

Budget Message

“Life is a matter of choices. And every choice you make makes you. – John C. Maxwell”

Chatham County Commissioners and County Residents,

This budget has been prepared during a time of crisis that has changed the entire world. The damage and disruption to our lives is well known; loss of life, lack of supplies and room to treat those who are ill, schools closed, businesses shut down, unemployment accelerating at an unprecedented rate, stock markets closing and crashing. The full economic impacts of the global pandemic are not yet known because the situation continues to evolve. Data is unavailable and there is no precedent that gives us a reliable rule for recovery; yet we must recommend a budget that will guide us through the coming fiscal year.

So much is uncertain. Until stay at home and social distancing orders are lifted, the economy will continue to decline. The length and timing of economic recovery is uncertain. Nobody can predict whether a second round of the virus will appear during flu season and – if a vaccine is not readily available – whether protective orders will be reinstated. The effect of the Federal government’s stimulus package is not yet known. We don’t know how many in Chatham have lost jobs, or how many businesses may be forced to close, or the impact on consumer confidence and discretionary spending. How many lives will be lost? How will the coming election impact the economy? Will the hurricane season impact us locally?



Employees take a socially distanced selfie at the Chatham County employee blood drive in April. The blood drive was especially important this year as more than 20,000 blood drives were cancelled due to the pandemic.

On the other hand there is still plenty that we do know, and keeping our focus on what is known helps us move forward. We know that recessions are ultimately followed by a period of growth due to the nature of the economic cycle. We know that prior to the emergence of COVID-19 the economy – federal, state, and local – was stable and still showing slow growth. We know that the things that have contributed to Chatham County’s success will continue to strengthen us in the future. We know that the lessons we’ve learned from the turbulence of the past few months have strengthened our resiliency. And we know that Chatham County employees represent the best in public service and can be counted on to be innovative and do their best in times of crisis, as they’ve demonstrated in recent months. So before looking at the coming year, I want to focus on the achievements of the current year.

Until the pandemic changed the course of events, our revenues were far exceeding expectations. Growth had rebounded from the slow-down caused by the extreme stormy and wet weather in FY 2019. By the end of March, building inspections revenue was already at 98% of budget with increased activity in commercial and multi-family dwellings. Over 300 units for multi-family

dwellings were included in the permitting process this year. This revenue represents an increase of 39% over same time last year, and exceeds the total revenue collected for FY 2019. Environmental health attained 93% of budgeted revenue by March, an increase of 13% from same time prior year. Register of Deeds excise tax collections were up 9% over prior year and Watershed Protection erosion control revenue remained constant following the jump in growth from FY 2018 to FY2019.

By the end of February, rental revenue from the Chatham County Agriculture & Conference Center increased 49% over the same time period prior year. The facility has become an increasingly popular venue for events and also served as an early voting site.



The new CCCC Health Sciences Center at Briar Chapel (pictured on the left) was completed and opened in January. In addition to the health sciences programming that will be offered at the new facility, CCCC began programs in Electrical Systems Technology and Bioworks and Bioprocessing and plans to offer a section of Basic Law Enforcement Training at the main campus in Chatham County.

Chatham Promise, a program that provides additional access to CCCC programming to students by removing the financial barrier of tuition, had an enrollment of 142 students in the Fall 2019 cohort. Of these, 42% were identified as ‘first generation’ college students.

The playground at Southwest Park was updated in accordance with the master plan. Improvements at Briar Chapel Park are in progress, with a sidewalk completed and construction of a paved trail about to begin.

Chatham continues to join with other counties to pursue legislation that would support the provision of broadband access. The stay-at-home restrictions enacted to slow the spread of COVID-19 emphasized the urgency of the issue. Students without internet access found distance learning more difficult. MIS and Parks and Recreation partnered this year to contract with a fiber provider for service to Northwest Park that will close safety gaps at the park and enable expansion of internet service.

Finally, I want to mention the dedication and teamwork of staff in responding to COVID-19. The **Health Department** has played a critical role in helping us to understand and respond to the crisis. **Emergency Operations** responded immediately to find and distribute personal protective equipment and identify distribution locations. The **Department of Social Services** has continued to provide much needed services to our residents in this time of uncertainty and need. The **Chatham County Agriculture and Conference Center** has served as the County Receiving and Distribution Point and staff there has helped manage inventory as well as pick up and deliver supplies. Since mid-March, the **Council on Aging, with the assistance of volunteers and Chatham Transit**, has delivered 2,907 frozen and shelf-stable meals to seniors who are homebound and sheltering-in-place, along with additional resources and materials including

incontinence supplies, pet food, puzzles and activity books. Staff at **Parks and Recreation** used chalk to draw out a big Chutes and Ladders game on the parking lot (pictured to the right) and sent it out over social media with instructions about how to draw and play at home. Staff also created an online very creative circuit training class using rolls of toilet paper and began a 'joke of the week' program for children to call and hear a joke. The **Library** is doing online story time and having an author talk on Instagram Live. Departments that have experienced a slow-down in workload have been catching up on backlogs and doing things that took a backseat when workload is heavier. Departments that experienced decreased workload demands helped departments that were overloaded. **All staff** supported each other and worked together in new ways, and when we work well together, we serve our public the best.



The Commissioner Goals section of this document presents a complete discussion of the accomplishments of departments working in Collaborative Impact Teams and of their focus for the coming year.

Looking ahead to the coming year presents many challenges. This crisis is not like any other that has come before. There are many varying opinions concerning recovery, but only time will prove their accuracy. In the face of so much volatility and uncertainty one thing is certain; *nobody knows for sure*. We are in uncharted territory.

