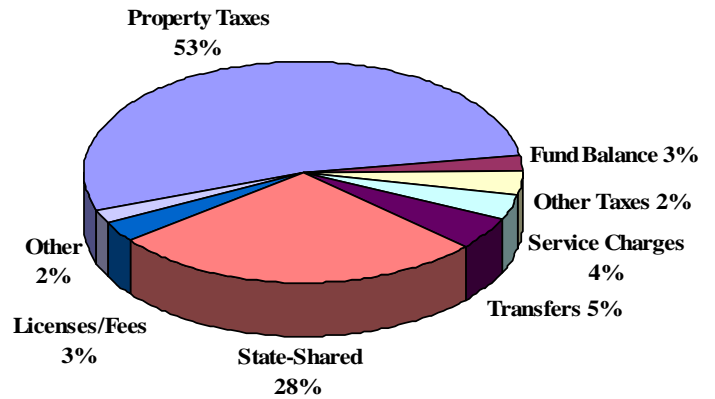


GENERAL FUND

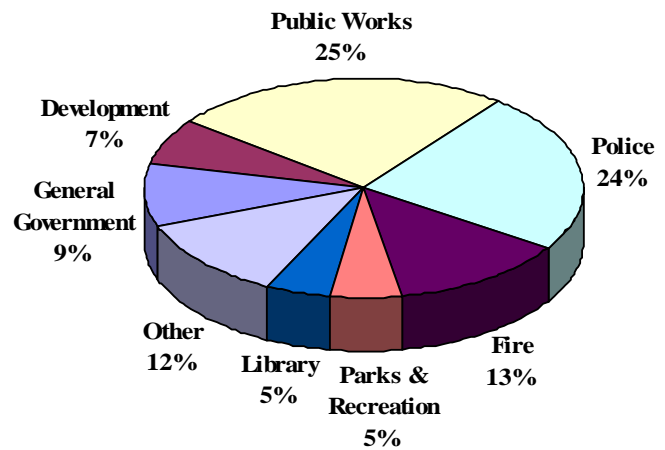
The General Fund is the general operating fund of the Town and is used to account for all revenues and expenditures except those required to be accounted for in another fund. The fund is established at the inception of a government and exists throughout the government's life.

General Fund Revenues



Total \$42,712,000

General Fund Expenditures



**GENERAL FUND
BUDGET SUMMARY**

EXPENDITURES

| | 2002-03 Actual | 2003-04 Original Budget | 2003-04 Revised Budget | 2003-04 Estimated | 2004-05 Adopted Budget | % Change from 2003-04 |
|--------------------|---------------------------|--|---------------------------------------|------------------------------|---------------------------------------|--------------------------------------|
| General Government | 3,297,527 | 3,641,240 | 3,867,801 | 3,718,573 | 3,960,488 | 8.8% |
| Development | 2,627,506 | 2,673,290 | 3,445,171 | 3,254,350 | 2,788,609 | 4.3% |
| Public Works | 10,349,653 | 10,116,076 | 10,529,309 | 10,456,095 | 10,761,566 | 6.4% |
| Public Safety | 13,859,524 | 14,972,005 | 15,366,216 | 14,855,963 | 15,656,133 | 4.6% |
| Leisure | 3,822,371 | 4,157,451 | 4,242,286 | 4,209,296 | 4,332,865 | 4.2% |
| Non-Departmental | 4,090,580 | 4,773,938 | 5,235,949 | 4,943,080 | 5,212,339 | 9.2% |
| Total | 38,047,161 | 40,334,000 | 42,686,732 | 41,437,357 | 42,712,000 | 5.9% |

