

Budget Message

“Time and tide wait for no man. – Geoffrey Chaucer”

Chatham County Commissioners and County Residents,

This has been a year unlike any other, in Chatham and elsewhere around the world. This is the second consecutive budget prepared during a time of global crisis; the damage and disruption to our lives, the loss of life, and the economic impacts are now well known. Locally, while navigating the pandemic, the County also contended with a cyber incident that took its network and phones offline for an extended period of time. However, we are hopeful for the future and believe that Chatham County is well postured for continued success; we are recommending a budget that we believe will guide us through the next fiscal year and allow Chatham County to continue moving ahead.



Co-chairs of Chatham 250 relax at the Founding Day event.

As we recover from the global pandemic, residents of Chatham County have even more reason to celebrate – 2021 is the 250th anniversary of Chatham County!

The yearlong celebration kicked off on April 11 with a drive-thru Founding Day celebration, and many other fun and exciting events are planned throughout the next year. Everyone is encouraged to participate in Chatham 250 events as much as they are able to do so.

While we reminisce on the past and celebrate a monumental birthday for Chatham County, we also must look to the future and the challenges and opportunities that it will provide. For several years, we have discussed the need of being properly prepared for growth. As a county, we are now at the point that the rapid growth and development we have long expected is happening. Throughout this budget, you will see that we are focused on ensuring that the development that is occurring is well monitored and aligns with the long-term vision that Plan Chatham has laid out for Chatham County. Additionally, you will see that the County is enhancing and expanding services in order to meet the needs of our growing population. Before looking further at the coming year, I would like to focus on some of the achievements of the current year.

We continue to endeavor to be good stewards of our environment, as demonstrated with several eco-friendly, or “green”, initiatives. For several years we have included LEED certification for all of our new building projects, except where it was not possible to do so. In FY 2021 we were awarded a grant to begin installation of an electric vehicle

charging station. Two additional electric vehicle charging station grants are pending. In addition to making focused efforts to simplify the process of installing solar panels in Chatham, which resulted in a SolSmart Gold designation in 2019, we are utilizing solar power on government property and facilities where possible – including at the new Seaforth High School, the new Schools’ Central Services building, and the Environmental Quality Building – and are providing funding for the implementation of solar power on existing buildings. Further, we continue to utilize geothermal energy in projects where it is applicable and possible to do so. We are also funding the Farmland and Open Space Preservation Plan update, which, in part, is intended to recognize the rapid urban development in the county and how farmland, open space, and rural preservation efforts can work to help balance the environmental impacts of urbanization. Finally, we have begun hybridizing and electrifying our fleet where possible – the FY 2022 budget replaces all vehicles with hybrids or plug-in electrics except in instances where there is not a viable hybrid or plug-in electric option (including heavy equipment and public safety vehicles).

Despite the struggles of the pandemic and the cyber incident, our revenues have largely exceeded expectations. Growth within Chatham County continues at a brisk pace despite the network outage that occurred as a result of the cyber incident. By the end of March, building inspections revenue was at 80% of budget with activity increasing across all major development types. This revenue, while slightly below the last fiscal year, is still on track to meet budget. Similarly, Environmental Health has collected 92% of budgeted revenue by March, another slight decrease from last year but still on track to meet (and likely exceed) budget. Register of Deeds excise tax collections and Watershed Protection erosion control fees are each up more than 30% through March of last year – another strong indicator of the growth and development that is happening with Chatham County.

Throughout this challenging year staff continued to support and encourage each other, and I am thankful to all of them. 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, but I want to mention a few highlights here.

The COVID-19 pandemic had only begun when the current year budget was developed. Throughout the year staff responded to the pandemic and resulting state guidelines to control the pandemic by implementing new and innovative approaches for providing services to the public.

Staff from the Manager’s office collaborated with the Health Alliance to create and coordinate the **Chatham Resource Hub**, a co-located effort to disperse free resources to community members during the pandemic. The **Chatham County Agriculture and Conference Center** served as a distribution center for COVID-related supplies. **Elections** coordinated a safe and secure election with adherence to all state pandemic guidelines and restrictions. There were no reported COVID clusters tied to any voting sites in Chatham County. The **Planning Department** coordinated remote meetings for Planning Board sub-committees. **Council on Aging** created a robust array of

virtual and phone programming to serve seniors at risk of isolation as they sheltered in place. These included using grant awards to purchase computer tablets and subsidize internet for 12 seniors and to purchase subscriptions to the Chatham News + Record for 218 seniors. **Public Health** coordinated COVID-19 relief efforts throughout the year and led efforts with community partners and volunteers to vaccinate thousands of residents. **Parks and Recreation** created socially distanced Holiday Events, one of which was featured on the National Association of Counties (NACo) website. **Library** conducted Digital Citizenship for Kids and Kids Club for Social Justice online events. The **Clerk to the Board** of Commissioners and the **Deputy Clerk** worked with a team of county staff to facilitate in-person and virtual hybrid Board of Commissioner meetings in response to the pandemic.

As noted earlier, in October of 2020, Chatham was the victim of a system-wide cyber incident that shut down all county government computer networks and phones. County departments collaborated with local and state agencies, the NC Department of Emergency Management, and the NC National Guard Cyber Response team to recover. Chatham MIS stabilized the county network and restorative efforts have made great progress. Once again County staff demonstrated their resiliency and teamwork only a short time after demonstrating their ability to maintain service during the COVID-19 crisis.

Siler School Square – pictured to the right - the former Henry Siler School, was finished in October 2020 and is providing 44 units of affordable housing for low to moderate income households.



