

# ***FIVE-YEAR REVENUE AND COST PROJECTIONS FOR MAJOR OPERATING FUNDS***

---

## **INTRODUCTION AND OVERVIEW**

This section of the budget outlines in summary form projected revenues and costs for the five fiscal years beyond 2012-13 for the Town's General Fund, Transit Fund and Debt Service Fund. A summary schedule is provided for each fund identifying differences between the projected revenues and costs in each year.

The Projections section of the budget is an important tool in developing long-range financial strategies for the Town's major operations and in maintaining sound financial condition. We believe our projections include all the vital elements and principal drivers of revenue and costs. In short, we have included in the projections the important elements that are "big enough to matter," on both the revenue and cost sides of the budgets presented. Our presentation includes projections for operations and for additions and adjustments to ongoing operations. The largest additions relate to capital programs and related debt service.

### **Capital Programs and Related Debt Service**

The Council authorized the sale of the first two issuances of the \$29.36 million of General Obligation bonds approved by voters in November 2003: \$4 million in 2004-05 and \$4.95 million in 2006-07. The final sale, delayed until the fall of 2010 due to the economic downturn, was for the balance of the authorized general obligation debt and included the following:

	<u>Amount</u>
Library	\$14,260,000
Sidewalk/Street	2,450,000
<u>Parks &amp; Recreation</u>	<u>3,700,000</u>
Total	<u>\$ 20,410,000</u>

The bonds were issued in two forms, \$12,250,000 in Build America Bonds (BABs) and \$8,160,000 in traditional general obligation debt. Annual debt service payment on the combined issuance totals \$1.76 million, but the BABs have a federal subsidy that will refund 35% of interest costs through the American Recovery and Reinvestment Act. The net debt service on the new bond issuance is \$1,573,140 annually.

In addition to the final issuance of authorized bonds, the Council has approved a plan to issue \$1.7 million in Two-Thirds Bonds in June 2012. NC General Statutes allow units to issue bonds each year in an amount equal to two-thirds of the principal amount of debt retired in the previous year. These bonds may be issued without a referendum but must be approved by the LGC in the same manner as other debt financing. The Two-Thirds bonds as approved will be used for Parks and Recreation and Streets projects, and annual debt service on the bonds is estimated at \$120,000.

In addition to the bonds, the Council approved a plan to borrow funds in an amount not to exceed

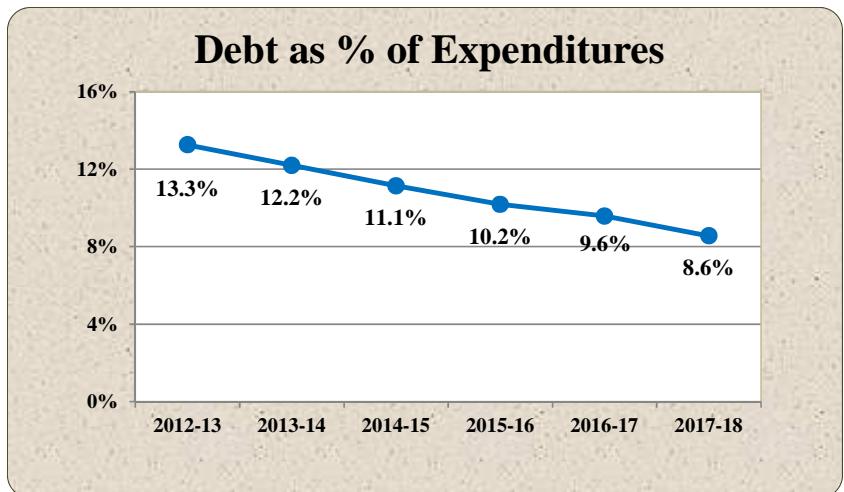
# ***FIVE-YEAR REVENUE AND COST PROJECTIONS FOR MAJOR OPERATING FUNDS***

\$7.245 million to pay for underground parking at the 140 West Project (on the site of the Town's old Lot 5) as part of a mixed use development. Construction is currently under way on the project and is expected to be completed during FY13. With the developer's recent construction estimates, the Town's portion is estimated at \$6.5 million, with the first debt service payment of about \$438,000 anticipated to be due in 2012-13. The projections assume that the Parking Fund would provide for the cost of this debt service as a transfer to the Debt Fund.

