrell Butts, and Hope Tally, working under the tireless guidance of Vicki McConnell, for the work that went into this budget.

The FY 2020 Recommended Budget presents a plan that will prioritize our spending, yet keeps us moving toward our goals.

Major Revenue Highlights:

- The county property tax rate is recommended to increase by 4.19 cents to a rate of 67 cents.
- Sales tax growth continues to be strong within Chatham County, with sales tax revenues increasing 9% over the FY 2019 budget.
- The North Chatham Fire District requests an increase of its rate by 0.5 cents to a total district tax rate of 10.8 cents per \$100 of valuation.
- To recoup costs, a \$2,500 one-time fee per Stormwater Control Measure (SCM) is recommended in Watershed

Protection. SCMs are permanent site features that the department must monitor in perpetuity and are the most technical and time consuming portion of plan review. Several fee changes are recommended for Parks & Recreation, including the second year phase-in of the increase for youth basketball as well as increases to youth softball and several facility rental fees. The fee increases for the youth athletics programs will bring those programs to the Board’s stated cost recovery goal of 50%. The fee changes would cumulatively generate approximately \$42,985 in additional General Fund revenue. Additionally, this budget recommends consolidating the current

convenience center and disposal fees for the Solid Waste Enterprise Fund into a single fee. This consolidation would generate an additional \$210,000 in revenue for the Solid Waste Enterprise Fund. This fee is 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 and capital expense items.

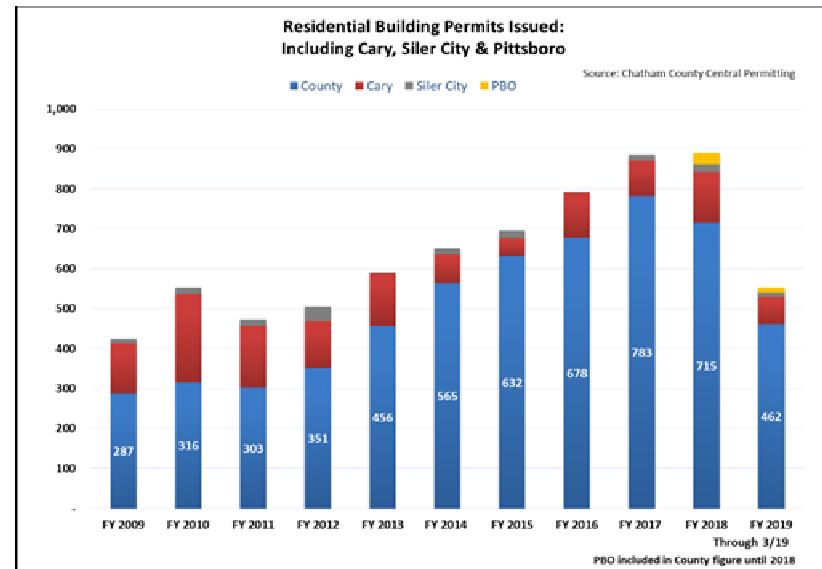
Economic Indicators & Assumptions:

Given the length of the current economic expansion, recession is inevitable at some point. While economists seem unwilling to predict a recession in the coming year, most agree that the rate of growth will slow. 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.

The February 2019 General Fund Revenue Report from the Fiscal Research Division of the NC General Assembly projects that by June 30 general fund revenue will increase by 2.2% over the FY 2017-2018 amount, with strong sales tax collections contributing to this growth.

Per capita income in North Carolina for 2017, 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 second highest in the state.

Locally, the extreme wet weather contributed to slower growth in permit revenue as well as Register of Deeds excise



tax. However both of these indicators, along with the unemployment rate, are at or better than pre-recessionary

levels. The February 2019 General Fund Revenue Forecast from the Fiscal Research Division of the NC General Assembly concludes that the state can expect modest, stable growth during the next two years. Sales tax collections are estimated to be approximately 1.5% higher than budgeted, in large part due to the US Supreme Court's ruling on the distribution of sales tax from online vendors to local governments (*South Dakota v. Wayfair, Inc.*), and are expected to continue increasing at 4.5 – 5% over the next two years. The economic forecast from Dr. John Connaughton, UNCC Babson Professor of Financial Economics, projects total (inflation adjusted) economic growth of 2.9%.

Unemployment: According to the NC Department of Commerce, the state's unemployment rate has decreased by 0.3%, to a total unemployment rate of 3.9%, from the same time in 2018. Additionally, the most recent unemployment statistics available show Chatham's February unemployment rate at 3.6%, which is below the state average and is tied for the second lowest rate in the state. The county's unemployment rate has stabilized at pre-recession levels for some time now.

Population growth: The rate of national population growth is fairly flat, and the population of North Carolina increased by only 1% between 2017 and 2018. North Carolina is in the top ten for numeric population growth and total population and the southern 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 22nd highest growth rate in the country.

Property Tax Base: Current estimates of the property tax base show a return to growth that is 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. Property tax values for FY 2019 are also higher than average, at approximately 5.5%. FY 2020 continues this trend, with estimated values increasing approximately 4.5% from the prior year.

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 2018. 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 3%. 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 (including residential, commercial, alterations, etc.) for the first nine months of FY 2019 is about 6% above the same time period in FY 2018. However, the number of residential permits is down almost 9%, and FY 2019 revenue is estimated to remain flat. As the weather improves to allow for more building, 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 final year of this reduction. A study regarding

impact fees and the authority to levy them continues. If our authority is repealed, the county would lose \$3 million annually, which equates to approximately three cents on the

Board of Commissioners Goals

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. For FY 2020, Commissioners kept the same goals with no changes. Departments have linked specifically to these goals in their budget submissions. See the department section entitled "Link to Commissioner Goals" for this information.

Currently, Collaborative Impact Teams (CITs), comprised of cross-functional teams of departments and agencies, are working to build strategic plans that will serve as the basis for implementing Plan Chatham and Commissioners' goals. CIT strategic plans will be used as the model for reporting moving forward.

Below are some brief highlights of how the FY 2020 budget will address commissioner goals.