The Court Services department and the Department of Social Services were awarded a three-year, \$870,000 grant to implement a Family Treatment Court for Chatham County that began in April 2021.

Pandemic restrictions, cyber incident, and road construction notwithstanding, Chatham County kicked off a year-long celebration of its 250th anniversary with a Founding Day celebration on April 11. Approximately 450 people attended the drive-through event in downtown Pittsboro that focused on the county's history and community. Additional events and activities throughout the year will highlight our unique county, its rich history, and its promising future.

Looking ahead to the coming year presents many challenges, but also many opportunities. There has been progress in the recovery from the COVID-19 pandemic; however we are still early in the recovery process and it is difficult to project what the entirety of the recovery process will look like. Additionally, the County continues to

recover from the cyber incident, which greatly impacted the ability of County staff to provide vitally needed services.

We present a FY 2021-2022 recommended budget that delivers critically needed services and places the County on stable financial footing for the future. 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. Natural growth in sales tax revenue may decline somewhat as the economy opens back up and people travel outside of the county more regularly; however Chatham's sales tax revenue has shown steady growth that has exceeded statewide averages. Additionally, the development that is occurring within the County will increase sales tax revenues.

The Geoffrey Chaucer quotation at the opening of this budget message describes the philosophy that guided the decisions we've made concerning this budget. We are at a critical juncture in Chatham County's history and we must ensure that we adequately address the myriad needs of a growing County, so that the continuing growth and development that is occurring continues to enhance Chatham County.

The county continues to prioritize support for education. The budget fully funds Chatham County Schools' request for an additional \$2,529,460. Current expense will increase by \$2,349,460 to support increased operating costs associated with the opening of Seaforth High School in August of this year. An additional \$180,000 will be added to maintain the supplement at the current level of funding. This additional funding for the supplement is largely due to a state mandated 1.74% increase in the retirement contribution. 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 districts. 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. 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 continues to fund the third year of Chatham Promise and includes a mandatory (1.1%) increase to the Local Government Employees' Retirement System (LGERS).

The growth in the county over the past ten years – including construction of new facilities such as the library in Pittsboro, sustainable technology building, justice center, detention center, Chatham County Agriculture & Conference Center, joint school and county bus garage, schools and parks – have been supported by our steadfast adherence to a long-term financial plan that manages debt. The FY 2021-2022 Recommended Budget contributes an additional 0.5 cents (for a total of 9.7 cents) on the property tax rate to further insulate the debt reserve and to reduce the need for larger increases of contributions in future fiscal years. As a note, three new debt-funded projects are currently in progress; the 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.

For several years, the county has delayed and deferred much needed expansion items within the county. We are now at a point where development and growth are outpacing current staff's ability to complete the required work in a timely, efficient, and safe manner. The expansion items that I am recommending in this budget will allow us to meet current demand for service and be well prepared for the additional pressures that will come as we continue to grow.

The **Development Services Collaborative Impact Team (CIT)** includes departments that either directly regulate and permit development work or support that work. . The following positions are recommended:

- Two multi-trade building inspectors to keep up with the increase in commercial and multi-family permits [\$172,633]
- One permitting technician to streamline the submittal process and shorten wait times [\$54,512]
- One watershed specialist: The annual number of permitted acres has nearly doubled since 2018 and the EPA mandate concerning enforcement of NC General Permits contributes to the workload. [\$79,279]
- One assistant Register of Deeds to address the steep increase in recording documents and vital records [\$55,420]

The **Public Safety CIT** includes departments that respond to emergency situations, prevent and respond to crime and other safety hazards, and generally protect the safety of county residents and property. Within the Public Safety CIT, there are several new positions recommended in this proposed budget.

- Growth in the northeast section of the county has increased the number of calls for service to Sheriff patrol deputies. Currently 8 sworn officers are assigned to the Chatham County Detention Center. These will be returned to the Law Enforcement Division and will be replaced with 8 detention officers. An additional 3 detention officers will be added according to the staffing plan to address improvements needed in cell block monitoring. [\$655,688]
- A Commission on Accreditation for Law Enforcement Agencies (CALEA) Administrator will be added in January to manage the department as they work to become CALEA certified, a process which will help to recognize professionalism within the Sheriff's Office. [\$39,697]
- In late FY 2021 two animal service technicians were added to the Sheriff animal services division as planned in the Capital Improvements Plan to assist with the opening of the new building. In FY 2022 an additional animal technician and a front desk attendant are recommended. [\$103,238]
- In response to the increasing emphasis on diversion programs to keep people out of jail, an additional pre-trial release coordinator is recommended in the Chatham 360 division of the Court Services department. [\$56,067]

- In response to increases in call volume, call severity, and changes in standards for call taking in Emergency Communications, the budget recommends the addition of 5 telecommunicators, which will allow for the Training Officer to spend the entirety of their time on training and ensuring standards are met as well as adding 1 additional Telecommunicator position to each shift. [\$265,303]

Three additional positions are recommended for departments in the **Human Services** CIT, which comprises departments that enhance the health and welfare of the community.

- Two Children’s Services Supervisors are recommended to complete the restructuring of the department that was begun last year. These positions are 50% reimbursable by the state. [\$88,572].
- A park manager is added to Parks and Recreation to provide oversight and maintenance of park facilities. [\$78,424]

Finally, three positions are included for **Facilities** (1) and **MIS** (2) in the **Administration** CIT. This team includes departments that provide support functions to departments that deliver services.

