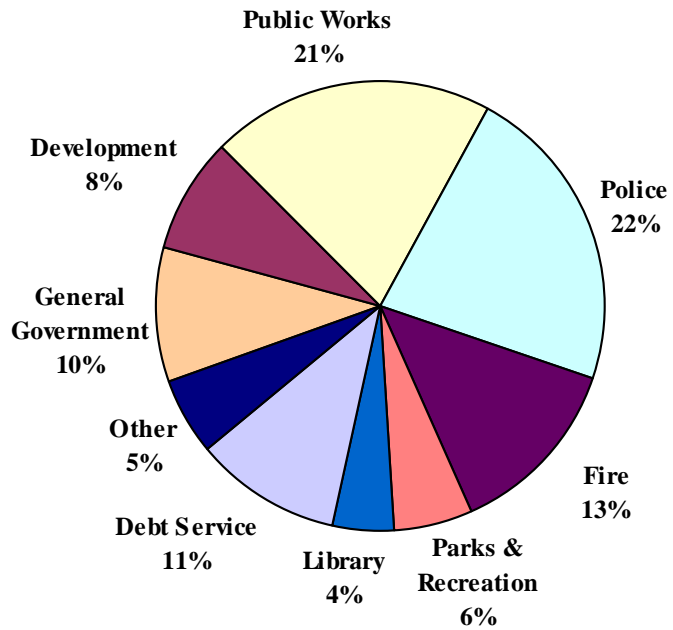


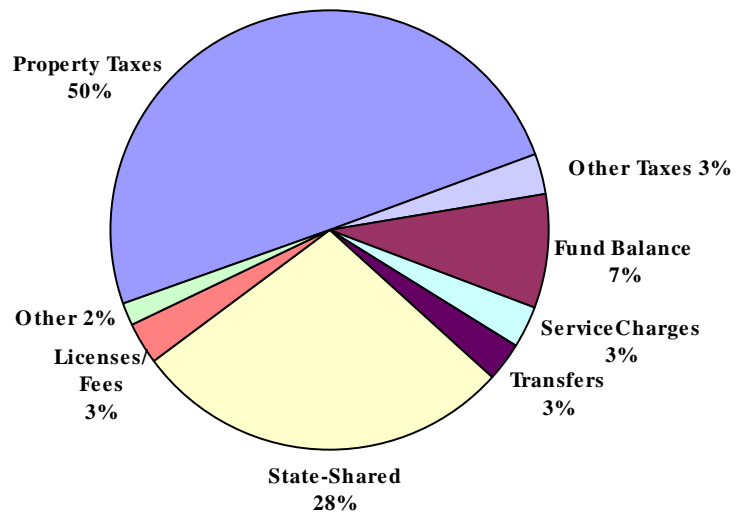
GENERAL FUND

The General Fund is the general operating fund of the Town and is used to account for all revenues and expenditures except those required to be accounted for in another fund. The fund is established at the inception of a government and exists throughout the government's life.

General Fund Expenditures



General Fund Revenues



Total \$52,129,000

**GENERAL FUND
BUDGET SUMMARY**

EXPENDITURES

	2005-06 Actual	2006-07 Original Budget	2006-07 Revised Budget	2006-07 Estimated	2007-08 Adopted Budget	% Change from 2006-07
General Government	4,079,736	4,651,220	5,141,288	4,885,636	5,127,025	10.2%
Development	3,497,543	3,876,611	4,382,678	3,967,564	4,275,908	10.3%
Public Works	9,006,089	10,678,039	10,877,570	10,103,833	10,663,884	-0.1%
Public Safety	16,041,731	17,674,019	17,789,097	17,450,951	18,474,069	4.5%
Leisure	4,282,116	4,532,699	4,644,328	4,419,639	5,121,923	13.0%
Non-Departmental	8,289,597	7,834,412	9,729,299	9,296,407	8,466,191	8.1%
Total	45,196,812	49,247,000	52,564,260	50,124,030	52,129,000	5.9%

