

Changes to the FY 2022 – 2023 Recommended Budget

The following changes were made to the FY 2022 – 2023 Recommended Budget during budget discussions with the Chatham County Board of Commissioners.

General Fund Changes:

	Revenue	Expense
Begin	\$164,874,058	\$164,874,058
Increase Elections salary and benefits		\$2,794
Increase Parks & Recreation department for Trails Coordinator position		\$37,127
Increase sales tax revenue	\$39,921	
CVB - increase other taxes & licenses revenue	\$2,076	
Reduce fund balance appropriation	(\$2,076)	
End	\$164,913,979	\$164,913,979

Utility Enterprise Fund Changes:

	Revenue	Expense
Begin	\$8,478,538	\$8,478,538
Increase cost for meter reader one-times		\$15,500
Increased cost for treatment chemicals		\$20,000
Increase fund balance appropriation	\$35,500	
End	\$8,514,038	\$8,514,038

Additionally, the Board of Commissioners included the Tractor Rental fee that was inadvertently left off the list of recommended new fees and fee changes.

- Chatham County Agriculture & Conference Center Tractor Rental - \$75 per rental

Budget Message

“Honor the past but welcome the future. – E.E. Cummings”

Chatham County Commissioners and County Residents,

This has been an exciting and eventful year in Chatham County. This is the third consecutive budget that began preparations under the shadow of the continued pandemic; however as the budget process unfolded, the County (and the country) seemed to begin to turn a corner towards a return to relative normalcy. Locally, we continue to experience rapid development, including the recent announcement that VinFast will be locating their US production facility at the Triangle Innovation Point (TIP) East megasite. We continue to be hopeful for the future and believe that Chatham County is well positioned for continued success; we are recommending a budget that will guide us through the next fiscal year and position Chatham County to welcome the future.



Hauling the new portable bleachers at the CCA&CC

The past fiscal year has been a period of celebration for the residents of Chatham County – we began the year continuing the celebration of the 250th anniversary of Chatham County! The yearlong celebration concluded on November 13 with a fireworks display in Siler City, capping off a year of fun and exciting events. Shortly after the completion of the Chatham 250 celebration, Chatham County learned that the largest economic development project in the state of North Carolina’s history will soon call Chatham County home. VinFast, an electric vehicle manufacturer based in Vietnam, will locate their United States production facility at the TIP East megasite in Moncure. This project will bring a large number of new jobs and capital investment to Chatham County in the very near future.

As a County, we must also look to the future and the challenges and opportunities that it will provide. The rapid growth and development we have long expected is accelerating. 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. Over the past two fiscal years, the County was awarded two different grants for the installation of electric vehicle charging stations; these stations are now both installed and operational. The stations are located at the Smithfield's BBQ in Siler City and at the Chatham County Agriculture & Conference Center in Pittsboro. 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 Seaforth High School, the new Schools' Central Services building, and the Environmental Quality Building. Additionally, design is in progress for the implementation of solar power at the Agriculture & Conference Center, with that project scheduled to complete during FY 2023. Further, we continue to utilize geothermal energy in projects where it is applicable and possible to do so. We are also in the process of updating the Farmland and Open Space Preservation Plan, 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 continue to place an emphasis on hybridizing and electrifying our fleet where possible. The FY 2023 budget replaces all vehicles with hybrids or plug-in electrics except in instances where it is not viable (including heavy equipment, public safety vehicles, and instances where there is a lack of viable charging stations).

Overall, our revenues have largely exceeded expectations. Growth within Chatham County continues at a brisk pace. By the end of March, building inspections revenue was at 98% of budget, with activity increasing across all major development types. This revenue will easily exceed the budgeted amount. Similarly, Environmental Health has collected 104% of budgeted revenue by March, meaning that that particular revenue has already exceeded budget. Register of Deeds excise tax collections and Watershed Protection erosion control fees are each up more than 10% when compared to the same time period last year. Even more impressive is that these numbers are based on budgets that increased from the prior fiscal year, which is an outstanding indicator of the growth that is occurring in the county.

Throughout this 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 (CITs) and of their focus for the coming year, but I want to mention a few highlights here.

The **Clerk to the Board** and **County Attorney** worked with **Planning** staff to create a new set of rules and procedures for zoning public hearings and subdivision first plats, which was approved and implemented by the Board of Commissioners in November 2021. **Tax Administraton** staff presented 268 reappraisal appeals to the Board of Equalization & Review, with no change in value for 142 of those appeals. The **Convention & Visitor's Bureau (CVB)** began posting translations to their website in both Spanish and French. The **Chatham County Agriculture and Conference Center** reopened for reservations following the Covid shutdown and also acquired portable bleachers and a tractor that allows for greater space utilization of the outdoor

areas at the facility. **Parks & Recreation** partnered with the **Council on Aging** and **Cooperative Extension** and several sponsors to create a model “Peaceful Pathways for Caregivers” area within the Northeast District Park. The **Court Services** department increased resource offerings to clients, including: veteran services, residential treatment, sober living facilities, in-home based services, peer support, and vocational rehabilitation services. Social workers with the Department of **Social Services** referred 25 individuals for Chatham Family Treatment Court, a federally funded grant initiative that began in late FY 2021. **Public Health** continued Covid-19 vaccination efforts, including booster shots and pediatric vaccines; – more than 8,000 doses have been administered at clinics across the county. The **Library** branches served as distribution sites for residents to obtain N95 masks provided by the Health Department. **Environmental Quality** has completed the installation of 2 electric vehicle (EV) charging stations, is in the process of installing solar panels on the Environmental Quality building and is in the design phase for installation of solar panels for the Chatham County Agriculture and Conference Center. **Emergency Communications** completed installation of new radio units for all fire departments, EMS, and rescue squad.

