

EXECUTIVE SUMMARY

BUDGET OVERVIEW

In FY09-10, the budget was adopted in the midst of a full blown recession. While recent news indicates key business trends such as employment, business returns, and investments are improving, public sector revenues, which rely on property and sales tax receipts, lag behind the private sector in economic recovery. For this reason, the FY10-11 budget process mirrors the difficulty experienced in FY09-10.

Like other local governments, The Town of Carrboro is still experiencing sluggishness in the revenue stream. However, staff has continued to maintain the current course of budget strategies to protect the short and long-term positive fiscal condition of the Town. The FY10-11 budget requires ongoing use of fiscal tools currently in place to adapt the budget and capital plans and financing to meet necessary expenditures such as opening of the new fire substation on Homestead Road. Town staff continues to delay capital projects, freeze vacant positions, and cut less vital operating expenses. Frozen positions include a Planner/Zoning Development Specialist position, Landscape and Grounds Supervisor, and two new Police Officer positions that were approved to begin in January 2009, as well as a number of seasonal positions. These efforts are part of an overall strategy to avoid increasing the tax burden for Town residents in this time of economic difficulty.

The FY10-11 recommended budget, which features a decrease in the Town's overall revenue stream, is focused on the primary interests that were included in the FY09-10 budget process:

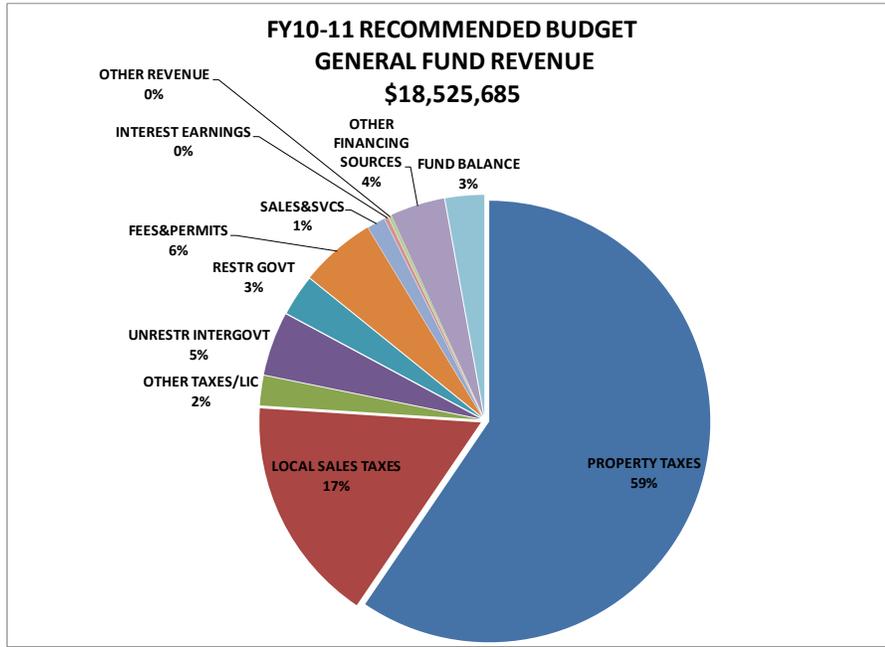
- Avoid a tax rate increase,
- Maintain current service delivery levels,
- Maintain current active employees' jobs and benefits,
 - Set aside the pay-for-performance plan for second year in a row
 - Provide for a lump sum payment for each employee (prorated for part-time permanent employees) equivalent to 1% of total budgeted payroll,
 - Fund the recently completed market pay and position reclassification study at minimum levels as recommended by Springsted,
 - Continue to provide current health insurance benefits,
 - Grant employees an additional leave day to be taken off for their birthday, effective July 1, 2010 and for FY10-11 only, and
 - Continue with freeze on specific vacant positions.
- Continue with planned long-term capital initiatives to the extent possible.

By tightening the operating expenditures, the Town can continue to fund capital initiatives, including the Weaver Street reconstruction project, sidewalk and greenways bond initiatives, and the northern area fire substation. The Town is also able to fund vehicle replacements that are considered critical to providing day-to-day services. Some items remain unfunded and will be considered in future years. An attempt has been made to balance the significant pressure to hold down expenditures while acknowledging the danger of delaying the replacement of capital items that will become more costly in the long run-both on the capital side and the operating budget.

The total recommended budget is \$18,525,685, representing a \$549,749 decrease over the prior year budget. By law, municipalities are required to have a balanced budget, meaning that budgeted revenues must equal budgeted expenditures. Highlights of revenues and expenditures follow.

REVENUE REALITIES

Carrboro’s revenue stream has two broad types of revenues: recurring revenues and other financing sources which represent certain one-time inflows of revenue that might otherwise distort a governmental fund’s regular ongoing revenue trends. Recurring revenues, primarily driven by property taxes, sales taxes, and



intergovernmental revenues, are down by over \$100,000 over the current year budget.

The bulk of the decrease in the recommended budget (\$447,572) is in the Other Financing Sources category as shown in the chart. Of this decrease, \$367,861 represents reserves transferred from the Capital Reserve Fund. In the previous year, \$544,806 was transferred to support the biennial street resurfacing program.

	CHANGES OVER PRIOR YEAR	FY10-11 RECOMMENDED REVENUE	FY09-10 ADOPTED REVENUE
INTERFUND TRANSFERS	(\$367,861)	\$176,945	\$544,806
INSTALLMENT FINANCING	(\$59,996)	\$560,500	\$620,496
FUND BALANCE	(\$19,715)	\$526,591	\$546,306
TOTAL OTHER FINANCING SOURCES	(\$447,572)	\$1,264,036	\$1,711,608

In the FY10-11 budget, \$176,945 represents a transfer from the Capital Reserve Fund to partially offset the increase in debt service costs for the new fire station and to offset the first year of debt service for installment financing for replacement vehicles.

Installment financing represents the full cost of vehicles and equipment that the Town is planning to finance through a loan. Following generally accepted accounting practices, the full cost of the financed equipment is budgeted (equipment purchased in that fiscal year) in addition to the lease payment. However, an offsetting entry equal to the full cost value of the equipment is budgeted on the revenue side as lease proceeds. Thus, the true tax impact of the financed equipment is the lease value only. The full cost of financed equipment being purchased in FY2010-11 equals \$560,500; the budgeted lease proceeds on the revenue side are also equal to

this same amount. The projected installment financing revenue is \$59,996 less than the previous year. The debt expenditure associated with borrowing the funds for the equipment and vehicles recommended for replacement is \$126,087 and is offset by the Capital Reserve Fund transfer as mentioned above. Fund Balance Appropriations remain conservatively budgeted at an amount close to previous year levels.

Making up the remainder of the revenue portfolio are the recurring revenues. These revenues are comprised of property taxes, sales taxes, intergovernmental revenues and fees. The chart below reflects the recurring revenues available to the Town, showing an overall decrease of \$102,177.