REVENUES

	2005-06 Actual	2006-07 Original Budget	2006-07 Revised Budget	2006-07 Estimated	2007-08 Adopted Budget	% Change from 2006-07
General Revenues:						
Property Taxes	25,186,951	25,713,000	25,713,000	25,728,000	26,130,100	1.6%
Other Tax and Licenses	1,366,148	1,235,000	1,235,000	1,439,000	1,524,000	23.4%
State-Shared Revenues	14,203,628	14,396,403	14,421,403	14,276,953	14,581,553	1.3%
Interest on Investments	596,152	404,512	507,818	504,000	361,868	-10.5%
Other Revenues	232,147	157,400	157,400	379,869	134,000	-14.9%
Grants	459,891	423,832	423,832	429,332	415,300	-2.0%
Charges for Services	1,789,277	1,558,959	1,559,959	1,575,812	1,664,476	6.8%
Licenses/Permits/Fines	1,834,020	1,531,572	1,589,134	1,644,600	1,604,425	4.8%
Transfers/Other Sources	1,359,615	1,947,322	2,023,179	1,716,911	1,398,278	-28.2%
Appropriated Fund Balance*	(1,831,017)	1,879,000	4,933,535	2,429,553	4,315,000	129.6%
Total	45,196,812	49,247,000	52,564,260	50,124,030	52,129,000	5.9%

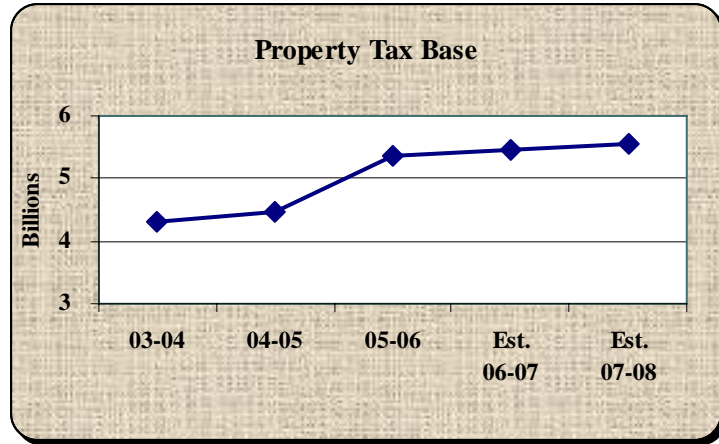
* Included in department summaries with General Revenues

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Property Tax

The largest component of the property tax is the levy on real property. We have received preliminary estimates from Orange County and have based our estimate on their information together with historic trends for the overall tax base. We estimate the property tax levy to grow by about \$500,000 to \$25.7 million in 2006-07 and to continue to grow by about 1.8% per year. The tax base for 2007-08 is estimated to be about \$5,560,000,000, with 1 cent on the tax rate equivalent to about \$556,000.



The adopted budget is balanced without an increase in the property tax rate. Property taxes for 2007-08 are projected at \$26,130,100.

Other Local Taxes

- Cable franchise revenues represent a tax of 5 percent on local Time Warner gross receipts. We are projecting revenues to be about \$550,000 in the current year. Effective January 1, 2007, the Department of Revenue changed the distribution calculation for cable franchise revenues, but has issued no estimates of the impact on individual governments. Following guidance from the League of Municipalities, we are budgeting revenues for 2007-08 to remain about the same as in prior years.
- Revenue from the 3 percent Hotel/Motel occupancy tax is expected to total \$850,000 in the current year and is expected to total about \$935,000 in 2007-08. Revenue trends are affected by University events and general economic trends.

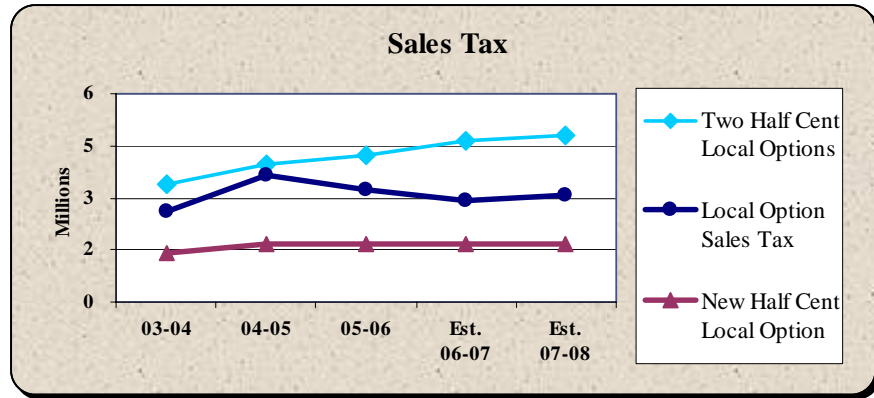
GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

