

EXECUTIVE SUMMARY

BUDGET OVERVIEW

Recent economic indicators show that the national economy is improving overall, but at a pace slower than projected earlier. Nationally, the unemployment rate has lessened; new jobs are being created, and home sales are showing some improvement. The Conference Board's latest index of economic indicators rose for the sixth straight month which suggests a pick up in the national economy late this year. In North Carolina, economic indicators parallel those of the nation. However, the state's recent jobless rate at 9.7% continues to be higher than the national average of 8.2% and job growth is weak. There are, however, signs that the North Carolina economy is improving, particularly in retail sales growth. According to recent report from the North Carolina League of Municipalities, sales of general retail items (e.g. food, clothing, household goods, etc.) have grown steadily over the last year. There was some rebound in construction-related spending last fall due to home improvements and multi-family unit construction. Both leading economic indexes for the State show growth expectations for the near future with most economists predicting continued moderate growth during 2012 and 2013.

Locally there are signs that the economy is improving. Property tax and sales tax revenue collections through the third quarter are 3% and 7%, respectively, above last year at this time. Collections from fees and permits are 124% above last year's third quarter, which appears to be related to approved private developments beginning or nearing the construction phase.

Although the economy is improving, the Town did not want to be overly optimistic in its revenue estimates for the FY 2012-13 Budget. The Town continued the use of fiscal tools used over the past several years. Operating expenses were identified for reduction, several frozen vacant positions were eliminated, capital item requests were re-prioritized and some deferred for purchase in future years. These efforts were undertaken as part of an overall strategy to:

- Address Board priorities,
- Maintain current service delivery levels,
- Avoid increasing the tax burden for Town residents, and
- Provide an across-the-board salary adjustment for regular employees.

The total recommended general fund operating budget for FY 2012-13 is \$19,441,491, an increase of \$951,552 or 5.2%. By law, municipalities are required to have a balanced budget where revenues must equal budgeted expenditures. Highlights of Town revenues and expenditures follow.

BUDGET PROCESS

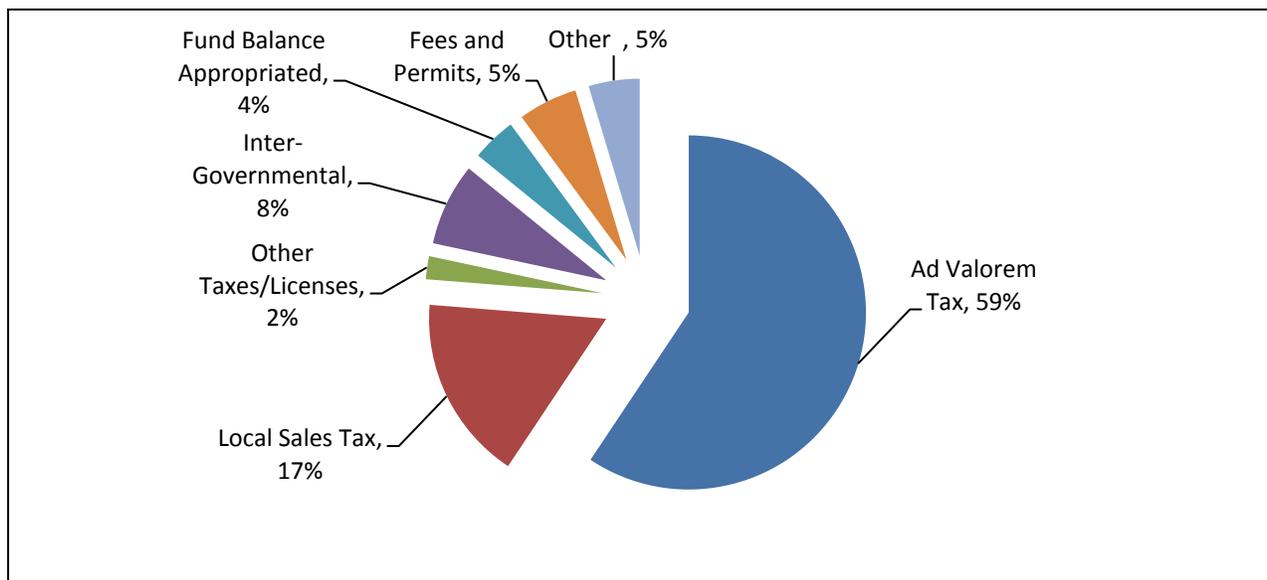
The budget process is similar to past years, requiring departments to justify their operating budget, the continuation of services as well as any expansions. The continuation budget includes adjustments for price increases in the cost of goods and services; and may include projects and infrastructure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