While revenues are decreasing overall, the two largest sources of revenue, property taxes and sales taxes, remain flat. The property tax base is

CATEGORY	% change	CHANGES OVER PRIOR YEAR	FY10-11 RECOMMENDED REVENUE	FY09-10 ADOPTED REVENUE
PROPERTY TAXES	0.6%	\$64,904	\$11,021,222	\$10,956,318
LOCAL SALES TAXES	0.0%	\$91	\$3,062,136	\$3,062,045
OTHER TAXES/LIC	2.8%	\$11,007	\$402,750	\$391,743
UNRESTR INTERGOVT	-6.6%	(\$60,850)	\$860,018	\$920,868
RESTR GOVT	-1.8%	(\$9,934)	\$553,981	\$563,915
FEES & PERMITS	0.2%	\$2,305	\$1,022,867	\$1,020,562
SALES & SVCS	-18.3%	(\$54,694)	\$244,606	\$299,300
INTEREST EARNINGS	-50.0%	(\$50,000)	\$50,000	\$100,000
OTHER REVENUE	-10.2%	(\$5,006)	\$44,069	\$49,075
TOTAL EARNED REVENUE	-0.6%	(\$102,177)	\$17,261,649	\$17,363,826

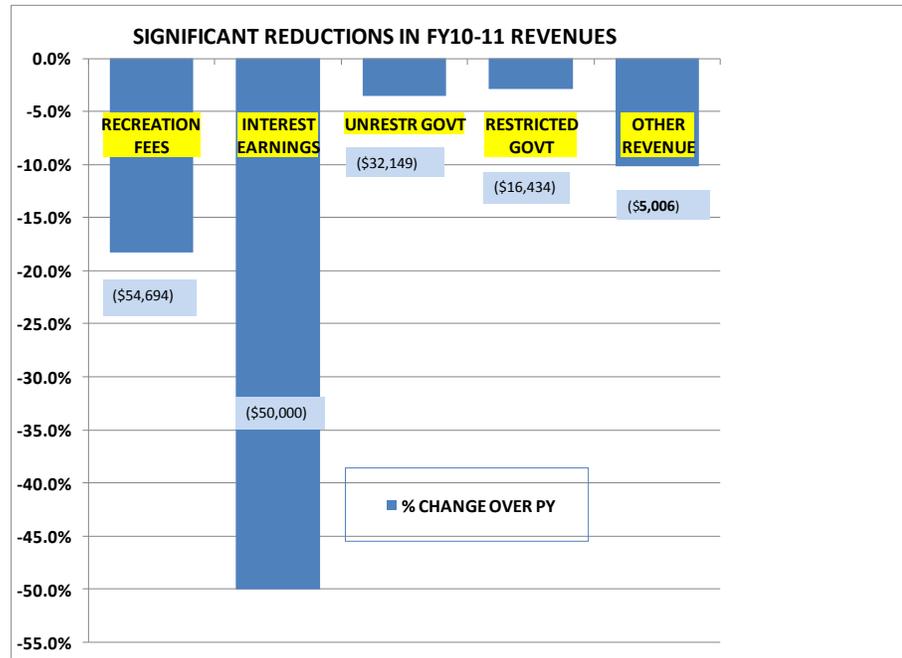
estimated at \$1,900,491,499 for FY10-11, representing a \$9,941,090 increase in value, or growth of less than 1%. Each penny on the tax rate generates approximately \$185,277. In addition, property tax relief is available to taxpayers that meet specific guidelines. Relief is available for the elderly, permanently-disabled persons, and veterans who meet income and other specific exemption requirements. These relief benefits are expected to reduce the tax base available for taxation by an estimated \$7,009,327, resulting in a reduction of \$41,313 in property tax income to Carrboro.

Overall sales tax receipts, reflecting seven months of collections, are down by \$74,687, representing a 4.1% decrease over actual FY08-09 sales tax revenue collections through the same time period. The League of Municipalities anticipates that sales tax revenue distributions will be at least 7.6% lower than the FY08-09 collections. For FY10-11, the League only expects the statewide sales tax to increase 1%. The one cent sales tax, driven by the local economy, is showing a 1.0% decrease in current year collections through February. However, with these unique times, the Town is projecting no increase over FY09-10 budgeted estimates in the upcoming year.

Given the economy, the Town is seeing a decrease in the majority of revenues across the board. The decrease in interest earnings is due to historically low interest rates. Intergovernmental revenues, recreation programming, rentals, and donations (reported in the Other Revenue category) have all been affected.

The Recreation Department estimates a drop in recreation programming fees based on current activity. The department plans to continue assisting residents with low incomes and qualifying groups with its scholarships and subsidies that, in FY08-09, equaled \$19,900. Through February 2010, the department has provided \$5,073 in similar support. The FY10-11 budget estimates that \$19,892 will be provided in support. Other significant budget shortfalls include decreases in Intergovernmental Revenues. The Town is expecting the General Assembly to extend the beer and wine tax reduction for another year, resulting in a \$56,159 decrease in revenue. This represents the majority of the decrease in the Unrestricted Intergovernmental revenue stream.

The planned graduated annual reduction in the Staffing for Adequate Fire and Emergency Response (SAFER) grant for three firefighters explains the bulk of the decrease in Restricted Intergovernmental revenues (\$23,876). Offsetting this decrease is \$8,500 from the relatively new excise tax imposed on municipal solid waste



and construction debris that is deposited in a landfill in the state and another planned Alcoholic Beverage Control (ABC) Board grant for the Police Department to provide supplies for the enforcement of alcohol violations. The excise tax on solid waste is returned to local governments to support solid waste management programs and services. The decrease in the Other Revenue category reflects an anticipated decrease in donations for various recreation events sponsored by the Town.

BUDGET PROCESS

The budget process is similar to past years, requiring departments to justify their operating budget, the continuation of services as well as any expansions. The continuation budget includes adjustments for price increases in the cost of goods and services; and may include projects and infrastructure expenditures reflected in the annual CIP which includes street resurfacing costs, vehicles, equipment, various specific capital projects and debt service payments for capital commitments. All other requests are defined as “proposed changes” and are budgeted in a separate column.

EXPENDITURES

Town staff, in preparing budget requests, was asked to limit requests for expenditure increases to those things that are considered critical to have in FY10-11. The reduced flexibility in the

revenue portfolio has required a sharp focus on what is important and necessary to performing day-to-day services. No expansion requests are funded.

As shown in the chart below, the recommended budget equals \$18,525,685, representing a \$549,749 decrease from the current year adopted budget, a decrease of 3%. Much of this decrease is due to decreases in capital spending. The current year budget also includes a major street resurfacing project (\$544,806).