Finally, current low interest rates have established a favorable environment for the issuance of refunding bonds to refund \$4.94 million in 1996, 2003 and 2004 bonds for anticipated savings of about \$393,000 over the remaining life of the bonds. The projections assume issuance of the refunding bonds based on Council's approval in June 2012.

While the Town has historically had low debt as a percentage of budgeted expenditures, recent borrowings have significantly increased the Town's debt load. The Town's measures of debt capacity, including debt per capita and debt as a percent of assessed value, are close to the average for our peer group (Triple A rated Municipalities). The Town has traditionally tried to keep debt service below 10% of budgeted expenditures, but with the recent investment in public facilities this ratio has risen to 13.3% in 2012-13. The increase in debt service as a percent of budget in excess of the 10% target was an anticipated result of the financing of the large Town Operations Center project in 2007 and issuance of the bonds that were approved in 2003.

In response to the added debt burden, a Debt Management Plan was adopted for the FY2008-09 budget that includes dedicating a portion of the property tax rate to pay debt service instead of transferring funds for debt service needs from the General Fund. Previously, debt service costs competed with other priorities for General Fund revenues, but now have a dedicated revenue source, which also provides for future debt as existing debt is paid off. Maintaining affordable levels of debt is an important factor in retaining the Town's current AAA ratings.



The adopted budget for 2012-13 includes retaining the Debt Fund's tax rate at \$7.5 cents per \$100 valuation. The debt fund has sufficient capacity to pay existing and planned debt service and will begin rebuilding reserves in 2016-17. Based on current projections, debt service will fall below 10% of expenditures again in 2016-17.

Some of the other key factors affecting revenues and costs are outside the Town's control, such as State-shared revenues affected by State legislation, and numerous State and federal regulations

# ***FIVE-YEAR REVENUE AND COST PROJECTIONS FOR MAJOR OPERATING FUNDS***

---

which affect funding for the Transit system and the Housing Department, primarily. We project no significant withholding of State-shared revenues. The county has the option each year to change the sales tax distribution formula from the current per capita basis to an ad-valorem basis. Changing from a per capita basis to an ad-valorem distribution would reduce the Town's Sales Tax revenues by approximately \$2.5 million. The County has indicated that they will not make a change to the distribution for 2012-13, but they may revisit this option in subsequent fiscal years.

The main points included in the revenue and cost projections for the General Fund, Transit Fund and the Debt Service Fund are summarized on the following pages. The differences between revenues and expenditures are expressed as tax rate equivalents.

As the budget increases, the total reserved fund balance needs to increase proportionally to retain fund balance reserves at a minimum of 12% of the budget. The gap between revenues and costs could be closed by service reductions, revenue enhancements, tax rate adjustments or any combination of these options.

## **GENERAL FUND**

### **Revenues**

The most important revenue sources for General Fund operations continue to be property taxes and sales tax revenues that, combined, comprise about 74% of total General Fund revenues. The growth in property tax revenues has decreased in the past few years and it is anticipated that growth will be below normal during the current recovery period. The estimate of assessed valuation for the tax base in 2012-13 is about \$7.45 billion. The most recent revaluation of property assessments went into effect the FY2009-10 Budget Year, when real property values increased by approximately 24% and the motor vehicle and personal property valuations were decreased by about 10%. The Council adopted a property tax rate slightly below the revenue neutral rate for the FY2009-10 Budget.

State statute requires revaluation of property every eight years, though Orange County has been on a schedule of revaluation every four years. The recent economic downturn has led to considerably fewer sales on which to base revaluation and as a result, the county decided to delay the scheduled revaluation until 2015-16. These projections conservatively assume that the tax values reflect an estimated reduction in value of 2% in 2016. Our projections assume slow growth after 2016, with growth rates of 1.5% in 2017 and 1.8% in 2018. Our projections assume the adoption of a revenue neutral tax rate.

The tax levy projections assume that the General Fund tax rate will continue to be split with the Debt Service Fund. The adopted budget for FY12-13 retains the rate adopted in FY12, which moved \$1.8 cents of the tax rate from the Debt Fund to the General Fund.

