FINANCIAL TRENDS
PAST, PRESENT AND FUTURE

The Town monitors its financial condition in various ways, from forecasting future revenue and expenditure trends to aggregating financial information into ratios that provide meaningful data about the Town's fiscal health. The Town is considered to be on solid economic footing. The Town currently holds a credit rating of A+ with Standard and Poor's and a grade of 83 with the North Carolina Municipal Council. These are considered very favorable ratings, particularly for municipalities similar to Carrboro.

The Town's financial condition through the last audited year is evaluated using methodology recommended by the International City/County Management Association (ICMA). This analysis, formally known as FTMS (Financial Trends Monitoring System), offers governments a systematic way to monitor changes and to anticipate future problems.

The town also projects future financial activity based on the most current budget. In forecasting the future, the five-year plan is designed to show the tax rate impact of town services over the long-term if growth continues at the current rates assumed in the model. The five-year plan provides information about underlying trends in the Town's fiscal position and budgetary trends monitoring key revenue and expenditures, debt and debt ratios, and the impact of capital investments and improvements on the Town's budget. It is best used as a tool for reflecting trends rather than actual revenues, expenditures, and tax rates.

Historical Financial Trends

Incorporated in the FTMS analysis are indicators used by credit rating firms that analyze major components of governmental operations (revenue, expenditures, operating position, and debt) to quantify changes or trends in financial condition. Minimum standards are not declared for most indicators. Instead, potential "warning trends" are identified and suggestions for analysis are offered. In a few cases, however, relevant credit industry benchmarks are noted by the FTMS authors. These benchmarks are identified for each indicator, where relevant, within the report. When analyzing financial conditions, we are attempting to:

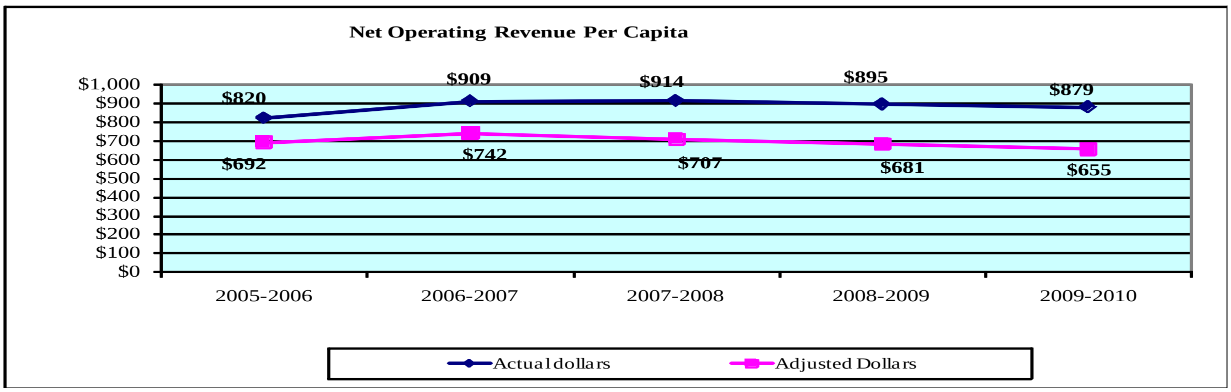
- ✰ Maintain existing service levels,
- ✰ Withstand local and regional economic disruption,
- ✰ Meet demands of natural growth, decline, and change,
- ✰ Maintain facilities to protect investment and keep in usable condition,
- ✰ Meet future obligations (debt, leases, etc), and
- ✰ Take advantage of cost-effective opportunities that may arise.

Included with every indicator is a description of the indicator, a table and graphical representation of the trend over the fiscal years for which we have audited budget reports, and an explanation of the implications of that trend for the government and residents of the Town of Carrboro. All the financial figures in the report are taken from the approved annual town audit reports and other official town records.

Several indicators used throughout the report present dollar figures that have been adjusted for inflation using the Consumer Price Index (CPI) provided by the Bureau of Labor Statistics. By illustrating figures in constant dollars the effects of inflation are removed. The analyses illustrate historical trends for the General Fund and Special Revenue Funds (Capital Reserve Funds, Grant Funds and Revolving Loan Fund). All per capita figures were calculated using population figures used by the North Carolina Department of Revenue to distribute sales tax revenue. They, in turn, rely on Census and state demographics information.

Revenue Indicators
Revenues can be analyzed to determine the local government's capacity to provide services. Important issues to consider in revenue analysis are growth, flexibility, elasticity, dependability, diversity, and administration. Under ideal situations revenues grow at a rate equal to or greater than the combined effects of inflation and expenditures. Revenues should be sufficiently flexible to allow adjustments to changing conditions.

Operating Revenue Per Capita



Year	2005-06	2006-07	2007-08	2008-09	2009-10
Net Operating Revenue (adjusted)	$12,213,171	$13,672,741	$13,154,204	$13,270,130	$13,027,292
Population	17,648	18,423	18,611	19,479	19,891
Net Operating Revenue Per Capita (adjusted)	$692	$742	$707	$681	$655

<u>Warning Trend:</u> Decreasing operating revenues per capita (constant dollars).
<u>Formula:</u> Operating Revenues per Capita (adjusted dollars)/Population

Description
Examining per capita revenues shows changes in revenues relative to changes in population size. As population increases, it might be expected that revenues and the need for services would increase proportionally, and therefore the level of per capita revenues would remain at least constant in real terms. If per capita revenues are decreasing, the government may be unable to maintain existing service levels unless it finds new revenue sources or ways to provide existing

services more efficiently. The reasoning in both cases assumes that the cost of services is directly related to population size.

Operating revenues, as defined in this chart, are that portion of gross revenues collected by the Town that is available for general municipal operations. Thus, revenues legally restricted to capital improvements or other special purposes are excluded. The only legally restricted revenue deducted to calculate operating revenue is Powell Bill revenue that is used for street resurfacing.

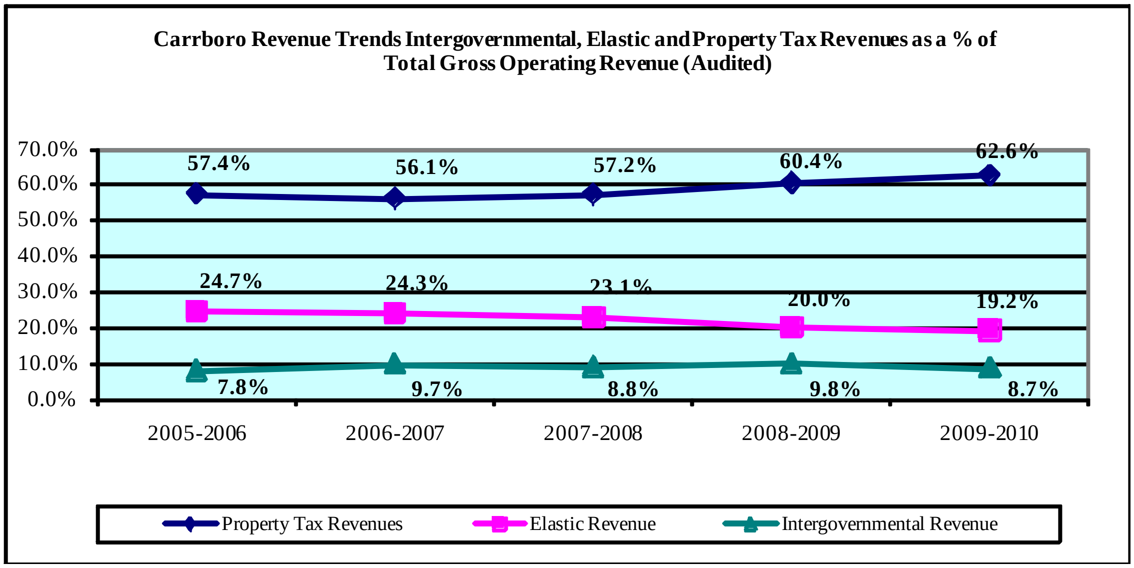
Discussion

In real terms (adjusted for inflation), revenues per capita in Carrboro have experienced a 5.4 percent decrease in the past 5 fiscal years. In actual dollars collected (adjusted for inflation), the increase is 6.7 percent. Ad valorem tax revenues, intergovernmental revenues, and permit and fees are the only revenue sources that have increased in the past 5 years. The following chart shows distinct revenue trends as reflected in the Town's audit reports.

Revenue Source	2010 Revenue Adjusted for Inflation	2006 Revenue Adjusted for Inflation	% Change Since 2006	2010 per capita	2006 per capita	% Change Since 2006 (per capita)
Ad valorem taxes	$ 8,359,053	$ 7,238,871	15.5%	$ 420	$ 410	2.5%
Local option sales taxes	$ 2,266,069	$ 2,607,118	-13.1%	$ 114	$ 148	-22.9%
Other taxes and licenses	$ 378,937	$ 388,475	-2.5%	$ 19	$ 22	-13.5%
Intergovernmental revenues	$ 828,839	$ 587,440	41.1%	$ 42	$ 33	25.2%
Permits and fees	$ 876,119	$ 805,784	8.7%	$ 44	$ 46	-3.5%
Sales and services	$ 191,307	$ 218,398	-12.4%	$ 10	$ 12	-22.3%
Investment earnings	$ 35,789	$ 235,906	-84.8%	$ 2	$ 13	-86.5%
Other	$ 91,179	$ 131,178	-30.5%	$ 5	$ 7	-38.3%
Total revenues by source	$ 13,027,292	$ 12,213,171	6.7%	$ 655	$ 692	-5.4%

Having a significant impact on the revenue stream is the property tax and sales taxes revenue per capita, representing 82% of the total revenue per capita in 2010. The significant impact of property taxes as a source of revenue is largely a reflection of the state restrictions on the ability of local government to use other types of revenues to support community needs. Sales tax per capita, as well as other taxes and licenses, permits and fees, investment earnings, sales and services and other revenue sources have decreased due to the current economic conditions.

Major Revenue Sources



% of Total Gross Operating Revenues	2005-06	2006-07	2007-08	2008-09	2009-10
Property Tax	57.40%	56.10%	**57.20%**	**60.4%**	**62.60%**
Elastic Revenue	24.70%	24.30%	**23.10%**	**20.0%**	**19.20%**
Intergovernmental Revenue	7.80%	9.70%	**8.80%**	**9.8%**	**8.70%**
% of Total Revenue Reflected:	**89.90%**	**90.10%**	**89.10%**	**90.20%**	**90.50%**

Description

This graph reflects the Town's revenue base composition by property tax, elastic (economically responsive) revenue, and intergovernmental revenue. An increasing reliance on federal and state revenues may signal a warning trend. A balance between property tax and more elastic revenue sources such as sales tax is desirable and considered healthy.

Discussion

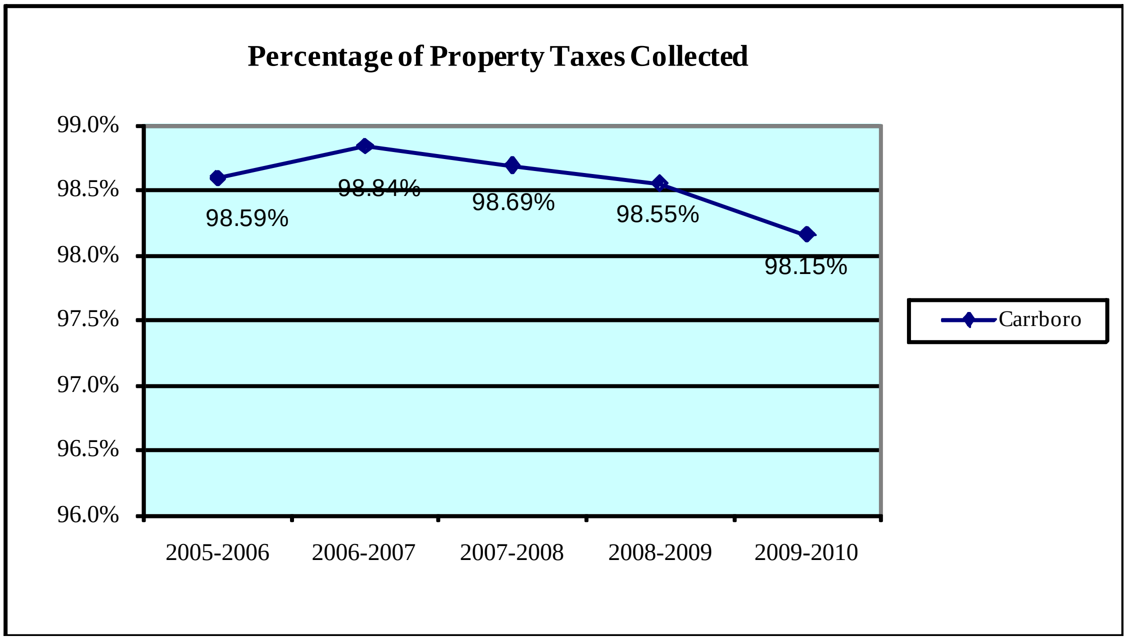
Permitting activity (building, electrical, development review, etc) for the year ended June 30, 2010 has decreased since FY 2005-06 due to little or no growth. FY 2011-12 permitting activity is expected to remain flat.