The Oak View at Siler City was selected for low income tax credits in August 2021. Seventy-two units of income-restricted housing are planned to come online in 2023. Additionally, **Manager’s Office and Planning** staff collaborated to create an agreement with Vickers Village to include a “payment in support of” development agreement and 10 permanently affordable housing units.

Looking ahead to the coming year presents many challenges but also many opportunities. As development within the County continues at a rapid pace, we are focused on addressing the needs that arise as part of that additional development; however, we are also vigilant about honoring Chatham’s rich past and all of those who paved the way and made Chatham County a place that so many others want to call home.

We present a FY 2022-2023 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 we continue to see the fiscal constraints placed on many households by historic inflation increases; however, for the past several years, Chatham’s sales tax revenue has shown solid growth and has proven to be more resilient than statewide averages. Additionally, the development that is occurring within the County will increase sales tax revenues.

The E.E. Cummings 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. We must ensure that we adequately address the myriad needs of a growing county, while also honoring our past and the ideals that shaped Chatham County into what it is today.

The county continues to prioritize support for education. The budget fully funds Chatham County Schools' request for an additional \$1,544,425. Current expense will increase by \$105,000 to support increased operating costs associated with the opening of the new Central Services building this year and other minor operational needs. An additional \$820,000 will be added to teacher pay supplement costs as we implement the new supplement funding model that was approved by both the Board of Education and Board of Commissioners. The new model shifts supplement funding away from a percent of salary model and to a "hybrid" model, where teachers will receive a base amount of pay supplement based on years of service and education as well as a small percentage of their total salary (percent also based on years of service and education). This model will allow the County and School System to have greater flexibility in addressing needed changes to the supplement funding level while reducing the impact that external factors, primarily state budget changes, will have on our ability to maintain our competitive supplement funding model. 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.

At the direction of the Board of Commissioners, and the request of the Board for the Council on Aging, this budget begins the process of transitioning the Council to a full-fledged County department. Council on Aging staff will become County employees effective with this new budget and staff will work to continue transitioning all operations of the Council into the new County Department on Aging in FY 2024. There is a significant budget impact in FY 2023, about \$419,000, primarily due to the fact that we are not yet able to transition some of the external revenues that the Council receives to the County until full transition occurs.

The budget continues to fund an additional year of Chatham Promise and includes a mandatory (0.85%) increase to the Local Government Employees' Retirement System (LGERS).



County Chatham Eastern Senior Center

The growth in the county over the past ten years – including construction of many new facilities has been supported by our steadfast adherence to a long-term financial plan that manages debt. The FY 2022-2023 Recommended Budget continues to contribute 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. The first debt payment for

the 911 radio system occurred in FY 2022 and the first payments for both the new Central Services building and new Emergency Operations Center will occur in FY 2023.

As development continues within Chatham County, we must make sure that we have appropriate levels of staffing to ensure that new development is being undertaken in a timely, safe, and efficient manner. Development and growth have reached a point where they are now outpacing current staff's ability to complete the required work appropriately. 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:

- Three multi-trade Building Inspectors [\$372,825] to keep up with the increase in residential, commercial, and multi-family permits.
- One Inspections Supervisor [\$124,513] to keep up with the increase in residential, commercial, and multi-family permits.
- One Building Plans Reviewer [\$97,323] to keep up with the increase in residential, commercial, and multi-family permits.
- Three Watershed Specialists [\$327,521] to address increased development occurring within the County, to better address administration and enforcement of program requirements by authorities such as NCDEQ and EPA, and to more effectively respond to resident requests for information and complaints.
- One Personal Property Appraiser [\$69,051] to monitor and improve the accuracy of personal property on the tax books. This position will focus on removing personal property that is no longer located within the County from the tax books, instead of it being automatically rolled to the following year thereby reducing unnecessary delinquent tax efforts. Additionally, this position will work on discoveries of any unlisted personal property which would result in additional tax value for the County.
- Three Environmental Health Specialists [\$322,703] to address increased workload and demands in both on-site wastewater (OSWW) and food, lodging, and institution (FLI) programs. Each of these programs has seen rapid growth in the number of permits issued in each of the last several fiscal years (with a slight dip in FLI during the pandemic). Two of the specialists will be assigned to the OSWW program and the third to the FLI program.
- Two positions in the Utilities enterprise fund, a Utility Service Worker [\$84,552] to address issues related to meter reading for a growing customer base and an Asset Management Specialist [\$119,199] to oversee work orders, preventative maintenance, inventory control, cross-connection program, and fees for all operational assets.

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.

- Two Shelter Attendants [\$105,826] for the Animal Resource Center (ARC) increase the space utilization of the facility, so that the ARC will be able to house and intake additional animals. Additionally, the increase in staff will allow the Animal Resource Center to hold additional rabies clinics each year.
- One Program Coordinator [\$63,952] for the Animal Resource Center to create and strengthen effective and efficient partnerships with local rescue groups, to manage and expand the ARC's volunteer program, and to develop a foster care program that can temporarily hold animals while working on behavior issues and medical needs.
- One Veterinary Technician [\$61,816] for the Animal Resources Center to provide an additional level of triage during animal intake, additional veterinary care when the contract veterinarian is not on-site, and to identify potential medical issues in animals in a timelier manner with the goal of reducing the amount of time that animals are not eligible for adoption/placement due to being treated for an illness.
- Four Telecommunicators [\$258,152] to address increasing call volumes and allow for quicker answering, processing, and dispatch of 911 calls for service. This will allow for the Emergency Communications department to add 1 telecommunicator per shift.
- One Assistant Director for Emergency Communications [\$144,276] to assist with administrative functions that are currently all the responsibility of the director. This position will be responsible for supervising Emergency Communications staff as well as ensuring that CAD is updated/maintained correctly, communications with external vendors is handled in a timely and efficient manner and begin the process of CALEA certification.
- One Emergency Management Specialist [\$128,154] to support several Emergency Management program areas, including training, exercises, continuity of



New Emergency Operations Center (under construction!)

operations, and radiological emergency preparedness (REP). This position will assume on-call (Emergency Management Staff Duty Officer) responsibilities, which are currently shared 24/7/365 between two staff members. Finally, this position will be an active participant in EOC activations.