GOAL #1: Preserve the rural character and lifestyle of Chatham County

- *Planning will begin development of the Unified Development Ordinance to implement the recommendations of Plan Chatham*
- *Cooperative Extension will partner with Chatham County Government, Chatham County Soil & Water, and the Chatham Agricultural Advisory Board to update the existing Voluntary Agricultural District (VAD) Program*
- *Cooperative Extension, in partnership with the Chatham County Agriculture & Conference Center, will continue to host the annual Spring Ag Fest to showcase agriculture, forestry and natural resources in the county.*

property tax rate. Other proposed legislation would increase property tax exemptions and redistribute sales tax away from Chatham County.

GOAL #2: Preserve, protect, and enable agriculture and forestry

- *The Tax Department will implement a Present Use Value audit program, beginning with education and outreach for residents.*
- *Cooperative Extension will offer technical educational programming to enhance productivity of local agricultural producers through field days and training seminars, while also increasing workshops aimed at greater agricultural literacy within the county.*

GOAL #3: Promote a compact growth pattern by developing in and near existing towns, communities, and in designated, well-planned and walkable mixed-use centers

- *Planning will work with the Town of Goldston to implement a unified development ordinance in the Town of Goldston, including development of website, drafting applications, outreach, and associated activities.*

GOAL #4: Diversify the tax base and generate more high-quality, in-county jobs

- *The Chatham Economic Development Corporation will update their strategic plan.*
- *Planning will process the final round of business rezoning cases for non-conforming businesses*

GOAL # 5: Conserve Natural Resources

- *Staff in the Facilities Maintenance Department will receive training to become LEED certified*

- *Watershed Protection will develop an inspection program for Floodplain Development Permits issued for compliance with permit conditions.*
- *Solid Waste & Recycling will pilot construction and demolition collection at two collection centers. C&D accounts for approximately 35% of the waste stream at collection centers.*
- *Solid Waste & Recycling will conduct a recycling stream analysis to determine composition and contamination. Results will be used to improve operation and educational programs.*

GOAL #6: Provide recreational opportunities and access to open space

- *Parks and Recreation will complete improvement plans for Southeast District Park and Earl Thompson Park*
- *Parks and Recreation will offer additional clinics and instructional programs aimed at young adults, adults, and seniors*

GOAL #7: Provide infrastructure to support desired development

- *MIS will develop a wireless Internet Service Provider (ISP) plan for a Chatham County pilot program*

GOAL #8: Become more resilient by mitigating, responding, and adapting to emerging threats

- *Emergency Management Operations will purchase two generators to support the use of Chatham Central High School as an emergency shelter*
- *Emergency Management Telecommunications will begin the process to achieve Commission for Accreditation for Law Enforcement Agencies (CALEA) Public Safety Communications accreditation.*
- *The county will begin projects to replace the radio system and expand the emergency operations center.*

- *The Public Health Department will work with other county departments and community partners to develop protocols for establishing a special medical needs shelter for community members during weather emergencies.*

GOAL #9: Provide equitable access to high-quality education, housing, and community options for all

- *Chatham Transit Network will introduce routes to the new Health Sciences Building and Sanford. It will also establish a satellite location at Chatham Trades in Siler City.*
- *Council on Aging will extend its outreach to faith communities to include a faith-based summit in collaboration with other community partners.*
- *Council on Aging will continue partnering with Cooperative Extension and others in offering a one-day educational conference for seniors and others using the Chatham County Agriculture & Conference Center.*

GOAL #10: Foster a healthy community

- *The Public Health Department will develop and implement a cross-sector, Health-In-All-Policies approach to address health priorities with traditional and nontraditional partners, including lead poisoning prevention for children living in Chatham County.*
- *Planning will coordinate with the Health Department to incorporate public health initiatives focused on health priorities from the 2018 Community Assessment and Plan Chatham into a unified development ordinance as an additional item.*

GOAL #11: Demonstrate sound fiscal stewardship to ensure that we can meet the important service needs of our residents

- *Cooperative Extension will actively support the marketing of the Chatham County Agriculture & Conference Center by initiating educational programs on local, district, and state wide scales related to livestock, horticulture, organic production, local foods, and positive youth development.*

GOAL # 12: Provide efficient effective government that is responsive to the different needs of residents and varying circumstances across the county; provide social services and supports that seek to minimize the impacts to those in poverty and stabilize individuals and families in the community; ensure public safety through adequate resources, plans and partnerships to keep people and property safe; strengthen relationships with other boards, municipalities and regional entities to address common challenges and opportunities.

- *Water Department will work with regional partners to support long-range water supply planning and expand/update information on potential raw water sources.*
- *Central Permitting will coordinate the transition of permitting and inspections coming from the Town of Siler City to Chatham County.*
- *Chatham Trades will offer space to the Salvation Army and West Chatham Food Pantry to coordinate efforts to increase the efficiency and visibility of all three agencies.*
- *Council on Aging will promote and facilitate implementation of the five-year Comprehensive Plan for Aging in Chatham, which will also support the work of Plan Chatham.*
- *Council on Aging will begin implementation of a new Senior Leadership Program designed to establish and support a trained corps of volunteers across the county who can serve as liaisons between seniors and the community.*

- *Public Health will collaborate with traditional and nontraditional partners to foster a healthy community by providing equitable access to high-quality health, nutrition and chronic disease education programs.*
- *DSS will integrate emergency assistance, energy programs, and economic benefit applications within the intake unit. These programs were previously administered separately.*
- *DSS will create a pilot project to connect citizens who are eligible for federal energy programs with energy-efficient space heaters to reduce monthly heating costs.*
- *The Sheriff's Office will provide Chatham County churches with safety checks and provide information on how to maintain a safe church environment.*
- *The Sheriff's Office will provide high school seminars to students on how to interact with law enforcement during vehicle stops.*

GOAL #13: Support pre-K through 12 and community college in providing a quality education for all students

- *Cooperative Extension will partner with local educators to bring experiential learning opportunities into classrooms to help supplement Common Core and Essential Standards instruction.*
- *The Library will partner with the CCPS Latino Parents Program Coordinator to offer evening events for families to obtain library cards and become aware of library programs.*
- *Central Carolina Community College (CCCC) will offer Chatham Promise, a program that will guarantee up to two years of free tuition and fees at CCCC for all eligible Chatham County residents who graduate from a public high school for the years 2019 through 2022.*
- *The Health Department will have a curriculum in place with Central Carolina Community College by the end of FY*

2019 to build an Animal Control Officer training program for students.

- The county will fully fund Chatham County Schools' request for an additional \$1,540,000 current expense

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.