- An Application Solutions Engineer is needed to address the county’s increasingly complex software systems [\$81,544]
- An additional GIS technician will assist with maintaining geocode addressing for the Board of Elections, provide technical support during elections, and provide general GIS support for the MIS department. [\$58,961].
- An additional Maintenance Technician in the Facilities department with specialization in HVAC maintenance.

In addition to these thirty-one new positions, expansion items include some additional funding for programs:

An additional \$81,531 is recommended for the Management Information Services (MIS) department to implement off-site data backups and a disaster recovery plan for the network. This will allow MIS to have safe and consistent backups to allow for quicker restoration of the County network in the event another network disruption happens in the future.



Sally Gregoire’s Chatham 250 stamp shows our agricultural heritage.

An additional \$28,000 is recommended for the revision of the Farmland Preservation and Open Space Plan. This work will be conducted by Cooperative Extension and Soil and Water Conservation District. The plan will create a living document with actionable steps based on a much broader lens of rural and urban development acknowledging the interdependency of the two for long-term community viability.

The walking trail at Southwest District Park will be extended to provide an additional ½ mile of trail, at a cost of \$41,500.

An allocation of \$75,000 will go to the Chatham EDC to provide financial assistance to small businesses County wide who have been negatively impacted by the COVID-19 pandemic.

The recommended budget also includes a 2% increase in the County contribution to the health plan and a 3% pay increase for employees pay raises. Additionally, a half-year implementation of the adjustments recommended by the FY 2021 salary study is included. While many expenses are necessary to continue movement toward our goals, competitive salaries are essential to maintaining and attracting talented professional staff

Some necessary one-time and capital outlay expansions are included in the fund balance appropriation and include replacement vehicles for the Tax Assessment division, a replacement truck with towing capability for Emergency Management, and funds to begin the process of utilizing solar energy at the Chatham County Agriculture & Conference Center. The total cost of these items is \$194,000.

Major Revenue Highlights:

- The county property tax rate is recommended to decrease by 1/2 a cent from 67 cents per \$100 of valuation to 66.5 cents.
- FY 2021-2022 will be the first budget year since the most recent property revaluation. The revenue neutral property tax rate for the general Ad Valorem property tax is 62.29 cents per \$100 of valuation.
- Revenue from Ad Valorem taxes is projected to increase by 11.9%.
- Sales tax revenue is projected to increase by 21.6 % over the FY 2021 budgeted amount, this is due in large part to the addition of a full year's collection of the Article 46 Sales Tax that was only budgeted for 3/4 of a year in the current year. Excluding the increase related to Article 46, the other sales tax articles are increasing 18.7% over the current year original budget.
- Revenue from permits and fees is projected to increase 9.5% from the current year budget.
- Register of Deeds excise tax revenue is projected to increase 29.2% from the current year 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.
- For a detailed list of General Fund revenue refer to the General Fund section of this document.

Economic Indicators & Assumptions:

Following the longest period of economic expansion since before the Civil War, the onset of the pandemic caused the economy to enter a recession. This downturn was 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 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; however in April of 2021, according to the US Department of Labor, new jobless claims continue to decrease, indicating that the labor market is improving at a faster pace than expected. The most recent weekly numbers (as of April 22, 2021) represent the lowest since the onset of the pandemic.

Locally, revenue from permits and fees, charges for service and Register of Deeds excise tax continue to show very strong growth through March.

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 2021, the latest data available, the state's unemployment rate was 5.6%. This is an increase of 50% compared to February of 2020, which was prior to the pandemic. Unemployment across the state rose to a high of 13.5% in May of 2020 and has been decreasing steadily since that time. Chatham's unemployment rate in February of 2021 was 4.1%, which was the second lowest in the state.

Population growth: According to the U.S. census, the rate of national population growth is 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 2019 the Raleigh metropolitan was the second fastest in the top ten metropolitan areas in percentage growth. With 23% growth, the Raleigh area welcomed an additional 260,292 residents.

Property Tax Base: Current estimates of the total property tax base - including real, personal, motor vehicles, and utilities - show estimated values increasing approximately 12% from the prior year. Growth in property values has been slow but constant since 2018, with an average growth of roughly 5%. FY 22 values reflect the revaluation that takes effect in 2021.

Excise Tax: The sale of new and existing property in Chatham has continued to accelerate, reflecting the attractiveness of Chatham County as a place to live. With many new sub-divisions in the pipeline and Chatham Park beginning to accelerate, activity is expected to continue to increase.

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 2020. The pandemic had a positive impact on Chatham's sales tax revenue, particularly Article 39. Although the state does not identify the specific source of sales tax revenue, the most logical explanation is that as people sheltered in place, worked at home, and were unable to shop at large malls or venues outside the county online sales increased substantially. In the first 7 months of FY 2021, Article 39 collections were up 13% over the same time for FY 2020. County receipt of sales tax revenue lags collection by 3 months. In October of 2020, the county began to levy an additional ¼ cent Article 46 sales tax.

Building Permits: The total number of building permits in the county (including residential, commercial, alterations, etc.) for the first six months of FY 2021 is about

10% above the same time in FY 2020. Construction projects continue to move forward in Chatham County. Building inspections revenue is projected at a conservative increase from the current year.