REVENUES

Carrboro's revenue stream has two broad types of revenues: recurring revenues and other financing sources which represent certain one-time inflows of revenue. Recurring revenues consist of property taxes, sales taxes, other taxes/licenses, and intergovernmental revenues and comprise approximately 86% of general fund revenues. For FY 2012-13 total recurring revenues are projected to increase by 33% over FY 2011-12 due to:

- Property tax increase by 3% due to increased valuations;
- Expected sales tax growth and private developments beginning or nearing construction; and,
- Adjustment in intergovernmental revenues to reflect actual award or distributions.

FY 2012-13 RECOMMENDED BUDGET GENERAL FUND REVENUES \$19,441,491

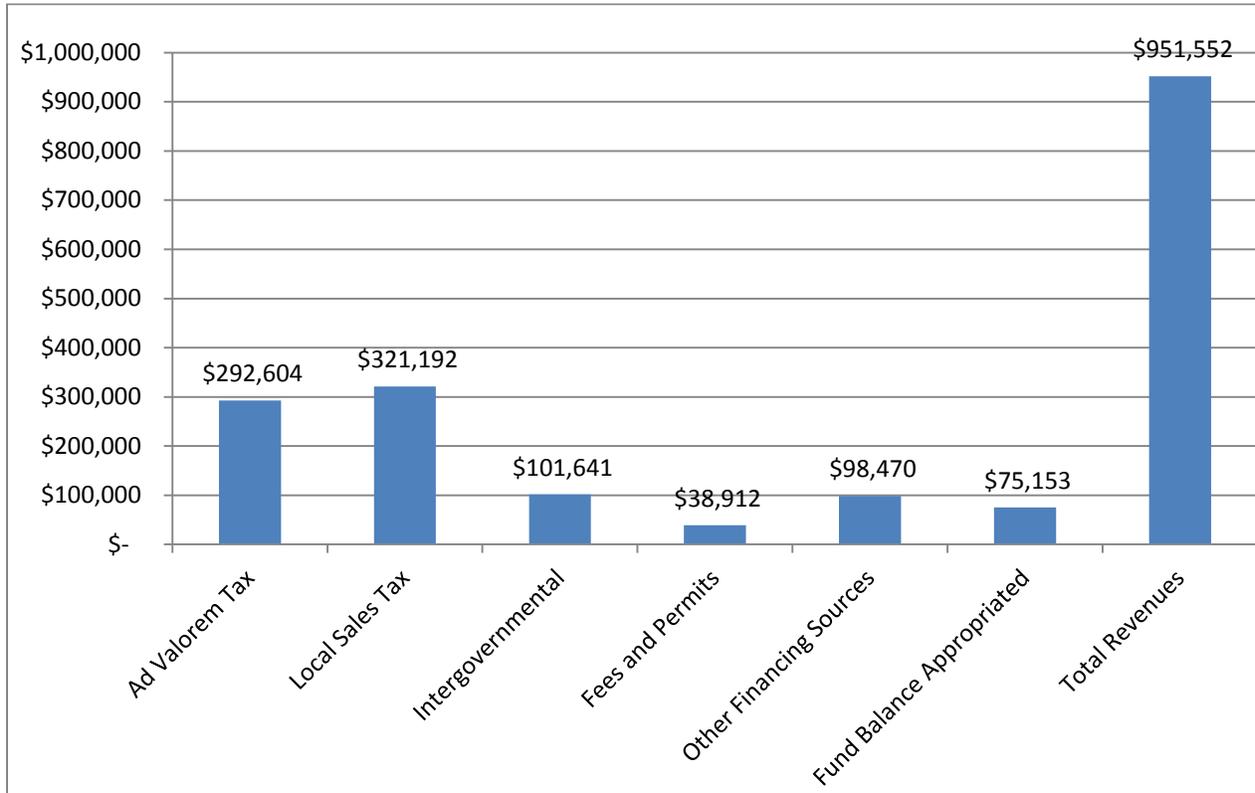


The two largest sources of revenue, property taxes and sales taxes, are projected to increase. The property tax valuation at January 31, 2012 was \$1,941,303,249 compared to \$1,939,126,061 at June 30, 2011. For FY 2012-13 total tax valuation is expected to grow by 2% from the June 30, 2011 value to \$1,977,908,582. Each penny on the tax rate generates approximately \$193,835. 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.