Intergovernmental revenue, as a share of the revenue stream in FY09-10 decreased 1.1% from FY08-09, primarily due to the increase in the local match of a SAFER grant for the hiring of three new firefighters. The largest sources of grant funding on an annual basis include Powell Bill for street resurfacing and the utility franchise and the telecommunications sales tax, all of which have remained relatively stable over time. Another observation regarding intergovernmental revenue is that the grants received by the Police Department have dwindled over the past few years. Currently, the Town does not have an active COPs (Community-Oriented Policing) grant. COPs grants, are one-time, three-year grants that were instrumental in enabling Carrboro to add and fully fund the goal of having school resource officers in Carrboro. Other smaller grants (Crime Commission and the Local Law Enforcement Block Grants) as sources of funding have been dwindling over time due to competition and less funding overall.

Intergovernmental revenues have remained fairly stable with continued Powell Bill funds, the telecommunications tax, and other small miscellaneous ongoing grants.

The chart also shows that property tax revenue is important in meeting community needs despite economic strains. In FY2009-10, even in difficult economic times, the property tax as a percentage of the revenue stream peaked at 62.6 percent.

Property Tax Collection Rate



<u>Warning Trend:</u> Decreasing amount of collected property taxes as a percentage of net property tax levy.
<u>Formula:</u> Collected property taxes/Net property tax levy

<u>Description</u>

Every year, some residents are unable to pay property taxes. If the percentage of property tax collected decreases over time, it may indicate overall decline in the local government's economic health. Additionally, as uncollected property taxes rise, liquidity is decreased, and there is less cash on hand to pay bills or to invest. Credit-rating firms assume that a local government normally will be unable to collect from 2 to 3 percent of its property taxes within the year that taxes are due. If uncollected property taxes rise to more than 5 to 8 percent, rating firms consider this a negative factor because it signals potential instability in the property tax base. An increase in the rate of delinquency for two consecutive years is also considered a negative factor.

<u>Discussion</u>

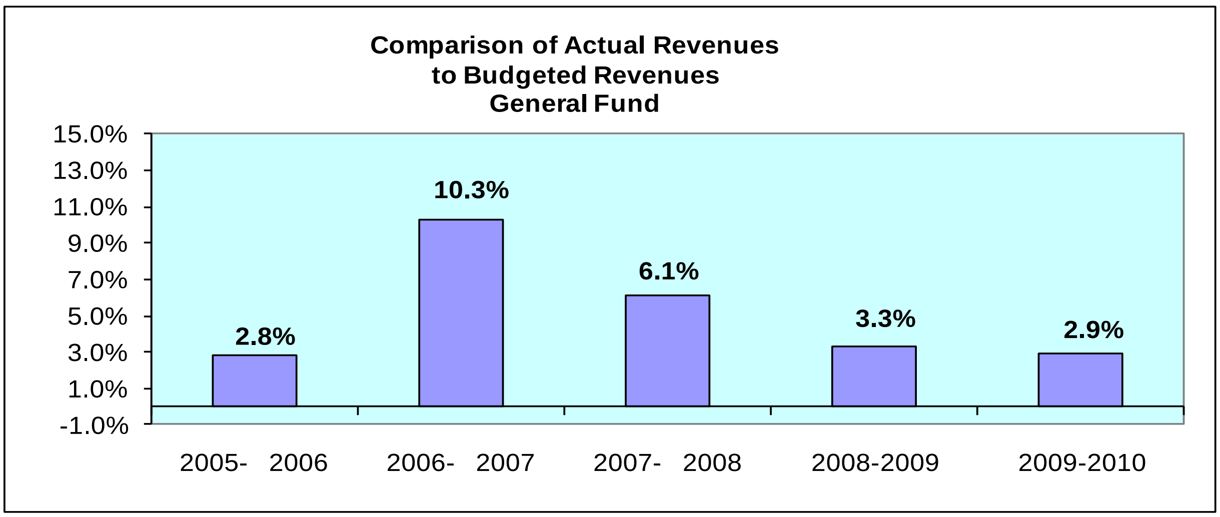
The graph above shows that Orange County, which provides continuous assessment services, annual tax collections, and in-house revaluations every four years to both Carrboro and Chapel Hill , shows a positive collection rate for the Town's property tax base; that is generally above 98 percent which is within the ranges acceptable to credit-rating firms. Collections for FY 2011-

12 are expected to remain stable given that Orange County has remained economically stable in spite of the economy.

Tax Collection Rates in Carrboro and Neighboring Cities

	2005-06	2006-07	2007-08	2008-09	2009-10
Carrboro	98.59%	98.84%	98.69%	98.55%	98.15%
Chapel Hill	99.49%	99.48%	99.44%	99.43%	99.20%
City of Durham	98.36%	98.60%	98.70%	98.19%	96.90%
Hillsborough	98.23%	98.47%	94.89%	98.50%	98.80%

Comparison of Actual Revenues to Budgeted Revenues



	2005-06	2006-07	2007-08	2008-09	2009-10
Budgeted Operating Revenue	$14,533,843	$15,631,027	$16,540,942	$17,351,816	$17,411,883
Actual Operating Revenue	$14,945,970	$17,235,388	$17,556,752	$17,921,040	$17,917,191
Revenue Variance	$412,127	$1,604,361	$1,015,810	$569,224	$505,308
Revenue Variance as % of Budgeted Operating Revenues	2.8%	10.3%	6.1%	3.3%	2.9%

Warning Trend: **Increase in revenue shortfalls or surpluses as a percentage of budgeted revenues.**
Formula: **Revenue Variance/Budgeted Operating Revenues**

Description

This indicator examines the differences between revenue estimates and revenues actually received during the fiscal year. Major discrepancies that continue year after year can indicate a declining economy, inefficient collection procedures, changes in the law, or inaccurate estimating techniques. One of the criteria reviewed by Standard and Poor's for the quality of financial management in a local government is financial results compared against original expectations. Variances between budget and actual results are indicative of management's financial planning capabilities over time. The Town aims to have variances exceeding budgeted estimates no larger than 3-5 percent and seeks to avoid shortfalls to maintain the town's fiscal health as surplus is one critical component of maintaining or improving fund balance levels.

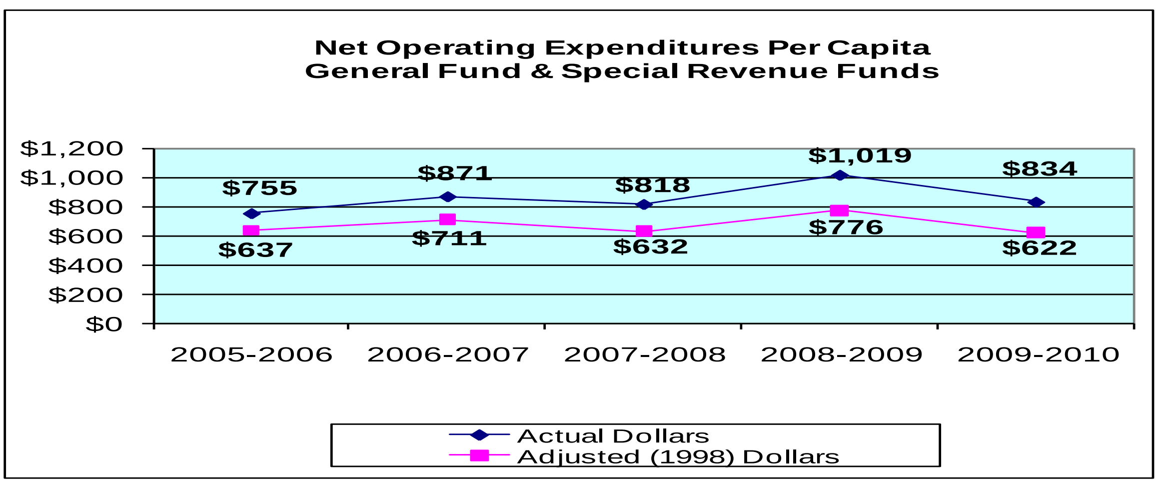
Discussion

The variances in the graph indicate the Town's conservative approach to estimating revenues. In FY05-06, the primary contributing reason for the small revenue variance is due to the narrow margin between the property tax levy estimate and what was received. It is more difficult to estimate property tax levy in a year where properties are being revalued countywide. FY06-07 variance jumped largely to a surprisingly strong showing across all categories of revenue. In FY 08-09, only three categories showed an increase from FY07-08. Those categories were: property tax revenue ($782,578), other taxes and licenses ($73,359), and grants and other revenues ($339,264). The small variance in FY08-09 and FY09-10 is due to the slow economic growth.

Expenditure Indicators

Expenditures are a rough measure of a local government's service output. Generally, the more a government spends in constant dollars (adjusted for inflation), the more services it is providing. This formula does not take into account how effective the services are or how efficiently they are delivered.

Expenditures per Capita



	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Net Operating Expenditures (Adjusted dollars)	$11,248,645	$13,098,397	$11,771,356	$15,111,872	$12,364,201
Population	17,648	18,423	18,611	19,479	19,891
Net Operating Expenditures Per Capita (Adjusted dollars)	$637	$711	$632	$776	$622

Warning Trend: Increasing net operating expenditures per capita (constant dollars).
Formula: Net Operating Expenditures/Population

Description
Changes in per capita expenditures reflect changes in expenditures relative to changes in population. Increasing per capita expenditures can indicate the provision of new services, rising costs of providing services (or supporting the personnel who provide them), or changes in accounting practices (see next section). If expenditures are greater than can be accounted for by inflation or the addition of new services, it may indicate declining productivity – that is, the government is spending more real dollars to support the same level of services.

Expenditures per Capita in Carrboro
Net operating expenditures, adjusted for inflation, show an increase in expenditures made by the Town since FY05-06, from $11,248,645 to $12,364,201 in FY09-10, an increase of roughly 10 percent. When adjusted for the combined impact of inflation and population, per capita spending decreased from $637 in FY05-06 to $622 in FY 09-10, a decrease of 2.4 percent.

Over the past five years, expenditures per capita have risen incrementally, with FY2008-09 showing the biggest jump in per capita expenditures. The following highlights variations in fiscal years presented in the graph:

FY2005-06 - Carrboro maintained its tax rate at the same level and leveraged organizational spending to save or avoid future costs. Moving to a new phone contract, the Town saved phone costs; identified new fees, reorganized departmental activities to save on staffing costs, and transferred the cost of providing school resource officers to the Chapel Hill Carrboro School System. Actual savings in the budget approximated $66,000. Cost avoidance measures saved another $69,500, that if alternatives were not considered, the adopted budget would have been higher by that amount. In addition, the Town budget provided funds to prepare for serving the northern area of town that was to be annexed in January 2006. The drop in per capita shows the effort made by the Town to monitor its spending and services, given the population grew by a small amount – 63 people. This population count does not include the annexed area, which increased the Town's population by an estimated 775 people.

