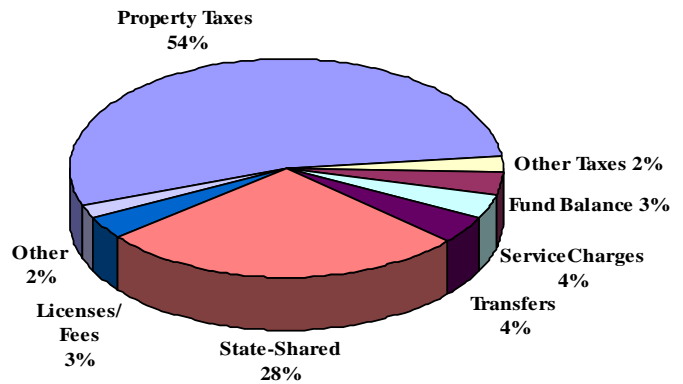


GENERAL FUND

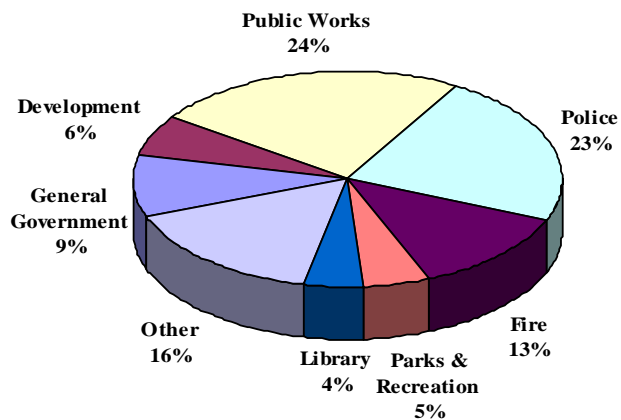
The General Fund is the general operating fund of the Town and is used to account for all revenues and expenditures except those required to be accounted for in another fund. The fund is established at the inception of a government and exists throughout the government's life.

General Fund Revenues



Total \$46,354,000

General Fund Expenditures



**GENERAL FUND
BUDGET SUMMARY**

EXPENDITURES

	2003-04 Actual	2004-05 Original Budget	2004-05 Revised Budget	2004-05 Estimated	2005-06 Adopted Budget	% Change from 2004-05
General Government	3,517,652	3,960,488	4,228,724	4,111,050	4,292,558	8.4%
Development	3,229,770	2,788,609	3,144,437	3,047,925	2,785,814	-0.1%
Public Works	10,300,037	10,761,566	10,797,000	10,570,540	10,973,426	2.0%
Public Safety	14,976,104	15,656,133	15,930,309	15,885,327	16,407,943	4.8%
Leisure	4,081,517	4,332,865	4,351,532	4,346,549	4,460,888	3.0%
Non-Departmental	4,767,885	5,212,339	5,732,736	5,437,606	7,433,371	42.6%
Total	40,872,965	42,712,000	44,184,738	43,398,997	46,354,000	8.5%

REVENUES

	2003-04 Actual	2004-05 Original Budget	2004-05 Revised Budget	2004-05 Estimated	2005-06 Adopted Budget	% Change from 2004-05
General Revenues:						
Property Taxes	21,644,079	22,613,525	22,654,366	22,613,525	25,005,280	10.6%
Other Tax and Licenses	1,062,053	1,017,000	1,017,000	1,049,920	1,047,000	2.9%
State-Shared Revenues	12,503,857	11,794,700	11,794,700	12,474,800	12,787,400	8.4%
Interest on Investments	133,589	111,200	111,200	116,200	131,200	18.0%
Other Revenues	335,170	267,300	353,150	359,400	323,500	21.0%
Grants	1,321,860	411,898	440,956	468,754	424,432	3.0%
Charges for Services	1,458,285	1,570,850	1,570,850	1,505,212	1,674,959	6.6%
Licenses/Permits/Fines	1,717,262	1,383,450	1,451,260	1,563,660	1,584,350	14.5%
Transfers/Other Sources	979,338	2,043,077	2,043,077	2,043,077	1,860,886	-8.9%
Appropriated Fund Balance*	-	1,499,000	2,748,179	1,204,449	1,514,993	1.1%
Total	41,155,493	42,712,000	44,184,738	43,398,997	46,354,000	8.5%