We present a FY 2020-2021 recommended budget that is cautious yet delivers critically needed services. Projecting revenue is always a complex exercise that relies on solid economic forecasts, analysis of economic indicators, and comparison of current performance to past performance. For several years Chatham County has experienced steady and solid growth in revenue, but the lack of certainty surrounding economic recovery compels us to balance optimism in Chatham's progress with concern over the dismal economic forecasts. Our optimism is based on the fact that the very lack of diversity in our tax base that we are working to change may work in our favor during this crisis. Even during the Great Recession property tax values continued to increase, and property tax represents the major portion of county revenue. Loss of revenue from tourism, which will be substantial in larger surrounding counties, will not impact us greatly. And while natural growth in sales tax revenue may decline somewhat, Chatham's growth in sales tax revenue has shown steady growth that has exceeded statewide growth, and a slowdown will be offset by the additional ¼ cent levy from Article 46. In contrast with prior year revenue projections, FY 2021 projections are broadly conservative. This means we had to make difficult and careful choices about what services can be included with the revenue projected.

The quotation above, from John C. Maxwell, captures the philosophy that guided the decisions we've made concerning this budget. Our choices reflect our values, and our values define us

The growth in the county over the past ten years – including construction of the library and sustainable technology building, the justice center, the detention center, the Chatham County Agriculture & Conference Center, the joint school and county bus garage, new schools and new parks – have been supported by our steadfast adherence to a long-term financial plan that manages debt. The FY 2020-2021 Recommended Budget contributes 9.2 cents on the property tax rate to the debt reserve to protect the county’s debt model and meet our obligations. This funding was approved and adopted in the FY 2019-2020 budget and in the FY 2021-2027 Capital Improvements Plan. Three new debt-funded projects are included in this appropriation; replacement of the 911 radio system, construction of a new Emergency Operations center, and construction of a new Central Services building for Chatham County Schools.

Support for education has always been a priority for the county. The budget fully funds Chatham County Schools’ request for an additional \$2,230,000. Current expense will increase by \$1,261,889 to support increased operating costs associated with the opening of Chatham Grove Elementary School in August of this year. An additional \$968,111 will be added to maintain the teacher supplement at the current level of funding. This additional funding for the supplement is largely due to a mandated 1.74% increase in the retirement contribution. The additional funds do not provide a raise in teacher pay, but only maintain the supplement for FY 2020 salaries. This funding for the supplement is only made possible by appropriating a portion of the additional ¼ cent Article 46 levy that begins in October. Our goal for the teacher supplement is to maintain Chatham’s standing as fifth in our region. This year Chatham was surpassed only by the much larger Wake, Chapel Hill, Durham and Orange regions. However, as demonstrated in this FY 2021 Recommended Budget, the current model for funding the supplement as a percentage of teacher pay is difficult to sustain due in large part to our inability to predict state-directed teacher pay raises and mandated increases to retirement rates. Without the timely addition of Article 46 revenue we would have been unable to support the supplement as requested due to the economic downturn. Budget and finance staff from the county and Chatham County Schools are working to develop a more sustainable model for supporting the teacher supplement in future years.

The budget also allocates \$260,000 to fund the second year of Chatham Promise and includes a mandatory (1.2%) increase to the Local Government Employees’ Retirement System (LGERS).

The conservative revenue outlook forced difficult choices; we had to forgo several anticipated expansion items. Many additional positions worthy of consideration were submitted by departments, but only six additional positions are recommended to meet current workload demand. These positions will also be critical for meeting the increased demand that is anticipated as a result of the economic downturn.

Two additional detention officers are recommended to meet the current high daily population at the Chatham county Detention Center and the increase anticipated in the coming year. One position will begin in July and one in October, at a total cost of \$106,013.

Two additional Social Worker III Investigation, Assessment and Treatment (IA&T) positions and one Social Worker II position are included to meet current demand and the increase that will result from the growth in unemployment. The positions have 50% offsetting revenue from the state. The two Social Worker III IA&T positions are slated to begin in October and the remaining position will begin in January. The total cost to the county for these positions is \$74,313.

A licensed substance abuse counselor in the Court Services department is recommended to begin in January at a cost of \$34,211. A pending grant application to establish a Family Treatment Court in Chatham could, if awarded, offset the costs of the position.

In addition to these six new positions, expansion items include some additional funding for programs.

The Council on Aging is recommended to receive an additional \$35,000 for the Family Caregiver Respite program and \$25,000 is added to the allocation. The Family Caregiver Respite program has enabled the Council to keep vulnerable elderly at home. From April of 2015 through June of 2019, 63 families have been served and only 8 (13%) had to place their loved one in an assisted living facility or nursing home. Respite helps avoid the high cost of institutional care, and the risk of the spread of coronavirus in these facilities emphasizes the importance of the program. The additional funds for the general allocation will provide foundational support to Council on Aging at a time when state funding is at risk.

An additional \$3,600 will support the first year of the Visit NC Farms application that was developed in a partnership between Cooperative Expansion and CVB. Visit NC Farms helps local farmers attract visitors to the county.

Finally, \$50,000 is recommended for completion of a comprehensive pay study. Pay studies are typically done every 4-5 years to examine our job classifications and duties and use that to recommend appropriate pay levels and classifications. Doing a pay study in the coming year will provide us with valuable information and allows us time to formulate a fiscally responsible implementation strategy.

Some necessary one-time and capital outlay expansions are included in the fund balance appropriation and include an additional vehicle for Health Department Clinical and Community Health Service division, a truck for Cooperative Extension, bleachers for the CCA&CC and a feasibility study for Phase II of the facility. The total cost of these items is \$160,000

It cannot be over-emphasized that the FY2021 Recommended Budget is the result of our best effort to predict what is not truly predictable. For this reason, departments have been advised to curtail spending in the first quarter beyond what is critical. If revenues fall short of expectations, expense will be delayed or even cancelled.