State-Shared Revenues

Sales Taxes

Sales tax revenue is expected to fall short of budget in 2006-07 by about \$361,000. While we estimate that the two State-wide ½ percent taxes will continue to grow in 2007-08, we expect the 1



percent tax on Orange County sales to decrease; the latter tax is the cause of the unexpected decline in overall sales tax revenues for 2006-07. Combined, sales tax is estimated to increase about 3% over the 2006-07 estimate of \$9.22 million, to \$9.53 million in 2007-08.

Motor Fuel Taxes (known as Powell Bill funds)

Motor fuel tax revenue is based on receipts of 1¾ cents of the State gasoline tax allocated to local governments, based on population and local street mileage in each jurisdiction. This revenue is anticipated to total \$1,459,400 in 2006-07, a decrease of about \$23,000 from 2005-06. For 2007-08, we anticipate revenues will remain about the same at \$1,460,000.

State Fire Protection Funds

We anticipate no change for 2007-08 in the level of State Fire Protection Funds, totaling about \$1,063,000.

Utility Franchise Tax

Utility franchise taxes are derived from a 3 percent tax on gross revenues from public utilities in each jurisdiction, and are collected by the State for distribution to cities and towns. Because the fees are dependent upon utility charges, they are affected by weather conditions and can vary from year to year. We estimate that utility franchise fee distributions will slightly exceed the current year budget at \$2,300,000 and will be the same next year.

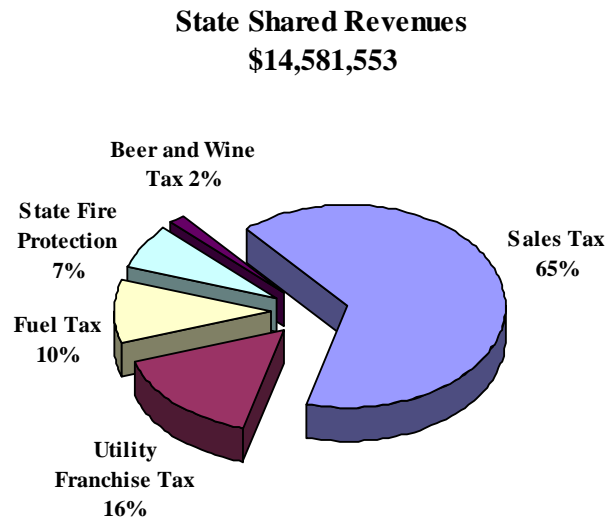
GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Beer and Wine Taxes

Assuming full receipt of the Beer and Wine tax revenue normally distributed in May to cities and counties, we estimate allocations from this source of about \$230,000 for the current year and next year.

In summary, we estimate State-shared revenues would total about \$14,581,000 for next year.



Other Revenue Sources

Grants

This category of revenue includes certain recurring local and State grants totaling about \$415,000 for 2007-08. Beginning in 2004-05, we began using a separate Grants Fund for non-recurring grants.

Local grants include appropriations from Orange County to supplement the Town's Parks and Recreation programs and the Town's Library. Both supplements have remained constant over the last few years. We expect the 2007-08 appropriation from the County to remain at \$83,700 for the Parks and Recreation supplement and \$249,000 for the Library supplement. The State appropriation for Library services is budgeted at \$36,600, about the same as 2006-07.

Charges for Services

Service Charges for various Town services and programs (including zoning compliance permits and Parks and Recreation programs) are estimated to increase slightly from the current year's estimated revenues of about \$1,576,000 to about \$1,664,000. The increase from current year revenues is expected in part because of the (re)opening of parks facilities in 2007-08 (\$70,000) and the recommended inflationary increase of 3.4% for development-related fees (\$22,000).