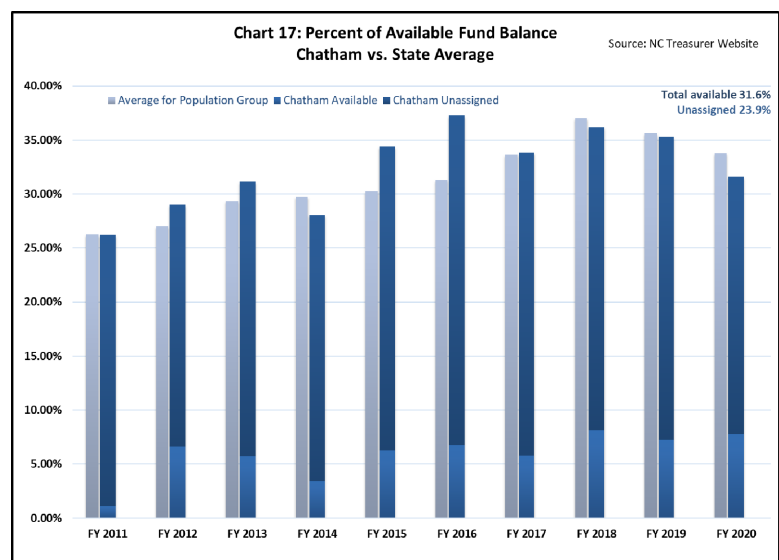
State and Federal Budgets: The state continues to increase the mandated contribution to teacher retirement. This impacts the county by adding to the funds needed to support the teacher supplement. A State study regarding impact fees and the authority to levy them continues. If our authority is repealed, 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. Since the onset of the pandemic, the federal government has passed 2 acts that direct funds to counties – the CARES act in FY2021 and the upcoming American Rescue Plan Act (ARPA) which was recently passed. Counties should see the initial disbursement of ARPA funds soon.

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 2021 are expected to meet or just slightly miss budgeted amounts. One exception to this is Sales Tax collections, which have continued to be very strong despite the pandemic; total Sales Tax collections are projected to be approximately 15% over the 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 23.9% of FY 2020 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, 31.6%, is slightly lower than state average for counties our size, which is 33.8%, 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 2022 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 2021-2022 budget process included a budget critique held immediately after the FY 2021 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.

**Chatham County
FY 2021-2022 Budget Calendar**

Deadline	Actions
28 August 2020	• Capital Improvements Program (CIP) forms distributed to agencies
25 September 2020	• Forms due from agencies and departments for new/changed CIP projects
2 November 2020	• Manager submits recommended CIP to the Board of Commissioners • Heads Up forms due from CITs
16 November 2020	• Hold public hearing on the proposed CIP
9 December 2020	• Work session on the proposed CIP
21 December 2020	• Board adopts CIP; Board appropriates nonprofit funding
28 December 2020	• Budget summit materials (trends, financial indicators, performance team recommendations, and "Heads Up" documents) submitted to Board of Commissioners
January 12, 13, 15 2021	• Budget Retreat: Board of Commissioners sets goals and guidelines for FY 2021-2022 budget
29 January 2021	• FY 2020-2021 year-end estimates due from departments (in Munis). • Next Year Budget Entry becomes available
1-28 February 2021	• Nonprofit application process
28 February 2021	• Budgets due from departments and agencies (except schools)
2 April 2021	• Budget due from schools
3 May 2021	• Budget submitted to Board of Commissioners and public
May 17 and 18, 2021	• Public hearings held in Pittsboro and Siler City
May 20, 21 and 25 2021	• Board of Commissioners holds 2-3 budget work sessions
By 30 June 2021	• Board of Commissioners adopts budget (legal deadline)

Nonprofit Funding Process: Historically, Chatham County has funded county nonprofits that provide important services to our community. 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. The Human Services 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. The Community Partners Analyst coordinates the process and serves as the focal point between the CIT and the agencies.

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 realistic but not overly optimistic revenues. 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.

General Fund Revenue Summary:

	2021 Amended	2021 Estimated	2022 Recommended	Total % Inc./Dec.
Permits & Fees	1,874,990	2,107,893	2,052,295	9%
Intergovernmental	12,172,649	11,369,282	11,077,905	(9%)
Interest	150,000	220,859	150,000	0%
Contributions from others	460,931	522,697	396,743	(14%)
Miscellaneous	296,950	383,081	315,245	6%
Other Taxes/Licenses	900,060	1,246,000	1,140,249	27%
Property Tax	79,772,620	80,667,737	89,227,318	12%
Charges for Services	2,441,711	2,419,543	2,638,563	8%
Sales Tax	15,756,611	18,390,000	19,166,848	22%
Transfers In	16,046,994	14,949,327	20,600,684	28%
Appropriated Fund Balance	5,960,118	0	3,171,575	(47%)
Total Revenues	135,833,634	132,276,420	149,937,425	10%

Enterprise Fund Revenue Summaries:

Solid Waste & Recycling Fund

	2021 Amended	2021 Estimated	2022 Recommended	Total % Inc./Dec.
Intergovernmental	184,000	199,763	198,217	8%
Interest	30,000	19,186	0	0%
Miscellaneous	0	541	0	0%
Charges for Services	3,372,300	3,530,038	3,561,375	6%
Appropriated Fund Balance	213,000	0	0	0%
Total Revenues	3,799,300	3,749,529	3,759,592	-1%

Southeast Water District

	2021 Amended	2021 Estimated	2022 Recommended	Total % Inc./Dec.
Interest	4,000	2,445	4,000	0%
Charges for Services	718,500	704,438	718,500	0%
Appropriated Fund Balance	0	0	31,895	0%
Total Revenues	722,500	706,883	754,395	4%

Water Fund

	2021 Amended	2021 Estimated	2022 Recommended	Total % Inc./Dec.
Interest	58,000	48,337	58,000	0%
Miscellaneous	0	4,252	0	0%
Charges for Services	6,721,807	6,627,545	6,753,100	0%
Transfers In	257,549	257,549	0	-100%
Appropriated Fund Balance	1,711,468	0	1,094,391	(36%)
Total Revenues	8,748,824	6,937,683	7,905,491	(10%)

Property Taxes:

The revaluation of county property confirmed a robust real estate market in Chatham County that reflects demand outpacing supply of improved property, as well as development growth. Our **real property** values are projected to increase 14% over the FY 2021 budgeted amount for FY 2022, primarily due to residential development. The 6% increase in **personal property** is 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 increased 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 ½% over last year.