- One Emergency Systems Technician [\$123,459]

that will be shared between Emergency Management and Emergency Communications to coordinate local responsibilities associated with the County's new public safety radio system tower site facilities, and subscriber units. Additionally, this position will also manage Emergency Management's fleet of generators, trailers, and other equipment and support the Emergency Operations Center during activation periods. This position will enable Emergency Management and Emergency Communications to transition from a reactive to a proactive stance with monitoring, maintaining, and repairing critical facilities, equipment, and infrastructure relied on for life safety activities.

- One Domestic Violence Pretrial Coordinator [\$63,334] to assist with case management, intake, and supervision of electronic monitoring clients with domestic violence and sexual assault charges. This position will improve service, as victims will be notified immediately regarding violations with the defendants in their cases. Additionally, this dedicated staff person will provide case management services for the third-party monitoring program.
- One part-time Child Advocacy Coordinator [\$37,258] to improve overall service level and to focus on improving outreach efforts to minority communities, especially educating parents on trauma.
- One Domestic Violence Advocate [\$70,596] to fund with County dollars a position that had been grant funded for some time. This position was originally a County funded position and then the Court Services department secured grant funding to offset the costs of two DV Advocate positions, the grant will now only support one position; however, the need for services is still there and the County will resume funding of this position.

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

- One Community Center Manager [\$70,368] for the Chatham Grove Community Center. A dedicated employee at the facility will allow for additional program offerings at the center and will more fully utilize the community center space.
- One Caseworker III [\$32,668] to focus on continuous quality improvement in the Economic Services division of the Department of Social Services. This position is 50% reimbursable by the state.

Finally, two positions are included for **Facilities** in the **Administration** CIT. This team includes departments that provide support functions to departments that deliver services.

- Two Maintenance Technicians [\$200,750] to allow for quicker response times for identified facilities issues and to expand staff's ability to perform additional preventative maintenance, which should reduce repair issues and maximize the life spans of our assets to be more fiscally responsible.

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

The Solid Waste enterprise fund will undergo a significant transition during FY2023. For many years, the collection center staffing has been maintained via a contract for services. As Solid Waste staff were preparing the FY 2023 budget, and through conversations with the current vendor, it became apparent that continuing with a contract for collection center staffing services was no longer a viable method to continue operations. Solid Waste staff have negotiated with the current vendor to continue to provide service for the 1st quarter of the fiscal year (through September 30th) at which time, collection center staffing will move “in-house” and be operated by County employees located within the Solid Waste enterprise fund. This transition period will allow sufficient time for Solid Waste leadership to prepare for the shift in operations and be fully prepared to assume operational oversight on October 1. The transition from a vendor to County staff does not require any increases to the Solid Waste fee for FY 2023.

An additional \$137,885 is recommended for the Management Information Services (MIS) department to implement enhanced data governance policies and technological resources. This will allow MIS to work with industry leaders to develop and implement best practice models to protect the organization, and its data, from known and unknown risks. The goal of this data governance strategy is to serve Chatham County well into the future while also addressing current data needs.

An additional \$200,000 is recommended for the implementation of countywide LiDAR for Chatham County. This project will update the current county LiDAR (last updated as part of a state LiDAR acquisition project in 2015) and will allow for more frequent data updates. Given the rapid development that is occurring within the County, having GIS mapping data that is updated more frequently can help track adherence to the development objectives outlined in the comprehensive plan.

A turf maintenance preventative management plan for the County’s playing fields is recommended to be included, at a cost of \$42,455. This plan will allow for the various playing fields at County parks to be utilized more frequently and will also minimize the wear and tear on the respective fields.

A 0.5% increase in the County’s 401(k) contribution for general government employees is recommended. This will increase the contribution rate for general government employees to 5%, which is the same as the current law enforcement employee contribution amount.

The recommended budget also includes a 2% increase in the County contribution to the health plan and a 7% pay increase for employees pay raises. While many expenses are necessary to continue movement toward our goals, competitive salaries are essential to attracting and retaining our greatest asset, talented professional staff.

Some necessary one-time and capital outlay expansions are included in the fund balance appropriation and include replacement vehicles for Facilities, Fleet, and Building

Inspections, and funds to do a minor renovation to the backup 911 center. The total cost of these items is \$330,000.

Major Revenue Highlights:

- The county property tax rate is recommended to remain the same at 66.5 cents per \$100 of valuation.
- Revenue from Ad Valorem taxes is projected to increase by 6.1%.
- Sales tax revenue is projected to increase by 24% over the FY 2022 budgeted amount, this is due to the continued strong sales tax collections that the County is seeing and projecting for continued modest growth.
- Revenue from permits and fees is projected to increase 14.8% from the current year budget.
- Register of Deeds excise tax revenue is projected to increase 50% 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:

The onset of the pandemic in March of 2020 ended the longest period of economic expansion since before the Civil War; however 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, the national and local economies were strong in FY2020 prior to the emergence of the coronavirus and then decreased sharply. Additionally, the economic recovery occurred at a much faster pace than the recovery from the Great Recession. While it appears we are beginning to emerge from the pandemic and the economic difficulties that it entailed, due to other factors, some economists believe that we may have a recession by the end of the year. These factors include the war in Ukraine, unprecedented inflation, and decisions made by the Federal Reserve regarding interest rates.