One good thing about the stay-at-home order during the pandemic is that it has made us pay attention to what we do and the way we do it. It has forced us to focus on evolving needs and to be innovative about service delivery. The lessons we've learned will help us to develop strategies, revise policies, and refine procedures so that we will be more than ready to leap ahead when the economy starts up again.

Major Revenue Highlights:

- The county property tax rate of 67 cents is recommended to remain the same.
- Revenue from ad valorem taxes is projected to increase by 3%.
- Regular sales tax revenue is projected to remain constant at the FY2020 budgeted amount with the addition of a portion of the Article 46 collections that will begin in October.

- Revenue from permits and fees is projected to decrease 3% from the current year collection.
- Register of Deeds excise tax revenue is projected to decrease 3% from current year collection.
- To address language barriers, a new fee is recommended in Environmental Health to provide Spanish language Serve Safe training. Up until now, that fee has been for English only classes.
- 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.
- For a detailed list of General Fund revenue refer to the General Fund section of this document.

Economic Indicators & Assumptions:

Following a very long period of economic expansion, the economy is now in recession. This downturn is unlike the Great Recession of 2007-2009, which was precipitated by scandals in the banking industry and saw revenues decrease at a much slower pace before gradually improving. In contrast, both the national and local economies were strong in FY2020 prior to the emergence of the novel coronavirus. The implementation of protective measures needed to contain the spread of the virus precipitated a steep and sudden decline. The absence of comparative data makes it impossible to accurately predict the speed and timing of recovery. Ben Bernanke, former chair of the Federal Reserve, does not believe that economic recovery will follow a steep, V-shaped, uphill curve that would mirror the downturn (i.e. “bounce back”) due to the sharp rise in unemployment and disruptions to the supply chain. He foresees a more gradual recovery that may include periods of slower activity within it.

A Raleigh News and Observer article in April reported that Charles Perusse, Director of the Office of State Budget and Management, warned state lawmakers of a substantial revenue loss due to the shutdown of the economy. Legislative economist Barry Boardman was reported to have advised legislators that revenue could be down \$1.5 to \$2.5 billion, with most of the loss in FY 2020-2021. He cautioned that these are preliminary estimates and an updated forecast is expected some time in May.

Locally, until restrictive measures were implemented, revenue from permits and fees, charges for service and Register of Deeds excise tax showed very strong growth through March. Absent the COVID-19 crisis Chatham County revenues would have exceeded expectations.

While the economic outlook is uncertain, we believe that Chatham will see recovery at a faster rate than many other jurisdictions. The factors that have contributed to our growth will continue to support us.

Unemployment: According to the NC Department of Commerce, in February of 2020 the state’s unemployment rate had decreased by 12%, to a total unemployment rate of 3.7%, from the same time in 2019. The same data source showed Chatham’s February unemployment rate at 3.2%, which is below the state average and is tied for the fourth lowest rate in the state. However, by the first week of April over 400,000 people in the state filed initial unemployment claims, and most of them cited COVID-19. By the end of March, the state’s total unemployment rate had jumped to 4.2%, a 14% over February, and the unemployment rate for the country increased to 4.5%, an 18% increase over February. Local data for March is not yet available. Boardman anticipates statewide unemployment of between 7% and 9% at the bottom of the slowdown.

Population growth: According to the U.S. census, the rate of national population growth is fairly flat, and the population of North Carolina increased by only 1% between 2018 and 2019. North

Carolina was fourth in numeric population growth and 9th in total population and the southern states had the largest percentage increase. However, the Research Triangle area continues to see robust population growth. Between 2010 and 2018 the Raleigh metropolitan area was in the top ten metropolitan areas in percentage growth, with an estimated population of nearly 1.4 million.

Property Tax Base: Current estimates of the total property tax base - including real, personal, motor vehicles, and utilities - show estimated values increasing approximately 4% from the prior year. Growth in property values has been slow but fairly constant since 2014, with an average growth of roughly 2.5%.

Excise Tax: The sale of new and existing property in Chatham has been robust, reflecting the attractiveness of Chatham County as a place to live. While activity may slow down, Chatham will continue to be a desirable location.

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 2019. 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. In the first 7 months of FY 2020, Article 39 collections were up 13% over the same time period for FY 2019. Total sales tax revenue was estimated to exceed budget by close to \$1M in FY2020 prior to the economic downturn. County receipt of sales tax revenue lags collection by 3 months. In other words, sales tax that is collected by the vendor in February is not received by the county until May, so the impact of COVID-19 on sales tax revenue in Chatham County remains to be seen. February and March collections that are due in May and June may remain high due to the spike in panic buying. The general assembly and department of revenue staff are in the early stages of working to amend the distribution process. The timing of the changes and whether they will impact the county negatively or positively is unknown. In October of 2020 the county will begin to levy an additional ¼ cent Article 46 sales tax. Total sales tax revenue for FY 2021 is projected at the FY2020 amount plus a portion of the partial year additional Article 46 revenue.

Building Permits: The total number of building permits in the county (including residential, commercial, alterations, etc.) for the first nine months of FY 2020 is about 25% above the same time period in FY 2019. Although the number of residential permits issued is down 4%, several multi-family unit permits for apartments and condominiums have been issued. Multi-family activity is growing, with 200 additional units under review to begin construction in July and more expected later in the fall 2020. Construction projects – especially those on a large scale - may experience delays due to the unavailability of materials but are expected to continue to move forward. Building inspections revenue is projected at a conservative 3% reduction in current year collection.