* Included in department summaries with General Revenues

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

GENERAL REVENUES

Tax Base and Tax Levy

The estimated final tax base for the 2004-05 budget year is about \$4.46 billion, an increase of \$142 million, or 2.3% over the final tax base last year of about \$4.3 billion. Every four years Orange County revalues all county properties to adjust real property for

	General Fund
	(cents)
04-05 Budget	51.60
05-06 Adopted Budget	47.40
Actual rate decrease	(4.20)
Equalization Rate	44.20
05-06 Adopted Budget	47.40
Effective rate increase/(decrease)	3.20

changes in market values. Real property was revalued as of January 1, 2005. On average, real estate property values increased 20%. Based on that average increase, we calculated the equalization rate, that is, the rate at which the Town would continue to receive the same amount of total tax revenues as in the previous year, exclusive of growth. The chart at the left shows the equalization rate for the General Fund and the comparison with prior year tax rates and the adopted budget. In addition to the revaluation and normal growth in the tax base, the Council has approved two areas for annexation, Larkspur and Vineyard Square.

At a tax base level of \$5.3 billion next year, each 1 cent of the tax rate would generate about \$530,000. The General Fund tax rate of 47.4 cents on this base would generate about \$24.9 million in property tax revenue.

Other Local Taxes

Cable franchise revenues represent a tax of 5% on local cable gross receipts. We expect revenues to be about \$410,000 in the current year and remain at the same level next year.

Revenue from the 3% Hotel/Motel occupancy tax has increased since last year and is expected to total about \$600,000, \$20,000 more than budgeted in 2004-05.

State-Shared Revenues

Sales Taxes

Sales tax revenue from both the 1% and ½% sales taxes based on Orange County receipts and the two ½ % sales taxes based on State-wide collections are expected to be higher than budgeted in the current year, by about \$1 million or about 13% over the budget of

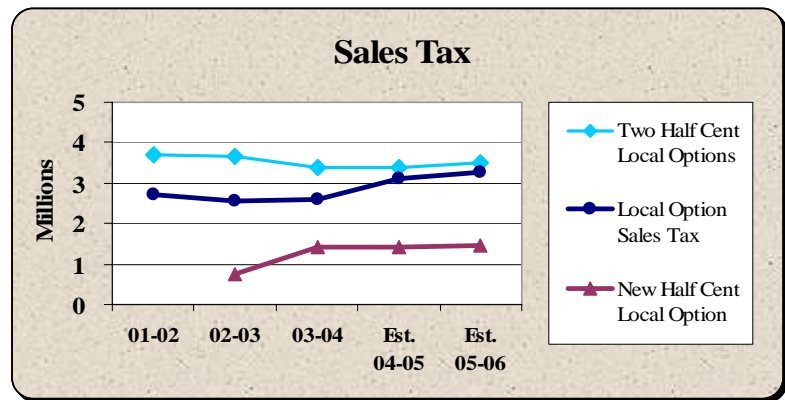
GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

\$7.4 million for a total of about \$8.4 million. We will not have the actual final sales tax receipts total available until mid-September.

Based on historical trends, we projected the 2005-06 sales tax revenues to grow an average of 3%. Increases in the past year have been greater than historical trends would indicate. Because of a required change in accounting beginning in 2004-05, we include sales tax receipts for 90 days after the end of the fiscal year in the total receipts for the year. The accounting change has increased the challenge in budgeting for sales tax. Total sales tax after annexation is estimated to be \$8,187,000, \$281,000 more than current year estimates.

- For the two ½% taxes based on State-wide tax collections, we estimate \$3,489,000 for 2005-06.
- For the 1% tax based on receipts in Orange County, we estimate about \$3,249,000 for 2005-06.



- For the ½% tax authorized by the County effective December 2002, we expect receipts of about \$1,449,000 in 2005-06.