EXPENDITURE CATEGORY	2009-10 ADOPTED BUDGET	2010-11 RECOMMENDED BUDGET	CHANGES OVER PRIOR YEAR BUDGET	2010-11 RECOMMENDED BUDGET	% CHANGE
PERSONNEL	\$ 10,529,785	\$ 10,671,163	\$ 141,378	\$ 10,671,163	1.3%
OPERATIONS	\$ 7,331,347	\$ 7,227,512	\$ (103,835)	\$ 7,227,512	-1.4%
CAPITAL OUTLAY	\$ 1,214,302	\$ 627,010	\$ (587,292)	\$ 627,010	-48.4%
TOTAL	\$ 19,075,434	\$ 18,525,685	\$ (549,749)	\$ 18,525,685	-2.9%

PERSONNEL

The increased personnel costs provide for several compensation strategies that target the following:

- maintaining employee benefits at current levels
- providing for an increased minimum living wage as proposed by the Springsted study
- adjusting specific positions and employees in those positions that are currently below market ranges as determined by Springsted
- providing for a small lump sum payment (equal to 1% of total budgeted payroll) to help offset health insurance increases
- granting employees an additional leave day to be taken off for their birthday, effective July 1, 2010 and for FY10-11 only.

Maintaining employee benefits includes the unfunded mandate to increase the employer contribution to the Local Government Employees' Retirement System (LGERs) in the amount of \$103,854. This is the first rate increase since 1983. The State Treasurer's Office also anticipates an additional increase each year for the next several fiscal years to keep the pension fund solvent. Town staff worked with its benefits broker to review health insurance benefits and was able to maintain the current benefits and negotiate an increase of 13% (after anticipating an increase in excess of 20%) for the upcoming year (\$113,023). Retiree insurance experienced an increase as well (\$11,441). There were no increases in the costs of other benefits.

The continuing financial situation makes it impossible in FY 10-11 to consider a return to the pay-for-performance plan in its original form where employees are rewarded for varying levels of performance. When the Board of Aldermen approved the plan, it was explained that performance pay amounts may vary from year to year depending on budget availability and labor market conditions. However, the recommended budget does include a small one-time lump sum payment at a total cost of \$86,748 for all permanent full-time and part-time employees. The amount provided for each full-time employee is \$455 plus taxes and retirement costs; permanent part-time employees will receive a prorated amount based on hours worked.

It will be important in future budget years to return to properly funding the pay-for- performance system which financially rewards individual employees based on their actual levels of performance. Routinely providing no performance increases can affect our competitiveness with other jurisdictions and can create morale problems. Use of a lump sum payment that is the same for everyone is an acceptable compensation strategy if used on a very infrequent basis. Otherwise, it can also hurt employee morale because there is no performance standard to differentiate between levels of performance. In addition, there is no recognition of the different levels of job responsibilities, skill levels, education and licensing requirements, supervisory responsibilities, consequences of employee decisions, etc. that would normally afford a larger increase to employees with greater job responsibilities. This compensation strategy can also negatively impact our competitiveness.

The recommended budget also includes the following:

- Funding for the minimum implementation option for the pay and classification study performed by Springsted (\$52,672). This ensures that town positions are properly classified both internally and in the market while addressing the change in the organizational structure within the Fire Department. When the pay- for- performance system is funded again, it will be important to review the compression issues associated with being able to fund only the minimum implementation option in FY 10-11.
- Funds in a nondepartmental account that would cover the cost of raising the living wage from \$10.12 to \$13.00 per hour as proposed by Justice United. Approximately six employees are affected by this change (\$9,904); however, this action is not recommended. The proposed minimum starting hourly rate in the Springsted study is \$11.78 which is \$.39 per hour higher than the living wage for Carrboro using the methodology of Justice United and the Town of Chapel Hill. Furthermore, the \$11.78 per hour rate is higher than the following jurisdictions in the areas that have living wage rates: City of Durham, Durham County, Durham County Board of Education, Orange County, and the Town of Chapel Hill. To maintain the current internal equity, Springsted has estimated that the \$13.00 per hour minimum would cost over \$222,000 plus the cost of associated fringe benefits. This would increase the salaries of approximately 70 employees.

Overall, the increase in personnel costs is offset by freezing several vacant positions for the upcoming year, saving the Town \$177,419. These positions will continue to be frozen and may, depending on the state of the economy, be filled at the last quarter of FY10-11. In addition, the Town plans to open the new fire station with existing fire personnel while awaiting word on a recent grant application to fund the final three firefighter positions planned for the new fire station. At minimum, staffing the new fire station will need to be reviewed in the FY11-12 budget.

OPERATING EXPENSES

Overall operating expenses are down by \$103,835, reflecting numerous decreases and increases. Many of the decreases occur when one-time expenses such as capital outlay or transfers are budgeted in the current year and are not reflected in the upcoming year. Other decreases reflect

expired costs or changes in cost estimates for providing services. Debt service costs decreased \$72,147 in spite of the increased debt service cost for the fire substation and the lease payment for FY10-11 vehicles (\$268,601) due to lower overall debt costs associated with matured short- and long-term debt. Another significant decrease in the recommended budget is due to a one-time allocation in the General Fund budgeted in the current year budget for Weaver Street reconstruction (\$151,883) that is not needed for the FY10-11 budget.

Other decreases in the operating budget reflect one-time or revised estimates based on current levels of service. Reductions include municipal election costs which occur every two years (\$12,700); engineering fees (\$15,000); utility costs (\$9,922); departmental supplies across departments (\$19,290); and landfill fees (\$14,454).

Increases, on the other hand, often reflect increased operating costs, new or replacement capital needs, and personnel costs. Increases in the recommended FY10-11 budget include bringing the new fire station online (\$81,144 excluding debt service costs); nonprofit support based on the CPI rate as dictated by current fiscal policy (\$3,794); local match for the HOME Consortium program (\$2,096); additional invertebrate study on Bolin Creek (\$2,200); ABC Board grant to provide supplies needed in alcohol violation program (\$6,500); additional building repair costs at the Century Center (\$9,650); and community events in recreation (\$2,150). The budget experiences increases in several existing contractual arrangements including the property tax collections contract with Orange County (\$37,000); town attorney (\$10,000); New Hope annexation payment (\$3,662); Andrews -Riggsbee parking lot lease (\$7,500); streets pavement study (\$8,500); IT contractual costs (\$12,540); and phone costs (\$6,750). The budget also affords a radio maintenance contract to maintain the 800 MHz radios used by Police Department (\$13,000).

CAPITAL OUTLAY

As mentioned earlier in the budget message, capital initiatives are an important component of this budget. In accordance with the Town's financial policies, the Town Manager develops and maintains a six-year capital improvement program (CIP). The CIP is a plan that includes long-term maintenance, infrastructure needs and technology needed for the community. The CIP is incorporated into the annual operating budget request process. Items are appropriated into the budget by the Board of Aldermen upon adoption of the budget. The CIP plan can affect all categories of spending in the budget, including personnel and operating costs in addition to capital outlay costs.

The total \$627,010 budgeted for capital outlay reflects curtailed capital spending that is largely limited to the annual vehicle and equipment needs (\$560,500). Several replacement items are also funded including a riding mower and Vbox salt spreader for Public Works (43,760), and servers for the town computer system (\$22,750).