	FY 2021 Values Budgeted	FY 2022 Values Budgeted	% Increase/ (Decrease)
Real Property	10,256,482,951	11,694,166,306	14.02%
Personal Property	599,133,884	636,620,501	6.26%
Utilities	210,000,000	215,000,000	2.38%
RMV	925,000,000	929,789,737	0.52%
Total	11,990,616,835	13,475,576,544	12.38%

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, three departments have requested an increase in their tax rate. The revenue neutral property tax rates for each fire district are listed in the chart below. Fire department highlights to be aware of include:

- The Bennett Fire Department proposed a two (2) cent increase. The increase would bring their tax rate to 11 cents, which is 4 cents below the maximum 15 cents allowed by General Statute. This increase would be used to add one (1) part time employee to assist with the department’s upcoming ISO rating inspection and to increase their level of service provided to the citizens of their district.
- The Pittsboro Fire Department proposed a 0.4 cent increase for the Circle City fire district. This increase would bring their tax rate to 12.65 cents, which is 2.35 cents below the maximum 15 cents allowed by General Statute. This increase would be used to fund the updating/renovation of all 3 fire stations, add 3 full time shift personnel, one administrative assistant, and cover increased audit and attorney fees.
- The Silk Hope Fire Department proposed a 0.4 cent increase. This increase would bring their tax rate to 8.25 cents, which is 6.75 cents below the maximum 15 cents allowed by General Statute. This increase would be used for salary increases and the addition of one (1) part time employee.
- The City of Durham Fire Department is requesting an increase of their contract payment pursuant with the standing Interlocal Agreement.

Fire District	FY 21 Appr	Revenue Neutral	FY 22 Req.	FY 22 Rec.	Variance	FY 22 Contract
Bells Annex	0.1080	0.0761	0.1080	0.1080	0.0000	\$191,400
Bennett	0.0900	0.0924	0.1100	0.1100	0.0200	\$177,639
Bonlee	0.0700	0.0672	0.0700	0.0700	0.0000	\$263,658
Central	0.1200	0.1146	0.1200	0.1200	0.0000	\$479,089
Circle City	0.1225	0.1113	0.1265	0.1265	0.0040	\$1,620,974
Goldston	0.0900	0.0878	0.0900	0.0900	0.0000	\$305,797
Hope	0.0785	0.0703	0.0825	0.0825	0.0040	\$561,956
Moncure	0.1375	0.1249	0.1375	0.1375	0.0000	\$1,039,582
North Chatham	0.1080	0.1012	0.1080	0.1080	0.0000	\$6,954,271
Northview	0.0860	0.0825	0.0860	0.0860	0.0000	\$36,702
Parkwood	0.1100	0.1053	0.1100	0.1100	0.0000	\$358,741
Staley	0.1000	0.0955	0.1000	0.1000	0.0000	\$58,465

Fee Increases:

There are several new fees and increases to current fees recommended in this budget. The recommended fees and increases are:

- The proposed **Building Inspections Department** fee increases are necessary to fully cover the cost of inspection trip(s) and permit processing. The fee increases are:
 - Minimum fee for Single Family Home (\$400) – setting a minimum fee will ensure that the department is able to fully cover inspection and permit processing costs particularly for small/tiny homes.
 - Basic Permit fee (+\$10) – currently \$50, if approved fee will increase to \$60.
 - Reinspection fee (+\$10) – currently \$50, if approved fee will increase to \$60.
- The proposed **Utilities Enterprise Fund** fee increases are necessary to fully cover the time and materials cost of performing the test/installation. The fee increases are:
 - Fire Flow testing (+\$110) – currently \$50, if approved fee will increase to \$160.
 - Meter Set fee (+\$50) – currently \$200, if approved fee will increase to \$250.
 - Standard ¾” tap fee (+\$400) – currently \$1,000, if approved fee will increase to \$1,400.
 - Hydrostatic Pressure Test on new construction (+\$10) – currently \$70, if approved fee will increase to \$80.
 - Bacteriological Sampling on new construction (+\$125) – currently \$35, if approved fee will increase to \$160.
- The **Solid Waste & Recycling Enterprise Fund** is recommended to set a new “Workshop Fee” (\$10), which will be charged to recover the cost of materials (including printing costs and activity materials) for the workshops that Environmental Quality staff offer.

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 12.8% in FY 2022. 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 began in October of 2020. The estimated full-year proceeds from enacting the tax are \$1.6 million.

