

Summary Information

Summary of changes to the recommended budget

As is required by state law, the County Manager develops a “recommended” budget that is presented to County Commissioners in early May. Commissioners hold public hearings and work sessions to review the recommended budget in depth. Normally, Commissioners make changes to the recommended budget before the final budget is approved. The adjustments to the FY 2020 Recommended Budget are as follows:

- As of June 1, the Animal Services division of the Public Health Department was moved from the Health Department to the Sheriff’s Office. There is no budgetary impact.
- An intergovernmental revenue in the Sheriff’s Office was overlooked in the recommended budget. An amendment to the FY 2019 budget provided 3 additional School Resource Officers (SROs) for the Sheriff’s Office to be paid for by Chatham County Schools. This adds \$347,999 to intergovernmental revenue in the Sheriff’s Office budget.
- The salary and benefits for one of the new positions in the Department of Social Services was incorrectly calculated. An additional \$14,385 is expected in revenue, and an additional \$923 in expense.
- General liability insurance expense for FY 2020 was underestimated. \$23,289 additional insurance expense is projected in the General Fund. An additional \$8,515 is projected for the Solid Waste and Recycling Fund. An additional \$4,447 is projected for the Utility Fund.
- An additional \$200,000 is added to contingency funds to restore contingency to FY 2019 funding.

- The Parkwood Fire District tax rate will increase from 0.1000 to 0.1100. The Siler City Fire District tax rate will increase from 0.0900 to 0.1200.

A summary of changes are as follows:

Recommended General Fund Revenues	125,027,012
Increase intergovernmental revenue in the Sheriff’s Office:	347,999
Increase intergovernmental revenue in DSS	14,385
Reduce fund balance appropriation to balance expense:	(138,172)
Approved General Fund Revenues:	125,251,224
Recommended General Fund Expenses	125,027,012
Additional benefits expense for DSS position	923
Increase operating expense for additional insurance:	23,289
Additional contingency funds	200,000
Approved General Fund Expenditures:	125,251,224
Recommended Solid Waste & Recycling Fund Revenues:	3,687,040
Approved Solid Waste & Recycling Fund Revenues:	3,687,040
Recommended Solid Waste & Recycling Fund Expense:	3,687,040
Reduce transfer out to balance additional insurance:	(8,515)
Increase operating expense for additional insurance:	8,515
Approved Solid Waste & Recycling Fund Expense:	3,687,040
Recommended Utility Fund Revenue:	7,555,255
Increase appropriated fund balance to balance expense:	4,447
Approved Utility Fund Revenue:	7,559,702
Recommended Utility Fund Expense:	7,555,225
Increase operating expense for additional insurance:	4,447
Approved Utility Fund Expense:	7,559,702

History & Demographics

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

Early History

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

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

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

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

In the early years, the county was governed by justices of the peace, which served the Court of Pleas and Quarter

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

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

Modern History

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

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

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

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

Demographics:

The North Carolina State Demographer estimates the July 2017 (FY 2018) population at 72,736, an increase of approximately 14.6% since 2010. Chatham's population growth is tracking higher than neighboring Orange County (6.8 %), Lee County (3.2 %) and Moore County (10.5 %), but not as high as Wake County at 16.8%. Between 2010 and 2017, Chatham was among the fastest growing county in the state, according to NC OSBM, ranking 7th in growth out of 100 counties.

Fund Descriptions and Structure:

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

Chatham County has four fund categories: governmental, proprietary, fiduciary, and capital projects. Governmental, proprietary, and fiduciary funds are appropriated annually and included in the approved budget. Capital project funds are multi-year and are not appropriated in or included in the annual operating budget. All funds, including capital projects, are included in the county's annual audited financial statements.

Only 22% of county residents live in incorporated towns. The county has about 93.1 residents per square mile, which reflects its generally rural nature. According to the state demographer, the incorporated towns in the county have an estimated 2016 population as follows:

- Siler City: 8,443
- Pittsboro: 4,602
- Goldston: 272
- Cary: 2,433 (with a total population of 165,904 ; most of Cary's population is in Wake County)

Ethnic/Racial Diversity: Census estimates the 2017 overall racial/ethnic composition of Chatham County at 82.2% white, 12.7% African American, 12.5% Hispanic, 2.0% Asian, and other races less than 1%.