REVENUES

| | 2002-03 Actual | 2003-04 Original Budget | 2003-04 Revised Budget | 2003-04 Estimated | 2004-05 Adopted Budget | % Change from 2003-04 |
|-------------------------------|---------------------------|--|---------------------------------------|------------------------------|---------------------------------------|--------------------------------------|
| General Revenues: | | | | | | |
| Property Taxes | 21,205,911 | 21,118,000 | 21,118,000 | 21,644,079 | 22,613,525 | 7.1% |
| Other Tax and Licenses | 1,000,045 | 1,028,000 | 1,028,000 | 1,062,053 | 1,017,000 | -1.1% |
| State-Shared Revenues | 11,559,664 | 12,084,310 | 12,084,310 | 12,023,965 | 11,794,700 | -2.4% |
| Interest on Investments | 119,905 | 202,500 | 202,500 | 133,589 | 111,200 | -45.1% |
| Other Revenues | 501,395 | 362,000 | 362,000 | 321,366 | 267,300 | -26.2% |
| Grants | 1,865,054 | 473,335 | 1,407,003 | 866,519 | 411,898 | -13.0% |
| Charges for Services | 1,293,481 | 1,315,600 | 1,321,502 | 1,287,603 | 1,570,850 | 19.4% |
| Licenses/Permits/Fines | 1,676,406 | 1,457,200 | 1,497,200 | 1,509,735 | 1,383,450 | -5.1% |
| Transfers/Other Sources | 1,318,076 | 1,002,749 | 1,002,749 | 1,047,536 | 2,043,077 | 103.7% |
| Appropriated Fund Balance* | - | 1,290,306 | 2,663,468 | - | 1,499,000 | 16.2% |
| Total | 40,539,937 | 40,334,000 | 42,686,732 | 39,896,445 | 42,712,000 | 5.9% |

* 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 2003-04 budget year is about \$4.3 billion, an increase of \$133 million, or 3.2% over the final tax base in 2002-03 of about \$4.18 billion.

Based on information for 2004-05 provided by Orange County, we expect the total tax base will grow to approximately \$4.4 billion, an increase of about \$140 million. The total increase will be about 2.3% over the estimated base in 2003-04.

At a tax base level of \$4.4 billion in 2004-05, each 1 cent of the tax rate is expected to generate about \$442,000. The adopted General Fund tax rate of 51.6 cents on this base is estimated to generate approximately \$22.6 million in property tax revenues in 2004-05.

Other Local Taxes

Revenue from the 3% Hotel/Motel Occupancy Tax has increased since last year and totals about \$573,000 for 2003-04. For 2004-2005, we estimate occupancy tax will increase to \$580,000.

Cable franchise revenues represent a tax of 5% on local Time Warner gross receipts. We expect revenues to be about \$400,000 in the current year and remain at the same level next year.

State-Shared Revenues

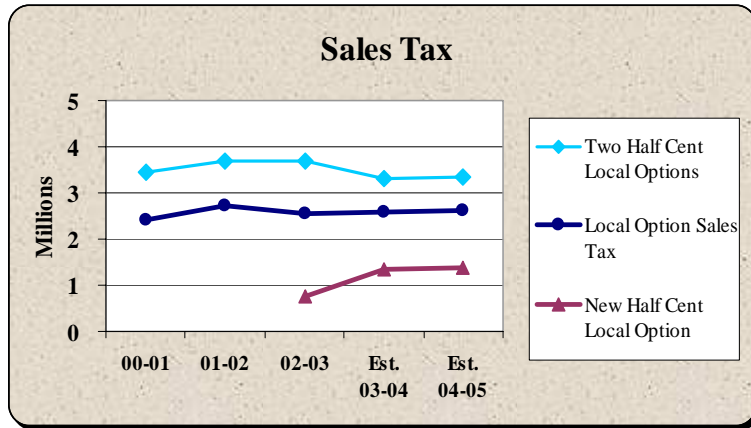
Sales Taxes

The Town's lowered census estimate and slower than anticipated growth in the first half the year were off-set by faster economic growth in the second half of 2003-04 leading to increased sales tax revenues totaling about \$7.6 million, \$100,000 more than budgeted. We estimate that sales tax revenues will increase as the economy continues with the pattern of growth for the second half of 2003-04, approximately 3% over the original 2003-04 budget.

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

- For the two ½% taxes based on State-wide tax collections, we estimate \$3,340,000 for 2004-05.
- For the 1% tax based on receipts in Orange County, we estimate about \$2,640,000 for 2004-05.
- For the new ½% tax authorized by the County effective December 2002, we expect receipts of about \$1,387,000 in 2004-05.