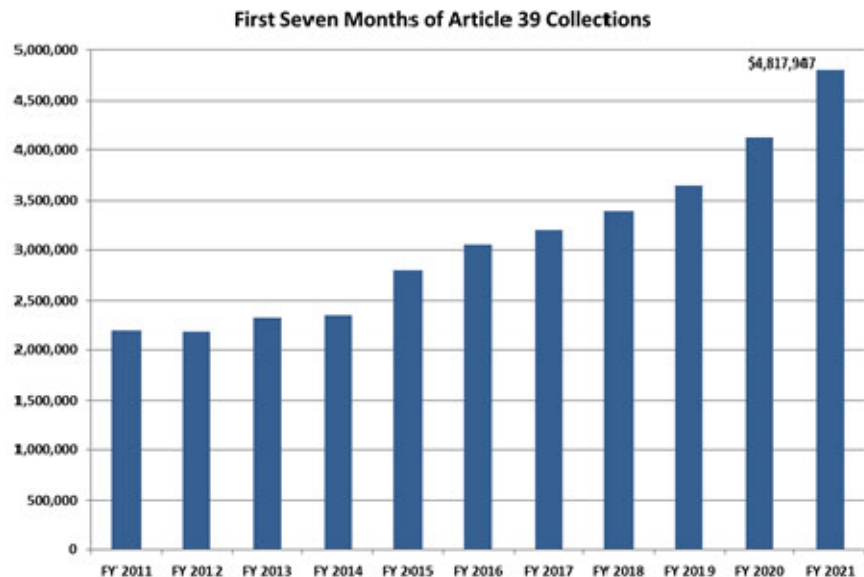
Locally, FY 2021 sales tax revenues (Articles 39 and 42) are both trending roughly 13% above FY 2020, compared with 11% for sales tax collected statewide (Article 40). Article 44 revenue is projected to bring Chatham about \$1.2 million in FY 2021.

One impact of the COVID-19 pandemic that was overestimated during last year's budget

preparation was the impact on sales tax collections. At the time, the NC League of Municipalities (NCLM) projected a "best case" of 3.6% growth in sales tax during FY 2021. Now, overall, experts from the state and the NCLM expect FY 2021 year-end statewide sales tax collections to be approximately 13.5% above the prior fiscal year.

For next year, FY 2022, the NCLM expects statewide local sales tax distributions to show moderate growth of 2.5%. Staff used this guidance to assist with projecting 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 exceeds the budgeted amount. For next year, the FY2022 budgeted sales tax increases considerably, to reflect the current year collection trends more accurately plus the growth that we anticipate seeing in FY 2022.

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.

Staff typically projects this revenue conservatively. The FY2021 budgeted amount was decreased by \$340,000 due to the unknown financial impacts of the pandemic. Given that the effect of the pandemic on sales tax collections was not the severe case that was initially expected, we have already exceeded budget with the March payment. To project this revenue for FY 2022, staff accounted for a moderate sales tax growth and Medicaid expenses remaining relatively flat with a resulting increase of \$500,000 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 9%~~~~increase by 11%~~. 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.
- **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 2022. 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 2022, which is \$100,000.
- **ABC Revenue:** Staff is estimating approximately \$175,000 for FY 2021, higher than the budgeted \$130,000, and is recommending that the FY 2022 budget be set at \$150,000.
- **Court Revenues:** Court facility fees have been trending down for the past few years. The number of criminal and infraction cases disposed have decreased, which mirrors the statewide trend. The pandemic also put a hold on many court activities, meaning that this revenue will not meet budget in FY 2021. In addition, online payments have increased. The budgeted revenue for FY 2022 stays flat at the same budget (\$56,000) as FY 2021.
- **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 in this revenue. Since the actual revenue collected has not yet been disbursed to counties, staff is estimating that the FY2021 revenue will be equal to the amount collected in FY 2020. For FY 2022 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 2022 is expected to increase 9.5% over the current year.

- **Register of Deeds Fees:** Fees are charged when legal documents are recorded. Due to increased activity within the Register of Deeds office, staff estimates that FY

2021 receipts will exceed the budgeted amount by 42.5%. FY 2022 projections are 5% less than the FY 2021 estimated receipts.

- **Building Inspection Fees:** Staff estimates that the revenues for FY 2021 will be \$1.5M, 9% below the FY 2020 collection. This decrease is due in large part to the County network being inoperable during the cyber incident. For FY 2022, staff projects \$1,500,000, consistent with our 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%~~increase by 27%.

- **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 2021 are 10% below FY 2020. FY 2021 projected collections of \$115,000 are based on actual collections plus the assumption that some travel will increase during the remainder of the fiscal year. The projection for FY 2022 is \$120,249.
- **Register of Deeds Excise Stamps:** Excise 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 2021, this revenue source is at 124.5% of the budgeted amount and 29.5% above the first nine months of FY 2020. The real estate market continues to operate at a brisk pace in Chatham County. For this reason, we are estimating current year revenue will be \$1,100,000, and we are budgeting \$1,000,000 for the FY 2022 budget.

Other General Fund Revenues:

Interest: FY 2021 is estimated to be \$220,850, slightly above the budgeted \$150,000. Interest revenue is directly affected by market volatility and the actions of the Federal Reserve. The budgeted interest for FY 2022 is flat, based on estimated interest earnings. The Finance Office invests conservatively, as required by NC law.

Grants/Donations: This revenue source is projected to increase 6% from FY 2020 to FY 2021 due to an increase in grant funds budgeted for the Family Drug Treatment Court. Donations, such as for library materials, are not typically budgeted until they are received.

General Fund Charges for Service: This revenue source 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. In the general fund, this revenue source is expected to increase by 8% due in part to expected increases in revenue from Environmental Health, Erosion Control, Fire Inspections, and Recreation.