Governmental Funds

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

In accordance with North Carolina General Statutes, governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are recognized when they are received in cash (example: licenses, fines, etc.) or when the collection of the amount is estimated to be received in the near future (example: property taxes). Expenditures are recognized when the goods and services are received or liabilities incurred. This type of accounting is considered the most conservative, because expenditures are recorded as soon as the liability is

incurred and most revenues are not recorded until they are received in cash. The county's governmental funds include:

- **The General Fund** is the primary operating fund for the county. The General Fund accounts for all financial resources of the general government, except those required to be accounted for in another fund and includes typical governmental activities, such as human services, public safety, and education. Major revenues that support these functions include property tax and sales tax. The majority of departments are funded through the General Fund, with the exception of Utilities and Solid Waste, which are funded through the Utility and Solid Waste & Recycling proprietary funds.
- **Capital Improvement Project Reserve Fund:** The county transfers annually an amount equivalent to seven and seven tenths cents on the property tax rate into this fund. The transfer is used to fund debt service for a variety of general capital projects, including a new high school, an elementary school, and a health sciences building.
- **Capital Reserve Fund:** The county uses this fund to set aside monies to fund general capital projects that are not funded through debt service, including school roof replacements, school HVAC replacements, school mobile classrooms, telephone system replacements, software system replacements, and renovations to existing County buildings.
- **Facilities Improvements and School Construction Funds** These funds account for the financing, acquisition and construction of County and School facilities, other than those financed by proprietary funds. Capital projects are not included in the annual operating budget.

- **Nonmajor Funds:** Nonmajor funds are used to account for the proceeds of specific revenues that are restricted for specific purposes or uses. The County maintains several legally budgeted nonmajor special revenue funds, including Emergency Telephone System, Forfeited Property, Recreation-Payment in Lieu, Impact Fees, Bynum Canoe Access/Easement Monitoring, Courthouse Clock, Library Foundation, and Special Fire Districts.

Proprietary Funds

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

Proprietary funds are reported using the accrual basis of accounting. This means revenues are recorded in the period in which they are earned or realized. Expenditures are generally recognized when goods or services are received or liabilities incurred. Enterprise funds are intended to be self-supporting through user-charges, and include:

- **Solid Waste & Recycling** accounts for the operations of the county's collection and disposal of solid waste.
- **Southeast Water District** accounts for the operations of the water district covering the southeastern portion of the county.
- **Utility Fund** accounts for the county's water and sewer operations.
- **Capital Reserve Funds** that support the enterprise funds include the Utility Capital Reserve, the Utility Vehicle Reserve, and the Waste Management Capital Reserve.
- **Utility & Solid Waste Capital Projects Funds** account for the acquisition and construction of capital financed by

proprietary funds. Water and Solid Waste project funds are not included in the operating budget

- **Internal Service Fund** reports activities that provide goods or services to other funds, departments, or agencies of the primary government and its component units, or to other governments, on a cost-reimbursement basis. The county's budget includes one internal service fund, the Health Internal Service Fund. This fund tracks premiums paid by the county on behalf of its employees for health and dental

insurance coverage. The fund also tracks health and dental premiums paid by employees for dependent coverage.

- **Agency funds** are custodial in nature and do not involve the measurement of operating results. Agency funds are used to account for assets the County holds on behalf of others. The County maintains several agency funds, including Social Services, Detention Center, Fines & Forfeitures, Cooperative Extension, Goldston-Gulf Sanitary District, and Municipalities. Agency funds are not included in the annual operating budget.

Financial Indicators:

Benchmark counties were chosen because of proximity and similarity to Chatham. Figures below are for FY 2018-2019, unless otherwise noted.