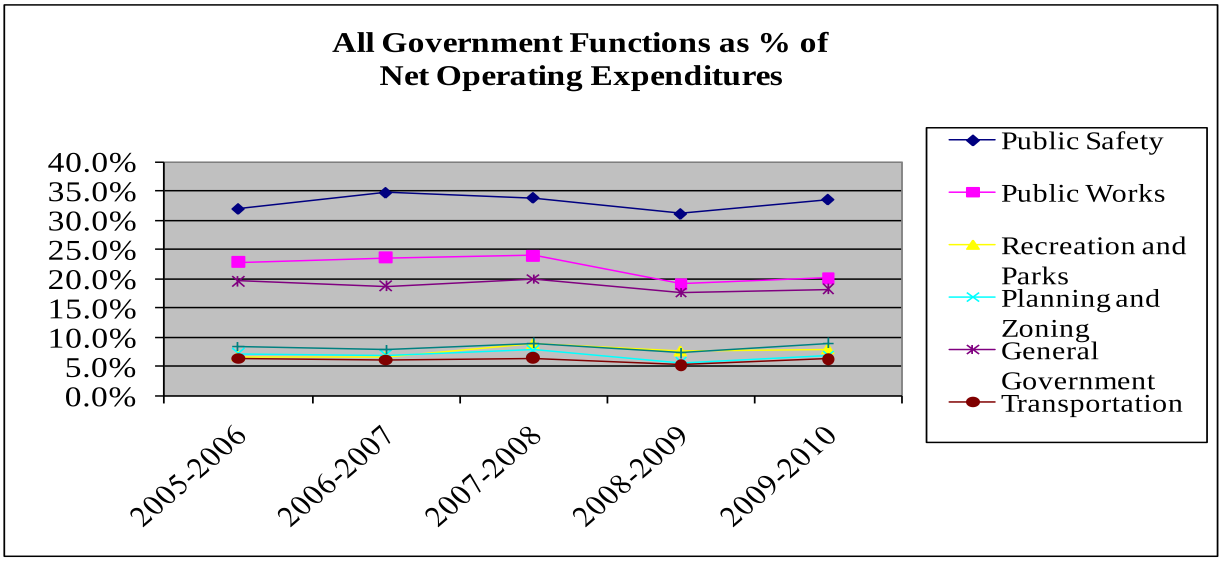
FY 2006-07 - Per capita expenditures increased significantly primarily due to the increased capital investments including construction of the Roberson Bike Path and purchase of the records management software for the Police Department; and costs incurred for the new fire station.

FY 2007-08 - Per capita expenditures dropped due to several capital improvement projects that had been budgeted but were not completed until FY 08-09, including street resurfacing, northern area sewer outfall, etc.

FY 2008-09 – Per capita expenditures increased with an increase in the Town's share of public transportation and the purchase of a ladder truck for the Fire Department plus an increase in loans to local businesses through the Revolving Loan Fund.

FY 2009-10 – Per capita expenditures decreased due to a reduction in capital expenditures and a decrease in debt service costs.

Decreases in net operating per capita expenditures can be explained by highlighting events that have contributed to changes in expenditure levels. The following section spends considerable time looking at the various components of expenditures and service levels.

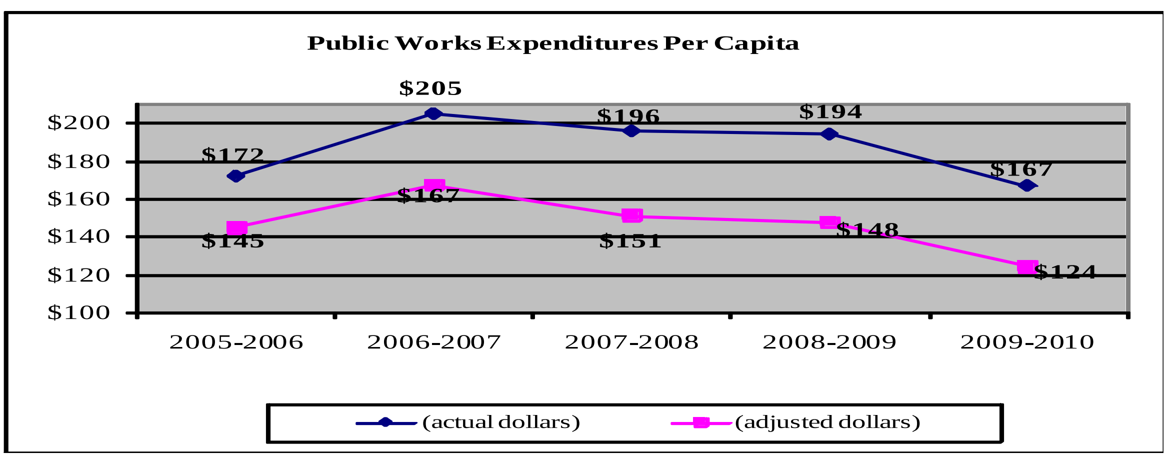


The chart above represents the allocation of funding for the various services provided by the Town. Approximately 53 percent of the Town's spending is dedicated to public safety (fire protection and law enforcement services) and public works (street and sidewalk maintenance; solid waste collections; building, grounds, and parks maintenance; and fleet maintenance).

General government, which largely represents support services (finance, technology, personnel, town manager), and Board functions (town clerk, board, and nonprofit and advisory board budgets), represents approximately 18 percent of total spending. The remainder of programs (debt service, transportation, planning and recreation programs) combined represent approximately 29 percent of the net operating expenses.

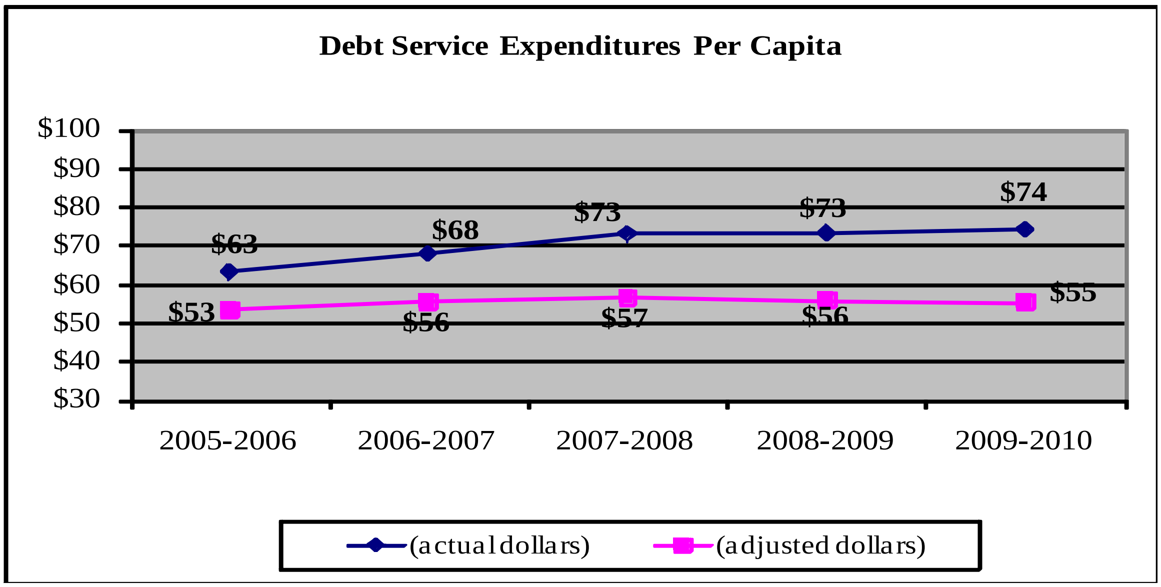
Public Works Expenditures per Capita

In inflation-adjusted dollars, Carrboro's per capita expenditures on public works have varied.



The variability of public works spending is related to ongoing capital and maintenance needs including street maintenance, addressing storm water system repairs, and responding to major natural disasters. The significant increase in FY06-07 is attributable to the hiring of an Engineering Technician, purchase of a solid waste vehicle, and engineering and construction costs for Roberson Bike Path. The decrease in FY07-08 is primarily due to the decrease in capital outlay expenditures. Even though expenditures increased in FY08-09, per capita costs decreased with a greater increase in population. Expenses in FY09-10 decreased substantially based on fewer vehicle purchases and street resurfacing costs from the prior year.

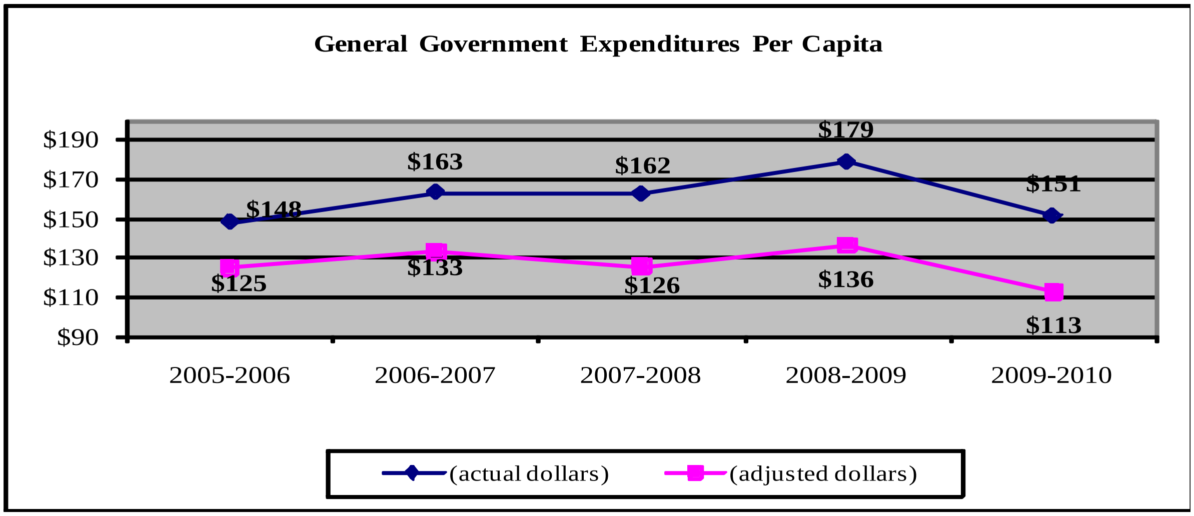
Debt Service Expenditures Per Capita



Debt costs include debt paid on general obligation bonds, installment financing for property and town infrastructure as well as equipment and vehicles. The Town has been able to take advantage of retiring debt and low interest rates to borrow for major infrastructure needs and maintain debt service at a relatively constant level. In FY06-07, the increase in debt service is due to the bond funded sidewalk construction program and financing of vehicles and equipment. Debt service expenditures continue to increase in FY07-08 with the financing of larger equipment such as the Solid Waste rear loader and for the aerial truck for the Fire Department. Costs for FY08-09 remained level because there was no financing for equipment or vehicles, interest rates were low on sidewalk BANS and the maturity of long-term debt. The slight increase is costs in FY09-10 with financing for the new fire station.