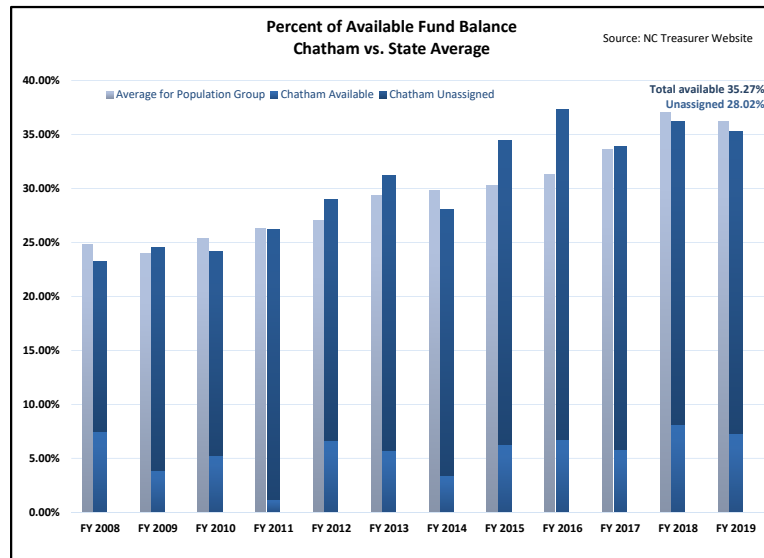
State and Federal Budgets: 1) The state increased the mandated contribution to teacher retirement, which is set at 21.44% next year, an increase of 1.74%. This impacts the county by adding to the funds needed to support the teacher supplement. 2) Another impact of the state budget has been a reduction 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. In April of this year a memo from the state treasurer's office warned counties to expect a decline in Medicaid hold harmless revenue for current year and for FY 2021. 3) 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 property tax rate. Other proposed legislation would increase property tax exemptions and redistribute sales tax away from Chatham County. Any potential financial assistance related to the response to the COVID-19 pandemic is still undetermined at this time.

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 somewhat conservatively yet realistically so that projections will be met or exceeded. For the most part, despite the pandemic, revenues in FY 2020 are expected to meet or just slightly miss budgeted amounts.

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 28.02% of FY 2019 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, 35.27%, is slightly lower than state average for counties our size, which is 36.21%, as shown in the graph.

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 2021 budget continues this practice.

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.

The FY 2020-2021 budget process included a budget critique held immediately after the FY 2020 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 work with their Collaborative Impact Teams (CITs) to 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.

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 2021 reflects the second 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 conservative amount. The goal is to set revenues that are realistic but not overly optimistic. To maintain and improve our financial condition slight under projection of revenue is preferable to over projection. 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.

**Chatham County
FY 2020-2021 Budget Calendar**

Deadline	Actions
30 August 2019	<ul style="list-style-type: none"> • Capital Improvements Program (CIP) forms distributed to agencies
27 September 2019	<ul style="list-style-type: none"> • Forms due from agencies and departments for new/changed CIP projects
4 November 2019	<ul style="list-style-type: none"> • Manager submits recommended CIP to the Board of Commissioners • Heads Up document due from departments
18 November 2019	<ul style="list-style-type: none"> • Hold public hearing on the proposed CIP
19 November 2019	<ul style="list-style-type: none"> • Work session on the proposed CIP
16 December 2019	<ul style="list-style-type: none"> • Board adopts CIP; Board appropriates nonprofit funding
27 December 2019	<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 14, 15, 17 2020	<ul style="list-style-type: none"> • Budget Retreat: Board of Commissioners sets goals and guidelines for FY 2019-2020 budget
31 January 2020	<ul style="list-style-type: none"> • FY 2019-2020 year-end estimates due from departments (in Munis). • Next Year Budget Entry becomes available
1 - 28 February 2020	<ul style="list-style-type: none"> • Nonprofit application process
28 February 2020	<ul style="list-style-type: none"> • Budgets due from departments and agencies (except schools)
3 April 2020	<ul style="list-style-type: none"> • Budget due from schools
4 May 2020	<ul style="list-style-type: none"> • Budget submitted to Board of Commissioners and public
May 18 and 19, 2020	<ul style="list-style-type: none"> • Public hearings held in Pittsboro and Siler City
May 21, 22 and 28 2020	<ul style="list-style-type: none"> • Board of Commissioners holds 2-3 budget work sessions
By 30 June 2020	<ul style="list-style-type: none"> • Board of Commissioners adopts budget (legal deadline)

General Fund Revenue Summary:

	2020 Amended	2020 Estimated	2021 Recommended	Total % Inc./Dec.
Permits & Fees	1,844,600	1,936,585	1,874,990	2%
Intergovernmental	10,130,955	10,528,298	9,949,175	(2%)
Interest	300,000	92,713	150,000	(50%)
Contributions from others	560,568	721,482	368,667	(34%)
Miscellaneous	384,275	442,978	296,950	(23%)
Other Taxes/Licenses	941,000	919,000	900,060	(4%)
Property Tax	77,127,260	77,679,036	79,772,620	3%
Charges for Services	2,350,112	2,207,579	2,441,711	4%
Sales Tax	14,788,500	14,788,500	15,756,611	7%
Transfers In	13,885,008	13,765,511	16,046,994	16%
Appropriated Fund Balance	4,313,396	0	4,777,832	11%
Total Revenues	126,625,674	123,081,682	132,335,610	5%

Enterprise Fund Revenue Summaries:

Solid Waste & Recycling Fund

	2020 Amended	2020 Estimated	2021 Recommended	Total % Inc./Dec.
Intergovernmental	195,265	199,009	184,000	(6%)
Interest	30,000	55,564	30,000	0%
Miscellaneous	93	93	0	(100%)
Charges for Services	3,461,682	3,461,295	3,372,300	(3%)
Appropriated Fund Balance	0	0	0	0%
Total Revenues	3,687,040	3,715,961	3,586,300	-3%

Southeast Water District

	2020 Amended	2020 Estimated	2021 Recommended	Total % Inc./Dec.
Interest	4,000	12,330	4,000	0%
Charges for Services	718,500	711,571	718,500	0%
Total Revenues	722,500	723,901	722,500	0%

Water Fund

	2020 Amended	2020 Estimated	2021 Recommended	Total % Inc./Dec.
Interest	58,000	115,676	58,000	0%
Miscellaneous	0	5,174	0	0%
Charges for Services	6,543,307	7,548,043	6,721,807	3%
Transfers In	80,000	0	257,549	222%
Appropriated Fund Balance	928,995	0	1,662,340	79%
Total Revenues	7,610,302	7,668,893	8,699,696	14%

Property Taxes:

Our **real property** values are projected to increase 3% over the FY202 budgeted amount for FY 2021, which continues the robust growth following the recession. The increase in value results mostly from residential development. The 20% increase in **personal property** results a higher than expected actual in the current year primarily due to 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 7% over last year.