Overall sales tax receipts (\$1.8 million), reflecting seven months of collections for the year, are 63% of the FY 2011-12 adopted budget (\$2.9 million) with total collections for the year anticipated to be \$3.0 million. This is a 7% increase compared to the same time period in FY 2010-11. According to the N. C. League of Municipalities report, statewide sales tax distributions to local governments for the first six months of FY 2011-12 were 7.9% above the

comparable period in FY 2010-11. The League of Municipalities anticipates that sales tax revenues for the current fiscal year will be 6.1% higher than FY 2010-11 collections. For FY 2012-13 statewide local sales tax are expected to grow by 3% from the FY 2011-12 level. This rate could be higher if single family residential construction begins to rebound during FY 2012-13.

DOLLAR CHANGE IN REVENUES FROM PRIOR YEAR



Restricted intergovernmental revenues are expected to increase primarily due to the Powell Bill and ABC Board Grant. In FY 2011-12 total Powell Bill revenues were \$461,696 versus budget of \$431,943; and, ABC Grant revenues were \$12,500 compared to a budget of \$9,500.

Unrestricted intergovernmental revenues from electricity franchise tax, video programming, and telecommunications sales are expected to grow statewide by 3.3% to 7%. Due to the unusually warm fall and early winter, statewide FY 2011-12 distributions of the piped natural gas excise tax are expected to be 16% below those of FY 2010-11. If temperatures should return to normal levels, the growth rate in FY 12-13 could reach 19%. Unrestricted intergovernmental revenues from the beer and wine tax distributions are expected to remain flat.

Installment Financing will increase by a third from \$298,850 to \$397,320 due to an increase in installment financing to replace vehicles and equipment in FY 2012-13. The transfer from the Capital Reserve Fund of \$176,945 will be continued to partially offset the increase in debt service for the fire station #2. Fund balance use is projected to increase by 10% from \$712,163 to \$787,316; however as a percent of total revenues it remains at 4%.

	CHANGES OVER PRIOR YEAR	FY 2012-13 RECOMMENDED REVENUE	FY 2011-12 ADOPTED REVENUE
INTERFUND TRANSFERS	\$0	\$176,945	\$176,945
INSTALLMENT FINANCING	\$98,470	\$397,320	\$298,850
FUND BALANCE	\$75,153	\$787,316	\$712,163
TOTAL OTHER FINANCING SOURCES	\$173,623	\$1,361,581	\$1,187,958

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 FY 2012-13 equals \$397,320; the budgeted lease proceeds on the revenue side are also equal to this same amount. The debt expenditure associated with borrowing the funds for the equipment and vehicles recommended for replacement is \$7,088.

CATEGORY	% change	CHANGES OVER PRIOR YEAR	FY 12-13 RECOMMENDED REVENUE	FY 11-12 ADOPTED REVENUE
PROPERTY TAXES	2.6%	\$292,604	\$11,538,637	\$11,246,033
LOCAL SALES TAXES	10.8%	\$321,192	\$3,287,245	\$2,966,053
OTHER TAXES/LIC	0.6%	\$2,414	\$408,490	\$406,076
UNRESTRICTED INTERGOVERNMENTAL	1.6%	\$13,206	\$862,737	\$849,531
RESTRICTED GOVERNMENTAL	17.3%	\$88,435	\$598,200	\$509,765
FEES&PERMITS	3.8%	\$38,912	\$1,054,150	\$1,015,238
SALES&SVCS	0.0%	(\$0)	\$229,846	\$229,846
INTEREST EARNINGS	40.0%	\$10,000	\$35,000	\$25,000
OTHER REVENUE	20.5%	\$11,166	\$65,605	\$54,439
OTHER FINANCING SOURCES	20.7%	\$98,470	\$574,265	\$475,795
FUND BALANCE	10.6%	\$75,153	\$787,316	\$712,163
TOTAL REVENUE	5.1%	\$951,552	\$19,441,491	\$18,489,939

EXPENDITURES

Town staff, in preparing budget requests, was asked to limit requests for expenditure increases to those things that are considered critical to performing day-to-day services in FY 2012-13. No expansion requests have been funded for FY 2012-13.