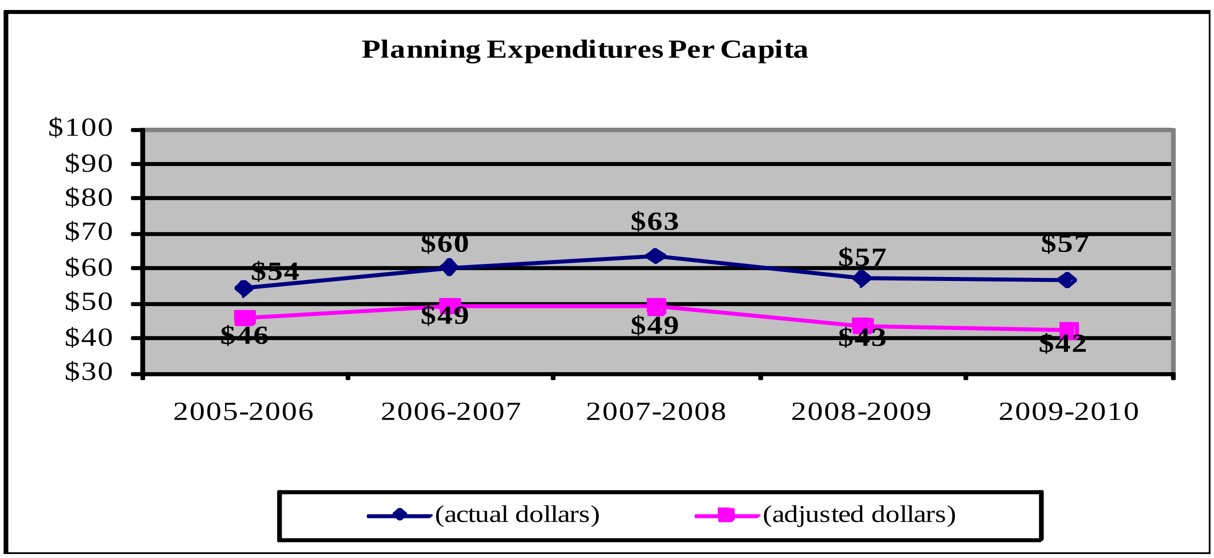
General Government Expenditures per Capita

Adjusted for inflation, general government expenditures per capita have decreased about 10 percent for the five year period. The Town continues to maintain regular replacement of technology infrastructure, support wireless technology, implement mobile laptop technology in police cars, and more recently, purchased an automated record management system for the Police Department. In FY07-08, the Town added an online system for recreation registration and a cost accounting system for the Public Works Department. Per capita costs increased in FY08-09 due to an increase in loans to local businesses through the Revolving Loan Fund. FY09-10 costs decreased in organizational development and contract services in the HR Department and the IT Department replaced fewer servers and computers.



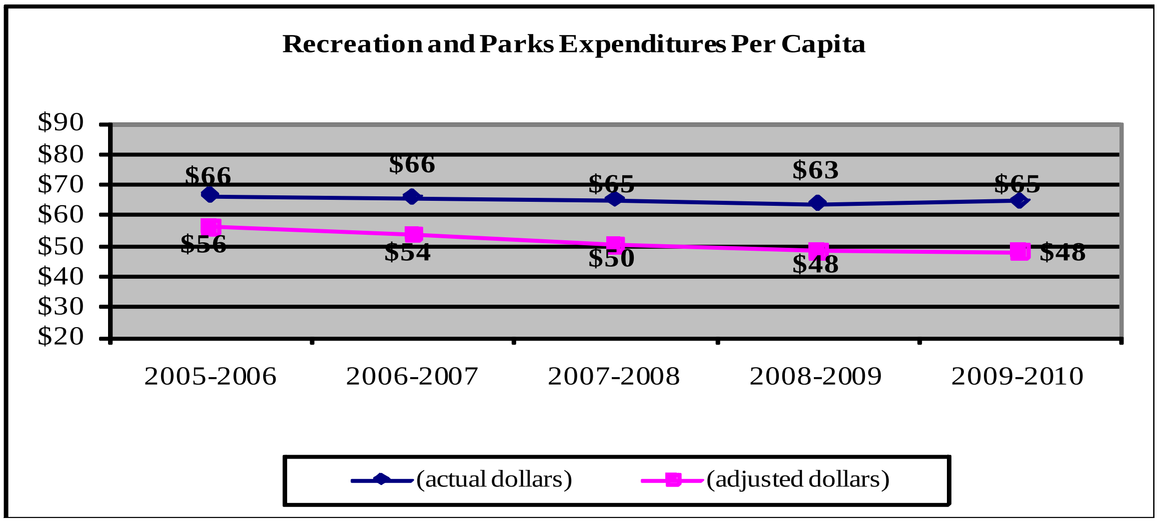
Planning Expenditures Per Capita

Adjusted for inflation, planning expenditures on a per capita basis have decreased 9 percent over the past five years. The slight variations in the Planning Department highlight two key dynamics that affect the departmental budget: permitting activity and personnel turnover. FY06-07 is marked by vacancies in planning positions (transportation and environmental planners, which are now currently filled). However, land use applications have been in process that will result in construction activity and improvements in the downtown and northern areas of town. Expenses for 07-08 increased slightly with the filling of the Transportation and Environmental Planner positions. Contracted services and engineering costs deceased in FY08-09 due to the slow economy. Costs remained stable in FY09-10.



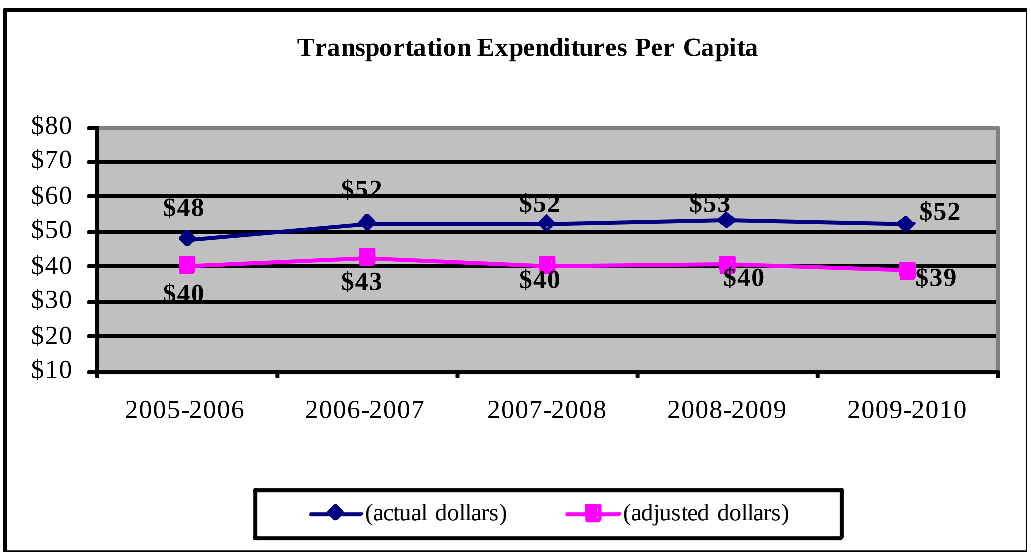
Recreation and Parks Expenditures per Capita

Per capita expenditures in the Recreation and Parks department, adjusted for inflation, have continued to decrease over the past 5 years due several capital projects put on hold (Wilson Park playground equipment replacement, dog park fence renovation, Anderson Park field #4 renovation, and Anderson multi-use field renovation). The delay in construction of the Wilson Park Bathroom resulted in the decrease in adjusted dollars for FY07-08. Even though expenditures increased in FY08-09, per capita costs decreased with a greater increase in population. Per capita costs remained stable in FY09-10.



Transportation Expenditures Per Capita

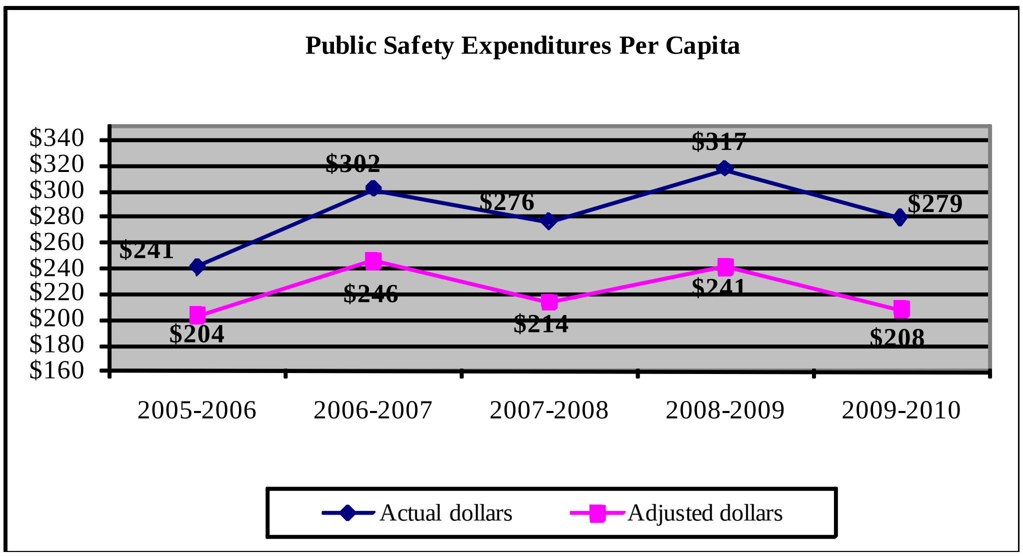
The Town and UNC-Chapel Hill are partners in the transit system administered by the Town of Chapel Hill. Carrboro's contribution into this partnership, adjusted for inflation has remained fairly stable since 2005-2006. The transit contract remained unchanged in FY05-06, in spite of increased fuel costs and other ongoing operational costs. This is primarily due to increased state and federal pass-through funds that supported the transit operations and thus mitigated the local match required. With a grant and local funds, Shared Ride Feeder services were enabled in areas



of Carrboro that do not have regular bus service. Trips are provided between designated bus stops in the "feeder" zones and the nearest bus routes or to another "feeder" service. This service extends largely to the northern areas of town. The transit budget has remained stable due to continued federal and state grant funding.

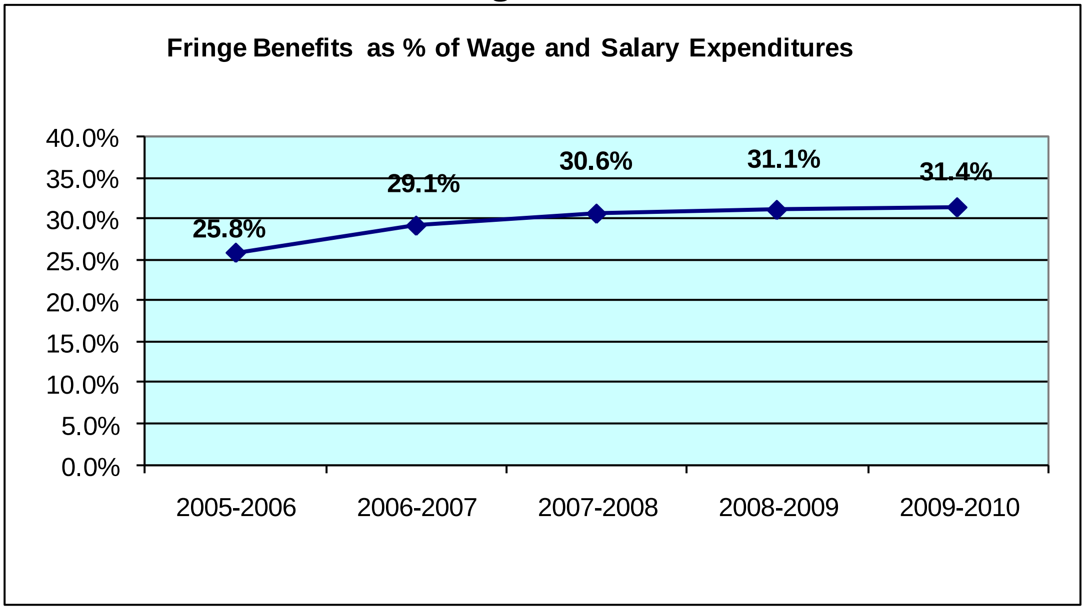
Public Safety Expenditures per Capita

Public safety expenditures per capita, adjusted for inflation experienced an increase of $4 per capita total or an increase of 2 percent in the past five years. Over time, adding the firefighters has moved the department forward to meeting the intent of the recommended standards for the necessary number of personnel to combat single-family, full alarm dwelling fires. Six fire fighters have been added due to the opening of the new fire substation in the northern area. The police personnel have been added primarily due to increases in the population, calls for services, and heavy caseloads in the Investigations division.