Two factors may affect our ability to project and collect property taxes in the future. The first relates to Orange County's tax system. The Town relies on Orange County to assess and record most property tax. (A small portion is collected by Durham County for the citizens that reside in

## ***FIVE-YEAR REVENUE AND COST PROJECTIONS FOR MAJOR OPERATING FUNDS***

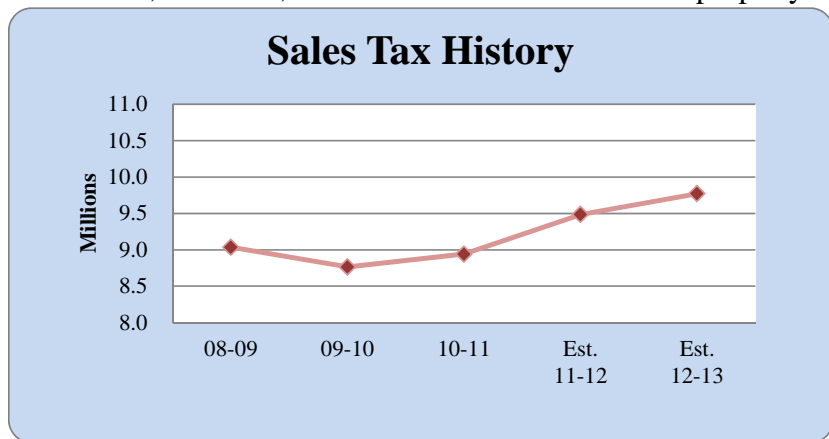
Chapel Hill and Durham County.) Orange County replaced its tax collection software system in the fall of 2010. The new system is still in implementation stage, but should improve our ability to obtain reports and analyze data. It also requires the Town to pay an additional subsidy for a portion of the system installation and maintenance.

The second factor relates to the change in State law that will move the responsibility for motor vehicle tax collection from the County to the State. Orange County has been efficient and effective in collecting motor vehicle taxes. The collection rate and charges for the service may change once the State assumes the responsibility of collecting motor vehicle taxes, currently projected for July 1, 2014. These projections assume continuation of the same collection rate.

Estimated additions to the tax base through growth of 1.5%, slightly lower than historical average, at a tax rate for 2012-13 of \$37.8 cents for the General Fund, would yield increases in property tax revenues of about \$410,000 each year.

The second largest source of Town revenue, sales tax, is a more volatile source than property tax.

Revenues increase when the economy is good and grow at a slower pace or decrease when the economy is slow. With the economic downturn, sales tax revenues declined each year from their high point in FY2007-08. Based on FY12 receipts to date, it appears that sales tax revenues have rebounded and we estimate FY12 receipts at about \$9.5



million, a level that returns to 2008 levels. Based on local trends and state forecasts, we anticipate growth of about 3% for FY12-13.

Based on legislation adopted in 2002-03 by the North Carolina General Assembly (providing greater but not absolute protection for certain State-shared revenues withheld in past years), we believe it is reasonable to include full State-shared revenues in our five year projections for the General Fund. These State-shared revenues include revenue from utility franchise taxes (estimated at about \$2.8 million in 2011-12 and 2012-13) and Video Programming Tax, estimated to remain relatively flat in FY12 and FY13. Although the State predicts a decline in FY12, based on collections in Chapel Hill we are projecting very slow growth over the next 5 years for utility franchise taxes.

State-shared revenues also include revenue from fuel tax funds for street maintenance (about \$1.4 million in 2011-12) with no projected growth over the next five years, and Beer and Wine Taxes. The State withheld two-thirds of its distribution of beer and wine tax to municipalities in 2009-10

# ***FIVE-YEAR REVENUE AND COST PROJECTIONS FOR MAJOR OPERATING FUNDS***

---

but indications are that we will receive the full share in FY12 and thereafter.

Despite a drop in FY12 to \$1,088,000, we assume continuation of State Fire Protection funds at the historical level of \$1,210,000. We recommend that the Council continue to seek additional fire protection funding consistent with the costs associated with providing fire protection for state owned property located in the Town.

The most important revenue sources for the General Fund are shown in the two tables which follow, titled Projected Tax Base and Projected State-Shared Revenues. There are potential changes arising from ongoing State budget proposals that could impact the Town negatively, but most likely we will not know the full impact until after the budget is adopted.