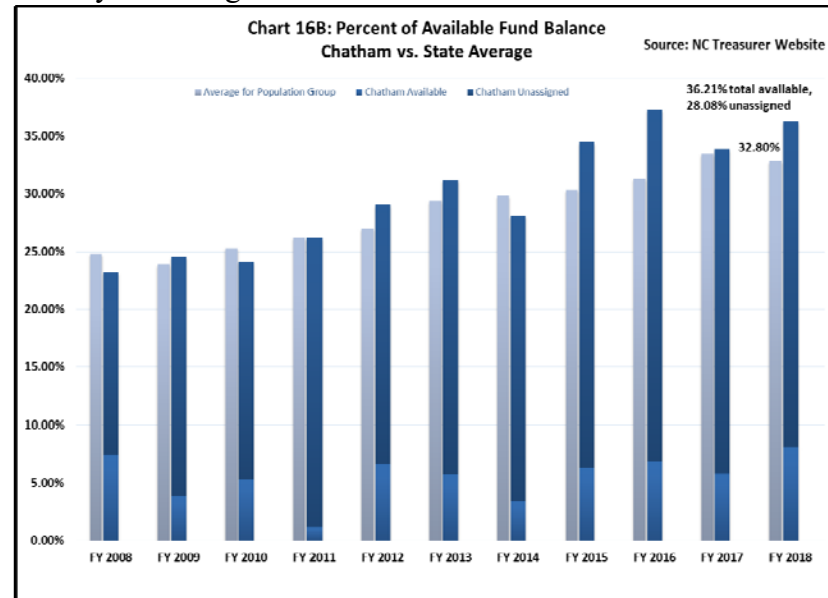
Meeting or exceeding revenue projections. In general, revenues are budgeted conservatively so that projections will be exceeded. For the most part revenues in FY 2019 slightly exceeded budgeted amounts. The only exceptions were revenues from permits and fees, and revenues from charges for service. As noted above, both were impacted by two hurricanes and higher than average rainfall.

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 summer of 2018. 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 2020 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 28.08% of FY 2018 actual expenditures, above the stated goal. 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, 36.2%, is slightly higher than state average for counties our size, which is 32.8%, 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, 2012-13, 2014-15, and 2015-2016 budgets won the Government Finance Officers Association Distinguished Budget Presentation Award.

The FY 2019-2020 budget process included a budget critique held immediately after the FY 2019 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 2019-2020 Budget Calendar	
Deadline	Actions
31 August 2018	<ul style="list-style-type: none"> • Capital Improvements Program (CIP) forms distributed to agencies
28 September 2018	<ul style="list-style-type: none"> • Forms due from agencies and departments for new/changed CIP projects
5 November 2018	<ul style="list-style-type: none"> • Manager submits recommended CIP to the Board of Commissioners • Heads Up document due from departments
19 November 2018	<ul style="list-style-type: none"> • Hold public hearing on the proposed CIP
20 November 2018	<ul style="list-style-type: none"> • Work session on the proposed CIP
17 December 2018	<ul style="list-style-type: none"> • Board adopts CIP; Board appropriates nonprofit funding
28 December 2018	<ul style="list-style-type: none"> • 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 16,17, 24 2019	<ul style="list-style-type: none"> • Budget Retreat: Board of Commissioners sets goals and guidelines for FY 2019-2020 budget
31 January 2019	<ul style="list-style-type: none"> • Munis YTD Budget Estimates due from departments. • Budget software opens
1 - 28 February 2019	<ul style="list-style-type: none"> • Nonprofit application process
1 March 2019	<ul style="list-style-type: none"> • Budgets due from departments and agencies (except schools)
5 April 2019	<ul style="list-style-type: none"> • Budget due from schools
6 May 2019	<ul style="list-style-type: none"> • Budget submitted to Board of Commissioners and public
May 20 and 21, 2019	<ul style="list-style-type: none"> • Public hearings held in Pittsboro and Siler City
May 23, 24 and 30 2019	<ul style="list-style-type: none"> • Board of Commissioners holds 2-3 budget work sessions
By 30 June 2019	<ul style="list-style-type: none"> • Board of Commissioners adopts budget (legal deadline)

Nonprofit Funding Process: Historically, Chatham County has funded county nonprofits that provide important services to our citizens. In 2019, the Board of Commissioners approved a task force recommendation to develop a new strategic approach to funding nonprofit agencies that would encourage collaboration and track achievement toward the top needs identified in the Community Assessment conducted by the Chatham Health Alliance.

FY 2020 reflects the first year in a transition to a new approach. The Human Services Collaborative Impact Team (CIT) defined services that would address gaps in county coverage and address the Board of Commissioner goal to minimize the impacts of poverty and help individuals and families approach self-sufficiency. Agencies responded to a Request for Proposal (RFP) for services.

Revenue Projection Methodology:

Staff tracks major revenues by month, estimates revenue for the current year (usually three-to-four months remaining), and projects next year's revenue at a slightly more conservative amount, typically 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 North Carolina Association of County Commissioners and North Carolina League of Municipalities). Where possible, staff uses a combination of local trending and outside guidance to reach the best possible estimates and projections.

General Fund Revenue Summary:

	2019 Amended	2019 Estimated	2020 Approved	Total % Inc./Dec.
Permits & Fees	1,782,300	1,705,365	1,844,600	3%
Intergovernmental	9,372,350	9,867,955	9,925,253	6%
Interest	175,000	214,695	300,000	71%
Contributions from others	553,392	746,659	362,641	(34%)
Miscellaneous	300,412	417,169	346,513	15%
Other Taxes/Licenses	924,700	949,000	941,000	2%
Property Tax	68,773,000	70,099,972	77,127,260	12%
Charges for Services	2,356,829	2,204,971	2,350,112	(0%)
Sales Tax	13,600,000	14,325,000	14,788,500	9%
Transfers In	10,724,660	10,853,101	13,829,003	29%
Appropriated Fund Balance	6,565,660	0	3,436,342	(48%)
Total Revenues	115,128,303	111,383,887	125,251,224	9%

Enterprise Fund Revenue Summaries:

Solid Waste & Recycling Fund

	2019 Amended	2019 Estimated	2020 Approved	Total % Inc./Dec.
Intergovernmental	177,499	185,716	195,265	10%
Interest	28,655	44,000	30,000	5%
Miscellaneous	0	1,060	93	100%
Charges for Services	2,903,828	3,173,044	3,461,682	19%
Appropriated Fund Balance	568,974	0	0	(100%)
Total Revenues	3,678,956	3,403,820	3,687,040	0%