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 current economic outlook is uncertain, we believe that Chatham will be less impacted by an economic downturn 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 2022, the latest data available, the state's unemployment rate was 3.7%. This is a decrease of 34% compared to February of 2021, which was during the pandemic. Unemployment across the state peaked at a high of 13.5% in May of 2020 and has been decreasing steadily since that time. Chatham's unemployment rate in February of 2022 was 2.8%, which was the third 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 approximately 1% between 2020 and 2021. 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 6% from the prior year budget. Growth in property values has been steady since 2019 with an average growth of roughly 6.5%, including a larger growth in values in FY 22 that reflects the revaluation that took place.

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 showing rapid growth, 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 2021. 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 from home, and were unable to shop at large malls or venues outside the county, online sales increased substantially. It appears that this trend of increased online purchases has continued even as we begin to emerge from the pandemic. In the first 7 months of FY 2022, Article 39 collections were up 17% over the same time for FY 2021. 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 2022 is about 14% above the same time in FY 2021. 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. Additionally, the recently approved state budget includes salary increases for teachers. Both of these items impact 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. 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 American Rescue Plan Act (ARPA). Chatham County has received its initial disbursement of ARPA funds and is planning the best way those funds can be utilized to benefit residents in recovery from the pandemic.

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, revenues in FY 2022 are expected to meet or exceed budgeted amounts. Sales Tax collections, have continued to be very strong despite the pandemic. Total Sales Tax collections are projected to be approximately 15% over the budgeted amounts.

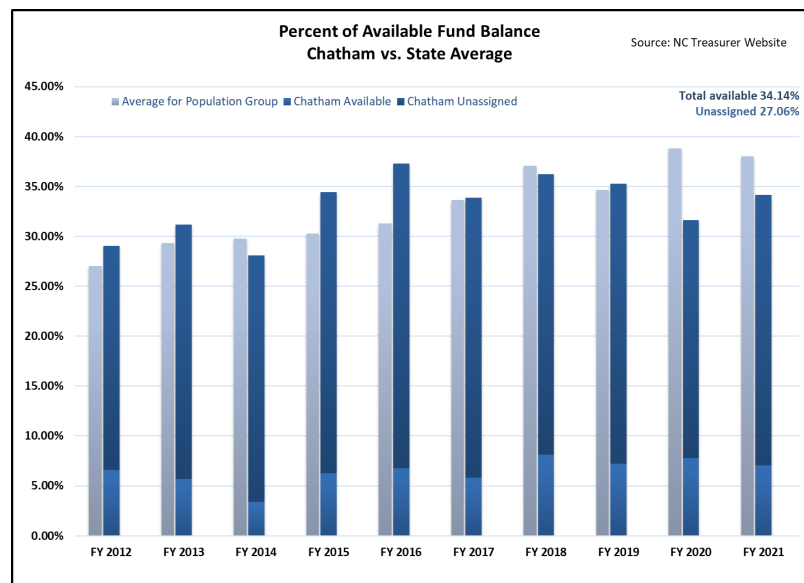
Maintaining adequate fund balance. The stated goal of the Board of Commissioners is to maintain unassigned General Fund savings (fund balance) equal to at least 20% of last year's budget. Fund balance at this level allows the county to meet its financial obligations, gives Commissioners and staff an adequate reserve for emergencies and opportunities, and positively affects the county's bond rating.

Chatham County's unassigned fund balance stands at 27.1% of FY 2021 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, 34.1%, is slightly lower than state average for counties our size, which is 38.1%, 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 2021. 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 2023 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 (and former staff) also present on the budget process at conferences and the School of Government.

The FY 2022-2023 budget process included a budget critique held immediately after the FY 2022 budget process. Commissioners did not request any process 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 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 defines services that will 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 Relations Analyst coordinates the process and serves as the focal point between the CIT and the agencies.

Chatham County
FY 2022-2023 Budget Calendar

Deadline	Actions
August 27 2021	• Capital Improvements Program (CIP) forms distributed to agencies
September 27 2021	• Forms due from agencies and departments for new/changed CIP projects
November 1 2021	• Manager submits recommended CIP to the Board of Commissioners • Heads Up forms due from CITs
November 15 2021	• Hold public hearing on the proposed CIP
November 16 2021	• Work session on the proposed CIP
December 20 2021	• Board adopts CIP; Board appropriates nonprofit funding
January 11, 12, 14 2022	• Budget Retreat: Board of Commissioners sets goals and guidelines for FY 2022-2023 budget
January 31 2022	• FY 2021-2022 year-end estimates due from departments (in Munis). • Next Year Budget Entry becomes available
February 1 – 28 2022	• Nonprofit application process
February 28 2022	• Budgets due from departments and agencies (except schools)
April 4 2022	• Budget due from schools
May 2 2022	• Budget submitted to Board of Commissioners and public
May 16 and 17, 2022	• Public hearings held in Pittsboro and Siler City
May 23 – 25 2022	• Board of Commissioners holds 2-3 budget work sessions
By 30 June 2022	• Board of Commissioners adopts budget (legal deadline)

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:

	2022 Amended	2022 Estimated	2023 Recommended	Total % Inc./Dec.
Permits & Fees	2,052,295	2,399,874	2,356,142	15%
Intergovernmental	13,937,164	14,627,832	11,457,356	(18%)
Interest	150,000	315,446	150,000	0%
Contributions from others	1,052,777	723,055	413,668	(61%)
Miscellaneous	315,245	593,282	338,000	7%
Other Taxes/Licenses	1,142,862	1,700,000	1,665,682	46%
Property Tax	89,227,318	92,422,906	94,627,948	6%
Charges for Services	2,638,563	3,269,477	2,803,258	6%
Sales Tax	19,166,848	24,118,487	23,770,547	24%
Transfers In	20,600,684	11,812,584	22,352,180	9%
Appropriated Fund Balance	5,181,148	0	4,939,277	(5%)
Total Revenues	155,464,904	151,982,943	164,874,058	6%