Motor Fuel Taxes (known as Powell Bill funds)

Motor fuel tax revenue is based on receipts from 1 ¾ cents of the State gasoline tax allocated to local governments based on population and local street mileage in each jurisdiction. This revenue totaled \$1,315,000 in 2003-04, or about \$80,000 less than last year due to a reduction in available funds and the lowered census count for Chapel Hill. For 2004-05, we anticipate revenues to remain at about the same amount as in the current year.

State Fire Protection Funds

We anticipate no change next year in the level of State Fire Protection Funds, totaling \$850,000.

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.

Utility franchise fee distributions in 2003-04 have lagged behind the previous year, primarily because of generally mild weather this fiscal year. Revenue in 2003-04 was about \$1,986,000. We estimate an increase of about 3% to \$2,040,000 for 2004-05.

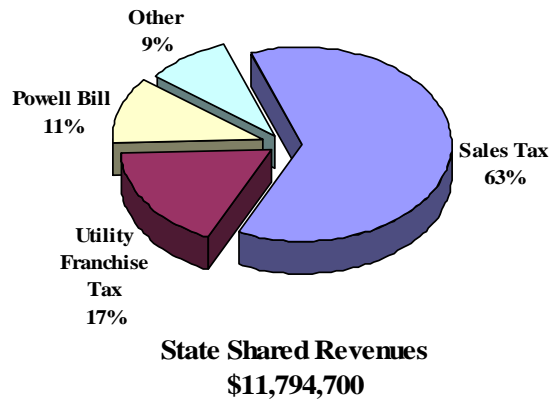
GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Beer and Wine Taxes

We estimate allocations from this source of about \$205,000 for 2004-05, the same amount budgeted in 2003-04.

In summary, we estimate State-shared revenues would total about \$11,795,000 for next year, assuming full receipt.



OTHER REVENUE SOURCES

Grants

This category of revenue includes certain regular grant amounts from local, State and federal grants totaling about \$412,000 for 2004-05.

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 2003-04 appropriation from the County to be \$84,000, the same as in 2002-03. The Library appropriation has gradually increased from \$175,000 in 1996-97 to about \$250,000 in 2003-04. For 2004-05, we have budgeted the recreation and library appropriations at the same levels as in 2003-04. The State appropriation for Library services is also included at the same level for 2004-05 as it was in 2003-04, \$38,000.

Beginning in fiscal year 2004-05, we have established a separate fund for grants that are not received on a regular basis in part to more easily make comparisons of grant funds between years.

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 \$1,571,000 or about a \$249,000 increase over 2003-04. Service charges represent about 3.7% of total General Fund revenues. Service charges for various Town services and programs, including zoning compliance, permits, and Parks and Recreation programs, are estimated to increase, but we have projected a decrease in a number of development-related activities.

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Public Works. Sanitation fees, derived from garbage collection services provided to commercial businesses within the Town, are the major revenue source for the Public Works Sanitation division. For 2004-05, the Council approved a fee increase of 50% which is expected to generate an additional \$125,000 in revenues for a total budget of \$355,000 for sanitation fees. The major revenue source for Pubic Works Streets division is payment from the State to the Town for the provision of maintenance of signals, signs and street markings along State roads within the Town. We estimate an increase in revenue from \$139,000 to \$306,000 in 2004-05. The increase includes reimbursement for a new Traffic Signal Technician position.

Development Fees. As a result of the increased development activity at the University of North Carolina at Chapel Hill, there has been an increased demand for the Planning Department staff to complete development application reviews; these reviews have required more staff time than originally estimated. We estimate that the actual cost of the work exceeds the revenue earned by about \$21,000. The Council authorized a fee increase in order to compensate for the additional costs.

Licenses/Permits/Fines & Forfeitures

Some Licenses, Permits, and Fines including privilege licenses and vehicles licenses, are expected to increase, while fees related to overall development are expected to decrease next year. Overall, we budgeted for a \$114,000 decrease in licenses, permits, and fines to about \$1,383,000 in 2004-05.

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. Privilege license revenues, which were budgeted at \$80,000 in 2003-04, are expected to increase to approximately \$90,000 in 2004-05.