	Chatham	Lee	Moore	Orange
Budgeted Expenditures	\$114,023,300	\$75,164,491	\$96,164,645	\$226,754,953
<i>State Rank</i>	28	43	32	11
Non-school Expenditures	\$89,071,971	\$48,096,605	\$56,225,200	\$ 90,458,629
<i>State Rank</i>	27	48	38	22
Effective Tax Rate	\$0.6086	\$0.7659	\$0.4448	\$0.8099
<i>State Rank</i>	60	23	90	12
FY 2018 Population	72,736	59,486	99,112	143,873
<i>State Rank</i>	37	47	28	20
Valuation/capita	\$151,755	\$90,632	\$126,569	\$128,799
<i>State Rank</i>	16	54	27	26
2017 Per Capita Income	\$60,127	\$38,638	\$49,286	\$62,202
<i>State Rank</i>	2	40	7	1
Total Current Expense Per Student (LEA)	\$2,954	\$1,796	\$2,310	\$4,286
<i>State Rank</i>	10	44	20	2
Number of Students (LEA)	9,006	9,945	12,768	19,819
<i>State Rank</i>	40	36	30	22

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

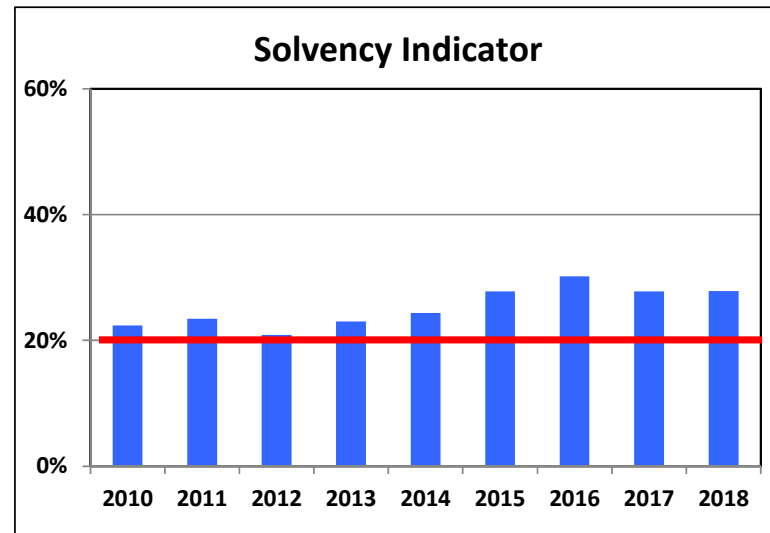
All of the indicators, except the Capital Assets Condition Indicator, are based on financial data from the General Fund. The Capital Assets Condition Indicator uses government-wide financial data which includes all governmental funds.

An analysis of Chatham County's financial indicators shows that the county is in excellent financial condition. On the next page are the financial indicators that may provide background information about Chatham County's financial condition:

Solvency

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

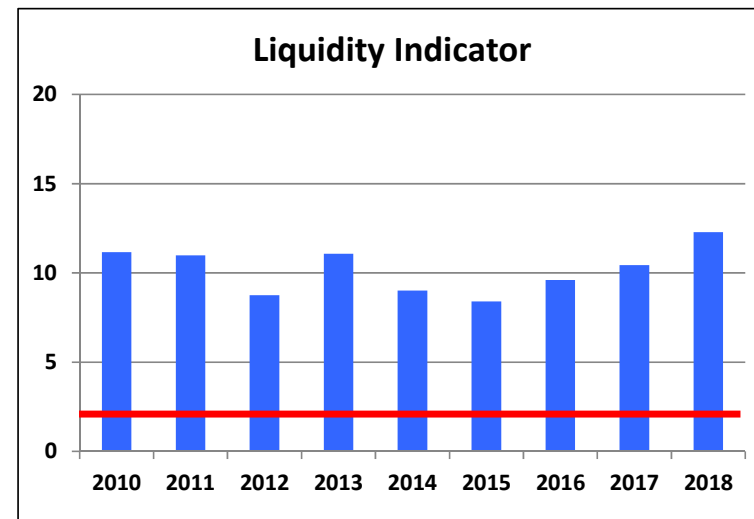
Chatham County's solvency ratio is 27.8%, meaning the county has funds available for capital projects, such as one-time expenses and the capital improvements program. It also suggests that Chatham County is financially prepared in case of disaster. Chatham County has been able to save resources and keep expenditures low.