## **Operating and Capital Improvement Costs**

Projected costs for general operations are based on a continuation of most service levels and programs for 2012-13. Personnel and operating costs are based on assumptions as noted on the attached tables. The projections also include estimated contributions required to provide needed capital maintenance for future years. For FY2012-13 the amount of capital funding is decreased by about \$350,000 and allows for only the most critical projects. We anticipate that funding levels will return to established levels in FY2013-14 and will remain at approximately \$1.0 million annually. While the project requests reflected in the capital plan are usually in excess of the projected available amounts, the funding demonstrates a commitment to maintaining and renovating Town properties.

Personnel costs for FY2012-13 include 3% pay adjustments effective October 2012, and a reduction in medical insurance costs of 3% based on the contracted agreement with Blue Cross Blue Shield. Projections include annual pay increases of about 2% in 2014 and 3% annually thereafter, with a 5% increase in medical insurance costs each year. In addition, the projections include a 2.5% increase in FY14 and FY15 for implementation of the Pay and Classification Plan currently being undertaken. Operating costs are estimated to increase about 3% annually.

Our analysis indicates projected costs for basic operations and the proposed additions to operations would exceed revenues in each of the next five years. As we come closer to the actual projected years, we will need to update assumptions. Under the current projection assumptions, the Council would need to increase revenues or decrease costs for each of the next five years.

A chart is included in the conclusion of the projections sections showing the projected marginal tax rate increase each year necessary to balance the projected budget.

## **TRANSIT FUND**

The budget for 2012-13 assumes the continuation of fare-free transit services as well as the continuation of the cost-sharing arrangement with the University of North Carolina and Carrboro.

## ***FIVE-YEAR REVENUE AND COST PROJECTIONS FOR MAJOR OPERATING FUNDS***

---

State operating assistance, expected to exceed budget in FY12 by about \$100,000, is declining for FY2012-13 as the state struggles with the impact of the recession, and is projected to remain at about \$3.1 million each year. Federal assistance is estimated to continue at \$1.9 million each year, a reduction from recent years' receipts.

The estimates for expenses for 2012-13 include only minor adjustments to routes and services to streamline operations. The increased cost of fuel and other petroleum products has increased pressure on the available funding sources, and concerns regarding the adequacy of revenues to cover costs in future years remains. The adopted budget for 2012-13 includes increases for the funding partners, and is balanced with a transfer from the General Fund of \$364,000. The projections assume continuation of the 4.1% rate in the next five years. The 2013 budget requires the use of about \$306,000 in fund balance. Subsequent years show the need for a tax increase from .2 to 1.4 cents through 2017-18.

Adopted Tax Rate	Cents per \$100 valuation		
	FY11-12	FY12-13	\$ Change
General Fund	\$ 37.8	\$ 37.8	\$ -
Debt Fund	7.5	7.5	-
Transit Fund	4.1	4.1	-
<b>Total Tax Rate</b>	<b>\$ 49.4</b>	<b>\$ 49.4</b>	<b>\$ -</b>

# ***FIVE-YEAR REVENUE AND COST PROJECTIONS FOR MAJOR OPERATING FUNDS***

---

## **DEBT SERVICE FUND**

The projections for the Debt Service Fund includes continuation of a reduced tax rate of 7.5 cents, with 1.8 cents of the FY11 rate being allocated to the General Fund in FY12 and thereafter. This tax rate will generate about \$5.46 million in revenues in 2012-13 which, along with the use of fund balance and a transfer from Parking, will provide for projected debt service costs. Cost projections include debt service on the new \$20.41 million in bonds sold in the fall of 2010. In addition, the projections include estimates for the \$6.5 million of anticipated debt related to the Downtown Initiative and the prospective sale of \$1.7 million of two-thirds bonds in June 2012. Our projections indicate no increase needed in the tax rate for debt service for the next five years, although new debt would require additional revenues.