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Licenses/Permits/Fines & Forfeitures

Revenue from most licenses, permits, and fines, including privilege licenses and vehicle licenses, are expected to remain about the same as budgeted in 2006-07, with the exception of special use permits. Because of major developments making submissions in 2006-07, we anticipate an increase in special use permits in the current year with estimated revenues of about \$230,000, with a drop in these particular revenues in 2007-08 to about \$20,000. Total licenses and permits are expected to be about \$1.5 million in 2006-07 and \$1.6 million in 2007-08.

Interest on Investments

The General Fund share of all interest earned on the Town's investments is recorded in this category. Interest rates have been increasing since 2003-04, but while rates increase, we anticipate that our cash balances will decrease as we budget to use fund balance. Investment income is expected to decrease from about \$504,000 in the current year to \$362,000 next year.

Miscellaneous, Transfers, Net Assets (Fund Balance)

Miscellaneous Revenues

The primary miscellaneous revenues include the sale of cemetery lots and equipment, court cost reimbursements, and donations. Miscellaneous revenues are expected to total about \$379,000 for 2006-07 and \$282,000 for 2007-08.

Transfers and Charges

This category reflects amounts transferred from other Town funds to the General Fund, primarily to recover administrative and indirect costs from other Town enterprise funds and services. For 2007-08, these include estimates of \$182,000 from Parking Enterprise Funds, \$57,000 from the Stormwater Management Fund, and \$964,000 from the Transportation Enterprise Fund. These transfers also include a contribution of \$45,000 from the Library Gift Fund for Library purposes.

Fund Balance

This appropriation represents a use of net assets (fund balance) for general operations. In accord with Town financial policies and practices, we expect to use an amount approximately equal to the expected surplus in budgeted revenues each year, and the under-spending of budgeted appropriations each year, totaling about \$800,000 for the last ten years. We raised the amount to \$1 million for 2006-07. In anticipation of the increased debt service payments due for the Town Operations Center, we planned to use an additional \$1 million of fund balance in 2007-08. The adopted budget includes the use of an additional \$2.3 million in 2007-08 to prevent service cuts and to provide for some priority additions to the budget.

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Summary of Revenues

In summary, we have budgeted General Fund revenues, including the use of \$4.3 million of fund balance, for a total of about \$52 million.

The table below shows comparative estimates of total General Fund revenues for the current year and next year.

	06-07 Revised Budget	06-07 Estimated	07-08 Adopted Budget
Property Taxes	25,713,000	25,728,000	26,130,100
Other Taxes	1,235,000	1,439,000	1,524,000
Licenses/Permits	1,589,134	1,644,600	1,604,425
Shate-Shared	14,421,403	14,276,953	14,581,553
Grants	423,832	429,332	415,300
Service Charges	1,559,959	1,575,812	1,664,476
Interest	507,818	504,000	361,868
Other	157,400	379,869	134,000
Interfund Transfers	2,023,179	1,716,911	1,398,278
Fund Balance	4,933,535	2,429,553	4,315,000
Total	52,564,260	50,124,030	52,129,000

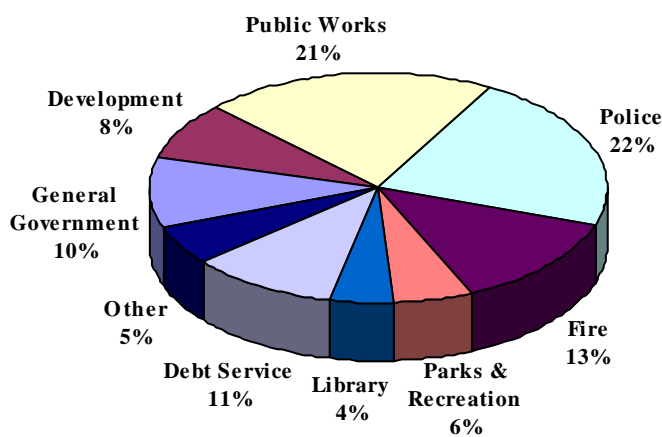
GENERAL FUND

Major Expenditures - Descriptions and Estimates

The General Fund provides basic services for Town citizens including police and fire protection, public works services, general administration and planning for growth and development in the community.