Department	Vehicle	Cost	Debt Svc
Public Works	Administration - Mid size Hybrid SUV - Replace vehicle #001	\$ 33,500	\$ 7,536
Public Works	Streets - utility truck - Replace vehicle #042	\$ 44,000	\$ 9,898
Public Works	Streets - pickup - Replace vehicle #043	\$ 22,000	\$ 4,949
Public Works	Solid Waste - boom truck - Replace vehicle #57	\$ 154,000	\$ 34,643
Police	Patrol Vehicle-Replace vehicle #199	\$ 32,000	\$ 7,199
Public Works	L&G - Full Size Truck - Replace #003	\$ 25,000	\$ 5,624
Police	Investigations vehicle #198	\$ 26,000	\$ 5,849
Police	Community Services-Replace vehicle #200	\$ 32,000	\$ 7,199
Police	Community Services-Replace vehicle #201	\$ 32,000	\$ 7,199
Fire	Fire Suppression 4x4 Brush-Truck Replace-#985	\$ 160,000	\$ 35,993
TOTAL		\$ 560,500	\$ 126,087

Other capital initiatives are funded including the annual street resurfacing allocation (\$300,650 of which \$200,000 is in general fund budget and \$100,650 is funded within the Capital Reserve Fund), and operating and debt service costs for the bond-funded sidewalk program and the new fire substation previously discussed.

In addition, numerous capital projects currently on hold in FY09-10 (all of which were on hold in FY08-09 except for the traffic counter replacements) are proposed for funding

CAPITAL PROJECTS DELAYED - SET ASIDE IN DESIGNATED FUND BALANCE	
ADAMS TRACT PEDESTRIAN BRIDGE	\$ 30,000
TRAFFIC COUNTERS - REPLACEMENT	\$ 15,000
REPLACE CARPET IN FIRE DEPT HALLWAY	\$ 4,000
DOG PARK FENCE RENOVATION	\$ 10,500
WILSON PARK PLAYGROUND EQUIPMENT FOR 2-5 YEAR OLDS, FY08-09 CIP (FULL COST = \$30k; DEBT SERVICE = \$10k)	\$ 10,000
WILSON PARK BATHROOM RENOVATION, FY08-09 CIP	\$ 133,955
GRAND TOTAL	\$ 203,455

through designated fund balance contingent upon fund balance ratios remaining within the stated fiscal policy goal of 22.5% to 35%. These projects will remain in the designated fund balance to be considered for funding as signs of economic stability and improvement occur. Annually an agenda item is presented to the Board in late June designating funds for projects that are not yet completed. The items in this chart will be added to that agenda item.

Due to fiscal constraints, a few capital items and operating costs associated with capital items (firefighters) remain unfunded as indicated in the chart on the right.

FY10-11 CIP INITIATIVES NOT FUNDED	
THREE FIREFIGHTERS	\$ 129,923
FIELD #4 RENOVATION AT ANDERSON PARK	\$ 48,510
MULTIPURPOSE FIELD RENOVATIONS AT ANDERSON PARK	\$ 42,130
TOTAL	\$ 220,563

As done annually, the Town will revisit its CIP in November 2010 and will review the status of all capital needs. The items proposed above for funding with designated fund balance and in the six-year planning cycle will be reviewed in context of the economic environment and spending plans will be revised accordingly.

ALL OTHER FUNDS

While the general fund is the major operating budget for the Town, numerous other funds are used to track expenditures funded with legally restricted revenues including reserves for capital projects as designated by the Board, revolving loans for economic development, and capital projects. The activities of these funds are budgeted when board action is needed.

In the recommended budget, the amounts allocated within the capital reserve fund are adjusted to appropriate an additional \$100,650 from undesignated reserves to support the biennial street resurfacing program at the levels indicated in the CIP. In addition, a transfer of \$176,945 is budgeted to offset debt service costs for the fire substation and vehicle financing costs in the General Fund. The transfer from the capital reserve fund is recognized as revenue to the general fund as Other Financing Sources with a corresponding expense budget in the debt service budget.

CONCLUSION

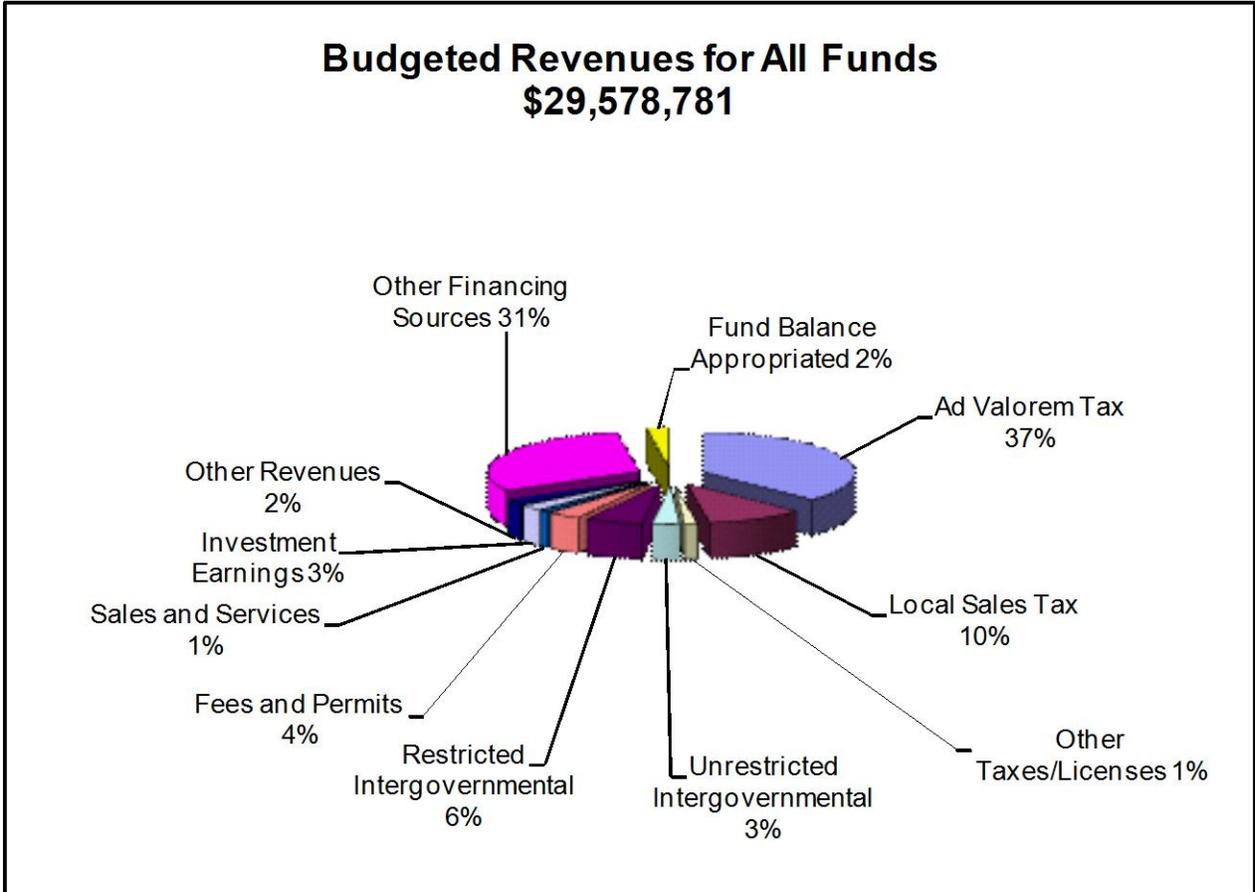
A significant concern in the overall decrease in the revenue portfolio is the fact that the major revenues, property tax receipts and sales taxes, remained anemic, showing less than 1% growth over the FY09-10 adopted budget. Many other recurring revenues also decreased such as intergovernmental revenue, interest earnings, and recreation fees, all revenues that represent a response to the economic conditions. The remainder of the decrease in the revenue stream reflects decreases associated with the Town's capital program.