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 \$144,000 in additional revenues for the Transportation Fund. Total revenue for the General Fund is expected to increase slightly in 2004-05 to \$417,000 from \$411,000 in 2003-04.

Permits. This category includes charges for services provided by the Planning and Inspections Department staffs. These include inspection, engineering, and special use

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

permits. Revenue in this category is closely tied to the local economy, and generated about \$700,000 in 2003-04. For 2004-05, we anticipate a potential reduction in building levels and have therefore lowered our estimate of building permit revenue to approximately \$620,000.

Library Fines and Fees. The majority of revenue in this category comes from fines charged for overdue library materials. Revenue has been relatively constant since 1994-95 totaling about \$130,000. For 2004-05, we have budgeted an increase to a total of \$132,000 from this source.

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. For 2004-05, we estimate interest revenue of \$111,000, an increase from the current year projections.

Miscellaneous, Transfers, Net Assets (Fund Balance)

Miscellaneous Revenues. The primary miscellaneous revenues include the sale of cemetery lots, court cost reimbursements and donations. Miscellaneous revenues total about \$335,000 for 2003-04. We anticipate a reduction to about \$267,000 for 2004-05 as we have received notice of a decrease from the amount of a pledged donation.

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 2004-05, these include estimates of \$245,000 from Parking Enterprise funds, and \$773,000 from the Transportation Enterprise Fund. These transfers also include a contribution of \$45,000 from the Library Gift Fund for Library purposes. In addition, there is a charge to the new Stormwater Management Fund of about \$577,000 for administrative and indirect costs, as well as a \$402,000 reimbursement for costs of planning for the stormwater program with General Fund funds in 2003-04.

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 past ten years. This year the base budget uses an additional \$699,000 from fund balance for one-time use as planned by the Town Council.

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Summary of Revenues

In summary, we have budgeted General Fund revenues for 2004-05, including the use of \$800,000 carried forward from 2003-04 and the one-time use of the Council reserve of \$699,000, to total \$42,712,000.

The table to the right shows comparative estimates of total General Fund revenues for the 2003-04 and 2004-05 fiscal years.

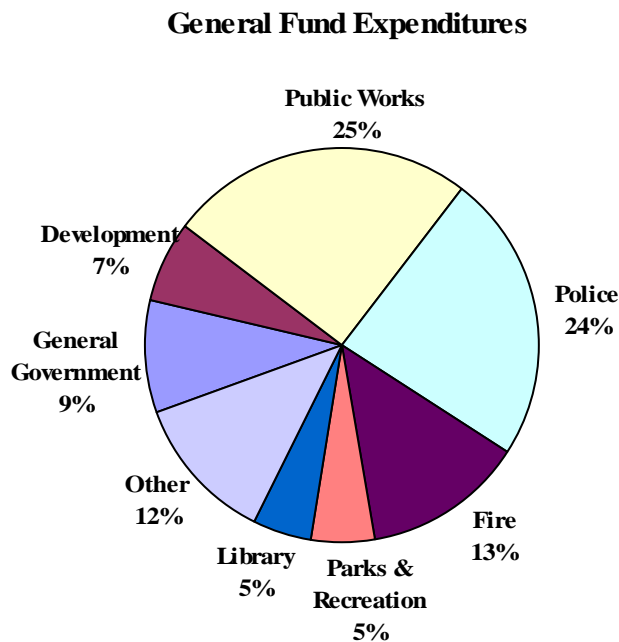
| | 03-04 Budget as Amended | 03-04 Estimated | 04-05 Adopted |
|---------------------|------------------------------------|----------------------------|--------------------------|
| Property Taxes | 21,118,000 | 21,644,079 | 22,613,525 |
| Other Taxes | 1,028,000 | 1,062,053 | 1,017,000 |
| Licenses/Permits | 1,497,200 | 1,509,735 | 1,383,450 |
| State Shared | 12,084,310 | 12,023,965 | 11,794,700 |
| Grants | 1,407,003 | 866,519 | 411,898 |
| Service Charges | 1,321,502 | 1,287,603 | 1,570,850 |
| Interest | 202,500 | 133,589 | 111,200 |
| Other | 362,000 | 321,366 | 267,300 |
| Interfund Transfers | 1,002,749 | 1,047,536 | 2,043,077 |
| Fund Balance | 2,663,468 | - | 1,499,000 |
| Total | 42,686,732 | 39,896,445 | 42,712,000 |

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 adopted budget expenditures for the various functions and departments in the General Fund totaling about \$42.7 million for the 2004-05 budget year.