	FY 2020 Values Budgeted	FY 2021 Values Budgeted	% Increase/ (Decrease)
Real Property	9,977,316,873	10,256,482,951	3%
Personal	498,001,430	599,133,884	20%
Utilities	206,350,142	210,000,000	2%
Motor Vehicles	864,290,475	925,000,000	7%
Total	11,545,958,920	11,990,616,835	4%

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 Moncure Fire Department proposed a two (2) cent increase. The increase would bring their tax rate to 14.5 cents, which is only .5 cents below the maximum 15 cents allowed by General Statute. A significant portion of the increase would be designated for raised or current paid staff. County staff is not recommending the proposed increase at this time. (Update in Special Funds)
- The City of Durham Fire Department is requesting an increase of their contract payment pursuant with the standing Interlocal Agreement.

Fire District	FY 2020 Budget.	FY 2021 Req.	FY 2021 Rec.	Contract Amount	Variance
Bells Annex (North Chatham FD)	0.1080	0.1080	0.1080	\$140,917	0.0000
Bennett (Bennett FD)	0.0900	0.0900	0.0900	\$136,024	0.0000
Bonlee (Bonlee FD)	0.0700	0.0700	0.0700	\$251,450	0.0000
Central Chatham (Siler City FD)	0.1200	0.1200	0.1200	\$433,329	0.0000
Circle City (Pittsboro FD)	0.1225	0.1225	0.1225	\$1,420,564	0.0000
Goldston (Goldston FD)	0.0900	0.0900	0.0900	\$272,063	0.0000
Hope (Silk Hope FD)	0.0785	0.0785	0.0785	\$478,156	0.0000
Moncure (Moncure FD)	0.1250	0.1450	0.1250	\$977,864	0.0000
North Chatham (North Chatham)	0.1080	0.1080	0.1080	\$6,312,638	0.0000
Northview (Northview FD)	0.0860	0.0860	0.0860	\$31,496	0.0000
Parkwood (Durham County FD)	0.1100	0.1100	0.1100	\$355,075	0.0000
Staley (Staley FD)	0.1000	0.1000	0.1000	\$58,691	0.0000

Fee Increases:

There are several new fees recommended in this budget. Three of the recommended fees are not truly new; however they are newly being assessed by the County. The recommended fees are:

- OSWW (On-Site Wastewater) Contractors Workshop (\$25) – this will be a new fee for Environmental Health. In the past, Environmental Health partnered with Cooperative Extension to provide this annual class; however due to recent changes with NC State University, Extension will no longer be able to accept funds by credit card for our classes. The cost of the workshop remains the same.
- Serve Safe Class (\$100) – this is a new fee that will support providing a serve safe – food safety class for Spanish speaking clients. Some type of food safety certification is required for people who own or operate a restaurant and currently there are limited options for our Spanish speaking owners/operators to attain food safety certification in Chatham County. The state offered food safety certification (Safe Plates) is only offered in English. This fee will cover the cost of the book, test, and class materials.
- Serve Safe Test (\$60) – this is a new fee that will support providing a serve safe test to Spanish speaking restaurant owner/operators. The state offered food safety certification (Safe Plates) is only offered in English. This fee is for the test only.
- Water Sample Trip Fee (\$30) – this is a new fee that will allow Environmental Health to offer additional voluntary water sampling. The state lab offers testing that is not commonly requested and is not included in our standard fees. This additional fee would allow for Environmental Health to cover the cost of offering all testing that the state lab can conduct. This enhanced testing would be done by request and would not be mandatory. Additionally, there are private labs that can also do this testing and Environmental Health staff can provide a list of those, if a resident prefers that option. This fee will cover the state lab costs plus the trip cost for Environmental Health staff to transport.
- (Solid Waste & Recycling Enterprise Fund) Electronics Fee (\$5/item) – this is a new fee that will be charged for electronics brought to the main facility for recycling. This fee would only be charged to Town residents without a decal and businesses. Town residents and businesses do not pay the Solid Waste fee, so this would cover the cost to recycle the electronics received.

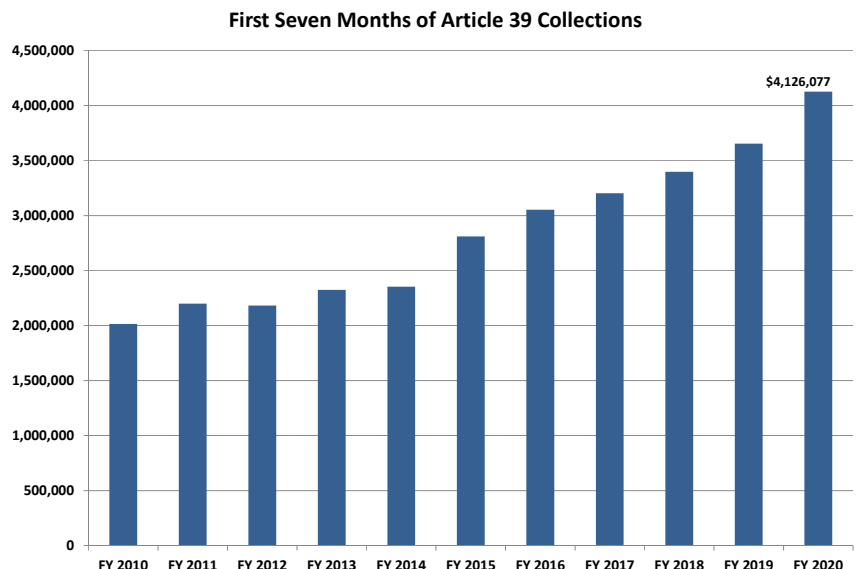
Sales Tax:

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. A referendum in March of 2020 was successful and this levy will begin in October of 2020. The estimated full-year proceeds from enacting the tax are \$1.6 million.