FY 06-07 per capita costs increased based on staffing for the new northern area fire substation and the purchase of a fire truck. The decrease in expenditures in FY 07-08 is due to the one time capital outlay cost for the fire truck in FY 06-07. FY08-09 costs increased with the purchase of a ladder truck for the Fire Department. Per capita costs decreased in FY09-10 primarily due to the one time capital outlay cost for the ladder truck in the previous year.

Fringe Benefits



	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Expenditures for fringe benefits	$1,626,443	$1,939,339	$2,200,596	$2,320,487	$2,373,906
Salaries/Wages (FT,PT,OT, Temp)	$6,309,042	$6,660,107	$7,191,755	$7,471,114	$7,563,563
Fringe benefits as % of overall wage and salary expenditures	25.8%	29.1%	30.6%	31.1%	31.4%

<u>Warning Trend:</u> Unexplained, uncontrolled, or unanticipated increases in fringe benefit costs may signal a warning trend to credit rating industries.
<u>Formula:</u> Expenditures for Fringe Benefits/Salaries &Wages (including benefits)

Description

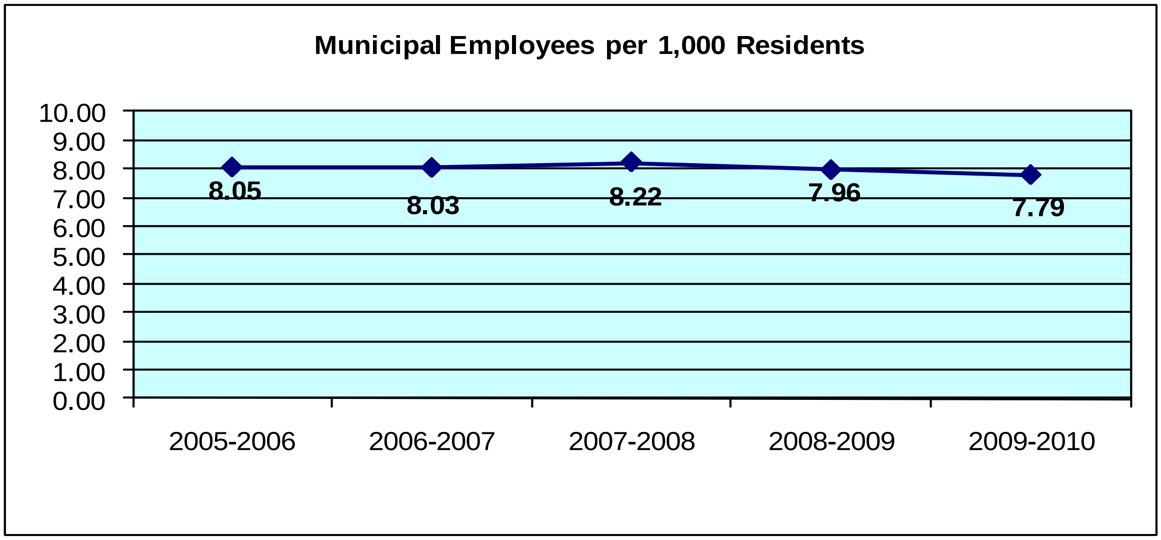
Fringe benefits represent the costs, in addition to salaries and wages, incurred by a jurisdiction to support the personnel it employs. The calculation in this indicator includes FICA payments, health insurance payments, retiree insurance payments, separation allowance payments for retired police officers, retirement payments, and supplemental retirement insurance payments. FICA, retirement, and supplemental retirement benefits are fixed as a certain percentage of salaries and will rise accordingly. Vacation pay and sick leave programs are not considered fringe benefits since both are usually paid out of regular salary expense line items.

Discussion

Fringe benefits, as a percentage of the overall wages and salaries paid in Carrboro, have continued to rise since FY05-06. The increase in fringe benefits over the entire period of time is largely due to double-digit increases in the cost of health insurance costs for employees and retirees. Other factors include an increase in the number of retirees benefiting from the Town's insurance coverage subsidy therefore increasing retiree insurance costs and an increase in retiring police officers who are eligible for a separation allowance benefit. The Town, through its broker continues to monitor and negotiate for good benefit rates. Costs have increased steadily since

FY05-06 due to increases in insurance premiums, additional positions in departments, and an increase in the Town's contribution to the State Retirement Fund.

Municipal Employees per 1,000 Residents



	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Population	17,648	18,423	18,611	19,479	19,891
Number of municipal employees approved	142	148	153	155	155
Municipal Employees per 1,000 reside	8.05	8.03	8.22	7.96	7.79

<u>Warning Trend:</u> Increasing number of full-time municipal employees per (1,000) capita.
<u>Formula:</u> Number of Municipal Employees (approved)/Population/1000

<u>Description</u>
Because personnel costs are a major portion of a local government's operating budget, plotting changes in the number of employees per capita (or per thousand residents) is a good way to measure changes in expenditures. An increase in employees per capita might indicate that expenditures are rising faster than revenues that the government is becoming more labor intensive, or that personnel productivity is declining.

<u>*Discussion*</u>
The number of municipal employees per capita has remained relatively stable over the past five years. The increase in positions in FY07-08 (one police officer and four firefighters) has largely been for the public safety function to meet OSHA ground fire operations requirements and to manage the increased calls for service due to increased population. In FY 2008-09 two police officer positions were approved – one in Community Services and one in Criminal Investigations. Due to the current economic conditions no positions have been added, therefore decreasing the number of employees per 1,000 residents based on an increase in population.

Work Force Totals
Permanent Full-time

FY	Attrny	Mayor & Board	Mngr	Econ Dev.	Clerk	Mgmt Svcs	Personnel	Police	Fire	Planning	Public Works	Parks & Rec	TOTAL
2005-06	0	0	2	1	1	8	2	41	28	14	35	10	**142**
2006-07	0	0	2	1	1	8	2	41	33	14	36	10	**148**
2007-08	0	0	2	1	1	8	2	42	36	14	36	11	**153**
2008-09	0	0	2	1	1	8	2	44	36	14	36	11	**155**
2009-10	0	0	2	1	1	8	2	44	36	14	36	11	**155**
2010-11	0	0	4	1	1	6	2	44	36	14	36	11	**155**
2011-12	0	0	4	1	1	6	2	44	36	14	36	11	**155**

Note: All positions are budgeted within the General Fund

<u>Description of Position Changes</u>

FY05-06 – Add 2 Police Officer I positions for annexation coverage; eliminate 1 Police Officer I to acknowledge discontinuation of School Resource Officer at Carrboro Elementary School.
FY06-07 - Increase of 5 firefighters (3 effective in April 2007) and 1 Engineering Technician in Public Works (effective October 2006).
FY07-08 – Increase one Police Officer I, four firefighters (3 beginning May 2008), one recreation supervisor (from part-time), and eliminate safety officer position in Fire Department.
FY08-09 – Add one Police Officer I in Community Services and one Police Officer II in Criminal Investigations, (effective January 2009).
FY09-10 – No position changes.
FY 2011-12 – IT division has been reorganized to report to the Town Manager instead of Management Services.
FY11-12 – No planned position changes.

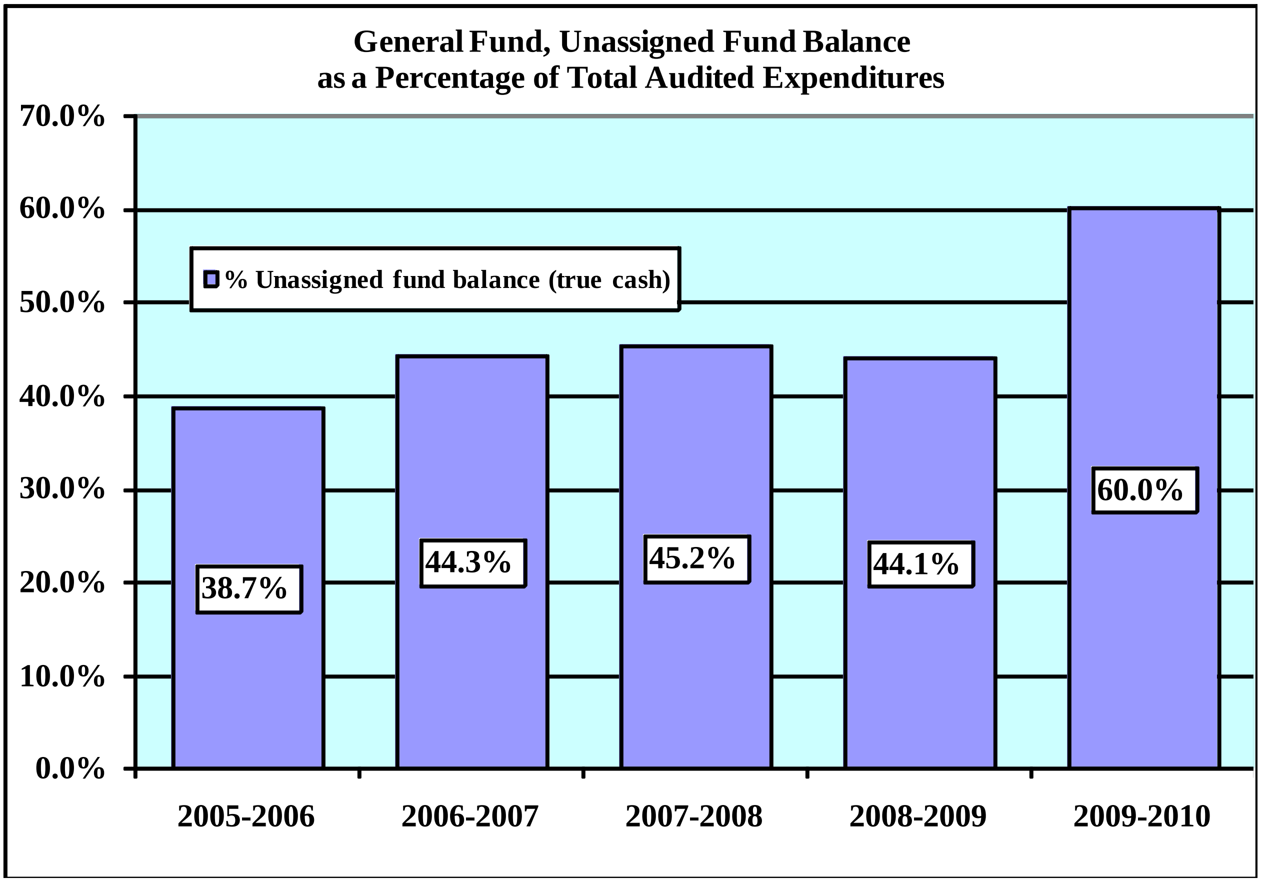
Operating Position Indicators

Revenues and Expenditures have a direct impact on a town's operating position. The term "operating position" refers to a local government's ability to: (1) balance its budget on a current basis, (2) maintain reserves for emergencies, and (3) have sufficient liquidity to pay its bills on time. The primary indicator that is tracked by the Town is fund balance.

Fund Balance

As an accounting calculation, fund balance is the difference between current assets and current liabilities. Unreserved fund balance, also called "*fund balance available for appropriation,"* is the maximum amount that can be used to finance expenditures in next year's budget. Available fund balance is also considered a non-recurring financial resource that provides a local government with flexibility. Once used, it is difficult to replace. As a result, it should be protected and maintained at a reasonable level to provide for emergencies, unforeseen shortfalls in revenue, or to take advantage of unforeseen opportunities.

The Local Government Commission (LGC) considers the amount of unreserved fund balance to be one of the key indicators of the financial condition of a town. LGC, as part of the process of reviewing audited financial statements each year, calculates the amount of fund balance available for appropriation in the general fund and the amount of reserves in other funds. The Local Government Commission's (LGC) has an 8 percent minimum as a guideline for fund balance but this is not applicable to all governments, especially smaller governments like the Town of Carrboro. The 8 percent ratio is intended to represent $1/12^{th}$ of a government's operating expenditures. However, $1/12^{th}$ of a small government's budget is not considered an adequate reserve level due to the sheer small dollar amount that it reflects. The LGC uses, as its guideline for Carrboro, the average unreserved fund balance (commonly referred to as "fund balance available for appropriation (FBAA)" for units with similar populations. If a jurisdiction's unreserved fund balance falls to half of the group average, the LGC will write a letter to alert the Board of Aldermen and town administration and to advise them that the municipality review the current level of fund balance and determine what fund balance level the municipality should have. Using the latest year available from LGC (year ending June 30, 2010), unreserved fund balance that includes designated and undesignated reserves is at 65.67% in Carrboro. This ratio is higher than the 44.39% average for municipalities with populations of 10,000-49,999.