Understanding the limited growth of town revenues, a word of caution is needed in understanding that the interests of maintaining town services and employee benefits without increasing the tax rate in this recommended budget will require the Town to pay for short and long-term commitments in the future that can only be covered through growth in the revenue stream and/or future tax increases. Specific large ticket items to consider in addition to delayed capital initiatives discussed above may include paying additional mandated state retirement costs; restoring the pay-for-performance program; increased debt service costs for vehicles and bond-funded sidewalk and greenways program to be supported by the General Fund, and continued health insurance cost increases. These items could impact the FY11-12 budget by a minimum of \$500,000. Debt service funding from the General Fund, funding for three new fire fighters and funding current frozen positions could add another \$300,000 or more.

The sales tax and the lackluster growth in the Town's property tax base are two large and important sources of funding for the Town that severely limit what can be afforded in the way of community services. The Town will continue to make careful and balanced choices in providing for, day-to-day services, longer term capital needs and the recognition of the valuable contributions made by all of our employees. It is important in our community to continue the commitment to quality service delivery and strong fiscal health in a manner that is sustainable for future generations.

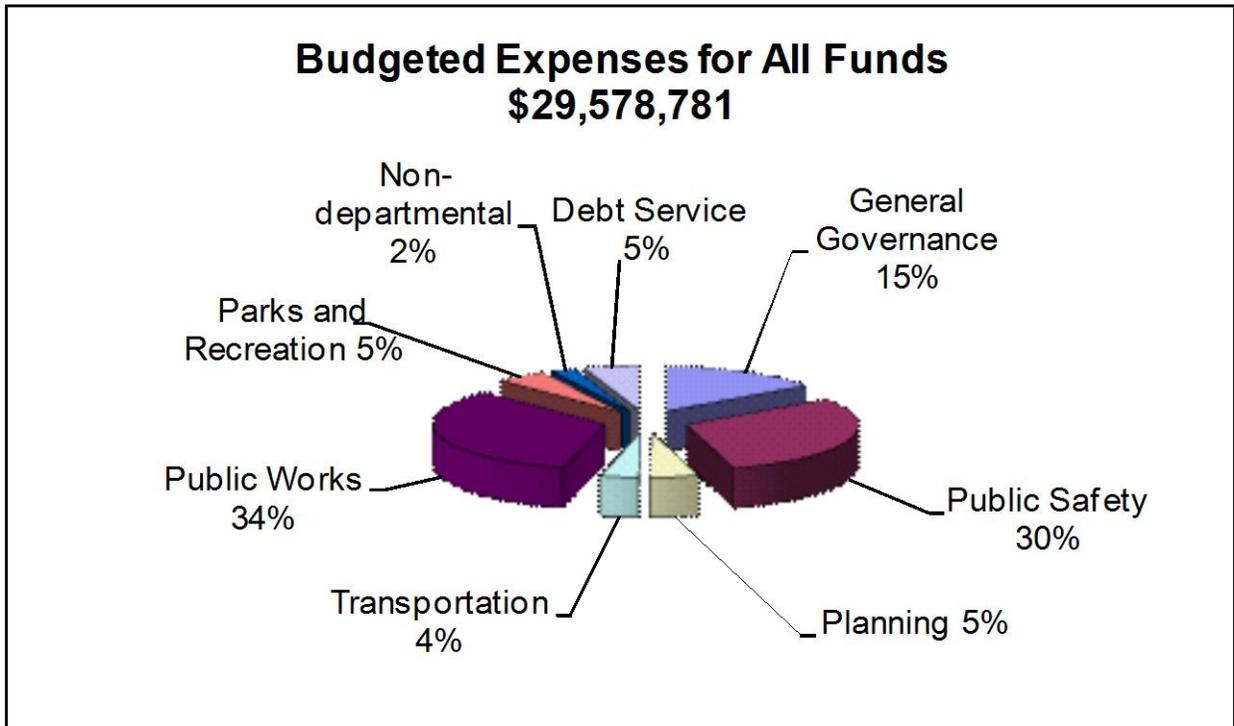
Revenue Summary for All Funds FY2010-11 Budget By Fund Type

	General Fund	Special Revenue Funds	Capital Funds	Total All Funds
Budgeted Revenues				
Ad Valorem Tax	\$11,021,222			\$ 11,021,222
Local Sales Tax	\$3,062,136			\$ 3,062,136
Other Taxes/Licenses	\$402,750			\$ 402,750
Unrestricted Intergovernmental	\$860,018			\$ 860,018
Restricted Intergovernmental	\$553,981	\$ 200,000	\$ 1,043,804	\$ 1,797,785
Fees and Permits	\$1,022,867			\$ 1,022,867
Sales and Services	\$244,606			\$ 244,606
Investment Earnings	\$50,000	\$ 488,865	\$ 177,989	\$ 716,854
Other Revenues	\$44,069	\$ 539,575	\$ 98,607	\$ 682,251
Other Financing Sources	\$737,445	\$ 129,750	\$ 8,197,551	\$ 9,064,746
Fund Balance Appropriated	\$526,591	\$ 176,955		\$ 703,546
Total Budgeted Revenues	\$ 18,525,685	\$ 1,535,145	\$ 9,517,951	\$ 29,578,781



Expense Summary for All Funds FY10-11 Budget By Fund Type

	General Fund	Special Revenue Funds	Capital Funds	Total All Funds
Budgeted Expenditures				
Mayor and Board of Aldermen	\$ 281,736			\$ 281,736
Advisory Boards	\$ 12,750			\$ 12,750
Governance Support	\$ 266,003			\$ 266,003
Town Manager	\$ 276,988			\$ 276,988
Economic and Community Development	\$ 152,955	\$ 1,158,190		\$ 1,311,145
Town Clerk	\$ 114,870			\$ 114,870
Management Services	\$ 1,012,742			\$ 1,012,742
Human Resources	\$ 374,377			\$ 374,377
Information Technology	\$ 855,933			\$ 855,933
Police	\$ 3,213,111			\$ 3,213,111
Fire	\$ 2,523,335		\$ 3,250,000	\$ 5,773,335
Planning	\$ 1,159,198	\$ 200,000		\$ 1,359,198
Transportation	\$ 1,064,150			\$ 1,064,150
Public Works	\$ 3,608,031	\$ 176,955	\$ 6,221,396	\$ 10,006,382
Parks and Recreation	\$ 1,372,343		\$ 46,555	\$ 1,418,898
Non-departmental	\$ 688,248			\$ 688,248
Debt Service	\$ 1,548,915			\$ 1,548,915
Total Budgeted Expenditures	\$ 18,525,685	\$ 1,535,145	\$ 9,517,951	\$ 29,578,781