Liquidity

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

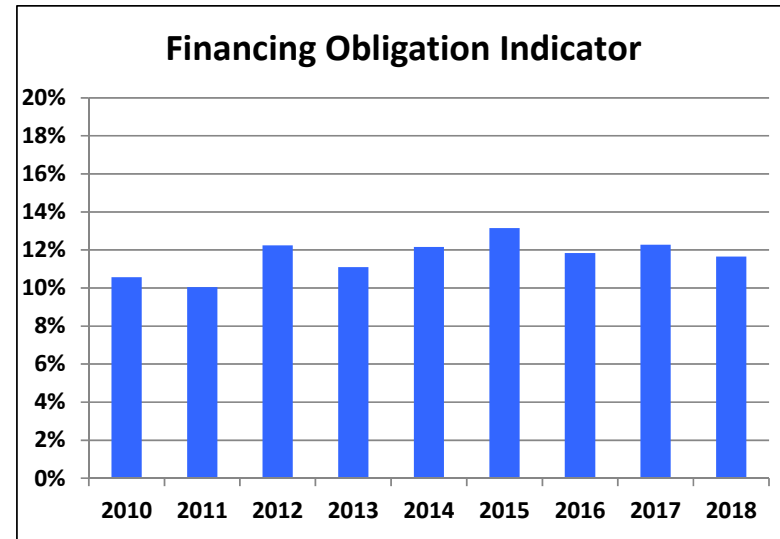
The School of Government recommends having a ratio of 2 or greater. Currently, Chatham County has a ratio of 10.44, meaning the county has cash available to meet its immediate cash needs.



Financing Obligation

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

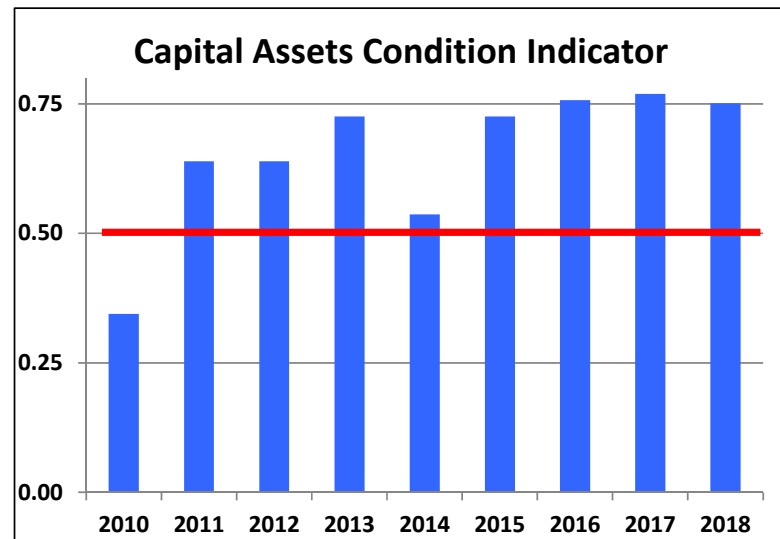
The School of Government recommends that this ratio should be no more than 10%. Chatham County's Financing Obligation Indicator is 10%. For another jurisdiction, this might mean that Chatham's debt is reaching the point where it impedes its ability to provide services. However, Chatham has set aside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



Capital Assets Condition Indicator

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

The School of Government recommends maintaining a ratio of .5. Currently, Chatham County's Capital Assets Condition Indicator is .77, meaning Chatham County maintains and invests in capital, such as buildings and vehicles, appropriately. In the past, however, Chatham County did not achieve a .5 ratio. Recent capital expenditures reflect an effort to improve this ratio and invest in capital assets.



Employee Summary (full-time equivalents):

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

of hours. For most positions, 1 FTE equals 2,080 hours per year per position (based on a 40 hour work week and a 52 week work year). If a position works 1,040 hours per year, this translates into .5 FTE.