Southeast Water District

	2019 Amended	2019 Estimated	2020 Approved	Total % Inc./Dec.
Interest	1,500	10,000	4,000	167%
Charges for Services	633,500	738,436	718,500	13%
Total Revenues	635,000	748,346	722,500	14%

Water Fund

	2019 Amended	2019 Estimated	2020 Approved	Total % Inc./Dec.
Interest	58,000	84,785	58,000	0%
Miscellaneous	0	37	0	0%
Charges for Services	6,458,691	6,650,149	6,543,307	1%
Transfers In	0	0	80,000	0%
Appropriated Fund Balance	859,725	0	878,365	2%
Total Revenues	7,376,416	6,734,971	7,559,672	2%

Property Taxes:

Our **real property** values are projected to increase 3.75% for FY 2020, which continues the robust growth following the recession. The increase in value results mostly from residential development.

The 7.34% increase in **personal property** results primarily from increases in business property listings.

Utility values are provided by NC Department of Revenue in September. Staff uses values from the previous year, which have decreased by approximately 2%.

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 has proven to be beneficial to Chatham County. Overall, motor vehicle values are projected to increase 15.52% over last year.

	FY 2019 Values Budgeted	FY 2020 Values Budgeted	% Increase/ (Decrease)
Real Property	9,616,664,019	9,977,316,873	3.75%
Personal	463,934,059	498,001,430	7.34%
Utilities	210,741,503	206,350,142	-2.08%
Motor Vehicles	748,192,693	864,290,475	15.52%
Total	11,039,532,274	11,545,958,920	4.59%

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, one department has requested an increase in their tax rate. Major issues to be aware of include:

- The North Chatham Volunteer Fire Department has requested an increase in its fire tax rate from 0.1030 to

0.1080 per \$100 value. The North Chatham Volunteer Fire Department is proposing to add six part-time positions. The North Chatham Volunteer Fire Department is replacing aging fire/rescue equipment and purchasing additional equipment for water rescue responses.

- The City of Durham Fire Department has merged with the Durham County Fire and Rescue Department. The Parkwood Fire District is now being served by the City of Durham Fire Department as a result of this merger.

- The majority of funds earmarked for capital outlay are for fire apparatus replacement, self-contained breathing apparatus and related equipment, personal protective equipment, and water rescue equipment.

Fire District	FY 2019 Budget.	FY 2020 Requested	FY 2020 Approved	Contract Amount	Increase/ Decrease in Fire Tax
Bells Annex (North Chatham FD)	0.1030	0.1030	0.1080	\$138,893	0.0050
Bennett (Bennett FD)	0.0900	0.0900	0.0900	\$132,983	0.0000
Bonlee (Bonlee FD)	0.0700	0.0700	0.0700	\$237,861	0.0000
Central Chatham (Siler City FD)	0.0900	0.0900	0.1200	\$412,059	0.0300
Circle City (Pittsboro FD)	0.1225	0.1225	0.1225	\$1,324,707	0.0000
Goldston (Goldston FD)	0.0900	0.0900	0.0900	\$285,897	0.0000
Hope (Silk Hope FD)	0.0785	0.0785	0.0785	\$454,383	0.0000
Moncure (Moncure FD)	0.1250	0.1250	0.1250	\$812,225	0.0000
North Chatham (North Chatham FD)	0.1030	0.1080	0.1080	\$6,181,434	0.0050
Northview (Northview FD)	0.0860	0.0860	0.0860	\$30,290	0.0000
Parkwood (City of Durham FD)	0.1000	0.1000	0.1100	\$355,359	0.0100
Staley (Staley FD)	0.1000	0.1000	0.1000	\$56,570	0.0000

Fee Increases:

To recoup costs, we are recommending fee adjustments in Watershed Protection, Parks & Recreation, and the Solid Waste enterprise fund. Additionally, we are recommending a waiver of the Floodplain Development Permit application fee for burials on private property. The fee increases would cumulatively generate approximately \$252,985 in additional revenue, comprised of \$210,000 in the Solid Waste &

Recycling Enterprise Fund and \$42,985 in the General Fund, as follows:

- Watershed Protection: Stormwater Control Measures (SCM) are permanent site features that the Watershed Protection Department has to monitor in perpetuity. These SCMs are also the most technical and time-consuming portion of plan review. A new one-time fee

of \$2,500 for Stormwater Control Measures is recommended.

- Parks and Recreation: The county's goal is to recover 50% of the cost of youth recreation programs. The youth basketball and softball programs have not been meeting this goal. In FY2019, the county began the first year phase-in of a \$10 increase in the youth basketball program fee. We are recommending the final planned increase in FY2020, increasing from \$35 to \$40 for in-county youth (out-of-county youth participants were not phased in). We are recommending a \$5 increase for both in and out of county youth for the softball program, increasing to \$35 and \$45 respectively.

Additionally, we are recommending increases in several of the rental fees, including an increase from \$15 to \$30 for picnic shelter rental, an increase from \$10 to \$20 in field rental (without lights), and an increase from \$20 to \$35 for lighted field rental. The rates, both current and the recommended increases, are for a three-hour rental of the facilities.

- Solid Waste Enterprise Fund: We have separate fees for the Solid Waste Collection Centers and for Solid Waste Disposal. We are recommending consolidation into a single Solid Waste Collection Center Fee to all residents living in the unincorporated portions of the County.

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 2020. The parts of sales tax are:

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

Article 40: One-half cent on every dollar – goes into a statewide pot and is distributed back based on population. Thirty percent must be spent on school capital or debt.

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

Article 44: Beginning the last month of FY 2016, the state levied sales tax on some services and these proceeds are distributed to rural areas. This revenue is restricted for schools, community colleges, and economic development. The state has developed a formula which projects the expected revenue

distribution to counties, and part of these funds will be removed from the regular distribution formula.

Article 46: One-quarter cent on every dollar – comes back to the county based on where it is collected. Proceeds are not shared with municipalities. Five surrounding counties have enacted this increase, while Chatham has not. A referendum would be required. The estimated proceeds from enacting the tax are \$1.6 million.