SUMMARY OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES GENERAL FUND

	2008-09 Actual	2009-10 Estimated Projection	2009-10 Adopted	2010-11 Adopted	% Change 2010/11 from 2009/10
Estimated Fiscal Year Beginning Fund Balance	\$ 12,766,779	\$ 11,127,377	n/a	n/a	n/a
Revenues					
Ad Valorem Taxes	\$ 10,824,129	\$ 11,021,505	\$ 10,956,318	\$ 11,021,222	0.59%
Local Option Sales Taxes	\$ 3,137,836	\$ 3,011,144	\$ 3,062,045	\$ 3,062,136	0.00%
Other Taxes and Licenses	\$ 428,655	\$ 414,250	\$ 391,743	\$ 402,750	2.81%
Unrestricted Intergovernmental	\$ 947,801	\$ 894,143	\$ 920,868	\$ 860,018	-6.61%
Restricted Intergovernmental	\$ 810,401	\$ 657,813	\$ 563,915	\$ 553,981	-1.76%
Permits and Services	\$ 1,062,026	\$ 1,162,874	\$ 1,020,562	\$ 1,022,867	0.23%
Sales and Services	\$ 260,829	\$ 270,213	\$ 299,300	\$ 244,606	-18.27%
Investment Earnings	\$ 151,318	\$ 66,300	\$ 100,000	\$ 50,000	-50.00%
Other	\$ 142,015	\$ 46,024	\$ 49,075	\$ 44,069	-10.20%
Transfers In:					
Installment Financing Proceeds		\$ 620,496	\$ 620,496	\$ 560,500	-9.67%
Fund Balance Appropriated		\$ -	\$ 546,306	\$ 526,591	-3.61%
Transfer from General Fund					
Transfer from Grant Fund	\$ 34,200				
Transfer from Capital Reserve Fund		\$ 544,806	\$ 544,806	\$ 176,945	-67.52%
Transfer from Non-Departmental					
Bond Proceeds					
Revenues	\$ 17,799,211	\$ 18,709,568	\$ 19,075,434	\$ 18,525,685	-2.88%
Expenditures					
General Government	\$ 3,027,115	\$ 2,882,270	\$ 3,246,374	\$ 3,348,354	3.14%
Public Safety	\$ 5,222,589	\$ 5,553,822	\$ 5,607,907	\$ 5,736,446	2.29%
Planning	\$ 1,110,797	\$ 1,124,991	\$ 1,228,776	\$ 1,159,198	-5.66%
Transportation	\$ 1,033,837	\$ 1,032,835	\$ 1,064,150	\$ 1,064,150	0.00%
Public Works	\$ 3,004,354	\$ 3,314,735	\$ 4,167,122	\$ 3,608,031	-13.42%
Parks and Recreation	\$ 1,207,492	\$ 1,283,632	\$ 1,410,212	\$ 1,372,343	-2.69%
Economic and Physical Development	\$ -	\$ -	\$ -	\$ -	
Nondepartmental	\$ -	\$ -	\$ 365,948	\$ 476,248	30.14%
Capital Outlay	\$ 1,804,428	\$ -	\$ -	\$ -	
Transfers To:					
General Fund					
Capital Reserve Fund	\$ 1,121,099	\$ 252,679	\$ 212,000	\$ 212,000	0.00%
Capital Project Fund	\$ 430,000		\$ 151,883		-100.00%
Bond Fund	\$ 1,000				
Affordable Housing Fund	\$ 48,000				
Debt Service:					
Principal	\$ 1,101,593	\$ 1,105,924	\$ 1,329,451	\$ 1,237,001	-6.95%
Interest and Other Charges	\$ 326,309	\$ 263,461	\$ 291,611	\$ 311,914	6.96%
Total Expenditures	\$ 19,438,613	\$ 16,814,349	\$ 19,075,434	\$ 18,525,685	-2.88%
Estimated Fiscal Year Ending Fund Balance	\$ 11,127,377	\$ 13,640,551	n/a	n/a	n/a

Notes: In North Carolina, adopted budgets must be balanced. In some cases, fund balance is appropriated as part of the adopted budget. The ending fund balance presented in this chart is not relevant on the columns showing adopted budget figures.

The Town only has governmental funds.

General Government Accounting Principles require governmental fund data be presented separately for each individual major governmental fund. General Fund is always considered a major fund.

The change in the general fund balance is based on spending levels being at 83% of the total budget. Carrboro has maintained the fund balance level within the range stated in the Town's fiscal policy. In recent years, fund balance has exceeded the range ceiling of 35%.

**SUMMARY OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES
BOND FUND**

	2008-09 Actual	2009-10 Estimated Projection	2009-10 Adopted	2010-11 Adopted	% Change 2010/11 from 2009/10
Estimated Fiscal Year Beginning Fund Balance	\$ (1,353,291)	\$ (1,985,170)	n/a	n/a	n/a
Revenues					
Ad Valorem Taxes					
Local Option Sales Taxes					
Other Taxes and Licenses					
Unrestricted Intergovernmental					
Restricted Intergovernmental	\$ 15,960	\$ 53,327	\$ 526,824	\$ 967,508	83.65%
Permits and Services					
Sales and Services					
Investment Earnings	\$ 11,157	\$ 915	\$ 175,757	\$ 155,757	-11.38%
Other	\$ 7,862	\$ -	\$ 98,607	\$ 98,607	0.00%
Transfers In:					
Installment Financing Proceeds					
Fund Balance Appropriated					
Transfer from General Fund			\$ 12,700	\$ 12,700	0.00%
Transfer from Grant Fund					
Transfer from Capital Reserve Fund			\$ 239,988	\$ 239,988	0.00%
Transfer from Non-Departmental	\$ 1,000				
Bond Proceeds			\$ 2,600,540	\$ 2,600,540	0.00%
Revenues	\$ 35,979	\$ 54,242	\$ 3,654,416	\$ 4,075,100	11.51%
Expenditures					
General Government					
Public Safety					
Planning					
Transportation					
Public Works					
Parks and Recreation					
Economic and Physical Development					
Nondepartmental					
Capital Outlay	\$ 667,858	\$ 72,922	\$ 3,414,428	\$ 3,835,112	12.32%
Transfers To:					
General Fund					
Capital Reserve Fund			\$ 239,988	\$ 239,988	0.00%
Capital Project Fund					
Bond Fund					
Affordable Housing Fund					
Debt Service:					
Principal					
Interest and Other Charges					
Total Expenditures	\$ 667,858	\$ 72,922	\$ 3,654,416	\$ 4,075,100	11.51%
Estimated Fiscal Year Ending Fund Balance	\$ (1,985,170)	\$ (2,003,850)	n/a	n/a	n/a

The Town continues to issue bond anticipation notes (BANS) to construct sidewalks and greenways. Upon completion of these bond-funded projects, the Town will issue bonds, eliminating the deficit currently recorded in the fund. GAAP requires short-term notes to be recorded as liabilities and not revenues.