## **CONCLUSION**

Based on the assumptions contained in the analysis of projected revenues and costs for the Town's tax-funded operating funds for the next five years, differences between revenues and costs for future years could require cost or service reductions, revenue enhancements, or tax rate adjustments. The differences expressed as tax rate equivalents are summarized as follows:

### **Tax Rate Equivalents of Needed Revenue (in cents)**

	2012-13 Adopted Increase	2013-14 Estimated Increase	2014-15 Estimated Increase	2015-16 Estimated Increase	2016-17 Estimated Increase	2017-18 Estimated Increase
General Fund	0.0	4.2	1.1	1.8	1.9	1.4
Debt Service	0.0	0.0	0.0	0.0	0.0	0.0
Transit Fund	0.0	1.4	(0.4)	0.2	0.2	0.2
<b>Total</b>	<b>0.0</b>	<b>5.6</b>	<b>0.7</b>	<b>2.0</b>	<b>2.2</b>	<b>1.7</b>

The largest concern in the budget projection is the expected imbalance between revenues and expenditures in the General Fund. In past years, fund balance has been available to supplement revenues and eliminate or reduce the need to increase taxes. We will need to more closely balance spending with available revenues in future budget years due to the diminishing availability of fund balance available for appropriation.

**GENERAL FUND  
PROJECTED TAX BASE  
2012/2013- 2017/2018**

---

Category	2012-13 Adopted	2013-14 Estimated	2014-15 Estimated	2015-16 Estimated	2016-17 Estimated	2017-18 Estimated
Assessed Valuation (Real & Personal Property)	\$ 7,353,675,000	\$ 7,427,210,000	\$ 7,501,480,000	\$ 7,351,450,000	\$ 7,461,720,000	\$ 7,596,030,000
Tax Levy - General Fund Only*	27,797,000	28,075,000	28,356,000	27,788,000	28,205,000	28,713,000
Estimated Collections at 99%	27,520,000	27,790,000	28,070,000	27,510,000	27,920,000	28,430,000
Estimated Prior Year Collections	160,000	150,000	150,000	150,000	150,000	150,000
<b>TOTALS</b>	<b>\$ 27,680,000</b>	<b>\$ 27,940,000</b>	<b>\$ 28,220,000</b>	<b>\$ 27,660,000</b>	<b>\$ 28,070,000</b>	<b>\$ 28,580,000</b>

1¢ on the tax rate = \$728,000

\* Based on continuing the current General Fund tax rate of \$37.8 cents/\$100, with estimated growth as follows:

2014	1.0%
2015	1.0%
2016	-2.0%
2017	1.5%
2018	1.8%



**GENERAL FUND**  
**PROJECTED STATE-SHARED REVENUES**  
**2012/2013- 2017/2018**

Category	2012-13 Adopted	2013-14 Estimated	2014-15 Estimated	2015-16 Estimated	2016-17 Estimated	2017-18 Estimated
Franchise Tax <sup>1</sup>	\$ 2,800,000	\$ 2,814,000	\$ 2,828,000	\$ 2,842,000	\$ 2,856,000	\$ 2,870,000
Video Programming Tax	750,000	750,000	750,000	750,000	750,000	750,000
Supplemental PEG support	50,000	50,000	50,000	50,000	50,000	50,000
Beer, Wine Tax <sup>2</sup>	237,000	239,000	241,000	243,000	245,000	247,000
1% Local Option Sales Tax (Article 39) <sup>3</sup>	3,386,000	3,454,000	3,523,000	3,593,000	3,665,000	3,738,000
1/2% Local Option Sales Tax (Article 40) <sup>3</sup>	2,323,000	2,393,000	2,465,000	2,539,000	2,615,000	2,693,000
1/2% Local Option Sales Tax (Article 42) <sup>3</sup>	1,687,000	1,721,000	1,755,000	1,790,000	1,826,000	1,863,000
1/2% Local Option Sales Tax (Article 44 Hold Harmless) <sup>3</sup>	124,000	126,000	129,000	132,000	135,000	138,000
City Hold Harmless <sup>3</sup>	2,350,000	2,350,000	2,350,000	2,350,000	2,350,000	2,350,000
Total Local Option Sales Taxes	9,870,000	10,044,000	10,222,000	10,404,000	10,591,000	10,782,000
Fuel Tax (Powell Bill) <sup>4</sup>	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000	1,400,000
State Fire Protection <sup>5</sup>	1,089,000	1,210,000	1,210,000	1,210,000	1,210,000	1,210,000
Solid Waste Disposal Tax	35,000	35,000	35,000	35,000	35,000	35,000
<b>TOTAL</b>	<b>\$ 16,231,000</b>	<b>\$ 16,542,000</b>	<b>\$ 16,736,000</b>	<b>\$ 16,934,000</b>	<b>\$ 17,137,000</b>	<b>\$ 17,344,000</b>

<sup>1</sup> Utility franchise tax distribution has been changed in recent years and was impacted by the change in distribution of cable franchise revenues. Revenues are affected by weather, and are expected to remain relatively flat.