Enterprise Fund Revenue Summaries:

Solid Waste & Recycling Fund

	2022 Amended	2022 Estimated	2023 Recommended	Total % Inc./Dec.
Intergovernmental	198,217	261,576	211,000	6%
Interest	0	10,016	0	0%
Miscellaneous	0	48,993	0	0%
Charges for Services	3,561,375	3,665,880	3,606,000	1%
Appropriated Fund Balance	147,786	0	316,035	0%
Total Revenues	3,907,378	3,986,465	4,133,035	6%

Southeast Water District

	2022 Amended	2022 Estimated	2023 Recommended	Total % Inc./Dec.
Interest	4,000	1,465	3,000	-25%
Charges for Services	718,500	800,760	718,500	0%
Appropriated Fund Balance	31,895	0	33,488	0%
Total Revenues	754,395	802,225	754,988	0%

Water Fund

	2022 Amended	2022 Estimated	2023 Recommended	Total % Inc./Dec.
Interest	58,000	19,481	58,000	0%
Miscellaneous	0	48,380	0	0%
Charges for Services	6,753,100	8,265,873	7,814,200	16%
Transfers In	333,500	0	0	-100%
Intergovernmental	54,679	109,357	109,357	100%
Appropriated Fund Balance	1,484,454	0	496,981	(67%)
Total Revenues	8,683,733	8,443,091	8,478,538	(2%)

Property Taxes:

Our **real property** values are projected to increase 5% over the FY 2022 budgeted amount for FY 2023, due to both additional residential development and the fact that the actual appeals of properties during the revaluation process was less than staff projected. The 9% 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 9%. 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 13% over last year. It is important to remember that for both utility values and motor vehicles, we rely on estimates for budgeting purposes and actual values for the year may be lower or higher than the estimated values (both utility and motor vehicles actual values for FY 2022 were greater than original estimates).

	FY 2022 Values Budgeted	FY 2023 Values Budgeted	% Increase/ (Decrease)
Real Property	11,694,166,306	12,308,426,283	5.25%
Personal Property	636,620,501	698,667,082	9.75%
Utilities	215,000,000	235,000,000	9.30%
RMV	929,789,737	1,054,785,042	13.44%
Total	13,475,576,544	14,296,878,408	6.09%

Fire District Tax Rates:

Fire department budgets are reviewed by the Budget Director, 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. Fire department highlights to be aware of include:

- The North Chatham Fire Department proposed a one (1) cent increase. The increase would bring their tax rate to 11.8 cents, which is 3.2 cents below the maximum 15 cents allowed by General Statute. This increase would be used to fund an additional 3 full-time firefighters and 1 part-time firefighter in addition to the required equipment and personal protective gear for the new staff and additional apparatuses. Since the North Chatham Fire Department also services the Bells Annex fire district, the requested tax rate increase is for both the North Chatham and Bells Annex districts.
- The City of Durham Fire Department, which provides service for the Parkwood district, is requesting an increase of their contract payment pursuant to the standing Interlocal Agreement.

Fire District	FY 22 Appr Rate	FY 23 Req	FY 23 Rec	Variance	FY 23 Contract
Bells Annex	0.1080	0.1180	0.1180	0.0100	210,160
Bennett	0.1100	0.1100	0.1100	0.0000	197,827
Bonlee	0.0700	0.0700	0.0700	0.0000	278,168
Central	0.1200	0.1200	0.1200	0.0000	506,593
Circle City	0.1265	0.1265	0.1265	0.0000	1,688,064
Goldston	0.0900	0.0900	0.0900	0.0000	313,017
Hope	0.0825	0.0825	0.0825	0.0000	589,381
Moncure	0.1375	0.1375	0.1375	0.0000	1,017,256
North Chatham	0.1080	0.1180	0.1180	0.0100	8,079,589
Northview	0.0860	0.0860	0.0860	0.0000	40,181
Parkwood	0.1100	0.1100	0.1100	0.0000	376,695
Staley	0.1000	0.1000	0.1000	0.0000	61,132

Fee Increases:

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

- The proposed **Environmental Health (Health Department)** fee increases are necessary to cover the cost of permit processing more fully. These fees have not been adjusted since before 2011. The fee increases are:
 - Improvement Permit (Residential 2 bedrooms) (+\$20) – currently \$130, if approved \$150
 - Improvement Permit (Residential 3 bedrooms) (+\$25) – currently \$200, if approved \$225
 - Improvement Permit (Residential 4 bedrooms) (+\$25) – currently \$275, if approved \$300

- Improvement Permit (Residential 5 bedrooms) (+\$20) – currently \$330, if approved \$350
- Improvement Permit (Residential 6+ bedrooms) (+50/bedroom) – currently \$400, if approved would maintain at \$400 for a 6-bedroom home but cost an additional \$50 for each bedroom above 6 (example: 7-bedroom home would cost \$450)
- Pool Permit (Seasonal) (+\$25) – currently \$175, if approved \$200
- The Council on Aging currently charges fees for some of their operations. As the Council transitions to a county department over the next year, it is necessary to adopt their current fee schedule into the County's so that when the transition to a full County department is complete, the department will still be able to levy the appropriate fees. The fees are:
 - Senior Games - \$10 early registration, \$15 normal/standard, \$5 bag lunch
 - Facility rental (Dance) - \$120/week
 - Sitter background checks - \$18
 - Medical Transport - \$2 each way

Sales Tax:

Because of changes brought about by Medicaid relief, sales tax decreased as a percent of general fund revenues from FY 2009 through FY 2022. In FY 2023, sales tax as a percent of general fund revenues once again has risen to the same percent of budget that it had in FY 2009, 14% of general fund revenues. 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.