At a minimum, governmental funds other than the general fund must be reported as major funds if they meet both of the following criteria:

- 10% criterion. An individual governmental fund reports at least 10% of any of the following: a)total governmental fund assets, b)total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures
- 5% criterion. An individual governmental fund reports at least 5% of the aggregated total for both governmental funds and enterprise funds of any one of the items for which it met the 10% criterion.

**SUMMARY OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES
NONMAJOR FUNDS**

	2008-09 Actual	2009-10 Estimated Projection	2009-10 Adopted	2010-11 Adopted	% Change 2010/11 from 2009/10
Estimated Fiscal Year Beginning Fund Balance	\$ 1,513,804	\$ 2,677,651	n/a	n/a	n/a
Revenues					
Ad Valorem Taxes					
Local Option Sales Taxes					
Other Taxes and Licenses					
Unrestricted Intergovernmental					
Restricted Intergovernmental	\$ 76,710	\$ 4,800	\$ 130,811	\$ 276,296	111.22%
Permits and Services					
Sales and Services					
Investment Earnings	\$ 39,354	\$ 5,811	\$ 488,775	\$ 511,097	4.57%
Other	\$ 39,963	\$ 57,044	\$ 533,193	\$ 539,575	1.20%
Transfers In:					
Installment Financing Proceeds			\$ 4,017,000	\$ 4,017,000	0.00%
Fund Balance Appropriated					
Transfer from General Fund	\$ 1,599,099	\$ 3,250,000	\$ 2,005,806	\$ 1,634,028	-18.54%
Transfer from Grant Fund					
Transfer from Capital Reserve Fund					
Transfer from Non-Departmental					
Bond Proceeds					
Revenues	\$ 1,755,126	\$ 3,317,654	\$ 7,175,585	\$ 6,977,996	-2.75%
Expenditures					
General Government	\$ 2,268	\$ 8,672	\$ 94,994	\$ 229,397	141.49%
Public Safety	\$ 56,556				
Planning					
Transportation					
Public Works					
Parks and Recreation					
Economic and Physical Development	\$ 413,790	\$ -	\$ 994,289	\$ 989,793	-0.45%
Nondepartmental					
Capital Outlay	\$ 84,465	\$ 784,452	\$ 5,388,296	\$ 5,442,851	1.01%
Transfers To:					
General Fund	\$ 34,200	\$ 26,555	\$ 698,006	\$ 315,955	
Capital Reserve Fund					
Capital Project Fund					
Bond Fund					
Affordable Housing Fund					
Debt Service:					
Principal					
Interest and Other Charges					
Total Expenditures	\$ 591,279	\$ 819,679	\$ 7,175,585	\$ 6,977,996	-2.75%
Estimated Fiscal Year Ending Fund Balance	\$ 2,677,651	\$ 5,175,626	n/a	n/a	n/a

The Non-major Funds include the Revolving Loan, Capital Projects, Grant, Capital Reserve, Payment in Lieu Reserve, and Affordable Housing Funds.

The primary reason for the change in fund balance is due to current construction activity on the northern area fire substation (\$3M).

**SUMMARY OF REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES
TOTAL GOVERNMENTAL FUNDS**

	2008-09 Actual	2009-10 Estimated Projection	2009-10 Adopted	2010-11 Adopted	% Change 2010/11 from 2009/10
Estimated Fiscal Year Beginning Fund Balance	\$ 12,927,292	\$ 11,819,858	n/a	n/a	n/a
Revenues					
Ad Valorem Taxes	\$ 10,824,129	\$ 11,021,505	\$ 10,956,318	\$ 11,021,222	0.59%
Local Option Sales Taxes	\$ 3,137,836	\$ 3,011,144	\$ 3,062,045	\$ 3,062,136	0.00%
Other Taxes and Licenses	\$ 428,655	\$ 414,250	\$ 391,743	\$ 402,750	2.81%
Unrestricted Intergovernmental	\$ 947,801	\$ 894,143	\$ 920,868	\$ 860,018	-6.61%
Restricted Intergovernmental	\$ 903,071	\$ 715,940	\$ 1,221,550	\$ 1,797,785	47.17%
Permits and Services	\$ 1,062,026	\$ 1,162,874	\$ 1,020,562	\$ 1,022,867	0.23%
Sales and Services	\$ 260,829	\$ 270,213	\$ 299,300	\$ 244,606	-18.27%
Investment Earnings	\$ 201,829	\$ 73,026	\$ 764,532	\$ 716,854	-6.24%
Other	\$ 189,840	\$ 103,068	\$ 680,875	\$ 682,251	0.20%
Transfers In:					
Installment Financing Proceeds	\$ -	\$ -	\$ 4,637,496	\$ 4,577,500	-1.29%
Fund Balance Appropriated	\$ -	\$ -	\$ 546,306	\$ 526,591	-3.61%
Transfer from General Fund	\$ 1,599,099	\$ 3,250,000	\$ 2,018,506	\$ 1,646,728	-18.42%
Transfer from Grant Fund	\$ 34,200	\$ -	\$ -	\$ -	
Transfer from Capital Reserve Fund	\$ -	\$ -	\$ 784,794	\$ 416,933	-46.87%
Transfer from Non-Departmental	\$ 1,000	\$ -	\$ -	\$ -	
Bond Proceeds	\$ -	\$ -	\$ 2,600,540	\$ 2,600,540	0.00%
Revenues	\$ 19,590,316	\$ 20,916,163	\$ 29,905,435	\$ 29,578,781	-1.09%
Expenditures					
General Government	\$ 3,029,383	\$ 3,138,624	\$ 3,341,368	\$ 3,577,751	7.07%
Public Safety	\$ 5,279,145	\$ 5,600,961	\$ 5,607,907	\$ 5,736,446	2.29%
Planning	\$ 1,110,797	\$ 1,120,385	\$ 1,228,776	\$ 1,159,198	-5.66%
Transportation	\$ 1,033,837	\$ 1,147,595	\$ 1,064,150	\$ 1,064,150	0.00%
Public Works	\$ 3,004,354	\$ 3,025,316	\$ 4,167,122	\$ 3,608,031	-13.42%
Parks and Recreation	\$ 1,207,492	\$ 1,271,623	\$ 1,410,212	\$ 1,372,343	-2.69%
Economic and Physical Development	\$ 413,790	\$ -	\$ 994,289	\$ 989,793	-0.45%
Nondepartmental	\$ -	\$ -	\$ 365,948	\$ 476,248	30.14%
Capital Outlay	\$ 2,556,751	\$ 857,374	\$ 8,802,724	\$ 9,277,963	5.40%
Transfers To:					
General Fund	\$ 34,200	\$ 26,555	\$ 698,006	\$ 315,955	-54.73%
Capital Reserve Fund	\$ 1,121,099	\$ 40,679	\$ 451,988	\$ 451,988	0.00%
Capital Project Fund	\$ 430,000	\$ -	\$ 151,883	\$ -	-100.00%
Bond Fund	\$ 1,000	\$ -	\$ -	\$ -	
Affordable Housing Fund	\$ 48,000	\$ -	\$ -	\$ -	
Debt Service:					
Principal	\$ 1,101,593	\$ 293,427	\$ 1,329,451	\$ 1,237,001	-6.95%
Interest and Other Charges	\$ 326,309	\$ 206,023	\$ 291,611	\$ 311,914	6.96%
Total Expenditures	\$ 20,697,750	\$ 16,728,562	\$ 29,905,435	\$ 29,578,781	-1.09%
Estimated Fiscal Year Ending Fund Balance	\$ 11,819,858	\$ 16,007,458	n/a	n/a	n/a

The following ordinance was introduced by Alderman Dan Coleman and duly seconded by Alderman Joal Hall Broun.