The largest category of expenditures for the General Fund is Public Safety services, with Police Department expenditures of about \$10.1 million and Fire Department expenditures of about \$5.6 million.

The Public Works Department is the largest single department in the General Fund at about \$10.8 million, including services for street repair and maintenance, building and vehicle fleet maintenance, solid waste collections, traffic and rights-of-way maintenance, and landscape maintenance for Town properties.

The combined Police, Fire and Public Works services comprise about 62% of total General Fund expenditures.

Other General Fund services include Parks and Recreation programs totaling about \$2.3 million, Library services of \$2.0 million, General Governmental activities (Administration, Finance, Information Technology, Human Resources, Legal) totaling about \$3.9 million, and Development activities (Planning, Engineering, Inspections) totaling about \$2.8 million.

The largest non-departmental expenditure in the budget is for debt service, including debt service on existing bonds, the anticipated sale of \$4 million in new general obligation bonds planned for issuance in fall of 2004, and the debt service for site work on the Town Operations Center totaling \$2.78 million in 2004-05. Non departmental expenditures include transfers for capital improvements of \$872,000. About \$646,000 is budgeted in 2004-05 for investments in other agencies in support of human services, visitor services

GENERAL FUND

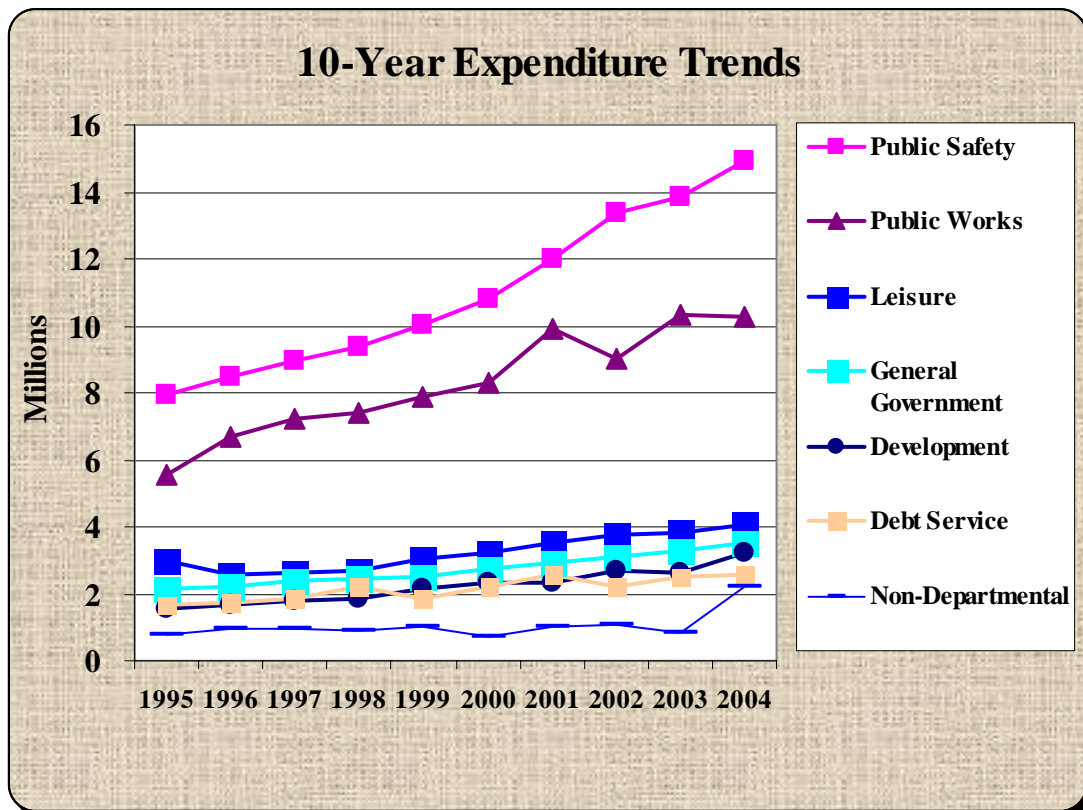
Major Expenditures - Descriptions and Estimates