As shown in the chart below, the recommended budget totals \$19,441,492, representing a \$951,552 or 5.1% increase from the current year adopted budget. Much of this increase is due to restoration of the street resurfacing program at \$300,700 annually and a 3% across the board pay adjustment (\$255,000) for Town employees. In FY 2011-12 no funds were transferred for street resurfacing. Town employees have not received a permanent pay increase since FY 2008-09.

EXPENDITURE CATEGORY	2011-12 ADOPTED BUDGET	2012-13 RECOMMENDED BUDGET	CHANGES OVER PRIOR YEAR BUDGET	% CHANGE
PERSONNEL	\$ 10,752,733	\$ 10,960,698	\$ 207,965	1.9%
OPERATIONS	\$ 6,958,116	\$ 7,879,693	\$ 921,577	13.2%
CAPITAL OUTLAY	\$ 779,090	\$ 601,100	\$(177,990)	-22.8%
TOTAL	\$ 18,489,939	\$ 19,441,492	\$ 951,552	5.1%

PERSONNEL

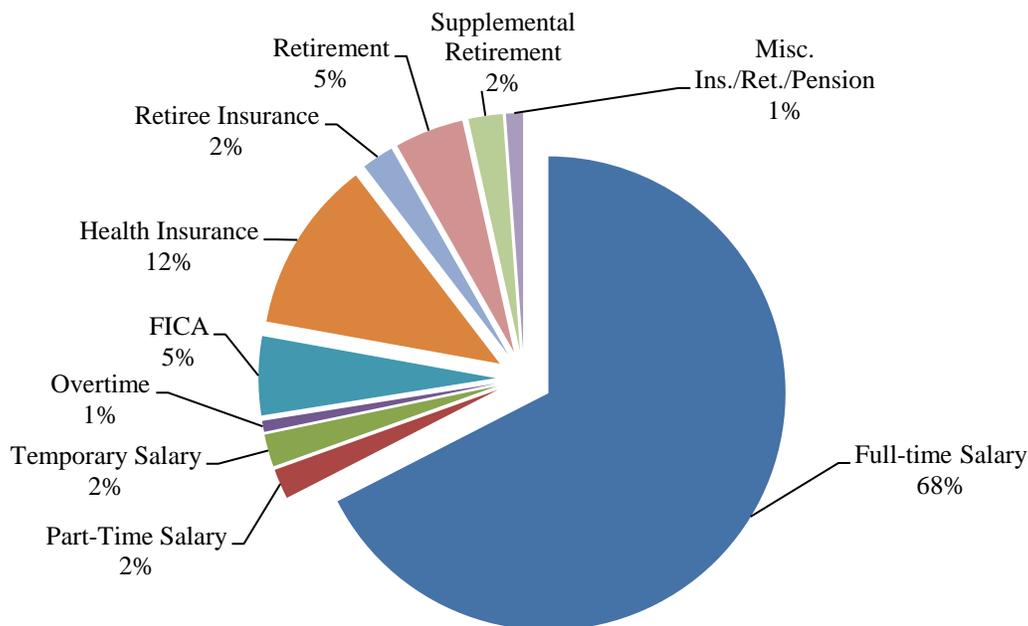
The increased personnel costs provide for the following:

- maintaining employee benefits at current levels
- providing for a 3% across the board pay increase
- retiree health insurance costs

Total full-time equivalent positions for FY 2012-13 are reduced to 155.5 from 158.5 in FY 2011-12. This includes the unfreezing of the Planning/Zoning Specialist and funding one full-time position in Information Technology. The following positions that have been frozen and unfunded the past three years have been eliminated: Maintenance/Construction Worker, Groundskeeper, Police Officer in Community Services, and Police Officer in Investigations.