Locally, FY 2020 sales tax revenues (Articles 39 and 42) are both trending roughly 13% above FY 2019, compared with 9% for sales tax collected statewide (Article 40). Article 44 revenue is projected to bring Chatham about \$1.2 million in FY 2020.

Overall, experts from the state and the NC League of Municipalities (NCLM) expect FY 2020 year-end statewide sales tax collections to be impacted by COVID-19, but as with all outlooks the impact is not precise and depends on the severity of the scenario adopted. NCLM predicts current year-end growth of 3.6% in a moderate impact scenario, 2.2% in a severe impact scenario, and -0.5% in the most conservative impact scenario.

For next year, FY 2021, the NCLM expects statewide local sales tax distributions to show 1.5% growth in a moderate impact scenario, -2.3% growth in a severe impact scenario, and -3.2% growth in the most conservative impact scenario. However NCLM urged local jurisdictions to use their own knowledge of local economy and trends in forming projections. Staff used this guidance to project local and statewide collections.

As the chart above demonstrates, locally collected sales tax has far surpassed pre-recession levels, a positive indicator of our economy. Staff is recommending that the outstanding performance in the first seven months of current year collections will result in year-end sales tax revenue that meets – but does not exceed, as might have been expected – the budgeted amount. For next year, the FY2020 budgeted sales tax revenue remains constant, with no gains other than the additional revenue expected from the levy of Article 46. Chatham’s sales tax revenue is not dependent on sales tax associated with large events and tourism as is the case in larger surrounding jurisdictions.

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. In a poor economy the reverse is true.

This revenue is received by the county in two payments. The first payment, made in March, is based on the state's payout calculation based on estimates of sales tax revenue. A second payment in August completes the calculation based on actual amounts. A memo from the State Treasurer warned counties to expect a decrease in Medicaid Hold Harmless revenue current year as well as next year, however the exact amount of the decrease is not known. For current year, the memo advised counties that the March payment may prove to be too high and, if that proves true, then counties will have to reimburse the state.

Staff typically projects this revenue conservatively. The FY2020 budgeted amount was held constant from FY2019. Since the March payment exceeded the budgeted amount by \$175,000, the current year estimate is equal to the budgeted amount. To project this revenue for FY 2021 a 10% increase in Medicaid expense was assumed with a resulting decrease of \$340,000 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 decrease by 1%. 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 2021. 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 2021. 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. However, lottery sales have been negatively impacted by COVID-19 so the success of any effort to restore all proceeds and even whether the county will receive the estimated amount of funding from the state in current or coming year could be open to question.

- **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 2021, which is \$100,000.
- **ABC Revenue:** Staff is estimating approximately \$130,000 for FY 2020, slightly higher than the budgeted \$125,000, 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 budgeted revenue for FY 2021 stays flat at the same budget (\$56,000) as FY 2020.
- **Beer and Wine Tax:** This tax is paid by producers of alcohol based on their sales in North Carolina. The NC League of Municipalities generally relies on guidance from the Department of Revenue, which at the time of their report indicated slight growth to no growth in this revenue. Since the actual revenue collected to date exceeds the budgeted amount, staff is estimating that the FY2020 revenue will be equal to the amount already collected. For FY2021 the budget is held constant.

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, revenue for FY 2021 is expected to be 3% less than the expected revenue for current year.

- **Register of Deeds Fees:** Fees are charged when legal documents are recorded. Staff estimates that FY 2020 receipts will be slightly lower than the prior year and slightly lower than the amount budgeted. FY 2021 projections are 3% less than the FY 2020 estimated receipts.
- **Building Inspection Fees:** Staff estimates that the revenues for FY 2020 will be \$1.5M, 18% above the FY 2019 collection. For FY 2021, staff projects \$1,455,000, a 3% decrease over current year revenue.

Other Taxes and Licenses:

Other Taxes and Licenses represent locally collected taxes, other than the property tax. Overall, this revenue category is expected to decrease 5%.

- **Occupancy Tax:** Occupancy tax revenue has been severely impacted by the restrictions in place for COVID-19. Collections for the first nine months of FY 2020 are 8% above FY 2019. FY 2020 projected collections of \$105,000 are based on the assumption that the impact of COVID-19 on tourism will result in very little additional revenue over the \$95,841 collected by the end of March. The projection for FY 2021 is \$109,000.
- **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 2020, this revenue source is at 82% of the budgeted amount and 9% above the first nine months of FY 2019. Closings for real estate transactions that were already scheduled for April are expected to go forward, but COVID-19 may slow progress in real estate activity that would not be seen until May or June. For this reason, we are estimating current year revenue will be at or slightly under the budgeted \$798,000, and we are reducing that amount by 3% for the FY 2021 projection.

Other General Fund Revenues:

Interest: FY 2020 is estimated to be \$150,000, significantly below the budgeted \$300,000. Interest revenue is directly affected by market volatility and the actions of the Federal Reserve. The budgeted interest for FY 2021 is based on the estimated interest revenue for the current year. The Finance Office invests conservatively, as required by NC law.