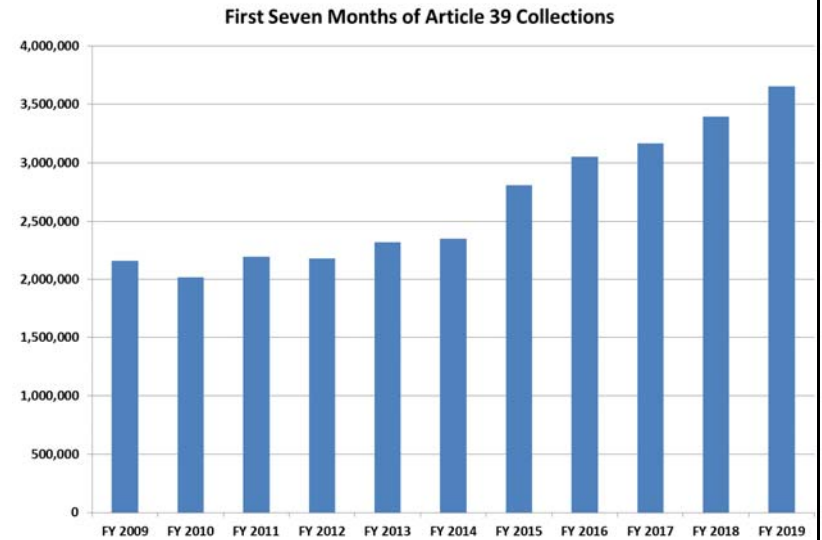
Locally, FY 2019 sales tax revenues (Articles 39 and 42) are trending roughly 7% above FY 2018, compared with 3% for sales tax collected statewide (Article 40).

Article 44 revenue is projected to bring Chatham about \$1.225 million in FY 2019.

Overall, experts from the state and the NC League of Municipalities (NCLM) expect FY 2019 statewide sales tax growth to be 5.1% above FY 2018. Staff used this guidance to project local and statewide collections.

For next year, the NCLM expects statewide local sales tax distributions to be 4.5% over current year. Staff is recommending 3.5% for both local and statewide collections.

As the chart to the right 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 was the last year of the phase-out; we lost the full \$500,000.

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

To estimate FY 2020, we used FY 2019 projected amounts (from the NC Department of Revenue) resulting in a \$2.64 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 (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 increase by 2%. This revenue source has 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.
- **Safe Havens Grant:** Federal funding for the Safe Havens Program, which provides secure court-ordered visitation services for families, continues through FY 2020. The program also received funding from the Governor’s Crime Commission, which is budgeted. The grants and fees completely cover the cost of this program.
- **Lottery Proceeds:** This revenue does not affect the general fund directly, as revenues are budgeted in the debt reserve. Approximately \$500,000 is estimated for Chatham in FY 2020. Efforts are underway to request that the NC General Assembly restore all lottery proceeds originally dedicated for school construction, which is about twice the amount we estimate receiving.
- **Federal Payment in Lieu of Taxes (PILT):** This payment depends on authorization from Congress. The

National Association of Counties guidance is that the PILT payments will be authorized in the coming year so staff is recommending that the typical amount of PILT be projected for FY 2020, which is \$92,000.

- **ABC Revenue:** Staff is estimating approximately \$125,000 for FY 2019, and is recommending that the FY 2020 budget be set at the same amount.
- **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 2019 is 25% lower than FY 2018 and is below the budgeted amount. For FY 2020, staff recommends budgeting a 3.5% decrease from the FY 2019 estimate.
- **Beer and Wine Tax:** The NC League of Municipalities generally relies on guidance from the Department of Revenue, which at the time of their report was unable to provide any indication in anticipated growth or decline in Beer and Wine tax this year. The NC League of Municipalities is projecting a 2.1% increase from the prior year in the upcoming FY 2019 distribution. The League of Municipalities is also projecting a 1% growth in sales for FY 2020. Based on NCLM guidance – and taking into account the unexplained discrepancy between the increase in state collection and the distribution to counties, staff estimates that FY 2019 collections (not yet received) will decrease slightly from \$248,806 in FY 2018 to \$244,000 in FY 2019 and FY 2020 will be projected conservatively.

Fees & Permits:

Fees are generated when county residents and others pay for permits charged for regulations the county is required to enforce. Some fees, such as Register of Deeds recording fees, are set by state law. Most other fees are established locally and can be set at various levels. Overall, this revenue is expected to increase by 3% in FY 2020.

- **Register of Deeds Fees:** Fees are charged when legal documents are recorded. Staff estimates that FY 2019

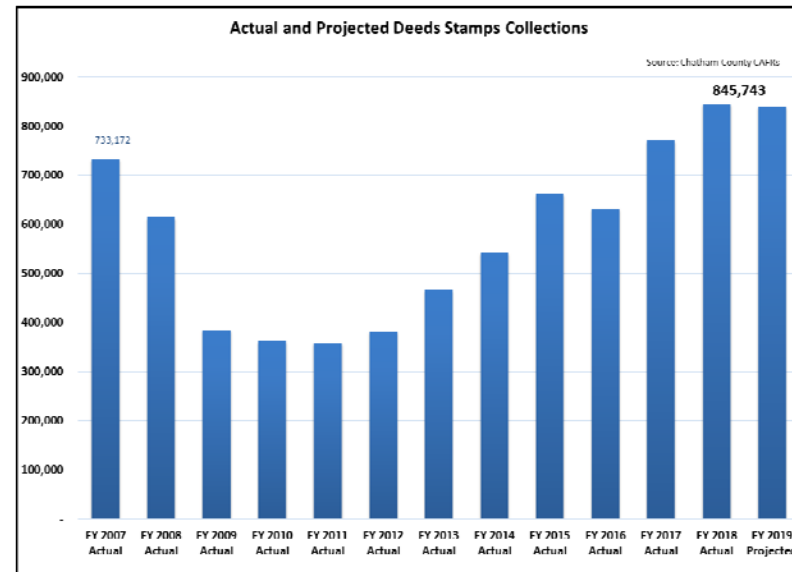
receipts will be slightly lower than the prior year. FY 2020 projections are slightly more conservative than FY 2019 estimated receipts.

- **Building Inspection Fees:** Staff estimates that the revenues for FY 2019 will be \$1.3M, 2.4% below the FY 2018 collection. For FY 2020, staff projects \$1,400,000 to reflect the addition of handling and collecting Siler City inspection fees in FY 2020.

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 2%.