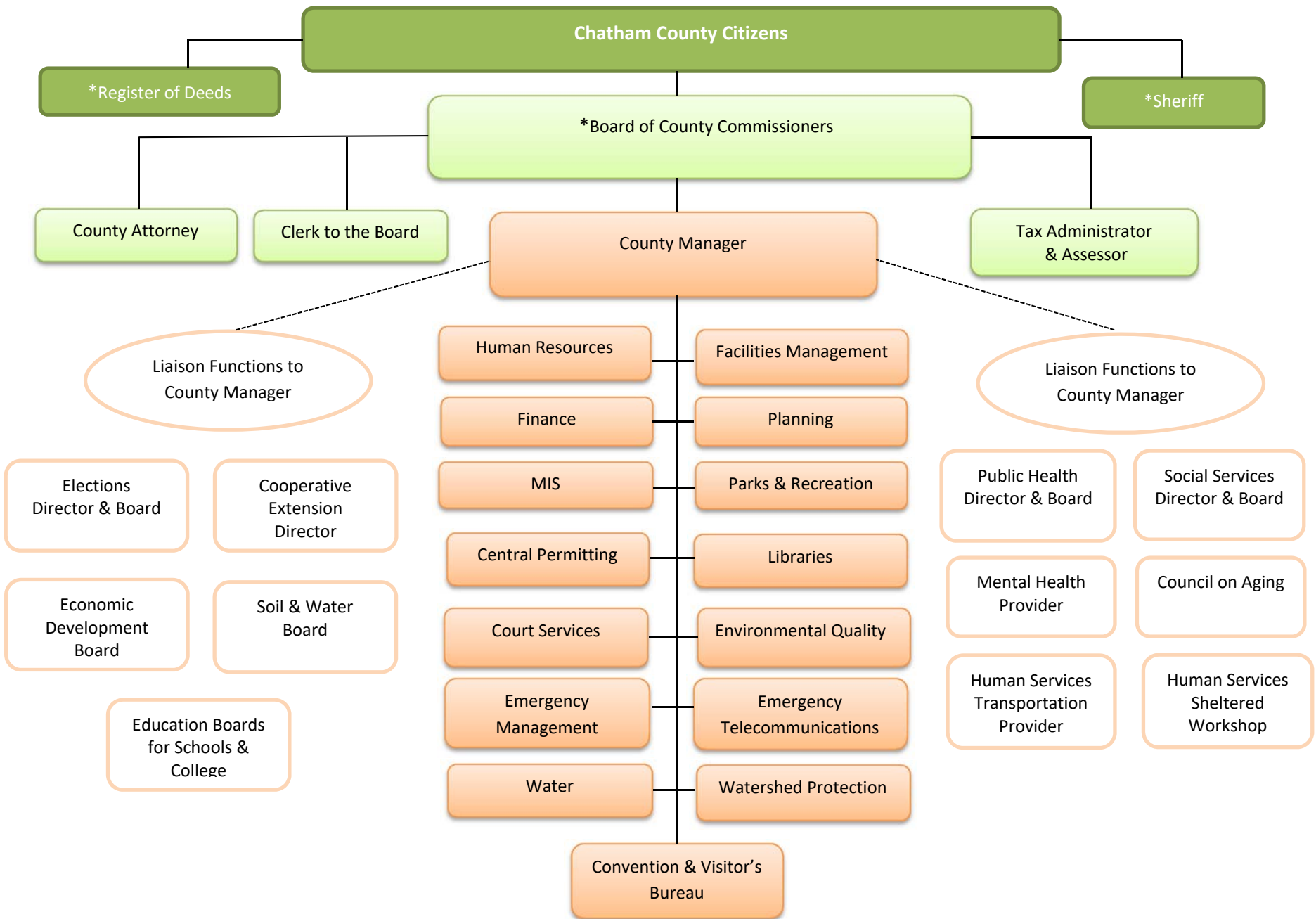
County Department	A 2017 Actual	B 2018 Actual	C 2019 Amended	D 2019 Estimated	E 2020 Total Req.	F 2020 Appr. Cont.	G 2020 Appr. Exp.	H 2020Total Appr.	I Variance	J Total % Inc./Dec.
Central Permitting - Administration	5.00	5.00	5.00	5.00	5.00	5.00	0.00	5.00	0.00	0%
Central Permitting - Building Inspections	7.00	9.00	9.00	9.00	9.00	9.00	0.00	9.00	0.00	0%
Central Permitting - Fire Inspections	3.00	4.00	4.00	4.00	4.00	4.00	0.00	4.00	0.00	0%
Council on Aging	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0.00	0%
County Attorney	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00	0.00	0%
County Manager	5.00	6.50	7.50	7.50	7.50	7.50	0.00	7.50	1.00	15%
Court Services	0.00	2.75	3.00	3.00	4.00	3.00	0.00	3.00	0.00	0%
Court Services - Safe Havens	0.00	2.00	1.99	1.99	1.99	1.99	0.00	1.99	0.00	0%
Court Services - Support Programs	4.99	2.50	3.00	3.00	3.00	3.00	0.00	3.00	0.00	0%
Elections	2.50	2.50	3.50	3.50	3.50	3.50	0.00	3.50	0.00	0%
Emergency Operations	4.00	4.00	4.00	4.00	4.00	4.00	0.00	4.00	0.00	0%
Emergency Telecommunications	22.00	22.00	24.00	24.00	25.00	24.00	0.00	24.00	0.00	0%
Facilities Management	18.00	19.00	19.00	19.00	18.00	18.00	0.00	18.00	(1.00)	(5%)
Finance Office	9.00	9.00	9.00	9.00	9.00	9.00	0.00	9.00	0.00	0%
Governing Board	2.00	2.00	2.00	2.00	2.00	2.00	0.00	2.00	0.00	0%
Health - Administration	4.00	4.00	4.00	4.00	4.00	4.00	0.00	4.00	0.00	0%
Health - Clinic & Comm Health Service	37.15	33.35	33.85	33.85	34.85	33.85	0.00	33.85	0.00	0%
Health - Community & Family Health	7.75	8.75	8.75	8.75	8.75	8.75	0.00	8.75	0.00	0%
Health - Environmental Health	15.50	15.50	16.50	16.50	16.50	16.50	0.00	16.50	0.00	0%
Human Resources	4.00	4.00	4.00	4.00	4.00	5.00	0.00	5.00	1.00	25%
Human Resource CCA&CC	3.00	3.00	3.00	3.00	3.00	3.00	0.00	3.00	0.00	0%
Library Services	17.60	18.10	18.10	18.10	18.10	18.10	0.00	18.10	0.00	0%
Management Information Systems	13.00	14.00	15.00	15.00	16.00	15.00	0.00	15.00	0.00	0%