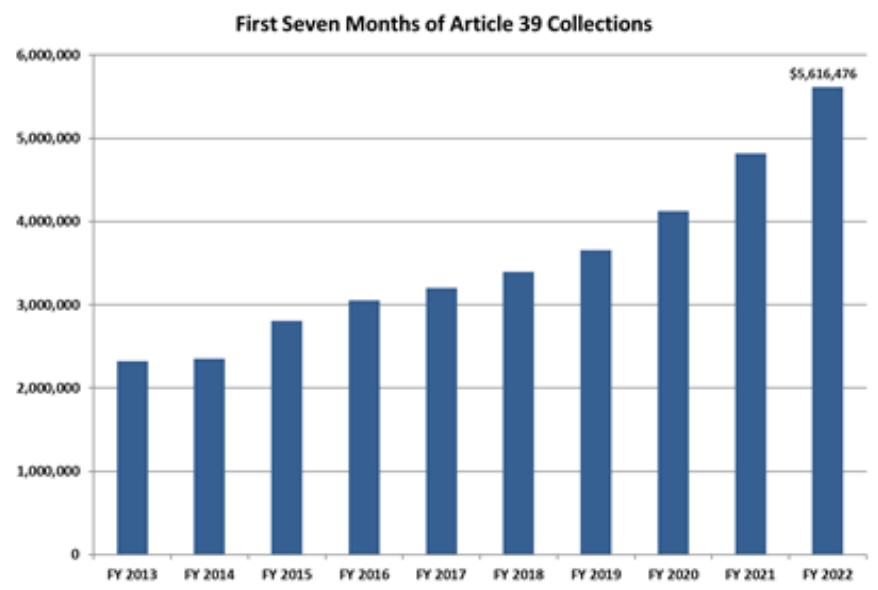
Article 44: Beginning the last month of FY 2016, the state levied sales tax on some services and these proceeds are distributed to rural areas. This revenue is restricted for schools, community colleges, and economic development. The state has developed a formula which projects the expected revenue distribution 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 \$2.5 million.

Locally, FY 2022 sales tax revenues (Articles 39 and 42) are trending roughly 17% above FY 2021, this is comparable for the sales tax collected statewide (Article 40). Article 44 revenue is projected to bring Chatham about \$1.5 million in FY 2022.

For FY 2023, the North Carolina League of Municipalities (NCLM) expects statewide local sales tax distributions to show moderate growth of 3.75%. Staff used this guidance to assist with projecting local and statewide collections.

As the chart to the right 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 FY 2023 budgeted sales tax increases considerably, to reflect the current year collection trends more accurately plus the growth that we anticipate seeing in FY 2023.



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 FY2022 budgeted amount was increased by \$500,000 due to the continued strong sales tax performance. Given that sales tax collections have been even stronger than was initially projected, the March payment has exceeded budget. To project this revenue for FY 2023, staff accounted for modest sales tax growth and Medicaid expenses remaining relatively flat with a resulting increase of \$200,000 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 18%. 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 2023. 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 2023, which is \$100,000.
- **ABC Revenue:** Staff is estimating approximately \$225,000 for FY 2022, higher than the budgeted \$150,000, and is recommending that the FY 2023 budget be set at \$200,000.
- **Court Revenues:** Court facility fees have been trending down for the past few years. The number of criminal and infraction cases disposed have decreased, which mirrors the statewide trend. In addition, online payments have increased. The budgeted revenue for FY 2023 stays flat at the same budget (\$56,000) as FY 2022.
- **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 FY2022 revenue will be equal to the budgeted amount. For FY 2023 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 2023 is expected to increase 15% over the current year.

- **Register of Deeds Fees:** Fees are charged when legal documents are recorded. Due to continued high activity levels within the Register of Deeds office, staff estimates that FY 2022 receipts will meet the budgeted amount. FY 2023 projections are flat, with the expectation that the current level of activity will continue during FY 2023.
- **Building Inspection Fees:** Staff estimates that the revenues for FY 2022 will be \$1.85M, 5% above the FY 2021 collection amount. This increase is due to the continued high development activity in the County, particularly new residential development. For FY 2023, staff projects \$1,800,000, consistent with our current year expected revenues.

Other Taxes and Licenses:

Other Taxes and Licenses represent locally collected taxes, other than the property tax. Overall, this revenue category is expected to increase by 46%.

- **Occupancy Tax:** Occupancy tax revenues seem to have mostly rebounded from the losses that we saw when restrictions were initially put in place for Covid-19. Collections for the first nine months of FY 2022 are almost equal to the entirety of FY 2021. The budget for FY 2023 is projected to increase to \$145,682.
- **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 2022, this revenue source is at 105.4% of the budgeted amount. 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 \$1,500,000, and we are budgeting \$1,500,000 for the FY 2023 budget.

Other General Fund Revenues:

Interest: FY 2022 is estimated to be \$315,446, 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 2023 is flat, based on estimated interest earnings and the recent (and anticipated) actions by the Federal Reserve. The Finance Office invests conservatively, as required by NC law.

Contributions from Others: This revenue source is projected to decrease 61% from FY 2022 to FY 2023 because we do not budget contributions from others unless we have confirmation that we will receive those funds in advance of preparing the budget. Additionally, 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, as reimbursement rates are set by the federal government. In the general fund, this revenue source is expected to increase by 6% due in part to expected increases in revenue from Environmental Health, Watershed Protection, Fire Inspections, and Planning.