The pie chart below shows the relative proportions of expenditures for the various functions and departments in the General Fund budget totaling \$52,129,000 for the adopted 2007-08 budget.

The largest category of expenditures for the General Fund is Public Safety services, with Police Department expenditures of about \$11.66 million and Fire Department expenditures of about \$6.8 million.



The Public Works Department is the second largest department in the General Fund at about \$10.66 million, including services for solid waste collection, maintenance of streets, drainage, landscaping and grounds, and maintenance for Town properties.

The combined Police, Fire and Public Works services comprise about 57% of total General Fund expenditures.

Other General Fund services include Parks and Recreation programs totaling about \$2.87 million, Library services of \$2.26 million, General Governmental activities (Administration, Finance, Information Technology, Human Resources and Legal) totaling about \$5.1 million, and Development activities (Planning, Engineering and Inspections) totaling about \$4.3 million. The traffic division of Public Works was transferred to the Engineering Department and is the primary cause of the increase in development activities relative to other costs.

Non-departmental expenditures total \$8.47 million. The largest non-departmental expenditure is for debt service, including debt service on existing bonds and for the Town Operations Center, totaling \$5.5 million in 2007-08. Other non-departmental expenditures include transfers for capital improvements of \$1,120,950 and other miscellaneous transfers of \$411,400, including a \$176,000 transfer to supplement the Housing Department's administrative budget and \$117,000 in matching funds for a federal Fire grant. \$945,000 is included in the adopted budget for investments in other agencies in

GENERAL FUND

Major Expenditures - Descriptions and Estimates

support of human services, visitor services and tourism, cultural and arts programs, economic development and development of affordable housing as recommended by the Council. The budget for liability and property insurance totals \$444,506.

Additional expenses in the 2007-08 budget include increases in group medical insurance (\$376,000) and workers compensation insurance (\$195,000) and employee pay adjustments needed to be competitive in the Triangle labor market (\$776,000) of 4% effective October 2007.

The adopted budget includes expenses for some new priorities. Some significant items from these adjustments include a Housing subsidy (\$176,000) to account for differences in the Federal funding to the Town's Housing program; consultants for Carolina North, high density development, sustainability and tree planning (\$100,000); a Town-wide Staff Development Initiative (\$100,000) to steward the organizational culture change envisioned by the Council as they hired a new manager and defined their vision for the future; and contracted support services at the TOC (\$46,250) essential to meeting the technology needs of the staff located at the TOC.

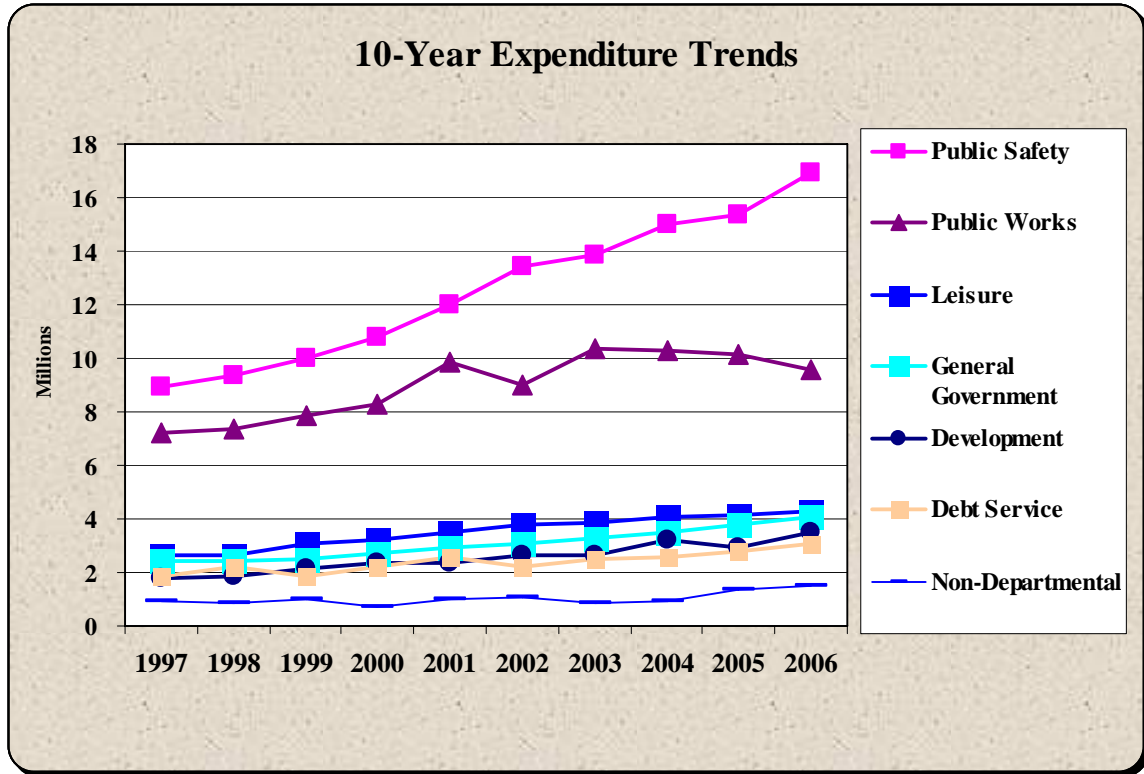
The table below shows expenditure levels for General Fund personnel, operating costs and capital outlay.