Total personnel costs for FY 2012-13 increase by 1.9% including a 3% across the board pay increase for all regular employees at a cost of \$255,000. Due to reductions in the mandatory employer contribution to the Local Government Employees' Retirement System (LGERS) and no increase in health insurance premiums, these savings helped to keep overall personnel cost increases to a minimum. Because of the positive performance of the LGERS portfolio the North Carolina Treasurer reduced the required contribution rate from 6.88% to 6.74% for general employees and 7.35% to 6.77% for law enforcement personnel. Depending upon future portfolio performance, these rates may increase in the coming years.

FY 2012-13 Pay and Benefits



In terms of health insurance costs for employees, there will be a 2.9% decrease in premiums and the Town will maintain the current level of benefits for the next year. One major factor that will affect personnel costs is the cost of health insurance for retirees. Since FY 2010-11 through the present, ten employees have retired. At least two employees are expected to retire in FY 2012-13. Subsequently, the cost of retiree health insurance is expected to total \$240,000 in FY 2012-13. This is an increase of \$116,544 over the adopted FY 2011-12 budget.

The continuing sluggish economy makes it difficult in FY 2012-13 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. It will be important in future budget years to consider a return to funding the pay-for-performance system which financially rewards individual employees based on their actual levels of performance.

OPERATING EXPENSES

The increase in General Fund operating expenses is \$921,577 more than last year. This is due to the restoration of the set aside of \$300,700 for street resurfacing, a transfer of \$150,000 to Revolving Loan Fund to spur new initiatives, and increased funding for human services grants and community outreach. Debt service cost also increased by \$97,277 from \$1,333,404 million to \$1,430,681.

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) 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.

Based on the CIP, a total of \$1,118,880 for vehicles and equipment was requested by departments for FY 2012-13. Upon re-prioritization requests were reduced to a total of \$397,320 for the following departments.

Department	Vehicle	Cost	Debt Service
Police	Patrol Vehicles-Replace vehicle #211	\$ 35,280	\$ 9,923
Police	Patrol Vehicles-Replace vehicle #212	\$ 35,280	\$ 9,923
Police	Patrol Vehicles-Replace vehicle #213	\$ 35,280	\$ 9,923
Police	Patrol Vehicles-Replace vehicle #214	\$ 35,280	\$ 9,923
Public Works	Solid Waste - Front Loader - Replace #56	\$ 231,000	\$ 64,973
Fire-Rescue	Sedan - Replace #982/with F-150 4x4 Pick-Up	\$ 25,200	\$ 7,088
	TOTAL	\$ 397,320	\$ 111,754

Other capital investments include restoring the annual set aside for annual street resurfacing allocation (\$300,700), replacement of Century Center drapes (\$25,115, installation of LCD TV's at Century Center (\$10,000), street sign retro-reflectivity (\$15,000), replacement of information technology servers and peripherals (\$37,940), and replacement of miscellaneous small equipment/tools in public works (\$50,725).

Capital projects included in the CIP not funded in FY 2012-13 include:

TOWN COMMONS PLAY EQUIPMENT	\$ 42,689
FIRE RESCUE PUMPER	\$ 620,000
IT - CAR VIDEO INFRASTRUCTURE AND EQUIPMENT	\$ 64,330
TOTAL	\$ 727,019

The following capital projects have been on hold for the past three years and designated for funding through designated fund balance.

CIP INITIATIVES ON HOLD FOR PAST 3 YEARS	
FIELD #4 RENOVATION AT ANDERSON PARK	\$ 48,510
MULTIPURPOSE FIELD RENOVATIONS AT ANDERSON PARK	\$ 42,130
ANDERSON PARK LIGHTS	\$ 99,907
TOTAL	\$ 190,547

Contingent upon Town fund balance ratios remaining within the stated fiscal policy goal of 22.5% to 35%, CIP projects not funded or placed on hold may be proposed for funding through designated fund balance. In late June an agenda item is usually presented to the Board recommending projects to be funded via fund balance designation.

As done annually, the Town will review the status of all capital needs and update the CIP in November 2012. Any items above proposed for funding with designated fund will be reviewed in context of all capital needs, 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, grants and capital projects. The activities of these funds are budgeted when board action is needed.