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 totals \$1,473,800 in the current year, or about \$158,000 more than last year. For next year, we anticipate revenues will be about the same, exclusive of the increase of \$11,000 associated with annexations, for an estimated total of \$1,484,800.

State Fire Protection Funds

We budgeted for no change next year in the \$850,000 level of State Fire Protection Funds. The State passed legislation increasing State Fire Protection Funds in July 2005. We do not yet know the amount of the state-wide allocation that would come to the Town. We would recommend that any increased funding be used to hire additional firefighters.

GENERAL FUND

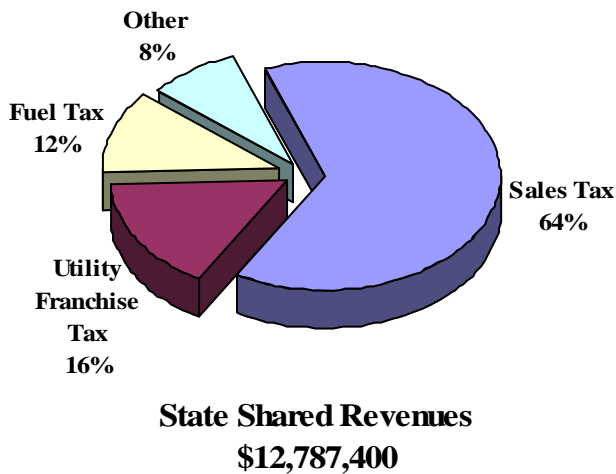
Major Revenue Sources - Descriptions and Estimates

Franchise Tax

Franchise taxes are derived from a 3% tax on gross revenues from public utilities in each jurisdiction, and are collected by the State for distribution to cities and towns. We estimate that utility franchise fee distributions will meet the current year budget of \$2,040,000 and remain steady next year. With an increase of \$15,600 for annexations, we expect franchise tax in 2005-06 to total about \$2,055,600. Because the fees are based on utility charges, the fees are affected by weather conditions and can vary from year to year.

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 \$205,000 for the current year and \$210,000 next year.



In summary, we estimate State-shared revenues would total about \$12,787,400 for next year.

OTHER REVENUE SOURCES

Grants

This category of revenue includes certain recurring grant amounts from local and State grants totaling about \$424,000 for 2005-06. Beginning in 2004-05, we began using a separate Grants Fund for non-recurring grants.

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Local grants include appropriations from Orange County to supplement the Town's Parks and Recreation programs and the Town's Library. The Parks and Recreation appropriation has remained relatively constant over the last three years. We expect the 2005-06 appropriation from the County to be \$83,700, the same amount received in 2004-05. The Library appropriation has remained steady at about \$250,000 since 2003-04. The State appropriation for Library services is also included at \$36,600 for 2005-06, \$1,400 less than budgeted in 2004-05.

Charges for Services

This category of revenue reflects various fees and charges for a variety of services and programs offered by the Town, and totals \$1,675,000. In response to recommendations by the consultant and the citizens' committee, a variety of fees were increased to rates more in line with the cost of service delivery and with the charges for similar services in neighboring communities, including commercial garbage fees, various inspections fees and permits and various engineering fees and permits.

Licenses/Permits/Fines & Forfeitures

We expect increased revenues for some licenses, permits, and fines including privilege licenses and vehicles licenses, while some receipts related to development are expected to decrease next year. The \$75,000 in budgeted revenue for the Town's rental licensing program is eliminated, since the program with its off-setting costs has also been discontinued. Overall, we budgeted for a \$133,000 increase for licenses, permits, and fines to \$1,584,000.

Privilege Licenses. These fees are levied on various trades, occupations, professions, businesses, and franchises that are located in or conduct business in the town limits of Chapel Hill. The fee schedule is approved by the Town Council based on guidelines from the North Carolina General Assembly. As a part of our review of revenue sources for the Town, we examined privilege licenses and specifically increased the rates for those licenses paid on a gross receipts basis. Privilege license revenues, which were budgeted at \$90,000 in 2004-05, are expected to increase by \$65,000 to \$155,000. \$60,000 of the increase is because of the increased rates for businesses that pay on the basis of gross receipts.