- **Occupancy Tax:** Collections for the first nine months of FY 2019 are 19% above FY 2018. FY 2020 projected collections of \$123,000 are based on the estimate for FY 2019 and reduced slightly, consistent with our methodology.
- **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 2019, this revenue source is 4% above FY 2018. As the chart on the next page shows, land transactions have improved dramatically since the downturn in the economy and have reached a new peak, although minimal additional growth is projected for FY 2020. For FY 2020, we are holding the revenue projection steady.



Other General Fund Revenues:

Interest: FY 2019 is estimated to significantly exceed budget. The budgeted interest for FY 2020 has been increased based on actual interest revenue collected over the last several years. The Finance Office invests conservatively, as required by NC law.

Grants/Donations: This revenue source is projected to decrease 34% from FY 2019 to FY 2020. 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.

General Fund Sales and Service: Sales and service revenue is generated when county departments provide

services directly to residents and are reimbursed either directly from residents or from a third party, such as Medicaid. In general, the county has more control over the “prices” of its services than any other revenue type, besides property taxes. The exception is Medicaid, because reimbursement rates are set by the federal government. Several adjustments in health clinic fees are recommended to match Medicaid reimbursement rates.

In the general fund, this revenue source is expected to decrease minimally.

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 1% from FY 2019 budgeted amounts. During the recession, Utility Fund revenue did not show significant growth, despite an increase in the number of customers. This trend appears to have turned around beginning in FY 2015, when estimated revenues were 4% above FY 2014. We suspect the trend was related to the economic downturn and water customers conserving more. The usage per customer is slightly down, but the number of

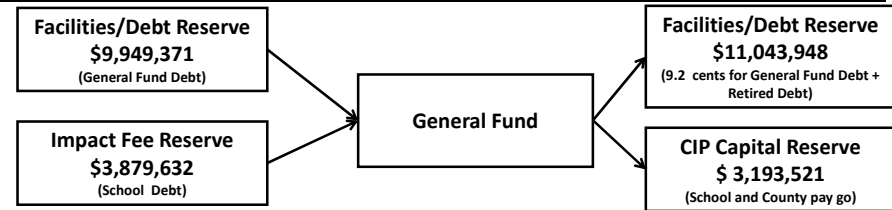
customers has increased as we add new water customers in areas such as Briar Chapel.

Solid Waste and Recycling revenues overall are expected to be slightly over budget in FY 2019 and projected conservatively with a minimal increase in FY 2020. Sales and service is expected to increase by 19% overall, primarily due to the recommended changes in the fee structure. This revenue is comprised of collection and disposal fees paid by all non-municipal residents.

Transfers In:

Transfers of revenues generally occur from special revenue funds to the operating funds for special purposes. Overall, this revenue source is expected to increase 18% as debt service is increasing in the General Fund.

- CIP Reserve:** This reserve was established as part of the county’s financial plan to fund capital improvements. 9.2 cents on the property tax rate, plus the decrease in debt service on general obligation bonds, is transferred annually to this reserve to pay for debt service on general county projects and schools. In turn, funds to cover principal and interest on the county’s debt-financed CIP projects are transferred to the general fund each year. This approach avoids large increases in property taxes to pay for debt service. Previously, 7.7 cents on the property tax rate was transferred into this reserve; however, in FY 2020 this has increased to 9.2 cents to adequately fund future capital improvements projects.



- Impact Fee Reserve:** This reserve accumulates school impact fees to pay for capital and debt service for school improvements related to growth. A transfer of \$3,879,632 is needed to cover debt for Virginia Cross Elementary,
- Chatham Grove Elementary, Margaret Pollard Middle School, and several small projects paid for with funds left over from the Margaret Pollard project. This represents a 9% decrease from FY 2019.

Fund Balance:

General Fund:	
General Fund One Times	\$747,400
Replacement Capital	\$476,632
Expansion Capital	\$294,365
General Fund Transfer To CIP Reserve	\$2,816,157
School Transfer to CIP Reserve	\$377,364
Total One Time Expenses	\$4,811,918
Fund Balance Appropriated	\$3,436,342

Consistent with the commissioners’ adopted financial policy, the use of fund balance in the general fund is tied to

one-time or capital expenditures, as shown in the table. Overall, the general fund appropriation from fund balance is down \$3,129,318 from the original fund balance appropriation in FY 2019 (the amended figure reflects changes in the budget since the original appropriation). In keeping with our policy, the recommended fund balance appropriation for FY 2020 will support one-time and capital expenditures.

The Solid Waste & Recycling Fund does not recommend the usage of any fund balance appropriation in FY 2020. The fund includes one-time expenses totaling \$382,940.

The Water Fund appropriation is recommended at \$878,365. The fund includes one-time expenses totaling \$1,055,650.

The table below shows the amount of fund balance available for appropriation in FY 2020 in the three major operating funds.

Fund Balance Available for Appropriation:	General	Water	Solid Waste & Recycling	Southeast
Cash and Investments	36,285,252	6,432,658	3,660,928	477,210
Less:				
Liabilities	(3,156,792)	(821,009)	(60,658)	(77,301)
Deferred revenues	(705,390)	0	0	0
Fund balance available for appropriation	32,423,070	5,611,649	3,600,270	399,909
Recommended for appropriation	\$3,574,514	\$873,918	\$0	\$0

General Fund Expenditure Summary:

	2019 Amended	2019 Estimated	2020 Approved	Variance	%Inc./ (Dec.)
Administration	9,301,006	8,390,460	9,262,584	-38,422	0%
Debt Service	11,042,596	14,792,034	15,037,661	3,995,065	36%
Debt/Capital Transfers	13,104,680	12,059,575	14,887,469	1,782,789	14%
Chatham County Schools	34,187,310	34,565,298	35,739,310	1,552,000	5%
Other Education & Culture	4,055,991	3,836,365	4,471,892	415,901	10%
General Government	2,944,598	2,732,562	3,123,659	179,061	6%
Human Services	17,786,269	16,525,564	17,661,418	708,402	4%
Natural Resource Management	3,401,945	3,184,665	4,149,405	747,460	22%
Public Safety	19,303,908	18,927,237	20,917,826	780,665	4%
Total	115,128,303	115,013,760	125,251,224	10,122,921	9%

Administration: The minor decrease in this grouping can be explained primarily by a reduction in one-time expenditures. A large one-time expenditure in FY 2019 and a roof replacement and warehouse addition for CORA are not budgeted for FY 2020.