A transfer of \$176,945 is budgeted to offset debt service costs for the fire station #2. 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

There are positive signs that the economy is improving. Statewide there is retail sales growth. Locally, recurring revenues are showing signs of growth. Revenues from fees and permits are exceeding last year's, but this growth may not be sustainable if other approved private developments do not materialize. In light of the improving economy, we must not be overly

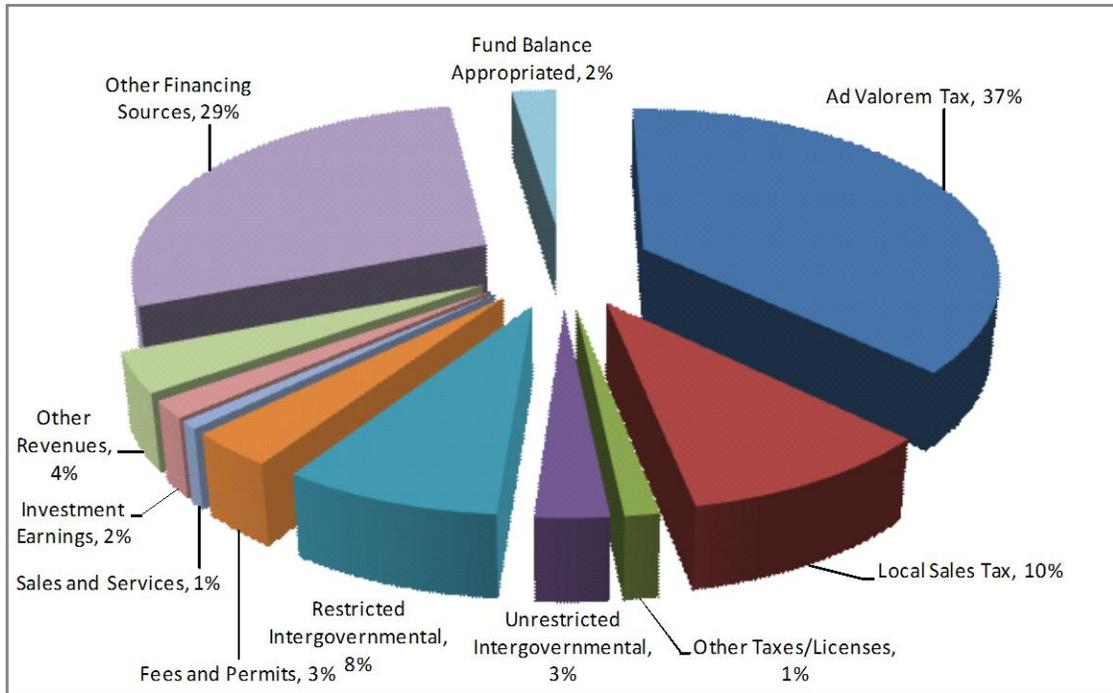
optimistic in the coming year. The challenge will be to adjust our operating environment to a slowly or moderately recovering economy with no clearly defined growth pattern(s). This will require evaluation and re-evaluation of priorities to maintain quality and delivery of Town services.

The Town has delayed some capital initiatives included in the CIP, including certain replacement vehicles and equipment. Whether these items get funded in a future year needs to be determined by a number of factors, including cost-benefit. As a general rule, all investments in capital equipment need to be scrutinized from a cost-benefit analysis to gain maximum use of them to the fullest extent possible.

Given the slowly recovering economy and needs of the Town, careful and balanced choices are presented in the FY 2012-13 budget to provide for continued quality day-to-day services, carry out and implement Board priorities, acquire needed capital items, and adjust the compensation for the Town's employees.