County Department	A 2017 Actual	B 2018 Actual	C 2019 Amended	D 2019 Estimated	E 2020 Total Req.	F 2020 Appr. Cont.	G 2020 Appr. Exp.	H 2020Total Appr.	I Variance	J Total % Inc./Dec.
Parks and Recreation	6.00	6.00	8.00	8.00	9.00	8.00	0.00	8.00	0.00	0%
Pittsboro/SC Visitors Bureau	1.00	1.00	1.00	1.00	1.00	1.00	0.00	1.00	0.00	0%
Planning	8.00	9.00	10.00	10.00	10.00	10.00	0.00	10.00	0.00	0%
Register of Deeds	6.00	6.00	6.00	6.00	6.00	6.00	0.00	6.00	0.00	0%
Sheriff's Office - Animal Services	9.00	9.00	9.00	9.00	9.00	9.00	0.00	9.00	0.00	0%
Sheriff's Office - Law Enforcement	90.00	103.60	103.45	103.45	112.90	108.45	0.00	108.45	5.00	5%
Sheriff's Office - Detention Center	54.00	44.00	44.00	44.00	43.00	43.00	0.00	43.00	(1.00)	(2%)
Social Services	89.60	89.60	89.60	89.60	94.60	91.60	3.00	94.60	5.00	6%
Soil and Water	3.00	3.00	3.00	3.00	3.00	3.00	0.00	3.00	0.00	0%
Solid Waste & Recycling	13.00	13.00	13.00	13.00	13.00	13.00	0.00	13.00	0.00	0%
Tax - Administration	11.00	11.00	11.00	11.00	12.00	11.00	0.00	11.00	0.00	0%
Tax - Assessment & Revaluation	5.00	5.00	6.00	6.00	6.00	6.00	0.00	6.00	0.00	0%
Water - Distribution	16.00	16.00	17.00	17.00	18.00	17.00	1.00	18.00	1.00	6%
Water - Water Treatment	7.00	7.00	7.00	7.00	7.00	7.00	0.00	7.00	0.00	0%
Watershed Protection	3.00	4.00	4.00	4.00	4.00	4.00	0.00	4.00	0.00	0%
Total County Employees	509.09	521.15	533.24	533.24	552.69	539.24	4.00	543.24	0.00	0%

Explanation of changes in staffing levels: In Fiscal 2019, an Assistant County Manager position was transferred from Water Distribution to County Manager [+1.00]. A Community Engagement Coordinator budgeted in contingency was hired [+1.00]; A Tax Assessment position budgeted in contingency was hired [+1.00]; Four School Resource Officers were added to Sheriff Law Enforcement with funding from Chatham County Schools [+4.00]; A position in Facilities Management was transferred to Social Services, and a case worker position budgeted in contingency was added [+2.00];

In FY 2020, the number of county positions is increasing by 4 full-time equivalents (FTEs). Two child welfare positions and one human services coordinator were added in Social Services [+3.00]; and one Utility Service worker was added in Water Distribution. In addition, one agriculture agent was added to the Cooperative Extension contract, and one vacant administrative assistant position in the County Manager's department was transferred to Human Resources.