Debt Service: Debt service is increasing by 36% because we will begin making payments on the debt related to the two new schools and the new community college health sciences building in FY 2020. As we pay existing debt, interest costs decrease from year to year.

Debt/Capital Transfers: Overall, this category is up 14%. An increase in the transfer to the capital reserve in the reason for the increase in this grouping.

Chatham County Schools: Overall, funding for Chatham County Schools is increasing 5%. Current expense funding is increasing \$715,000 or 3%. Capital outlay remains flat at \$2,300,000. The salary supplement is increasing 16% to ensure Chatham’s supplement remains competitive with surrounding counties.

Other Culture & Education: Spending in this category has increased 10%, mainly due to increases for CCCC, the first year of the Chatham Promise program and operating costs

associated with the opening of the new Health Sciences building. For Cooperative Extension, spending increases to pay the county share of a new Extension Agent provided by NC A&T University and a new 4-H passenger van.

General Government: The 6% increase results mainly from budgeting for revaluation expenses, via a transfer to the revaluation fund. Elections also has increased expenses in FY 2020 due to the primaries and general election for state and national offices.

Human Services: The 4% increase in the Human Services grouping primarily reflects standard personnel increases for large departments, DSS and Health, as well as increases for the Council on Aging to offset the loss of state and federal funds.

Natural Resource Management: Natural Resource Management is increasing 22% because of incentives owed to Mountaire Farms and the addition of temporary personnel to Building Inspections.

Public Safety: The 4% overall increase results primarily from increases to the Emergency Medical Services contract and capital outlay in Emergency Operations and Telecommunications.

Enterprise Fund Expenditure Summaries

	2019 Amended	2019 Estimated	2020 Approved	Variance	% Inc./ (Dec.)
Solid Waste & Recycling	3,678,956	3,403,820	3,687,040	8,084	0%
Southeast Water District	635,000	748,346	722,500	87,500	14%
Water Fund	7,376,416	6,734,971	7,559,672	183,256	2%

Expenditures by Department

	FY 18 Actual	FY 19 Amended	FY 19 Estimated	FY 2020 Total Req	FY 2020 Appr Cont	FY 2020 Appr Exp	FY 2020 Total Appr	% Inc/Dec
Cardinal Innovations - Mental Health	443,945	426,527	429,523	452,766	452,766	0	452,766	6%
CCCC - Community College	1,765,148	1,805,108	2,241,958	2,513,532	2,508,792	200,000	2,708,792	50%
Central Permitting - Administration	443,297	619,048	487,759	436,523	444,828	0	444,828	-28%
Central Permitting - Building Inspections	784,335	771,095	744,259	885,403	903,121	51,886	955,007	24%
Central Permitting - Fire Inspections	360,410	355,858	346,058	357,132	365,370	0	365,370	3%
Chatham County Schools	38,313,073	39,730,334	43,029,839	44,917,437	44,817,437	0	44,817,437	13%
Chatham Trades - Nonprofit	182,000	182,000	182,000	182,000	182,000	0	182,000	0%
Chatham Transit - Nonprofit	139,702	216,993	135,547	309,058	240,394	0	240,394	11%
Cooperative Extension Service	377,015	408,542	413,992	563,699	521,619	72,183	593,802	45%
Council on Aging	1,012,698	1,004,106	1,009,064	1,462,940	1,300,506	299,833	1,600,339	59%
County Attorney	346,597	403,321	375,403	394,025	395,554	0	395,554	-2%
County Manager	667,111	721,716	665,791	930,831	955,230	0	955,230	32%
County Manager - Human Resources & Risk Mgmt	352,901	373,951	373,199	446,909	449,691	0	449,691	20%
Court Facilities	1,162,426	1,196,191	1,164,186	1,179,676	1,179,676	0	1,179,676	-1%
Court Services - Court Programs	417,817	500,594	486,460	501,816	509,707	0	509,707	2%
Court Services - Safe Havens	182,108	202,831	194,286	208,982	212,056	0	212,056	5%
Court Services - Support Pgms	206,968	237,316	232,248	306,148	247,765	0	247,765	4%
Economic Development	1,141,330	1,066,858	1,056,224	1,605,862	1,605,862	0	1,605,862	51%
Elections	368,480	460,223	435,515	549,560	555,560	6,071	561,631	22%
Emergency Management - Emergency Medical Service	2,895,616	2,957,026	2,943,636	3,153,763	3,151,763	75,000	3,226,763	9%
Emergency Management - Emergency Operations	646,871	682,994	722,460	773,210	780,504	89,500	870,004	27%
Emergency Management - Telecommunications	1,548,768	1,695,207	1,701,160	1,919,467	1,874,918	75,658	1,950,576	15%
Facilities - Agriculture & Conference Center	1,273,552	1,291,837	1,242,545	1,516,010	1,520,346	0	1,520,346	18%
Facilities - Fleet	175,197	177,363	183,898	154,819	154,819	0	154,819	-13%
Facilities Management	2,997,003	3,698,246	3,428,868	3,283,722	3,310,152	0	3,310,152	-10%