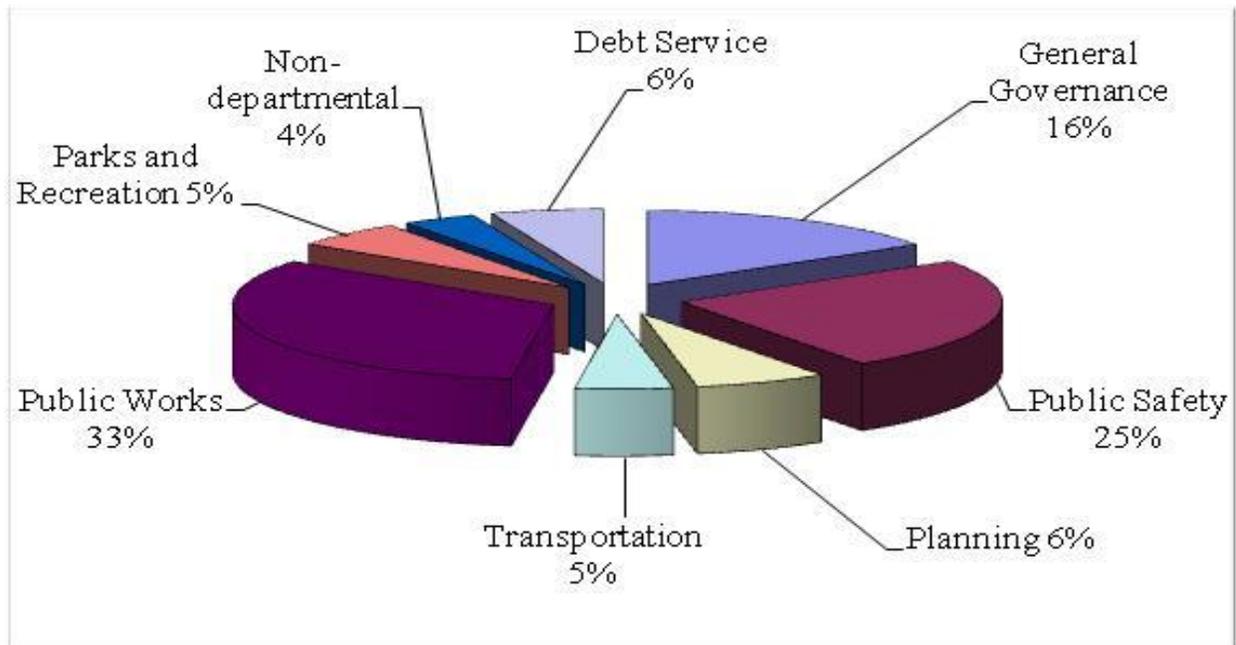
Revenue Summary - All Funds FY 2012-13 Budget by Fund Type

	General Fund	Special Revenue Funds	Capital Funds	Total All Funds
Ad Valorem Tax	\$11,538,637			\$ 11,538,637
Local Sales Tax	\$3,287,245			\$ 3,287,245
Other Taxes/Licenses	\$408,490			\$ 408,490
Unrestricted Intergovernmental	\$862,737			\$ 862,737
Restricted Intergovernmental	\$598,200	\$ 313,341	\$ 1,724,632	\$ 2,636,173
Fees and Permits	\$1,054,150			\$ 1,054,150
Sales and Services	\$229,846			\$ 229,846
Investment Earnings	\$35,000	\$ 81,952	\$ 155,757	\$ 272,709
Other Revenues	\$65,605	\$ 102,713	\$ 333,642	\$ 501,960
Other Financing Sources	\$574,265	\$ 23,500	\$ 2,713,189	\$ 3,310,954
Fund Balance Appropriated	\$787,316	\$ -	\$ 326,725	\$ 1,114,041
Total Budgeted Revenues	\$ 19,441,491	\$ 521,506	\$ 5,253,945	\$ 25,216,942