Vehicle Licenses. The Town currently imposes a vehicle license fee of \$15 on all vehicles registered within the Town limits for General Fund services. The fee is attached to the citizen's tax bill and collected by the County. In 2000-01, the Council adopted an increase of \$5 per vehicle which was allocated to the Transportation Fund. The additional revenue from the \$5 increase now provides about \$145,000 in additional

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

revenues for the Transportation Fund. Total revenue for the General Fund is expected to increase slightly in 2005-06 to \$424,000 from \$417,000 in 2004-05.

Library Fines and Fees. The majority of revenue in this category comes from fines charged for overdue library materials. There has been a gradual increase in library fines and fees in the past few years. For 2005-06, we have budgeted an increase of \$8,000 over 2004-05 to a total of \$140,000.

Interest on Investments

The General Fund share of all interest earned on the Town's investments is recorded in this category. Interest rates reached record lows in 2003-04 and there has been a gradual increase in rates since then. For 2005-06, we estimate interest revenue of \$131,000, an increase from the current year budget of about \$20,000. In addition to investment income in the General Fund, we anticipate interest earning to increase for capital projects as well, although those earnings are captured in other funds.

Miscellaneous, Transfers, Net Assets (Fund Balance)

Miscellaneous Revenues. The primary miscellaneous revenues include payments in lieu of other development requirements, the sale of cemetery lots, court cost reimbursements and donations. Miscellaneous revenues total about \$311,000 for 2004-05, excluding approximately \$150,000 for payments in lieu of development requirements which are reserved for specific purposes. We anticipate an increase to about \$324,000 for 2005-06 because of increased payments for use of the Old Post Office by the courts and an increase in biodiesel sales to Orange Water and Sewer Authority and the University of North Carolina at Chapel Hill.

Transfers and Charges. This category reflects funds transferred from other Town funds to the General Fund, primarily to recover administrative and indirect costs from other Town enterprise funds and services. For 2005-06, these include \$228,000 from Parking Enterprise funds, \$610,000 from the Stormwater Fund, and \$978,000 from the Transportation Enterprise Fund. These transfers also include a contribution of \$45,000 from the Library Gift Fund for Library purposes.

Appropriated Net Assets (Fund Balance). This appropriation represents a use of net assets (fund balance) for general operations. In accord with Town financial policies and practices, this amount is approximately equal to the expected surplus in budgeted revenues each year, and the under-spending of budgeted appropriations each year, normally totaling about \$800,000. This appropriation has remained constant over the

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

past ten years. This year the base budget uses an additional \$715,000 from fund balance for one-time use from anticipated revenues over budget and expenditures under budget in 2004-05.

Summary of Revenues

In summary, we have budgeted General Fund revenues for 2005-06, including the use of \$800,000 carried forward from 2004-05 and the one-time use of \$715,000 from anticipated revenues over budget and expenditures under budget in 2004-05, to total \$44,200,000.

The table to the right shows comparative estimates of total General Fund revenues for the 2004-05 and 2005-06 fiscal years.