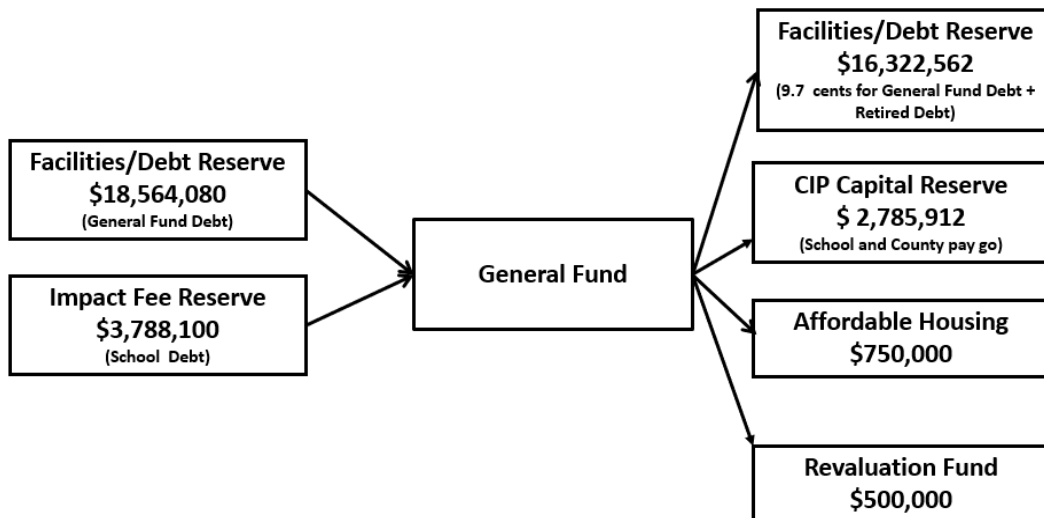
Enterprise Fund Revenue:

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 16% from FY 2022 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 that are seeing development. 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 above budget in FY 2022 and are projected conservatively with an increase of 6% in FY 2023. Sales and service is expected to increase by 1% 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. The Solid Waste enterprise fund will also see a significant increase in appropriated fund balance in FY 2023; this appropriation of fund balance adheres to our financial policies and is being appropriated so that staff can have time to fully understand the transition from contracted workers at the collection centers to in-house County staff. An adjustment to the solid waste fee may be necessary in the future.

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 8.5% 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. 9.7 cents on the property tax rate, plus the decrease in debt service on general obligation bonds, is transferred annually to this reserve to pay for debt service on general county 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 2022-2023 Recommended Budget maintains the contribution at 9.7 cents of 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 FY 2019 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. Beginning in FY 2021, with the beginning of the collection of Article 46 Sales Tax, the Board of Commissioners allocated additional funding to Affordable Housing based on the funding formula for Article 46 Sales Tax collections. In FY 2023, the transfer to the Affordable Housing Trust fund is recommended at \$750,000 – the \$250,000 as originally approved in FY 2019 and an additional \$500,000 in expected Article 46 collections.
- **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. The FY 2023 budget recommends increasing this transfer by \$100,000 for a total transfer of \$500,000 in anticipation of increased costs for the next property revaluation.

Fund Balance Appropriation:

General Fund:		
General Fund One Times		\$1,205,549
Replacement Capital		\$1,041,033
Expansion Capital		\$464,855
General Fund Transfer to CIP Reserve		\$1,929,245
School Transfer to CIP Reserve		\$856,667
Total One Time Expenses		\$5,497,349
Fund Balance Appropriated		\$4,939,277

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 \$1,869,420 greater than the original fund balance appropriation in FY 2022 (the amended figure reflects changes in the budget since the original appropriation). In keeping with our policy, the recommended fund balance appropriation for FY 2023 will support one-time and capital expenditures.

The Solid Waste & Recycling Fund appropriation of fund balance is recommended at \$316,035. The fund includes one-time expenses totaling \$318,750.

The Utility Fund appropriation of fund balance is recommended at \$496,981. The fund includes one-time expenses totaling \$1,327,733.

General Fund Expenditure Summary:

	2022 Amended	2022 Estimated	2023 Recommended	Variance	%Inc./ (Dec.)
Administration	10,851,360	10,148,416	12,370,087	1,518,727	14%
Debt Service	22,710,685	22,671,130	25,002,180	2,291,495	10%
Debt/Capital Transfers	19,756,039	21,110,337	20,858,474	1,102,435	6%
Chatham County Schools	40,428,670	40,428,670	41,336,170	907,500	2%
Other Education & Culture	5,335,735	4,678,773	5,569,507	233,772	4%
General Government	3,659,934	3,189,644	4,047,479	387,545	11%
Human Services	22,096,703	19,276,332	21,166,093	-930,610	-4%
Natural Resource Management	5,344,448	4,903,137	6,226,878	882,431	17%
Public Safety	24,766,642	22,380,662	28,297,190	3,530,548	14%
Total	154,950,216	148,787,100	164,874,058	9,923,843	6%

Administration: The 14% increase in this grouping can be explained primarily by increased salary and benefits costs and increases to operating costs, including contractual increases and additional costs due to further strengthening our data security. Staff expansions are also included in the increase.

Debt Service: Debt service is increasing by 10% because we will begin both principal and interest payments on the new Central Services building and the new Emergency Operations Center. As we pay existing debt, interest costs decrease from year to year.

Debt/Capital Transfers: Overall, this category is up 6%. An increase in the transfer to the debt reserve, to continue fully funding our debt model, is the primary reason for the increase in this grouping. Additionally, transfers for affordable housing/agricultural preservation & enhancement/parks & recreation are increasing due to expected increases in Article 46 sales tax.

Chatham County Schools: Overall, funding for Chatham County Schools, exclusive of debt, is increasing 2%. Current expense funding is increasing \$105,000 or 0.4%. Capital outlay remains flat at \$2,300,000. The salary supplement is increasing 11% as we transition to a new hybrid (base amount + percentage of salary) model, the new model should ensure Chatham’s supplement remains competitive with surrounding counties while also having less year-to-year fluctuations due to external factors (e.g. state budget). The implementation of this new model also includes an increase in supplement pay of at least \$250 annually.

Other Culture & Education: Spending in this category has increased by 4%, mainly due to increases in salary and benefits costs. Staff expansions are also included in the increase.