Enterprise Fund Revenue:

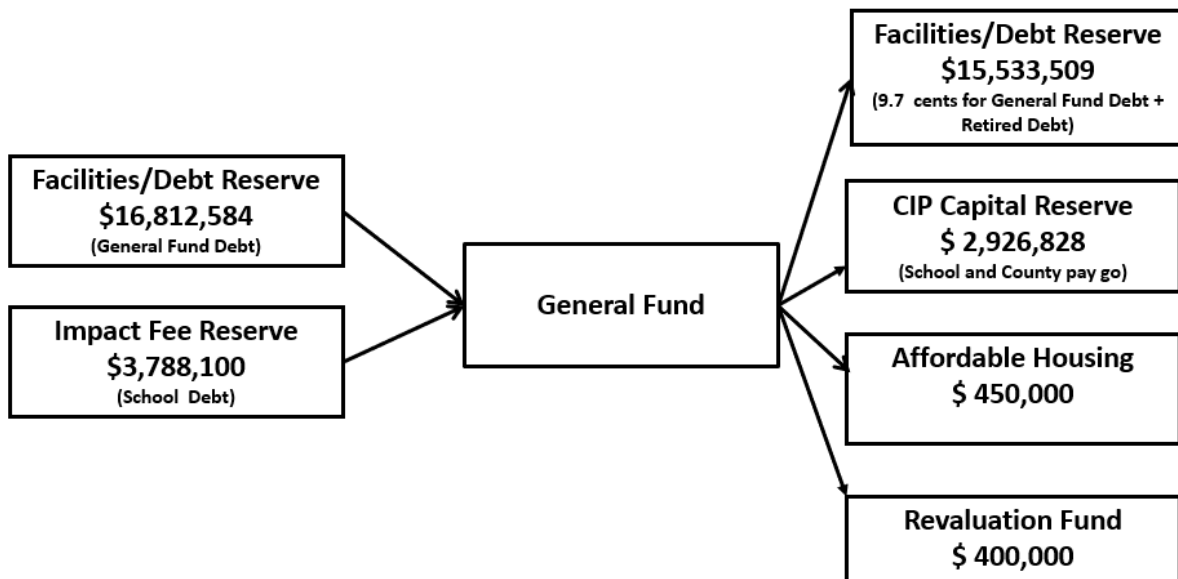
Sales and service revenue accounts for most of the revenue in the Water and Solid Waste & Recycling Funds. Water sales and services are expected to increase 0.5% from FY 2021 budgeted amounts. During the recession, Utility Fund revenue did not show significant growth, despite an increase in the number 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 above budget in FY 2021 and are projected conservatively with a slight decrease in FY 2022. Sales and service is expected to increase by 5% overall, primarily due to an increased number of households while maintaining a projected 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 28% 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. The FY 2021-2022 Recommended Budget increases the contribution by 0.5 cents, from 9.2 to 9.7 cents on the property tax rate.
- **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

\$3,788,100 is needed to cover debt for School buildings (including Virginia Cross and Chatham Grove Elementary Schools and Seaforth High School).

- **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 Appropriation:

General Fund:	
General Fund One Times	\$593,282
Replacement Capital	\$714,887
Expansion Capital	\$109,742
General Fund Transfer to CIP Reserve	\$1,906,767
School Transfer to CIP Reserve	\$1,020,601
Total One Time Expenses	\$4,345,279
Fund Balance Appropriated	\$3,171,575

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 \$1,606,258 from the original fund balance appropriation in FY 2021 (the amended figure reflects changes in the budget since the original appropriation). In keeping with our policy, the recommended fund balance appropriation for FY 2022 will support one-time and capital expenditures.

The Solid Waste & Recycling Fund does not recommend the usage of any fund balance appropriation in FY 2022. The fund includes one-time expenses totaling \$116,000.

The Utility Fund appropriation of fund balance is recommended at \$1,094,391. The fund includes one-time expenses totaling \$1,205,000.

General Fund Expenditure Summary:

	2021 Amended	2021 Estimated	2022 Recommended	Variance	%Inc./ (Dec.)
Administration	9,370,940	9,348,473	10,579,998	1,209,058	13%
Debt Service	16,924,944	16,467,228	22,710,685	5,785,741	34%
Debt/Capital Transfers	15,907,202	15,907,202	19,510,337	3,603,135	23%
Chatham County Schools	37,915,310	37,905,310	40,428,670	2,513,360	7%
Other Education & Culture	4,996,920	3,786,004	4,980,883	-16,037	0%
General Government	3,411,928	3,299,968	3,622,594	210,666	6%
Human Services	20,671,440	17,098,827	18,769,537	-1,901,903	-9%
Natural Resource Management	4,165,040	3,952,605	4,946,274	781,234	19%
Public Safety	22,469,910	20,284,942	24,388,447	1,918,537	9%
Total	135,833,634	128,050,560	149,937,425	14,103,791	10%

Administration: The 13% increase in this grouping can be explained primarily by an Article 46 allocation to Agricultural Preservation and to Affordable Housing. Staff expansions are also included in the increase.

Debt Service: Debt service is increasing by 34% because we will begin payments for the principal on the debt for Seaforth High School in FY 2022. As we pay existing debt, interest costs decrease from year to year.

Debt/Capital Transfers: Overall, this category is up 23%. An increase in the transfer to the debt reserve, to continue fully funding our debt model, is the reason for the increase in this grouping.