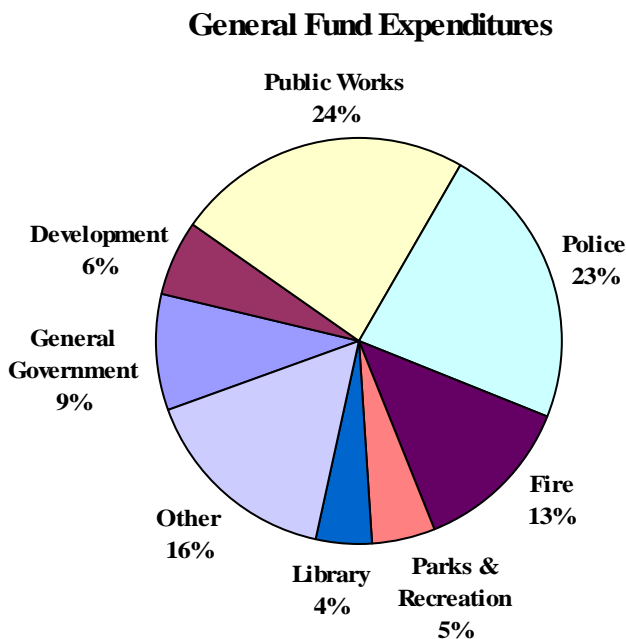
	04-05 Budget as Amended	04-05 Estimated	05-06 Adopted
Property Taxes	22,655,000	22,614,000	25,005,000
Other Taxes	1,017,000	1,050,000	1,047,000
Licenses/Permits	1,451,000	1,564,000	1,584,000
Shate-Shared	11,795,000	12,475,000	12,788,000
Grants	441,000	469,000	424,000
Service Charges	1,571,000	1,505,000	1,675,000
Interest	111,000	116,000	131,000
Other	353,000	359,000	324,000
Interfund Transfers	2,043,000	2,043,000	1,861,000
Fund Balance	2,748,000	1,204,000	1,515,000
Total	44,185,000	43,399,000	46,354,000
	(Rounded to nearest thousand.)		

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 totaling \$46,354,000 for the 2005-06 budget year.



The largest category of expenditures for the General Fund is Public Safety services, with Police Department expenditures of about \$10.5 million and Fire Department expenditures of about \$5.9 million.

The Public Works Department is the largest single department in the General Fund at about \$11.0 million, including services for solid waste collection, maintenance of street and traffic control systems, drainage, landscaping and grounds, and maintenance for Town properties.

The combined Police, Fire and Public Works services comprise about 60% of total General Fund expenditures.

Other General Fund services include Parks and Recreation programs totaling about \$2.4 million, Library services of \$2.1 million, General Governmental activities (Administration, Finance, Information Technology, Human Resources and Legal) totaling about \$4.2 million, and Development activities (Planning, Engineering and Inspections) totaling about \$2.8 million.

Non-departmental expenditures total \$7.4 million. The largest non-departmental expenditure in the budget is for debt service, including debt service on existing bonds, the November 2004 sale of \$4 million in new general obligation bonds, and the debt service for the Town Operations Center, and totals \$4.8 million in 2005-06. Non-departmental expenditures include transfers for capital improvements of \$1.1 million and other miscellaneous transfers of \$43,000. About \$817,000 is budgeted in 2005-06 for investments in other agencies in support of human services, visitor services and tourism,

GENERAL FUND

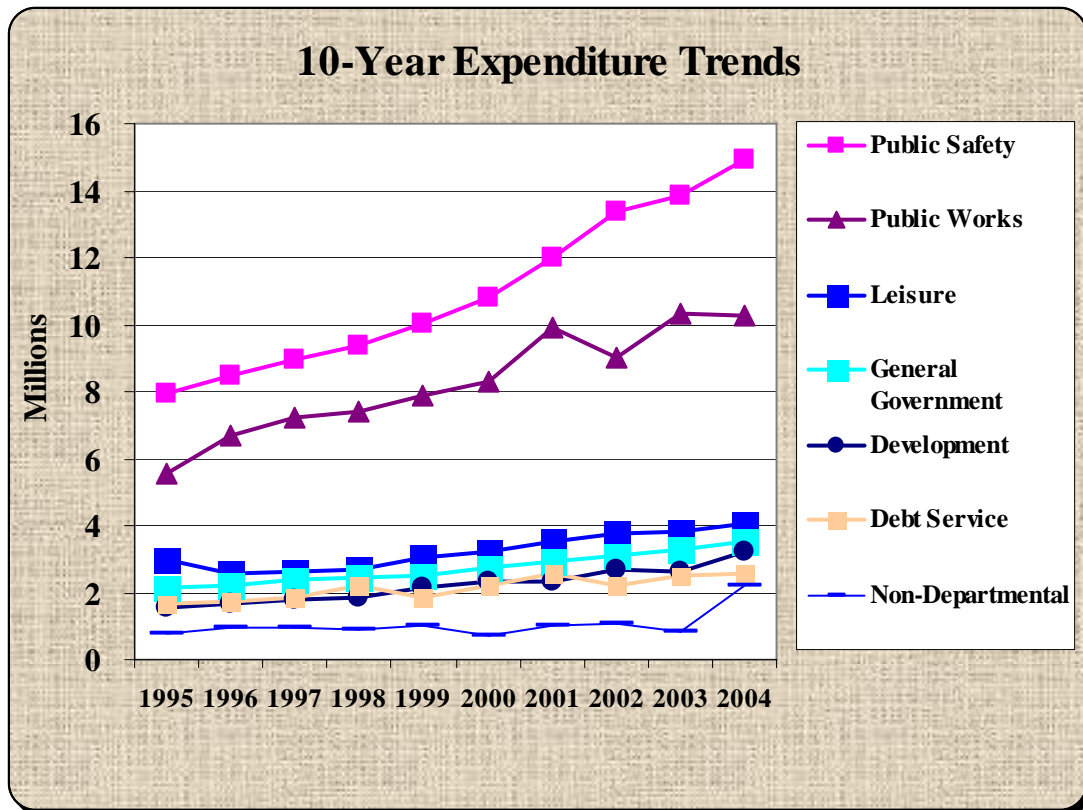
Major Expenditures - Descriptions and Estimates