	FY 18 Actual	FY 19 Amended	FY 19 Estimated	FY 2020 Total Req	FY 2020 Appr Cont	FY 2020 Appr Exp	FY 2020 Total Appr	% Inc/Dec
Finance Office	1,006,666	1,084,464	1,031,350	1,103,857	1,125,138	0	1,125,138	4%
General Services - Non Depart	11,421,954	13,026,484	11,557,619	14,853,073	14,897,464	50,000	14,947,464	15%
Governing Board	330,421	414,398	397,372	414,161	417,726	0	417,726	1%
Health - Administration	391,203	399,017	385,963	399,315	409,025	0	409,025	3%
Health - Animal Services	760,383	833,253	767,042	805,604	818,818	0	818,818	-2%
Health - Clinic & Comm Health Service	2,715,821	3,231,115	2,761,055	3,388,407	3,369,949	34,450	3,404,399	5%
Health - Community & Family Health	745,866	1,050,393	997,352	901,279	916,918	0	916,918	-13%
Health - Environmental Health	1,292,201	1,364,582	1,316,500	1,351,012	1,382,996	0	1,382,996	1%
Library Services	2,010,462	2,287,957	2,075,227	1,862,948	1,888,560	5,306	1,893,866	-17%
Management Information Systems	1,614,734	1,800,831	1,771,624	2,036,578	1,984,214	26,000	2,010,214	12%
Nonprofit - Pass Thru Grants	174,959	174,959	0	0	0	0	0	-100%
Nonprofit Allocations	227,408	421,500	272,940	482,944	482,944	17,000	499,944	19%
Parks and Recreation	909,920	1,239,186	1,239,923	1,326,071	1,208,625	12,625	1,221,250	-1%
Pittsboro/SC Visitors Bureau	100,909	102,009	107,608	124,338	126,839	0	126,839	24%
Planning	753,049	847,882	847,046	915,493	918,943	0	918,943	8%
Register of Deeds	545,921	508,380	496,648	525,207	535,011	0	535,011	5%
Sheriff's Office - Detention Center	4,572,710	4,578,301	4,615,741	4,544,926	4,615,056	19,239	4,634,295	1%
Sheriff's Office - Law Enforcement	8,288,989	9,354,406	8,948,071	10,388,938	9,577,894	63,389	9,641,283	3%
Social Services	8,889,242	9,008,680	8,795,434	9,151,378	9,299,731	173,154	9,472,885	5%
Soil and Water	240,797	248,339	213,600	245,110	250,773	0	250,773	1%
Solid Waste & Recycling	2,783,752	3,678,956	3,449,986	3,660,710	3,687,040	0	3,687,040	0%
Southeast Water District	610,542	635,000	635,000	722,500	722,500	0	722,500	14%
Tax - Administration	927,760	1,051,504	956,229	1,151,162	1,089,300	0	1,089,300	4%
Tax - Assessment & Revaluation	383,512	510,093	846,798	916,014	926,062	0	926,062	82%
Util - Distribution	5,162,769	4,816,745	4,519,264	5,100,302	5,130,983	101,043	5,232,026	9%
Util - Wastewater Treatment	141,354	929,517	172,699	906,117	906,117	0	906,117	-3%
Util - Water Treatment	1,297,381	1,630,154	1,566,781	1,511,543	1,522,572	4,420	1,526,992	-6%
Watershed Protection	288,497	405,285	386,740	359,538	368,802	7,753	376,555	-7%

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
CCCC	Chatham Promise	\$200,000
Central Permitting	Incentive Program	\$42,386
Cooperative Extension	Passenger Van	\$45,320
Cooperative Extension	Extension Agent (NC A&T)	\$26,863
Council on Aging	General and Medical Transportation	\$177,140
Council on Aging	In-Home Aide Personal Care	\$91,020
Council on Aging	General Allocation	\$30,362
Emergency Management - Emergency Operations	Backup Generators for Chatham Central High School	\$79,000
Emergency Management - Emergency Operations	Shelter Trailers	\$10,500
Emergency Management - EMS	EMS System Study	\$75,000
Emergency Management - Telecommunications	911 Emergency Response Vehicle	\$66,000
General Services - Non-Departmental	Additional Emergency Housing Funds	\$50,000
Health - Administration	Medical Records Scanning	\$34,450
Management Information Systems	Second SecuLore Paladin network security device	\$12,000
Nonprofit Allocations	Increase funding for human services agencies	\$17,000
Parks & Recreation	Bunker/Field Rake	\$12,625
Social Services	2 Child Welfare positions	\$81,690
Social Services	Human Services Coordinator	\$22,704

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 approximately 7% from FY 2019.

- **Salaries:** Continuation salaries increased 5%. Most of this comprises a recommended 3% market pay adjustment for employees, at a cost of \$780,842 in the general fund.
- **Other Personnel Costs/Benefits:** Overall, this category increased 9%. Pay-based benefits increased as a result of salary increases. A \$120,069 (3%) increase in health insurance is recommended to cover expected costs. An increase of \$321,923 in retirement costs is also recommended due to action by the State Treasurer's Office to increase the contribution to 8.95% for general employees and 9.70% for law enforcement personnel. The increase is part of an attempt to stabilize the employer contribution rates. This was a substantially larger increase than initially expected, as the previously planned increase of both rates by 0.25% annually through FY 2021 was altered and counties were given new rates for retirement by the State Treasurer's Office. These new rates will also increase annually, with the intent of greater predictability and stability in the contribution rates while continuing to keep retirement one of the best-funded systems in the country.
- **Operating:** Operating expenses decreased 1%, driven primarily by a decrease in one-time spending from FY 2019 to FY 2020.
- **Debt:** Overall, the county's debt service obligations increased by 36% because the initial payments for the new

schools and the new health sciences building will be due in FY 2020.

- **Transfers:** Transfers are budgeted at a 13% increase in FY 2020. The debt model calls for a transfer of \$11,043,948 to cover current debt service and prepare for the new CIP projects (construction of the new school system central services building, new emergency radio system, and emergency operations center expansion), an increase of \$272,689. The Capital Improvements Program calls for a transfer of \$2,816,157 to capital reserve to fund pay-as-you-go CIP projects, an increase of \$1,473,980.
- **Allocations/Programs:** This category increased by 3.8%. The allocation to Chatham County Schools is the primary factor for the increase.

Capital Improvements Program (CIP)

Background: The CIP is a systematic way of anticipating, planning, and budgeting for major projects. 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 2020. It is updated annually during the budget process and may be modified at any time to reflect changing conditions. 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 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 made from the Approved FY 2020-2026 CIP.

The Future

Short-Term: National, state, and regional economists expect growth to continue into next year. Locally, we appear to be doing better than the state average. Indicators of local growth, such as building inspections and deed stamps, are trending at or near pre-recession levels. Growth in the property tax base continues to be strong. Local sales tax collections have been increasing and trending well above the state average for several years. While the weather has slowed our growth in residential and commercial construction, we are confident that projects currently in the pipeline will turn that around. We're making wise investments in our schools, our capital projects,

and our employees to ensure that we are well-positioned for growth.

The Long Term: Chatham Park and our two megasites for economic development present many opportunities and challenges, especially with regard to schools. While our two new schools and new health sciences 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, the Board of County Commissioners will hold two public hearings on the budget as follows:

- **Monday, May 20, 6 p.m.,** Historic Courthouse, Pittsboro.
- **Tuesday, May 21, 6 p.m.,** Siler City Courtroom, Town Hall.

Dan LaMontagne

Dan LaMontagne,
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 17, 2019.

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