

Preliminary Outlook for FY 2025 Budget

A good decision is based on knowledge and not on numbers.

PLATO

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(EDITED BY DARRELL BUTTS)

FY24 REVENUE SO FAR

- Register of Deeds Excise revenue down significantly from last year (~\$483,000)
 - At 41% of budget collected, down ~20% from prior year.
 - Potential to still meet budget, depending on real estate market in the spring
- Inspections revenue up approximately 436% over last year
 - Currently at 164% of budget
 - Already the highest revenue year ever – driven largely by Wolfspeed
- Watershed revenues down 36% from same time last year
- Environmental Health revenues down approximately 8% from same time last year

FY24 REVENUE SO FAR

- Property Tax
 - Ahead of FY23 in total collections
 - Slightly behind in collection percentage, but still on pace to meet budget
- Motor Vehicle Tax
 - Ahead of FY23 in total collections
 - At same collection percentage as last year, on pace to meet budget
- Sales Tax
 - At 46.2% of budget collected, slightly behind the same time last year (49.6%)
 - Through 5 months, ahead of last year by approximately \$1.1 million (10.2% increase over the same time period last year)

FY 2024 SO FAR SUMMARY

- Revenue from development services continues to be robust in FY24, on pace to exceed budgeted revenue
- Locally collected sales tax continues to be very solid
- Ad Valorem taxes are on pace to meet budgeted revenue
- Expenditures slightly behind (0.2%) last year due primarily to capital outlay purchases
- Overall projecting that revenue will slightly exceed expenditures
 - Revenue collection dependent upon continued development services activity and strong sales tax receipts.
 - Expenditures largely dependent upon the number and length of vacancies and ability to purchase the operating/capital equipment (less difficult than last few years)

Economic Outlook

WHAT OTHERS ARE SAYING

Economic Forecasts

- Events have been pointing to 2024 being a transition year for economic policy
- Have seen some progress on inflation
 - Year-Over-Year rate peaked at 9% in summer 2022
 - Inflation fell to under 4% by the end of 2023
- Positive economic path has sparked hopes of “soft landing”
 - Continued slow growth resulting in a downward trend in the inflation rate
 - Fed target annual inflation rate of 2%
- Decreases in interest rates will help many sectors
 - NC (and Triangle region) in good position for economic development projects to be “jump started”
- Economy generally remains resilient due to consumer spending
- Labor cost growth continues to be “too hot” to be consistent with Fed’s inflation goal
- Recent data suggests that “soft landing” could be emerging by mid/late 2024

Other Factors

STATE/GENERAL ASSEMBLY

- Continued impacts from most recent approved state budget

FEDERAL GOVERNMENT

- American Rescue Plan Act (ARPA) funding

OTHER

- Economic Development activity in Chatham County
- Interest rate changes?

Chatham County

BRINGING IT HOME

FY 2025 - Revenue

- Retreat revenue projections are difficult
- Budget revenue projection methodology is conservative
 - Focus on accurate year-end estimates and project conservatively
- Property Tax
 - Conservative Outlook: 2% growth
 - Optimistic Outlook: 4% growth
- Sales Tax
 - Conservative Outlook: 4% growth
 - Optimistic Outlook: 7% growth

FY 2025 Expenses - Known

Chatham County Schools - +\$2,915,000

Additional \$1,400,000 for classified employee pay scale adjustment

Additional \$400,000 for certified & classified supplement adjustment

Additional \$400,000 for compensation and benefit increases

Additional \$300,000 for operational cost increases

Additional \$300,000 for charter school transfer

Additional \$115,000 for capital outlay appropriation

FY 2025 Expenses - Known

Increase of approximately \$485,000 for new FY24 positions budgeted mid-year and ½ year for ARPA-funded positions

+1.2% *increase* in retirement contribution (\$250,000)

+3-4% *increase* in health/dental insurance (\$250,000)

+10% *increase* in property/liability insurance (\$75,000)

Increased operating costs of new/expanded County buildings/programs:

New EMS Base (\$417,000)

Additional (potential) FY 25 Expenses

Potential expenses

- ~ \$600,000 full-year implementation of 1/3 pay study
- ~ \$1.5 – 2 million for adjustments in employee pay
- ~\$480,000 in Court Programs positions (due to loss of grant funding)
- +/- \$500,000 inflationary increase in operating

Total expected expansion requests +/- \$3.5 million

FY 2025 Preliminary Bottom Line

Total (potential) expense increases: 10,500,000

Total (potential) revenue increases: 4,500,000

Total (potential) surplus/(deficit): (6,000,000)

FY25 preliminary property tax information

- 1 penny generates: 1,521,300

For Board Discussion – Guidelines

Staff will deliver the FY 2025 Recommended Budget within the guidelines the BOC sets.

We are requesting any other directions or guidelines that you would like to provide.