Expense Summary - All Funds FY 2012-13 Budget by Fund Type

	General Fund	Special Revenue Funds	Capital Funds	Total All Funds
Mayor and Board of Aldermen	\$ 283,552			\$ 283,552
Advisory Boards	\$ 11,800			\$ 11,800
Governance Support	\$ 327,445			\$ 327,445
Town Manager	\$ 262,126			\$ 262,126
Economic and Community Development	\$ 154,396	\$ 196,415		\$ 350,811
Town Clerk	\$ 90,417			\$ 90,417
Management Services	\$ 1,027,952			\$ 1,027,952
Human Resources	\$ 507,274			\$ 507,274
Information Technology	\$ 1,127,125			\$ 1,127,125
Police	\$ 3,281,775			\$ 3,281,775
Fire	\$ 2,530,959	\$ 75,000	\$ 341,656	\$ 2,947,615
Planning	\$ 1,244,178	\$ 250,091	\$ 187,280	\$ 1,681,549
Transportation	\$ 1,240,000			\$ 1,240,000
Public Works	\$ 3,735,232		\$ 4,548,064	\$ 8,283,296
Parks and Recreation	\$ 1,425,878		\$ -	\$ 1,425,878
Non-departmental	\$ 760,701		\$ 176,945	\$ 937,646
Debt Service	\$ 1,430,681			\$ 1,430,681
Total Budgeted Expenditures	\$ 19,441,491	\$ 521,506	\$ 5,253,945	\$ 25,216,942



The following ordinance was introduced by Alderman Haven-O'Donnell and seconded by Alderman Coleman:

ANNUAL BUDGET ORDINANCE
 Town of Carrboro, North Carolina
 FY 2012-13
 Ordinance No. 33/2011-12

WHEREAS, the recommended budget for FY 2012-13 was submitted to the Board of Aldermen on May 1, 2012 by the Town Manager pursuant to G.S. 159-11 and filed with the Town Clerk pursuant to G.S. 159-12;

WHEREAS, on May 15, 2012, the Board of Aldermen held a public hearing on the budget pursuant to G.S. 159-12;

WHEREAS, on June 19, 2012, 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, 2012 and ending June 30, 2013, according to the following schedules.

SCHEDULE A - GENERAL FUND	
GENERAL GOVERNMENT	\$3,792,087
Mayor & Board of Aldermen.....	\$ 283,552
Advisory Boards	\$ 11,800
Governance Support.....	\$ 327,445
Town Manager	\$ 262,126
Economic & Community Development.....	\$ 154,396
Town Clerk	\$ 90,417
Management Services	\$1,027,952
Human Resources	\$ 507,274
Information Technology	\$1,127,125
PUBLIC SAFETY	\$5,812,734
Police.....	\$3,281,775
Fire	\$2,530,959
PLANNING	\$1,244,178
TRANSPORTATION.....	\$1,240,000
PUBLIC WORKS	\$3,735,232

PARKS & RECREATION	\$1,425,878
NONDEPARTMENTAL.....	\$760,700
DEBT SERVICE	\$1,430,681
TOTAL GENERAL FUND.....	\$19,441,491

A)

SCHEDULE B – SPECIAL REVENUE FUNDS

Capital Reserve Fund

Transfer to General Fund for Debt Service	\$176,945
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Section 2. It is estimated that revenues from the following major sources will be available during the fiscal year beginning July 1, 2012 and ending June 30, 2013 to meet the foregoing schedules:

SCHEDULE A - GENERAL FUND

Ad Valorem Taxes	\$11,538,637
Local Sales Taxes	\$3,287,245
Other Taxes/Licenses.....	\$408,490
Unrestricted Intergovernmental Revenue	\$862,737
Restricted Intergovernmental Revenue.....	\$598,200
Fees and Permits	\$1,054,150
Sales & Services	\$229,846
Investment Earnings.....	\$35,000
Other Revenues.....	\$65,605
Other Financing Sources.....	\$574,265
Fund Balance Appropriated	\$787,316
TOTAL GENERAL FUND.....	\$19,441,491

B) SCHEDULE B – SPECIAL REVENUE FUNDS

Capital Reserve Fund

Fund Balance Appropriated	\$176,945
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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.

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

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. When unassigned fund balance exceeds 35%, the Town Manager, in accordance with the Town fiscal policy, may assign an amount for transfer to the capital reserve fund for future capital projects
- d. All operating funds encumbered or designated within fund balance for project expenditures as confirmed in the annual June 30, 2012 audit of the previous year shall be re-appropriated to the Fiscal Year 2012-13 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 authorized only by the Board of Aldermen. The 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 2012 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 dollars (\$100) valuation of taxable property as listed for taxes as of January 1, 2012 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 19th day of June 2012:

Ayes: Dan Coleman, Sammy Slade, Lydia Lavelle, Mark Chilton, Michelle Johnson, Jacquelyn Gist, Randee Haven-O'Donnell

Noes: None

Absent or Excused: None