Chatham County Schools: Overall, funding for Chatham County Schools is increasing 7%. Current expense funding is increasing \$2,349,460 or 8%. Capital outlay remains flat at \$2,300,000. The salary supplement is increasing 2% 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 less than 1%, mainly due to not budgeting grants and allocations that are not continued from the previous year as well as decreases in capital outlay replacement.

General Government: The 6% increase results mainly from budgeting for increased election expenses to ensure a safe and socially distant election and some capital outlay.

Human Services: The Human Services grouping is decreasing by 9%. This is due to not budgeting allocations that we do not know we will receive at this time.

Natural Resource Management: Natural Resource Management is increasing 19% due to staff expansions, increases in allocations for economic development, planning for the utilization of solar power on County property, and an increase in capital outlay replacement.

Public Safety: The 9% overall increase results primarily from increases due to additional staff and to additional expense associated with the new Animal Resource Center.

Enterprise Fund Expenditure Summaries

	2021 Amended	2021 Estimated	2022 Recommended	Variance	% Inc./ (Dec.)
Solid Waste & Recycling	3,799,300	3,698,724	3,759,592	(39,708)	(1) %
Southeast Water District	722,500	723,245	750,000	31,895	4%
Water Fund	8,748,824	7,078,407	7,960,170	(788,654)	(9) %

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
MIS	1 GIS Technician	\$58,962
MIS	1 Applications Solution Engineer	\$82,518
MIS	Offsite Backup	\$81,105
Facilities	1 HVAC Maintenance Tech	\$120,516
Building Inspections	2 Building Inspectors	\$172,633
Building Inspections	1 Permitting Technician	\$54,512
Watershed Protection	1 Watershed Specialist	\$79,279
Register of Deeds	1 Assistant Register of Deeds	\$55,420
Department of Social Services	2 Children's Services Supervisors	\$88,572
Parks & Recreation	1 Park Manager	\$105,359
Parks & Recreation	Southwest Park Trail Extension	\$41,500
Emergency Communications	5 Telecommunicators	\$267,068
Court Services	1 Pre-Trial Release Coordinator	\$56,067
Sheriff	1 CALEA Accreditation Manager	\$39,697
Sheriff	11 Detention Officers	\$655,688
Sheriff	New RFID software for Detention	\$16,854
Sheriff	1 Animal Care Technician	\$25,444
Sheriff	1 Front Desk Attendant	\$52,350
Cooperative Extension	Farmland Preservation Plan	\$28,000
Economic Development	Small Business Assistance	\$75,000
Library	Elimination of Late Fees	-\$20,500

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 11% from FY 2019.

- **Salaries:** A 3% salary increase is recommended in this budget. Additionally, this budget recommends implementation of the recently completed pay study, effective January 1, 2022. Continuation salaries remained the same from FY 2020 to FY 2021 except for reclassifications. The 6% increase reflects the recommended salary increase, pay study implementation, as well as the full-year cost of positions added mid-year in FY 2021.
- **Other Personnel Costs/Benefits:** Overall, this category increased 5%. A \$169,390 (3%) increase in health insurance is needed to cover the full year costs of health insurance for positions that were implemented for a partial year in FY 2021, and an increase of 2% in expected insurance costs. An increase of \$383,977 in retirement costs is needed due to action by the State Treasurer’s Office to increase the contribution to 11.25% for general employees and 12.1% for law enforcement personnel. The increase is part of an attempt to stabilize the employer contribution rates, and it is substantially larger than previous increases. These new rates will 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.
- **Debt:** Overall, the county’s debt service obligations increased by 34% because the first principal payment for the new Seaforth High School will be due in FY 2022.
- **Transfers:** Transfers are budgeted at a 19% increase in FY 2022. The debt model calls for a transfer of \$15,533,509 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 new emergency operations center), an increase of \$2,709,621. The CIP calls for a transfer of \$1,906,767 to capital reserve to fund pay-as-you-go CIP projects, an increase of \$624,235.
- **Allocations/Programs:** This category increased by 7%. The allocation to Chatham County Schools, including funding for the opening of Seaforth High School, 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 2022. 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 2022-2028 CIP.

The Future

Short-Term: The COVID-19 pandemic has affected our daily lives in ways that seemed unimaginable just over a year ago; however, Chatham County continues to show its resilience as throughout the pandemic the County has continued to see economic growth. Indicators of local growth, such as building inspections and deed stamps, are trending up, with several major development projects in progress. Local sales tax collections are increasing at a higher rate than the state average. Growth in the property tax base is 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. We believe that Chatham will continue to grow at a faster pace than the average for the state and we are 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 regarding 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. There are several opportunities to give input.

Two public hearings on the proposed budget are traditionally held, one 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 we have for the past year, we are conducting business in a way that limits the risk to public health during the present global pandemic. Accordingly, and to ensure adequate social distancing, we will hold a dual in-person and virtual public hearing for the purpose of presenting the proposed FY 2022 budget. Since it is not possible for Commissioners, Staff, and the public to adequately socially distance in Siler City, County staff will provide a virtual option for speakers who wish to attend the Siler City public hearing. This hearing will take place on the same night as the in-person public hearing in Pittsboro.

All efforts are being made to facilitate the transparent communication of the proposed FY 2022 budget and enable meaningful public participation in this process. 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 Darrell Butts by email at darrell.butts@chathamcountync.gov or by phone at 919-545-8333. To guarantee comments submitted in advance are considered, please submit by May 16, 2021. 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.chathamcountync.gov.

Respectfully submitted May 3, 2021,

Dan LaMontagne

Dan LaMontagne, County Manager

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