Carrboro, for its own accounting purposes, however, uses "undesignated fund balance" as a true measure of reserves available for emergency appropriation. This portion of fund balance represents true cash. Fund balance as defined by the Local Government Commission is considered "unreserved" fund balance, or fund balance available for appropriation, a much more liberal definition of fund balance than defined by the current Town policy. The graph above illustrates the five-year undesignated fund balance trends. The Town budgets this fund balance or "surplus" with the anticipation of maintaining undesignated reserves within a range of 22.5% to 35% as in its financial policy on fund balance.

Debt / Liability Indicators

Another large expenditure that credit rating industries monitor is the debt load. Debt is an obligation resulting from the borrowing of money. The Town's debt structure primarily consists of installment financings and some bonded debt to support its capital improvements. Under favorable conditions, debt:

- ☆ Is proportionate in size and growth to the government's tax base,
- ☆ Does not extend past the facilities useful life which it finances,
- ☆ Is not used to balance the operating budget,
- ☆ Does not put excessive burdens on operating expenditures, and
- ☆ Is not so high as to jeopardize the credit rating.

The Board has approved a debt policy that addresses guidelines and restrictions affecting the amount, issuance, process, and type of debt issued by a governmental entity. The policy also requires Town staff to monitor various debt ratios that are used to evaluate ability to repay as well as the government's capacity to incur debt (see Town's fiscal policies within the Community and Organizational Profile section).

Debt ratios are considered by the Local Government Commission and by credit rating agencies to ascertain the fiscal health of a municipality. High debt ratios may adversely affect the ability of the Town to obtain the lowest possible interest rate when borrowing funds. Debt is an obligation resulting from the borrowing of money. The Town's debt structure primarily consists of installment financing and GO bond debt to support its capital improvements and equipment and vehicle replacements. Debt load is a large expenditure that credit rating industries monitor.

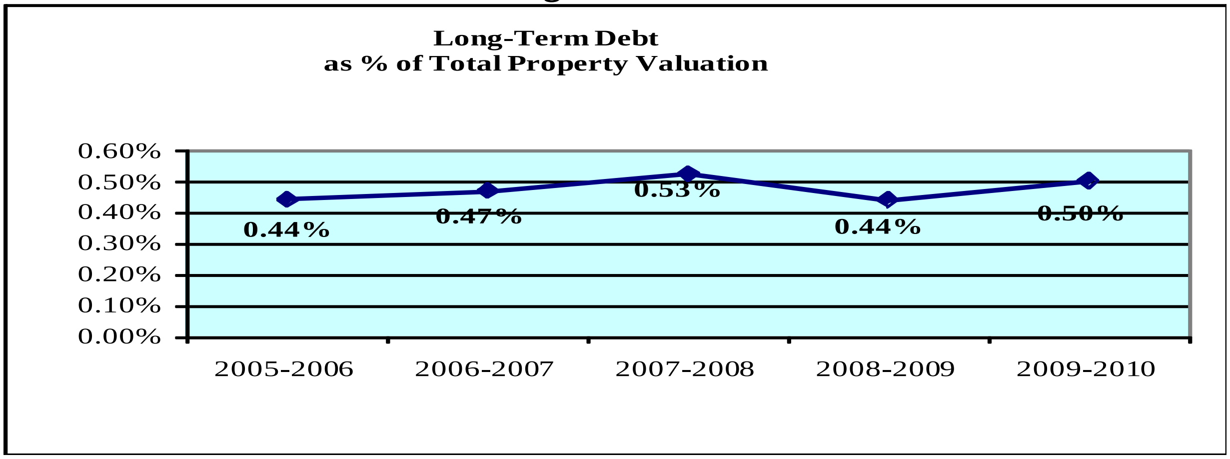
Town of Carrboro, North Carolina Computation of Legal Debt Margin June 30 ,2010	
Total assessed valuation at June 30, 2010	$1,915,872,793
Debt limit – eight percent (8%) of assessed value	$ 153,269,823
Amount of debt applicable to debt limit General Obligation bonds	$ 0
Legal Debt Margin	$ 153,269,823

One measure of a unit's debt capacity is debt expressed in terms of assessed or market valuation. It is important to note, however, the Town's debt is far below the legal limit in the NC General Statutes (GS 159-55) that limits net debt to eight percent (8%) or less of a local government's total property valuation. Outstanding debt in most governmental units falls well below this limit, and typically ranges from about 1% to 4% for most governments. Based on the most recent year end of June 30, 2010, the Town's outstanding debt that applied to this limit is 1% as evidenced in the table. The legal margin or the maximum amount of outstanding debt allowable by law, based on the June 30, 2010 audited valuation is $153,269,823.

Debt service, annual interest and principal payments, can be a major part of a government's fixed costs, and its increase may indicate excessive debt and fiscal strain; credit firms consider debt exceeding 20% of operating revenues as a potential problem. Ten percent is considered acceptable (footnote1). The North Carolina Local Government Commission (LGC) advises that a heavy debt burden may be evidenced by a ratio of General Fund Debt Service to General Fund Expenditures exceeding 15%. The Town will maintain this ratio at or below 12%, considering this to be a moderate level of debt. In the last audited year, the Town shows that debt expenditures are approximately 8.8% of the total audited expenditures for the year ending June 30, 2010. The Five-Year Plan shows the percentage of debt service expenditures peaking at 11.7% in FY13-14 almost reaching the 12% debt policy goal.

[1] "Evaluating Financial Condition, A Handbook for Local Government," ICMA, Sanford M. Groves and Maureen Godsey Valente, pp 83

Long-Term Debt



	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Long-Term Debt	$6,082,837	$7,530,559	$8,098,535	$6,996,943	$9,650,641
Property Valuation	$1,372,401,330	$1,596,838,299	$1,538,585,984	$1,581,966,677	$1,915,872,793
Long-term Debt as % of Property Valuation	0.44%	0.47%	0.53%	0.44%	0.50%

Warning Trend: Increasing ratio of long-term debt to total property valuation.
Formula: Long-term Debt/Total Property Valuation.

Description

The definition of debt considered by rating agencies is generally limited to bonded debt because of the fact that this debt is backed by the full faith and credit of the town which is represented by the Town's property valuation. However, given that all debt by the Town is considered a fixed cost and property taxes are the primary revenue source for the Town, the analysis of debt above includes long-term installment financing for infrastructure and land as well as equipment and vehicle debt. An increase in total long-term debt as a percentage of taxable assessed valuation can mean that the government's ability to repay debt is diminishing - assuming that the government depends on the property tax to repay its debts.

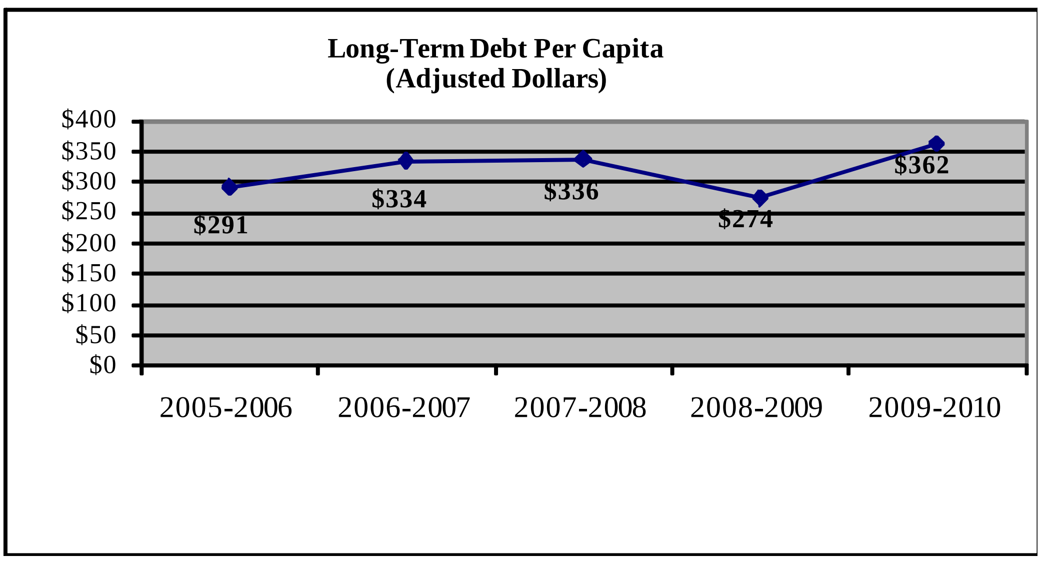
Standard and Poor's (S&P) reviews the level of long-term debt, recognizing that accelerated debt issuance can overburden a municipality. However, S&P also recognizes that a low debt profile may not be a positive credit factor since it may indicate underinvestment in capital facilities. Investment in public infrastructure is believed to enhance the growth prospects of the private sector.

Discussion

For municipalities comparable to Carrboro (populations ranging from 10,000 to 24,999), the average debt-to-assessed valuation ratio (computed by the Local Government Commission) in FY09-10 was .313 percent; a high level is considered 3.684 percent. The debt-to-assessed valuation ratio for Carrboro in the last audited year was .522 percent, which is a little higher than the average valuation for jurisdictions of similar size but well below the high valuation. The Local Government Commission (LGC) includes authorized but unissued debt in its debt ratio formula. For Carrboro, the LGC included the $4.6 million dollar bond referendum for sidewalks and greenways that has not yet been issued. The graph above reflects the historical perspective that credit-rating agencies and audit reports consider; only issued debt is calculated in the debt ratio and thus our debt ratios in the presented graphs are slightly different.

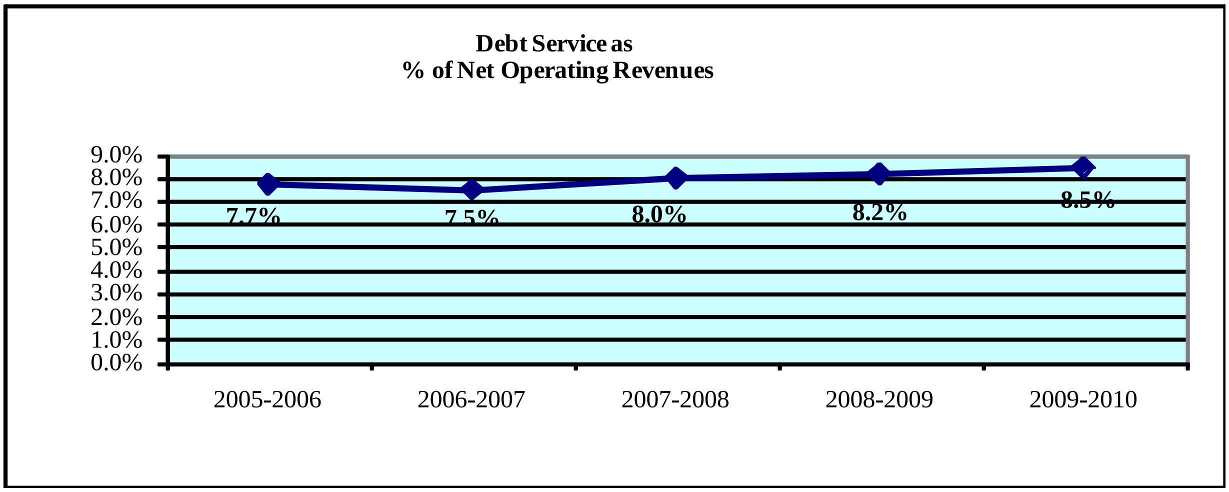
Debt per Capita

Debt can also be monitored on a per capita basis. It is especially useful for communities that do not rely heavily on property taxes and that cannot easily compute a substitute revenue base for comparison (footnote2). This is an indicator that is monitored by the Local Government Commission, and is useful for comparison with other similar jurisdictions. The average for comparable jurisdictions in FY09-10 was $294 per capita; $1,605 per capita is considered a high ratio. According to the Local Government Commission, the Town's ratio of outstanding general obligation bond debt which includes authorized and unissued general obligation bond debt and installment purchase debt is $503 per capita. The graph above shows a lower per capita figure that is based on different assumptions than LGC. This figure is adjusted for inflation, relies on actual audited valuation, and does not include authorized but unissued debt. However, the message is the same as the LGC; the outstanding debt owed (principal) is increasing. The Town is in the midst of embarking on a capital plan that moves beyond land purchases to construction which requires financing. In FY05-06, the Town witnessed the first full debt service payment on the Adams Tract for recreational use. Since FY05-06, the Town has been implementing the bond funded sidewalk and greenways plan. In FY08-09 debt obligation is lower than in previous years due to the expiration of some old general obligation bond and lease-purchase commitments. In FY09-10, the Town financed the construction of the northern area fire substation, adding to outstanding debt.