and tourism, 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

| | 2002-03 Actual | 2003-04 Original Budget | 2003-04 Revised Budget | 2003-04 Estimated | 2004-05 Adopted Budget | % Change from 2003-04 |
|-----------------|-------------------|-------------------------------|------------------------------|----------------------|------------------------------|-----------------------------|
| Personnel | 24,731,317 | 26,883,381 | 26,840,723 | 26,367,829 | 28,183,642 | 4.8% |
| Operating Costs | 12,539,477 | 12,185,819 | 14,290,037 | 13,642,505 | 13,580,858 | 11.4% |
| Capital Outlay | 776,367 | 1,264,800 | 1,555,972 | 1,427,023 | 947,500 | -25.1% |
| Total | 38,047,161 | 40,334,000 | 42,686,732 | 41,437,357 | 42,712,000 | 5.9% |



GENERAL FUND
EXPENDITURES BY DEPARTMENT

| | 2002-03 Actual | 2003-04 Original Budget | 2003-04 Revised Budget | 2003-04 Estimated | 2004-05 Adopted Budget | % Change from 2003-04 |
|---------------------------|-------------------|-------------------------------|------------------------------|----------------------|------------------------------|-----------------------------|
| General Government | | | | | | |
| Mayor/Council | 250,898 | 306,744 | 307,544 | 292,870 | 339,481 | 10.7% |
| Manager/Clerk | 950,139 | 990,045 | 1,010,961 | 951,855 | 1,068,311 | 7.9% |
| Human Resources | 523,264 | 594,406 | 607,012 | 550,497 | 614,415 | 3.4% |
| Finance | 884,200 | 931,404 | 952,680 | 937,574 | 986,651 | 5.9% |
| Information Technology | 472,173 | 582,698 | 750,037 | 746,651 | 704,512 | 20.9% |
| Legal | 216,853 | 235,943 | 239,567 | 239,126 | 247,118 | 4.7% |
| Subtotal | 3,297,527 | 3,641,240 | 3,867,801 | 3,718,573 | 3,960,488 | 8.8% |
| Development | | | | | | |
| Planning | 968,070 | 990,128 | 1,367,189 | 1,214,511 | 1,112,087 | 12.3% |
| Inspections | 676,539 | 707,597 | 758,231 | 758,231 | 760,210 | 7.4% |
| Engineering | 982,897 | 975,565 | 1,319,751 | 1,281,608 | 916,312 | -6.1% |
| Subtotal | 2,627,506 | 2,673,290 | 3,445,171 | 3,254,350 | 2,788,609 | 4.3% |
| Public Works | 10,349,653 | 10,116,076 | 10,529,309 | 10,456,095 | 10,761,566 | 6.4% |
| Public Safety | | | | | | |
| Police | 8,868,708 | 9,650,604 | 9,904,632 | 9,522,202 | 10,080,655 | 4.5% |
| Fire | 4,990,816 | 5,321,401 | 5,461,584 | 5,333,761 | 5,575,478 | 4.8% |
| Subtotal | 13,859,524 | 14,972,005 | 15,366,216 | 14,855,963 | 15,656,133 | 4.6% |
| Leisure | | | | | | |
| Parks and Recreation | 1,929,389 | 2,197,961 | 2,234,875 | 2,228,973 | 2,318,311 | 5.5% |
| Library | 1,892,982 | 1,959,490 | 2,007,411 | 1,980,323 | 2,014,554 | 2.8% |
| Subtotal | 3,822,371 | 4,157,451 | 4,242,286 | 4,209,296 | 4,332,865 | 4.2% |
| Non-Departmental | 4,090,580 | 4,773,938 | 5,235,949 | 4,943,080 | 5,212,339 | 9.2% |
| General Fund Total | 38,047,161 | 40,334,000 | 42,686,732 | 41,437,357 | 42,712,000 | 5.90% |