Grants/Donations: This revenue source is projected to increase 2% from FY 2020 to FY 2021 due to a slight increase in grant funds budgeted in the Health Department. 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 increase by 4%.

Enterprise Fund Revenue:

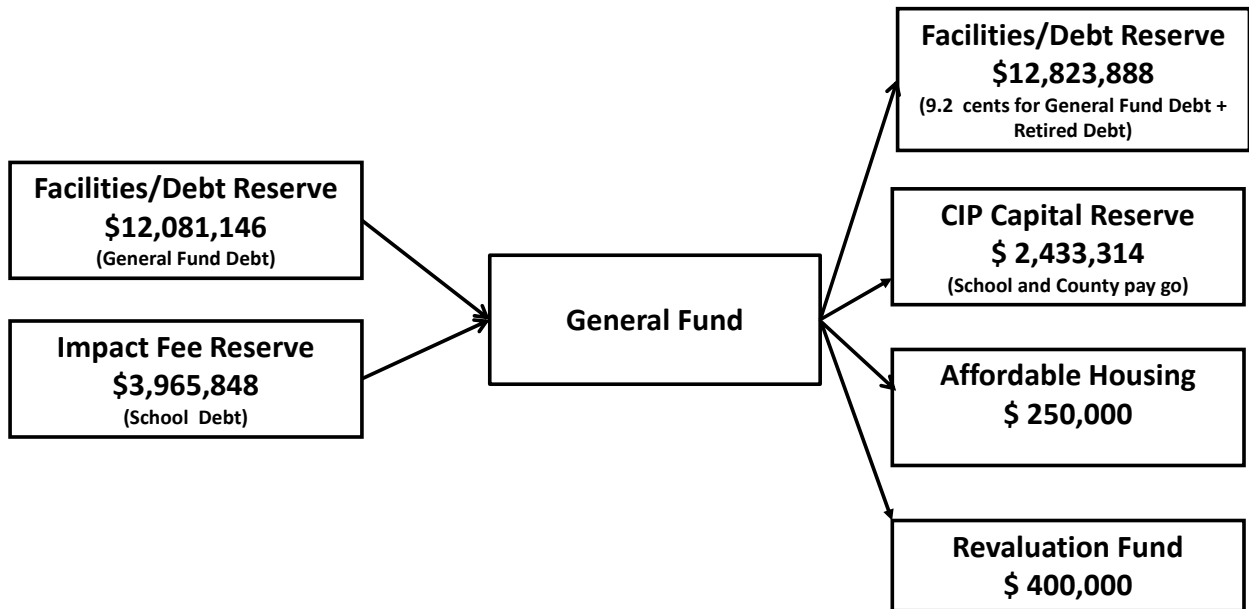
Sales and service revenue accounts for most of the revenue in the Water and Solid Waste & Recycling Funds.

Water sales and services are expected to increase 3% from FY 2020 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. Additionally, as Siler City continues with their water system project, they will continue to purchase more water from the County than in previous years.

Solid Waste and Recycling revenues overall are expected to be slightly over budget in FY 2020 and projected conservatively with a slight decrease in FY 2021. Sales and service is expected to decrease by 3% overall, primarily due to projecting a collection rate of 96% for the Solid Waste fee. 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.
- **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 \$3,965,848 is needed to cover debt for Virginia Cross Elementary,
- **Affordable Housing Trust Fund:** This fund was established in FY2019 to support the construction of affordable housing with a transfer from the General Fund of \$200,000. In FY 2020 an expansion of \$50,000 was approved to address emergency housing.
- **Revaluation Fund:** This fund was established in FY 2019 with a transfer of \$400,000 from the General Fund to plan for expenses associated with revaluations.

Fund Balance:

General Fund:	
General Fund One Times	\$1,321,250
Replacement Capital	\$845,153
Expansion Capital	\$178,115
General Fund Transfer To CIP Reserve	\$1,282,532
School Transfer to CIP Reserve	\$1,150,782
Total One Time Expenses	\$4,777,832
Fund Balance Appropriated	\$4,777,832

Consistent with the commissioners’ adopted financial policy, the use of fund balance in the general fund is tied to one-time or capital expenditures, as shown in the table. Overall, the general fund appropriation from fund balance is up \$1,299,754 from the original fund balance appropriation in FY 2020 (the amended figure reflects changes in the budget since the original appropriation). In

keeping with our policy, the recommended fund balance appropriation for FY 2021 will support one-time and capital expenditures.

The Solid Waste & Recycling Fund does not recommend the usage of any fund balance appropriation in FY 2021. The fund includes one-time expenses totaling \$394,048.

The Utility Fund appropriation is recommended at \$1,662,340. The fund includes one-time expenses totaling \$1,931,488.

General Fund Expenditure Summary:

	2020 Amended	2020 Estimated	2021 Recommended	Variance	%Inc./(Dec.)
Administration	9,183,976	8,426,050	9,434,629	250,653	3%
Debt Service	15,037,661	14,838,837	16,924,944	1,887,283	13%
Debt/Capital Transfers	14,887,469	14,488,369	15,907,202	1,019,733	7%
Chatham County Schools	35,739,310	35,739,310	37,915,310	2,176,000	6%
Other Education & Culture	4,839,658	4,285,769	4,613,488	-226,170	-5%
General Government	3,123,659	3,033,504	3,305,032	181,373	5%
Human Services	18,368,850	17,272,936	18,440,200	71,350	0%
Natural Resource Management	4,169,405	3,918,486	4,144,290	-25,115	-1%
Public Safety	21,245,308	20,273,344	21,650,515	405,207	2%
Total	126,595,296	122,276,604	132,335,610	5,740,314	5%

Administration: The 3% increase in this grouping can be explained primarily by a large one-time expenditure to complete the CORA addition and capital outlay replacement.