General Government: The 11% increase results from increased salary and benefits costs as well as some contractual increases. Additionally, the FY 2023 budget increases the transfer out to the Revaluation Fund by \$100,000.

Human Services: The Human Services grouping is decreasing by 4%. 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 17% due to staff expansions, contractual increases, some one-time expenses related to reorganizing existing office space to accommodate new staff, and an increase in capital outlay.

Public Safety: The 14% overall increase results primarily from increases due to additional staff in multiple departments and due to increases in operating costs, including maintenance of the new radios and radio system (including towers, SCADA, and other equipment).

Enterprise Fund Expenditure Summaries

	2022 Amended	2022 Estimated	2023 Recommended	Variance	% Inc./ (Dec.)
Solid Waste & Recycling	3,907,378	3,632,683	4,133,035	225,657	6%
Southeast Water District	754,395	724,395	754,988	593	0%
Water Fund	8,683,733	7,090,530	8,478,538	(205,195)	(2) %

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). Positions costs include one-time purchases (ex: vehicles) in addition to salary/benefits and operating costs associated with the position. More detail can be found on these and smaller requests in each department’s budget.

Department	Expansion	Net Cost
Tax Administration	Personal Property Appraiser	\$69,051
MIS	Data Governance	\$137,885
MIS	LiDAR	\$200,000
Non-Departmental	401(k) expansion	\$110,000
Non-Departmental	Airtable	\$24,000
Facilities	2 Maintenance Technicians	\$200,750
Sheriff	Public Survey	\$20,000
Sheriff - Animal Resources	2 Shelter Attendants	\$105,826
Sheriff - Animal Resources	Program Coordinator	\$63,952
Sheriff - Animal Resources	Vet Tech	\$61,816
Building Inspections	3 Inspectors	\$372,825
Building Inspections	Inspections Supervisor	\$124,513
Building Inspections	Commercial Plan Reviewer	\$97,323
Emergency Management	Emergency Management Specialist	\$128,154
Emergency Management	Emergency Systems Technician	\$123,459
Emergency Management	Emergency Logistics Specialist (PT)	\$20,000
Emergency Communications	Assistant Director	\$144,276
Emergency Communications	4 Telecommunicators	\$258,152
Court Services	DV Advocate	\$70,596
Court Services	Child Advocacy Coordinator (PT)	\$37,258
Court Services	DV Pretrial Coordinator	\$63,334
Economic Development	Staff salary adjustments	\$12,033
Watershed Protection	3 Watershed Specialists	\$327,521
Planning	MPO Grant Project	\$34,966
Environmental Health	3 Environmental Health Specialists	\$322,703
Social Services	Caseworker III (Econ Services CQI)	\$32,668
Parks and Recreation	Community Center Temps	\$70,612
Parks and Recreation	Community Center Supervisor	\$70,368
Parks and Recreation	Turf Management Plan	\$42,455
Utilities (Enterprise Fund)	Utility Service Worker	\$84,552
Utilities (Enterprise Fund)	Asset Management Specialist	\$119,199

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 4% from FY 2022.

- **Salaries:** Overall, this category has increased by 9%, this increase is due to several factors. First, a 7% salary increase is recommended in this budget. Additionally, this budget annualizes the results of the most recent pay study, which went into effect on January 1, 2022, and the full-year cost of any positions that were added mid-year in FY 2022. Finally, the salaries for all employees for the Council on Aging are included as we begin the process of transitioning the Council to a County department.
- **Other Personnel Costs/Benefits:** Overall, this category increased 9%. A \$170,107 (2.7%) 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 2022, and an increase of 2% in expected insurance costs. An increase of \$603,471 in retirement costs is needed due to action by the State Treasurer’s Office to increase the contribution to 12.1% for general employees and 13.1% 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 13%, driven primarily by an increase in contract costs and some inflationary increases. Additionally, replacing and repairing the new emergency radios is significantly more expensive than the older versions. Finally, due to the overall growth of the County budget, the FY 2023 budget also increases contingency to \$750,000 which is approximately 0.5% of the total General Fund budget.
- **Debt:** Overall, the county’s debt service obligations increased by 10% because the first principal and interest payments for the new School Central Services building and new Emergency Operations Center will be due in FY 2023.
- **Transfers:** Transfers are budgeted at a 6% increase in FY 2023. The debt model calls for a transfer of \$16,322,562 to cover current debt service and ensure adequate funds for future CIP projects, an increase of \$789,053. The CIP calls for a transfer of \$1,929,245 to capital reserve to fund pay-as-you-go CIP projects, an increase of \$22,478.
- **Allocations/Programs:** This category decreased by 5%. The reduction in overall allocation to the Council on Aging, because of all Council employees becoming County employees, 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 2023. 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 to the Approved FY 2023-2029 CIP are recommended with this budget.

The Future

Short-Term: Chatham County continues to show its resilience. Growth has continued throughout the Covid-19 pandemic and development is increasing as we begin to emerge from the pandemic. 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 continues to come 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, the recent announcement of VinFast locating at the TIP megasite, and the Chatham Advanced Manufacturing (CAM) megasite, offering the potential for additional economic development, present many opportunities and challenges, especially regarding schools. While our two new schools and new CCCC Health Sciences building at Briar Chapel will help us deal with the expected growth, these investments were substantial and additional major 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. First, the Board of Commissioners will hold two public hearings on the proposed budget as follows:

- **Monday, May 16, 6 pm**, Historic Courthouse, Pittsboro.
- **Tuesday, May 17, 6 pm**, Wren Library (Multi-Purpose Room), Siler City.

All efforts are being made to facilitate the transparent communication of the proposed FY 2023 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 15, 2022. 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 2, 2022,

Dan LaMontagne

Dan LaMontagne, County Manager