EXPENDITURES						
	2005-06 Actual	2006-07 Original Budget	2006-07 Revised Budget	2006-07 Estimated	2007-08 Adopted Budget	% Change from 2006-07
Personnel	27,664,696	30,943,161	30,772,025	29,673,682	32,358,446	4.6%
Operating Costs	15,719,058	16,960,589	19,897,638	18,619,150	18,581,604	9.6%
Capital Outlay	1,813,058	1,343,250	1,894,597	1,831,198	1,188,950	-11.5%
Total	45,196,812	49,247,000	52,564,260	50,124,030	52,129,000	5.9%

The table on the following page shows expenditure trends for the General Fund for the past ten years.

GENERAL FUND

Major Expenditures - Descriptions and Estimates



**GENERAL FUND
EXPENDITURES BY DEPARTMENT**

	2005-06 Actual	2006-07 Original Budget	2006-07 Revised Budget	2006-07 Estimated	2007-08 Adopted Budget	% Change from 2006-07
General Government						
Mayor/Council	363,653	339,078	341,871	340,997	361,480	6.6%
Manager/Clerk	1,121,795	1,304,475	1,331,368	1,284,031	1,389,012	6.5%
Human Resources	630,486	722,440	731,674	683,274	854,627	18.3%
Finance	1,028,259	1,127,561	1,159,120	1,105,008	1,186,630	5.2%
Information Technology	692,601	886,936	1,304,097	1,202,092	1,049,922	18.4%
Town Attorney	242,942	270,730	273,158	270,234	285,354	5.4%
Subtotal	4,079,736	4,651,220	5,141,288	4,885,636	5,127,025	10.2%
Development						
Planning	923,400	1,111,824	1,166,385	1,041,138	1,296,971	16.7%
Inspections	715,910	782,598	793,935	793,085	813,929	4.0%
Engineering	1,858,233	1,982,189	2,422,358	2,133,341	2,165,008	9.2%
Subtotal	3,497,543	3,876,611	4,382,678	3,967,564	4,275,908	10.3%
Public Works	9,006,089	10,678,039	10,877,570	10,103,833	10,663,884	-0.1%
Public Safety						
Police	10,197,765	11,104,515	11,135,559	10,865,827	11,661,021	5.0%
Fire	5,843,966	6,569,504	6,653,538	6,585,124	6,813,048	3.7%
Subtotal	16,041,731	17,674,019	17,789,097	17,450,951	18,474,069	4.5%
Leisure						
Parks and Recreation	2,287,517	2,318,466	2,416,349	2,320,071	2,865,091	23.6%
Library	1,994,599	2,214,233	2,227,979	2,099,568	2,256,832	1.9%
Subtotal	4,282,116	4,532,699	4,644,328	4,419,639	5,121,923	13.0%
Non-Departmental	8,289,597	7,834,412	9,729,299	9,296,407	8,466,191	8.1%
General Fund Total	45,196,812	49,247,000	52,564,260	50,124,030	52,129,000	5.85%