Chatham County Government Organizational Chart



*Denotes Position as Elected Official

All Appropriated Funds

Budget Summary

	A 2017 Actual	B 2018 Actual	C 2019 Amended	D 2019 Estimated	E 2020 Total Req.	F 2020 Total Rec.	G 2020 Appr. Cont.	H 2020 Appr. Exp.	I 2020 Total Appr.	J Variance	K Total % Inc./Dec.
Revenues											
Permits and Fees	5,225,772	5,339,411	4,650,300	4,974,121	4,852,600	4,852,600	4,852,600	0	4,852,600	202,300	4%
Intergovernmental	13,264,572	10,327,623	10,490,701	10,961,792	10,781,966	10,764,888	11,044,213	83,059	11,127,272	636,571	6%
Interest	803,102	1,450,404	555,030	1,619,517	751,030	727,625	727,625	0	727,625	172,595	31%
Contributions from others	486,819	3,990,963	3,553,392	746,774	362,641	362,641	362,641	0	362,641	(3,190,751)	(90%)
Miscellaneous	3,343,752	579,912	300,412	418,266	346,606	346,606	346,606	0	346,606	46,194	15%
Other Taxes/Licenses	898,394	983,132	924,700	949,000	941,000	941,000	941,000	0	941,000	16,300	2%
Property Tax	72,959,708	76,305,713	78,137,068	79,673,245	82,715,225	87,096,264	87,232,395	0	87,232,395	9,095,327	12%
Charges for Services	20,164,755	20,938,140	19,717,205	21,428,187	21,300,291	21,297,736	21,297,736	0	21,297,736	1,580,531	8%
Sales Tax	12,964,566	13,859,606	13,600,000	14,325,000	14,788,500	14,788,500	14,788,500	0	14,788,500	1,188,500	9%
Transfers In	28,825,401	20,422,103	24,004,340	22,885,418	28,846,472	28,846,472	28,846,472	0	28,846,472	4,842,132	20%
Debt Proceeds	0	0	0	0	0	0	0	0	0	0	
Appropriated Fund Balance	0	0	19,618,813	0	19,188,302	23,636,734	23,503,009	0	23,503,009	3,884,196	20%
Total Revenues	158,936,842	154,197,006	175,551,961	157,981,320	184,874,633	193,661,066	193,942,797	83,059	194,025,856	18,473,895	11%
Expenditures											
Salaries	21,473,697	22,846,706	25,039,452	24,148,072	26,079,338	26,437,457	26,229,100	208,357	26,437,457	1,398,005	6%
Other Salaries and Benefits	15,669,720	16,392,473	18,691,494	18,562,780	20,431,976	20,365,525	20,209,391	157,057	20,366,448	1,674,954	9%
Operating	25,543,013	27,120,879	31,731,013	29,573,262	33,181,903	32,776,125	32,776,453	172,054	32,948,507	1,217,494	4%
Debt	13,217,670	12,953,332	12,695,657	16,455,095	16,669,187	16,669,187	16,669,187	0	16,669,187	3,973,530	31%
Transfers Out	29,202,835	28,179,388	24,205,495	27,743,665	38,995,102	38,916,204	38,857,689	50,000	38,907,689	14,702,194	61%
Allocations/Programs	43,061,053	41,138,792	62,049,658	40,782,948	57,947,083	57,505,978	57,190,456	515,522	57,705,978	(4,343,680)	(7%)
Capital Outlay	1,670,356	1,329,415	1,414,192	1,540,097	1,518,515	990,590	709,070	281,520	990,590	(423,602)	(30%)
Total Expenditures	149,838,344	149,960,985	175,826,961	158,805,919	194,823,104	193,661,066	192,641,346	1,384,510	194,025,856	18,198,895	10%