Debt Service: Debt service is increasing by 13% because we will be begin payments for the principal and interest on the debt for the radio replacement projects in FY 2021. As we pay existing debt, interest costs decrease from year to year.

Debt/Capital Transfers: Overall, this category is up 7%. An increase in the transfer to the capital reserve is the reason for the increase in this grouping.

Chatham County Schools: Overall, funding for Chatham County Schools is increasing 6%. Current expense funding is increasing \$1,261,889 or 5%. Capital outlay remains flat at \$2,300,000. The salary supplement is increasing 16% to fully fund the current supplement amount, which should help ensure that Chatham's supplement remains competitive with surrounding counties.

Other Culture & Education: Spending in this category has decreased 5%, mainly due to not budgeting grants and allocations that are not continued from the previous year as well as slight decreases in capital outlay replacement.

General Government: The 5% increase results mainly from budgeting for the general election and additional costs associated with revaluation.

Human Services: The Human Services grouping remains flat. Modest necessary increases in Council on Aging and DSS are offset by grants that are not budgeted in Health Department.

Natural Resource Management: Natural Resource Management is decreasing slightly due to a slight decrease in allocations.

Public Safety: The 2% overall increase results primarily from increases to the Detention Center with the addition of two detention officers.

Enterprise Fund Expenditure Summaries

	2020 Amended	2020 Estimated	2021 Recommended	Variance	% Inc./ (Dec.)
Solid Waste & Recycling	3,687,040	3,220,253	3,586,300	-100,740	(3)%
Southeast Water District	722,500	722,500	722,500	0	0%
Water Fund	7,610,302	6,492,772	8,699,696	1,089,394	14%

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
CCA&CC	Portable bleachers	\$26,000
CCA&CC	Feasibility study	\$45,000
Cooperative Extension	Vehicle	\$32,000
Council on Aging	Family Caregiver Respite	\$35,000
Council on Aging	General Allocation	\$25,000
Court Services	Licensed substance abuse counselor	\$34,211
Department of Social Services	2 SWIII IA&T positions	\$57,881
Department of Social Services	1 SW II position	\$16,432
Health Department	Vehicle for Clinic & Community	\$28,080
Sheriff - Detention	2 Detention officers	\$106,013
Soil and Water Conservation	No Till Drill	\$23,495

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:** A salary increase is not included. Continuation salaries remain the same from FY 2020 to FY 2021 with the exception of any reclassifications. The 1% increase shown reflects new positions as well as the full-year cost of positions added in FY 2020.
- **Other Personnel Costs/Benefits:** Overall, this category increased 5%. A \$253,273 (5%) increase in health insurance is recommended to cover the costs of health insurance for the newly recommended positions, full year costs for positions that were implemented for only a partial year in FY 2020, and an increase of 3% in expected insurance costs. An increase of \$303,409 in retirement costs is also recommended due to action by the State Treasurer’s Office to increase the contribution to 10.15% for general employees and 10.9% for law enforcement personnel. The increase is part of an attempt to stabilize the employer contribution rates. This increase of 1.2% 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 increased 4%, driven primarily by an increase in contract costs and the one-time CORA addition.
- **Debt:** Overall, the county’s debt service obligations increased by 13% because the first payment of both principal and interest for the radio system project will be due in FY 2021.
- **Transfers:** Transfers are budgeted at a 7% increase in FY 2021. The debt model calls for a transfer of \$12,823,888 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 \$1,779,940. The Capital Improvements Program calls for a transfer of \$1,282,532 to capital reserve to fund pay-as-you-go CIP projects, a decrease of \$1,533,625.
- **Allocations/Programs:** This category increased by 3%. 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 2021-2027 CIP.

The Future

Short-Term: National, state, and regional economists agree that the economy is now in recession, but the uncertainty surrounding the pandemic has produced different opinions about recovery. Locally, until the sudden economic decline we were enjoying solid growth in revenue. Indicators of local growth, such as building inspections and deed stamps, were trending up, with several major development projects in progress. Local sales tax collections were increasing at a higher rate than the state average. Growth in the property tax base was and will continue to be strong. The bulk of the county's revenue comes from property tax, and even during the Great Recession, property tax values continue to grow. Our sales tax revenue is largely drawn from necessary and discretionary shopping, unlike larger surrounding counties that stand to lose significant sales tax revenue from large venues like stadiums, theatres and hotels. We believe that Chatham will recover at a faster pace than the average for the state and we're making wise investments in our schools, our capital projects, and our employees to ensure that we are well-positioned for recovery and 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 Chatham County values the input of its residents. Two public hearings on the coming fiscal year's proposed budget are traditionally held, one public hearing in Pittsboro and the other in Siler City. These public hearings are intended to offer the public an opportunity to provide comments or ask questions about the proposed budget. As is much of the world, Chatham County is taking measures to conduct business in a way that limits the risk to public health during the present global pandemic. Accordingly, the public hearings conducted for the purpose of presenting the proposed FY 2021 budget and the methods by which the public is afforded an opportunity to offer comments and questions will be altered as a means to promote the health and safety of all concerned. All efforts are being made to facilitate the transparent communication of the proposed FY 2021 budget and enable meaningful public participation in this process. These efforts are currently ongoing. Details will be released to the public in as a timely manner as possible once the plan for holding a public hearing is finalized. In the meantime, and as always, the public is encouraged to provide comments or ask questions of our budget staff. To do so, please contact Chatham County Budget Director Lisa West by email at lisa.west@chathamnc.org or by phone at 919-545-8483. To guarantee comments submitted in advance are considered, please submit by May 17, 2020. To ensure you are up to date with the latest development on this and other county-related issues, please visit the County's website: www.chathamnc.org.

Respectfully submitted May 4, 2020

Dan LaMontagne

Dan LaMontagne, County Manager