cultural and arts programs, economic development and development of affordable housing as recommended by the Council.

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

EXPENDITURES

	2003-04 Actual	2004-05 Original Budget	2004-05 Revised Budget	2004-05 Estimated	2005-06 Adopted Budget	% Change from 2004-05
Personnel	26,592,341	28,183,642	27,928,461	27,757,325	29,328,380	4.1%
Operating Costs	12,882,470	13,580,858	15,042,908	14,316,116	15,805,620	16.4%
Capital Outlay	1,398,154	947,500	1,213,369	1,325,556	1,220,000	28.8%
Total	40,872,965	42,712,000	44,184,738	43,398,997	46,354,000	8.5%



GENERAL FUND
EXPENDITURES BY DEPARTMENT

	2003-04 Actual	2004-05 Original Budget	2004-05 Revised Budget	2004-05 Estimated	2005-06 Adopted Budget	% Change from 2004-05
General Government						
Mayor/Council	278,220	339,481	402,858	357,838	335,366	-1.2%
Manager/Clerk	1,004,046	1,068,311	1,084,326	1,088,462	1,148,746	7.5%
Human Resources	504,964	614,415	625,853	589,345	641,809	4.5%
Finance	913,450	986,651	1,006,501	986,038	1,068,397	8.3%
Information Technology	591,951	704,512	859,309	850,078	841,826	19.5%
Legal	225,021	247,118	249,877	239,289	256,414	3.8%
Subtotal	3,517,652	3,960,488	4,228,724	4,111,050	4,292,558	8.4%
Development						
Planning	1,202,742	1,112,087	1,262,857	1,209,038	1,043,076	-6.2%
Inspections	737,487	760,210	789,868	788,425	750,389	-1.3%
Engineering	1,289,541	916,312	1,091,712	1,050,462	992,349	8.3%
Subtotal	3,229,770	2,788,609	3,144,437	3,047,925	2,785,814	-0.1%
Public Works	10,300,037	10,761,566	10,797,000	10,570,540	10,973,426	2.0%
Public Safety						
Police	9,633,270	10,080,655	10,168,178	10,117,972	10,490,472	4.1%
Fire	5,342,834	5,575,478	5,762,131	5,767,355	5,917,471	6.1%
Subtotal	14,976,104	15,656,133	15,930,309	15,885,327	16,407,943	4.8%
Leisure						
Parks and Recreation	2,199,976	2,318,311	2,324,695	2,324,074	2,394,950	3.3%
Library	1,881,541	2,014,554	2,026,837	2,022,475	2,065,938	2.6%
Subtotal	4,081,517	4,332,865	4,351,532	4,346,549	4,460,888	3.0%
Non-Departmental	4,767,885	5,212,339	5,732,736	5,437,606	7,433,371	42.6%
General Fund Total	40,872,965	42,712,000	44,184,738	43,398,997	46,354,000	8.53%