ANNUAL BUDGET ORDINANCE

Town of Carrboro, North Carolina

FY 2010-11

Ordinance No. 27/2009-10

WHEREAS, the recommended budget for FY 2010-11 was submitted to the Board of Aldermen on May 11, 2010 by the Town Manager and filed with the Town Clerk on that date pursuant to G.S. 159-11;

WHEREAS, on May 25, 2010, the Board of Aldermen held a public hearing on the budget pursuant to G.S. 159-12;

WHEREAS, on June 15, 2010, the Board of Aldermen adopted a budget ordinance making appropriations and levying taxes in such sums as the Board of Aldermen considers sufficient and proper in accordance with G.S. 159-13;

BE IT ORDAINED BY THE BOARD OF ALDERMEN OF THE TOWN OF CARRBORO, NORTH CAROLINA:

Section 1. The following amounts are hereby appropriated for the operation of the Town of Carrboro and its activities for the fiscal year beginning July 1, 2010 and ending June 30, 2011, according to the following schedules.

SCHEDULE A - GENERAL FUND

GENERAL GOVERNMENT	\$3,348,354
Mayor & Board of Aldermen.....	\$ 281,736
Advisory Boards	\$ 12,750
Governance Support.....	\$ 266,003
Town Manager	\$ 276,988
Economic & Community Development.....	\$ 152,955
Town Clerk	\$ 114,870
Management Services	\$1,012,742
Human Resources	\$ 374,377
Information Technology	\$ 855,933
PUBLIC SAFETY	\$5,736,446
Police.....	\$3,213,111
Fire	\$2,523,335
PLANNING	\$1,159,198
TRANSPORTATION.....	\$1,064,150
PUBLIC WORKS.....	\$3,608,031
PARKS & RECREATION	\$1,372,343

NONDEPARTMENTAL.....	\$688,248
DEBT SERVICE	\$1,548,915
TOTAL GENERAL FUND.....	\$18,525,685

SCHEDULE B – SPECIAL REVENUE FUNDS

Capital Reserve Fund

Transfer to General Fund	\$176,945
--------------------------------	-----------

In addition to the Transfer to the General Fund, the adopted budget ordinance also authorizes a reallocation within the Capital Reserve Fund of \$100,650 from undesignated reserves to reserves designated for street resurfacing.

Section 2. It is estimated that revenues from the following major sources will be available during the fiscal year beginning July 1, 2010 and ending June 30, 2011 to meet the foregoing schedules:

SCHEDULE A - GENERAL FUND

Ad Valorem Taxes	\$11,021,222
Local Sales Taxes	\$3,062,136
Other Taxes/Licenses.....	\$402,750
Unrestricted Intergovernmental Revenue	\$860,018
Restricted Intergovernmental Revenue.....	\$553,981
Fees and Permits	\$1,022,867
Sales & Services	\$244,606
Investment Earnings.....	\$50,000
Other Revenues.....	\$44,069
Other Financing Sources.....	\$737,445
Fund Balance Appropriated	\$526,591
TOTAL GENERAL FUND.....	\$18,525,685

SCHEDULE B – SPECIAL REVENUE FUNDS

Capital Reserve Fund

Fund Balance Appropriated	\$176,945
---------------------------------	-----------

Section 3. Pursuant to GS 159-13.2 (a), the Board of Aldermen may authorize and budget for capital projects and multi-year special revenue funds in its annual budget ordinance. The project ordinance authorizes all appropriations necessary for the completion of the projects. No project ordinances are needed at this time.

Section 4. Charges for services and fees by Town Departments are levied in the amounts set forth in the Miscellaneous Fees and Charges Schedule (See Attachment C).

Section 5. The following authorities shall apply:

- a. The Town Manager can transfer between departments and functions within the General Fund for pay plan adjustments, service level benefits, law enforcement separation allowance, unemployment insurance, and retiree, dependent, and permanent part-time health benefits without further action by the Board.
- b. The Town Manager can transfer within functions.
- c. The Town Manager, in accordance with the Town fiscal policy, may at the end of a fiscal year, upon confirming that the undesignated fund balance available in the annual audit exceeds the policy ceiling of 35%, set aside an amount in designated fund balance for transfer to the capital reserve fund for future projects.
- d. All operating funds encumbered or designated within fund balance for project expenditures as confirmed in the annual June 30th, 2010 audit of the previous year shall be re-appropriated to the Fiscal Year 2010-11 without further action by the Board.
- e. The Finance Officer may approve intradepartmental transfer requests between appropriation units and between programs (formally called “organizational units”) within the departmental budget.
- f. Transfers between funds and transfers from the contingency account may be executed only by the Board of Aldermen. The Carrboro Board of Aldermen will appropriate funds from the Contingency account exclusively for government operations.
- g. In recognition of unpredictable fuel prices, a Fuel Contingency account has been established in the General Fund. The Town Manager may approve transfers from this Fuel Contingency account if needed by departments when their fuel line items are fully expended.
- h. The Orange County Tax Collector, is authorized, empowered, and commanded to collect the 2010 taxes set forth in the tax records filed in the office of the Orange County Tax Assessor, and in the tax receipts herewith delivered to the Tax Collector, in the amounts and from the taxpayers likewise set forth. Such taxes are hereby declared to be a first lien upon all real property of the respective taxpayers in the County of Orange. This section of the ordinance shall be a full and sufficient authority to direct, require, and enable the Orange County Tax Collector to levy on and sell any real or personal property of such taxpayers, for and on account thereof, in accordance with law.
- i. Under GS143-64.32, architectural, engineering, and surveying services with fees less than thirty thousand dollars (\$30,000) may in writing be exempt from the RFQ (Request for Qualification) process.

Section 6. There is hereby levied the following rates of tax on each one hundred (\$100) valuation of taxable property as listed for taxes as of January 1, 2010 for the purpose of raising the revenue constituting the general property taxes as set forth in the foregoing estimates of revenue and in order to finance the foregoing appropriations.

General Fund\$5894

Section 7. In accordance with G.S. 159-13, a copy of this ordinance shall be filed with the Town Manager, the Finance Officer, and the Town Clerk.

The foregoing ordinance having been submitted to a vote received the following vote and was duly adopted this 15th day of June 2010:

Ayes: Dan Coleman, Sammy Slade, Lydia Lavelle, Mark Chilton, Joal Hall Broun, Jacquelyn Gist, Randee Haven-O'Donnell

Noes: None

Absent or Excused: None