[2] Evaluating Financial Condition, A Handbook for Local Government," ICMA, Sanford M. Groves and Maureen Godsey Valente, pp 81

Debt Service



	2005-06	2006-07	2007-08	2008-2009	2009-2010
Debt Service	$1,116,743	$1,252,941	$1,360,897	$1,427,902	$1,477,718
Net Operating Revenue	$14,472,877	$16,753,209	$17,016,278	$17,427,662	$17,476,112
Debt Service as % of Net Operating Revenue	7.70%	7.50%	8.00%	8.20%	8.46%

<u>Warning Trend:</u> Increasing debt service as a percentage of operating revenue.
<u>Formula:</u> Debt Service/Operating Revenue

Description

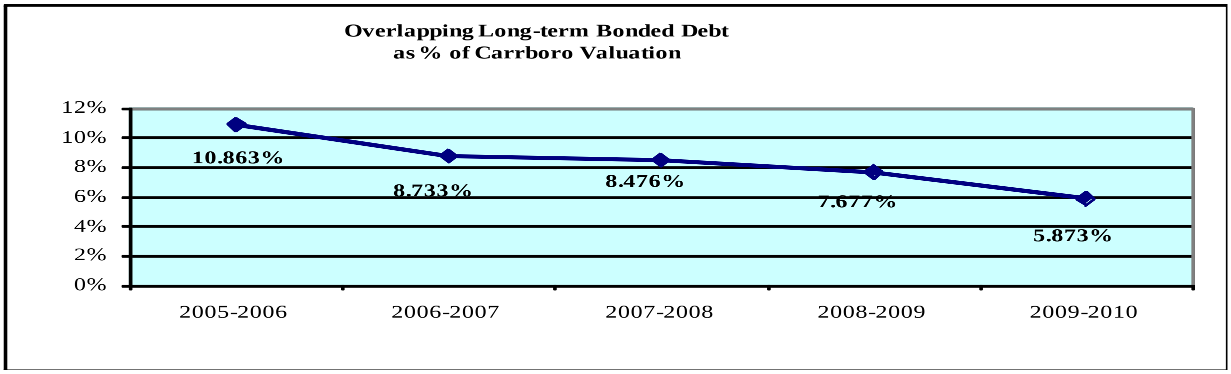
Debt service is defined here as the amount of principal and interest that a local government must pay each year on its long-term debt plus the interest it must pay on short-term debt. Increasing debt service reduces expenditure flexibility by adding to the government's obligations. According to the ICMA, debt service under 10 percent of net operating revenue is considered acceptable while anything approaching 20 percent is considered excessive. Debt service can be a major part of a government's fixed costs, and increases may indicate excessive debt and fiscal strain.

Discussion

Debt service as a percentage of operating revenue has risen over the past four years due to increased financing of vehicles, equipment, the new fire station, and bond funded sidewalk and greenways construction.

The graph shows that debt expenditures are approximately 8.46 percent of net operating revenues in FY09-10. This ratio, while different in focus than the Town's debt policy which monitors debt service as a percentage of expenditures, tells a similar story of relatively stable debt service that is below the stated ceiling of 12%. The Town plans on issuing BANS until the entire amount of authorized bonds are spent, at which time the Town will issue the bonds requiring full debt service payments that include both principal and interest costs. This level of debt service will likely appear in or after FY11-12.

Overlapping Debt



	2005-06	2006-07	2007-08	2008-09	2009-10
Carrboro Debt	$331,679	$229,822	$127,964	$26,107	$0
Orange County Debt	$148,750,000	$139,215,000	$130,290,000	$121,415,000	$112,520,000
Total Overlapping Debt	$149,081,679	$139,444,822	$130,417,964	$121,441,107	$112,520,000

<u>Warning Trend:</u> Increasing overlapping debt as a percentage of total assessed property valuation.
<u>Formula:</u> Carrboro Long-Term Debt Plus Orange County Long-Term Debt/Carrboro Assessed Property Valuation

Description
Overlapping debt is the net direct bonded debt of another jurisdiction that is issued against a tax base within part or all of the boundaries of the community. The level of overlapping debt is only that debt which is applicable to the property shared by the two jurisdictions. The overlapping debt indicator measures the ability of the community’s tax base to repay the debt obligations issued by all of its governmental and quasi-governmental jurisdictions.

Discussion
The overlapping debt ratio does not present any warning signs. Since FY2005-06, debt has decreased. The changes in the debt ratio are primarily affected by debt incurred by Orange County.

Current Town Financial Condition

Overall, the indicators highlight the growth in the Town's population, the conscious decisions by the Board to add services needed and requested by the community and to maintain a solid financial position even through difficulties experienced over the years. The Executive Summary identifies the specific revenue and expenditure trends affecting the Town board and service delivery choices in the upcoming year. Notably, the Town has been able to maintain tax rates in four of the last six years through FY 2011-12 recommended budget.

Future Trends

The Town also makes projections about future costs based on the most recent adopted budget. The projections contained in the plan are our best estimates based upon current information and the assumptions outlined within this section. It is best used as a tool for reflecting trends rather than actual revenues, expenditures, and tax rates. This plan is based on the Recommended Budget for 2011-12 and the recently Adopted FY 2011-12 Capital Improvements Plan (CIP). The five-year plan is designed to show the tax rate impact of town services over the long-term if growth continues at the current rates assumed in the model. It is the Town Manager's goal to take action to keep tax rates at the lowest possible level while continuing to provide a high level of services.

> *The five-year plan model provides information about underlying trends in the Town's fiscal position and budgetary trends monitoring key revenue and expenditures, debt and debt ratios, and the impact of capital investments and improvements on the Town's budget.*
>
> *Personnel services represent the largest component of the Town's general fund budget. Consequently, the five-year plan is impacted by assumptions regarding employee salaries and related expenses. The only additional positions projected in the model are associated with the opening of the northern fire substation.*

The model is built with two fund balance objectives in mind: (1) maintaining undesignated fund balance levels at a <u>minimum</u> of twenty-two and one-half percent (22.5%) of budgeted expenditures; and (2) appropriating no more than three percent (3%) of budget from General Fund balance.

Undesignated fund balance increased to 59.3% on June 30, 2010, reflecting a healthy fund balance level that may provide some options to offset some committed capital costs in future years.

The assumptions built into this model are very conservative, projecting slow growth in the revenue base while continuing to fund expenditures at historical levels or higher, creating a budgetary gap that in the model, is filled by anticipated tax rate increases.

The five-year projected tax rates in previous models have been significant but have not generally materialized at projected levels. For example, in the FY05-06 adopted budget document, the five-year plan forecast a tax increase of six cents in FY06-07 that did not materialize. The primary factor in avoiding a tax increase in FY06-07 is attributable to lower overall spending. The bulk of the savings is where the Town incurred lower debt service costs associated with various capital projects due to lower projected interest rates for vehicle installment debt and changes in timing of capital projects such as the fire substation, and parking lot purchases. In addition, the Town made a decision to issue bond anticipation notes (BANS) which only requires interest costs until all the authorized debt is expended, at which time a bond issue will occur and debt payments will include not only interest, but principal payments as well.

Nevertheless, the model serves a useful purpose: looking into the future and thinking about ways to mitigate and plan for budgetary gaps while achieving specific initiatives. Opportunities or strategies to improve the Town's expenditure and revenue stream continue to be explored by Town staff.

Assumptions about specific revenue and expenditures in the five- year model are identified on the following pages.

Revenues
The five-year plan, due to added legal protection granted by the General Assembly for state-collected local revenue, budgets for utility franchise, telecommunications sales tax, and natural piped gas taxes. In addition, the Town does receive occasional funding for bikeway or sidewalk improvements. Fund balance is used to balance the budget and to minimize tax increases. Budgets are balanced with the goal of maintaining the undesignated fund balance within the range of 22.5% to 35% of total expenditures.

Expenditures
Personnel costs, representing over half of the budget, underscore the nature of government as a service industry; the primary asset of such an industry is the people who work for it. For future years, the assumptions within the plan assume an average 3% increase in salaries. In FY 2012-13 the assumption is that positions currently frozen will be filled. No other new positions are projected. In addition, the plan accounts for annual significant increases in health insurance that have been a trend over time. In all of the fiscal years, it is important to note that salaries, being the largest component of general fund spending, significantly affect the total general fund budget.

The five-year plan generally shows operating expenditures at rates that mirror historical trends and commitments of the Town for specific policy or capital initiatives.

The Board adopts a Capital Improvements Plan (CIP) annually. It should be noted that the five-year plan assumptions consider the capital needs identified in the CIP. The Town, due to limited resources, will continue to prioritize capital needs as opportunities and funding arises. The Town is underway with the construction sidewalks, road and storm water repairs, and will develop greenway and park facilities and pay debt service costs for these various projects. The timelines and associated cost and tax impacts generally reflect numbers last considered in the FY 2012-17 CIP.

Capital Investments

The Board regularly allocates funding for street resurfacing and other Public Works construction projects. The amount needed to cover street resurfacing costs is anticipated to increase over the next five years. Also important in the Town's Capital Improvement Program is the purchase of vehicles and equipment to maintain day-to-day services.

A significant force creating pressure on the tax rate over the next five years is the cost of the construction of sidewalks and greenways and the eventual construction of the Martin Luther King, Jr. Park and Public Works Facility. In this model, an assumption has been made that the Town will issue the entire $4.6 million dollars approved by the voters for sidewalks and greenways in FY12-13. Meanwhile, the Town continues its sidewalk construction program issuing bond anticipation notes that require annual interest payments. In FY12-13, upon issuance of bonds, both interest and principal payments will begin. Debt service expenditures and operating impact of the fire substation will likely create pressure to increase the tax rate. These efforts, however, are only one of many capital needs faced by the Town as indicated in the chart below.

FISCAL YEAR	2009-2010	2010-2011	2011-2012	2012-2013	2013-14	2014-15	2015-16
CONSTRUCTION - STREET RESUFACING, BIKE PATHS, SIDEWALKS,ETC	393,579	200,000	440,490	473,510	331,700	365,750	365,750
TRANSFER TO CAP RESERVE FUND FOR FUTURE CAPITAL PROJECTS	12,000	12,000	12,000	12,000	12,000	12,000	12,000
PARK MAINTENANCE AND REPAIR	39,581	0	0	307,257	286,000	129,880	129,880
INFO TECHNOLOGY	17,463	22,750	28,750	15,500	55,000	0	0
EQUIPMENT & VEHICLES	544,442	604,260	297,850	1,219,480	973,248	1,543,795	566,443
CAPITAL INVESTMENTS	1,007,065	839,010	779,090	2,027,747	1,657,948	2,051,425	1,074,073

LEASE-PURCHASE DEBT SERVICE - EQP/VEHICLES	856,684	797,049	621,165	872,803	1,029,310	821,169	821,169
DEBT SERVICE	601,753	386,965	377,617	382,090	390,908	399,726	399,726
DEBT SERVICE - FIRE SUBSTATION CONSTRUCTION @$3,250,000	174,471	342,328	333,510	324,691	315,873	307,055	307,055
SIDEWALKS & GREENWAYS - BAN/BOND ISSUE	19,281	22,573	45,146	555,163	538,488	521,813	521,813
DEBT SERVICE -MARTIN LUTHER KING, JR. PARK	24,673	24,673	24,673	253,483	245,982	238,481	238,481
DEBT PAYMENTS	1,676,862	1,573,588	1,402,111	2,388,230	2,520,561	2,288,244	2,288,244

In monitoring the Town's operating position via fund balance ratios, it is clear that there are limited resources and that the capital improvement and operating plans must be prioritized to meet the Town's most pressing needs as determined by the Board.

Projected Expenditures

	2009-2010	2010-2011	2011-2012	2012-2013	2013-14	2014-15	2015-16
GENERAL FUND	Actual	Adopted Budget	Adopted Budget	Projected			
SALARY/WAGES	7,562,545	7,877,663	7,828,099	8,300,153	8,549,158	8,805,632	9,069,801
FRINGE BENEFITS	2,375,413	2,793,500	2,872,286	3,464,539	3,793,258	4,165,591	4,214,462
TOTAL PERSONAL SVCS	9,937,958	10,671,163	10,700,385	11,764,692	12,342,416	12,971,223	13,284,263
GEN OPERATING COSTS	2,504,387	3,722,784	3,833,899	3,948,916	4,067,384	4,189,405	4,315,087
AFFORDABLE HOUSING	86,623	86,465	88,103	90,746	93,468	96,273	99,161
GOV'NANCE SUPPORT	54,946	58,183	36,139	37,223	38,340	39,490	40,675
LANDFILL FEES	345,572	366,046	391,830	431,013	474,114	521,526	573,678
TRANSPORTATION COSTS	1,032,835	1,064,150	1,064,150	1,117,358	1,173,225	1,231,887	1,293,481
HUMAN SERVICES	141,002	144,296	145,883	153,177	160,836	168,878	177,322
TRANSFERS TO OTHER FUNDS, MISC.	404,562	0	0	0	0	0	0
OPERATING COSTS	4,569,927	5,441,924	5,608,354	5,778,433	6,007,368	6,247,458	6,499,404
FISCAL YEAR	2009-2010	2010-2011	2011-2012	2012-2013	2013-14	2014-15	2015-16
CONSTRUCTION - STREET RESUFACING, BIKE PATHS, SIDEWALKS,ETC	393,579	200,000	440,490	473,510	331,700	365,750	365,750
TRANSFER TO CAP RESERVE FUND FOR FUTURE CAPITAL PROJECTS	12,000	12,000	12,000	12,000	12,000	12,000	12,000
PARK MAINTENANCE AND REPAIR	39,581	0	0	307,257	286,000	129,880	129,880
INFO TECHNOLOGY	17,463	22,750	28,750	15,500	55,000	0	0
EQUIPMENT & VEHICLES	544,442	604,260	297,850	1,219,480	973,248	1,543,795	566,443
CAPITAL INVESTMENTS	1,007,065	839,010	779,090	2,027,747	1,657,948	2,051,425	1,074,073
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DEBT SERVICE - FIRE SUBSTATION CONSTRUCTION @$3,250,000	174,471	342,328	333,510	324,691	315,873	307,055	307,055
SIDEWALKS & GREENWAYS - BAN/BOND ISSUE	19,281	22,573	45,146	555,163	538,488	521,813	521,813
DEBT SERVICE -MARTIN LUTHER KING, JR. PARK	24,673	24,673	24,673	253,483	245,982	238,481	238,481
DEBT PAYMENTS	1,676,862	1,573,588	1,402,111	2,388,230	2,520,561	2,288,244	2,288,244
GENERAL FUND TOTAL	*17,191,813*	*18,525,685*	*18,489,939*	*21,959,103*	*22,528,293*	*23,558,351*	*23,145,985*
Operational Impact of CIP Projects Included in Operating Budget Above							
N. AREA FIRE STATION	405,911	246,389	395,128	414,884	435,628	457,410	480,280
INFO. TECHNOLOGY	0	500	0	0	0	0	0
CIP PROJECTS (OPERATING IMPACT)	405,911	246,889	395,128	414,884	435,628	457,410	480,280

Projected Revenues

	2009-2010	2010-2011	2011-2012	2012-2013	2013-14	2014-15	2015-16
	Actual	Adopted Budget	Adopted Buget	Projected			
ESTIMATED VALUE PER ONE CENT LEVY	184,320	185,277	188,947	194,815	200,659	206,679	212,879
REQUIRED RATE PER $100 VALUATION	58.94	58.94	58.94	68.25	70.25	70.25	70.25
GENERAL FUND							
AD VALOREM TAXES	10,956,318	11,021,222	11,246,033	13,406,730	14,210,250	14,636,557	15,075,654
LOCAL SALES TAX	3,039,932	3,062,136	2,966,053	3,055,035	3,146,686	3,241,086	3,338,319
OTHER TAXES/LICENSES	511,052	402,750	406,076	414,198	422,481	430,931	439,550
UNRESTRICTED INTERGOVERNMENTAL	870,613	860,018	849,531	875,017	901,267	928,305	956,155
RESTRICTED INTERGOVERNMENTAL	678,992	553,981	509,765	522,509	535,572	548,961	562,685
FEES AND PERMITS	1,175,314	1,022,867	1,015,238	1,035,543	1,056,254	1,077,379	1,098,926
SALES AND SERVICES	256,639	244,606	229,846	241,338	253,405	266,075	279,379
INTEREST EARNINGS	24,253	50,000	25,000	25,000	25,000	25,000	25,000
OTHER REVENUES	76,240	44,069	54,439	57,339	57,426	57,515	57,607
LEASE PURCHASE PROCEEDS	617,955	560,500	298,850	1,219,480	973,248	1,543,795	566,443
OTHER TRANSFERS	544,806	176,945	176,945	0	0	0	0
FUND BAL APPROP - CEMETERY FUND		0	0	0	0	0	0
FUND BAL APPROP	0	526,591	712,163	1,106,915	946,704	802,745	746,267
GENERAL FUND TOTAL	*18,752,115*	*18,525,685*	*18,489,939*	*21,959,103*	*22,528,293*	*23,558,351*	*23,145,985*
FUND BALANCE APPROP AS A % OF TOTAL REVENUE	*0.00%*	*2.84%*	*3.85%*	*5.04%*	*4.31%*	*3.56%*	*3.17%*
PROJECTED UNDESIGNATED FUND BALANCE 6/30/XX	*12,947,041*	*12,752,754*	*12,375,240*	*11,638,551*	*11,079,820*	*10,679,691*	*10,347,821*
FUND BALANCE AS % PROJECTED EXPENDITURES	*75.3%*	*68.8%*	*66.9%*	*53.0%*	*50.5%*	*47.4%*	*43.9%*
OUTSTANDING DEBT	2009-2010	2010-2011	2011-2012	2012-2013	2013-14	2014-15	2015-16
GO BOND	$ -	$ -	$ -	$ -	$ -	$ -	$ -
MARTIN LUTHER KING, JR. PARK LAND ($274,000)	$ 110,842	$ 90,389	$ 69,113	$ 46,979	$ 23,954	$ -	$ -
CENTURY CENTER & PUBLIC WORKS LAND	$ 1,862,676	$ 1,635,498	$ 1,341,656	$ 1,160,899	$ 912,965	$ 657,581	$ 402,197
ADAMS TRACT ($600,000)	$ 400,000	$ 360,000	$ 320,000	$ 280,000	$ 240,000	$ 200,000	$ 160,000
CONSTRUCTION - FIRE SUBSTATION ($3,250,000)	$ 3,141,667	$ 2,925,000	$ 2,708,333	$ 2,491,667	$ 2,275,000	$ 2,058,333	$ 1,841,666
CAPITAL LEASE (PROJECTED)	$ 2,153,357	$ 1,394,655	$ 1,458,218	$ 1,708,531	$ 1,221,632	$ 1,814,713	$ 2,407,794
GO SIDEWALKS & GREENWAYS	$ 4,600,000	$ 4,600,000	$ 4,600,000	$ 4,370,000	$ 4,140,000	$ 3,910,000	$ 3,680,000
MARTIN LUTHER KING, JR. PARK - CONSTRUCTION ($2,069,246)	$ -			$ -	$ 1,965,784	$ 1,862,322	$ 1,758,860
ADDITIONAL/FUTURE LT DEBT	*$ 4,600,000*	*$ 4,600,000*	*$ 4,600,000*	*$ 4,370,000*	*$ 6,105,784*	*$ 5,772,322*	*$ 5,438,860*
TOTAL OUTSTANDING DEBT	$ 12,268,542	$ 11,005,542	$ 10,497,320	$ 10,058,076	$ 10,779,335	$ 10,502,949	$ 10,250,517
	2009-2010	2010-2011	2011-2012	2012-2013	2013-14	2014-15	2015-16
% DEBT TO ASSESSED VALUATION	0.65%	0.58%	0.54%	0.51%	0.53%	0.50%	0.47%
DEBT PER CAPITA	$514	$479	$458	$416	$468	$418	$370
% DEBT SVC TO TOTAL BUDGET	9.25%	8.76%	7.71%	11.52%	11.69%	10.39%	10.13%
POPULATION	19,479	19,891	19,582	19,974	20,373	20,781	21,196
ASSESSED VALUATION	$ 1,890,550,409	$ 1,900,491,499	$ 1,930,004,544	$ 1,987,904,680	$ 2,047,541,821	$ 2,108,968,075	$ 2,172,237,118

Assumptions Used in Five-Year Plan

EXPENDITURES	
Salary & Wages:	
Fulltime, Overtime, Part-time, & Temporary Salaries:	3% per year beginning FY12-13; fill all frozen positions (except 3 firefighters) in FY12-13.
Fringe Benefits:	
Fica (7.65%) Retirement (7.35% for police officers; 6.88% for all others), Supplemental Retirement (5% - Police Officers; 3% - all other employees)	20% of salaries for LEO; 17% non-LEO
Health Insurance	15% per year beginning FY12-13
Dependent Health/Retiree Insurance Subsidies	15% per year beginning FY12-13
Service Level Benefits	2.5% per year beginning FY12-13
LEO Early Separation Allowance	5.0% per year beginning FY12-13
Operating Costs:	
General Operating Costs	3% per year beginning FY 12-13
Computers & Peripherals	PCs – GOAL: 4 yr replacement cycle; servers – 3 yr replacement cycle
Affordable Housing	3% per year
Governance Support	3% per year plus Greene Tract payment of $29,524
Landfill Fees	5% per year
Transportation Costs	5% per year following recommended budget
Human Services	5% per year
Transfers To Other Funds	franchise surcharge $6K in FY08-09; franchise surcharge FY09-10 & FY 2011-12- $12K; reimburse Revolving Loan Fund for Gen Fund Loans $24K in FY 2011-12
Capital Investments:	
Street Resurfacing & Construction Reserves	Annual Street Resurfacing Allocation based on CIP; Weaver St. Reconstruction
Park Maintenance	Based on CIP
Computers & Peripherals	Based on CIP
Equipment	Lease-Purchase CIP+ $100,000/YR
CIP Projects – Operating Impact:	
N. Area Fire Substation	3 additional Firefighters are on hold pending SAFER grant application
IT Technology	Per CIP projections
Debt Payments:	
Lease-Purchase Payments/Debt Svc	Projected per CIP projections
REVENUES	
Ad Valorem Tax Base	3% per year thereafter
Local Sales Tax	3 % per year
Other Taxes and Licenses	2% per year
Unrestricted Intergovernmental	3% per year
Restricted Intergovernmental	2.5% per year
Fees and Permits	2% per year
Sales and Services	5% per year
Interest Earnings/Other Revenue	No change
Lease Purchase Proceeds	Lease-purchase CIP
Other Transfers	Funds are transferred from other funds as needed
Fund Bal Appropriated	All other Fund Balance appropriated per financial policy.