<sup>2</sup> Except when withheld by the state in recent years, beer and wine taxes have been stable. Distributed based on population, they are expected to grow at 1% in future.

<sup>3</sup> Estimate a continuing recovery, with local components expected to recover before State-wide, and normal growth of between 2 and 3% in FY13 and thereafter. The Hold Harmless amount is expected to remain steady according to current legislation.

<sup>4</sup> Powell Bill revenues are distributed by a formula that is based on both street miles and population.

<sup>5</sup> State Fire Protection funding is subject to annual appropriation, and is expected to return to prior levels in future years.

**GENERAL FUND**  
**REVENUE PROJECTIONS**  
**2012/2013 - 2017/2018**

Category	2012-13 Adopted	2013-14 Estimated	2014-15 Estimated	2015-16 Estimated	2016-17 Estimated	2017-18 Estimated
Property Taxes*	\$ 27,680,000	\$ 27,940,000	\$28,220,000	\$27,660,000	\$28,070,000	\$28,580,000
Sales Taxes	\$ 9,870,000	\$ 10,044,000	\$10,222,000	\$10,404,000	\$10,591,000	\$10,782,000
Other Taxes & Licenses	987,000	1,007,000	1,027,000	1,047,000	1,067,000	1,087,000
Licenses/Permits/Fines/ Forfeitures	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000	1,610,000
State-Shared Revenues	6,361,000	6,498,000	6,514,000	6,530,000	6,546,000	6,562,000
Grants	582,000	591,000	600,000	609,000	618,000	627,000
Service Charges	3,471,000	3,481,000	3,491,000	3,501,000	3,511,000	3,521,000
Interest on Investments	20,000	40,000	35,000	30,000	30,000	30,000
Other Revenues	233,000	233,000	233,000	233,000	233,000	233,000
Interfund Transfers	221,000	228,000	235,000	242,000	249,000	256,000
<b>TOTAL</b>	<b>\$ 51,035,000</b>	<b>\$ 51,672,000</b>	<b>\$52,187,000</b>	<b>\$51,866,000</b>	<b>\$52,525,000</b>	<b>\$53,288,000</b>

\* Based on continuing the current General Fund tax rate of \$37.8 cents/\$100, with estimated reduction of -5% with the revaluation in FY14, .5% growth in FY15, and 1% in FY16, before returning to historical levels of 1.8% thereafter.

**GENERAL FUND  
PROJECTED COSTS  
2011/2012 - 2016/2017**

	2012-13 Adopted	2013-14 Estimated	2014-15 Estimated	2015-16 Estimated	2016-17 Estimated	2017-18 Estimated
Personnel Services <sup>1</sup>	\$ 37,029,000	\$ 39,228,000	\$ 40,602,000	\$ 41,223,000	\$42,606,000	\$44,009,000
Operations						
Operating & Maintenance <sup>2</sup>	13,909,000	14,057,000	14,012,000	14,381,000	14,643,000	15,034,000
Capital						
Equipment <sup>3</sup>	181,000	186,000	192,000	198,000	204,000	210,000
Transfer to Capital Improvements Program <sup>4</sup>	594,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Other						
Human Service contracts, hotel/ motel allocations and grants to other agencies	851,000	851,000	851,000	851,000	851,000	851,000
Other Post Employment Benefits	-	400,000	400,000	400,000	800,000	800,000
<b>TOTAL COSTS OF CURRENT PROGRAMS AND ADDITIONS/</b>						
<b>TOTALS</b>	\$52,564,000	\$ 55,722,000	\$ 57,057,000	\$ 58,053,000	\$60,104,000	\$61,904,000

**Assumptions for years after 2013, reflected on base cost estimates for 2012-13:**

<sup>1</sup> Assumptions include:

- Annual increase of 2% in FY14 and 3% each year thereafter, with additional 2.5% adjustments to implement Pay and Classification plan in FY14 and FY15.
- 5% increase in medical insurance each year
- From 3% to 11% for retirement increases as projected by the State Treasurer through 2017-18.

<sup>2</sup> Increase in operating costs of 3% each year.

<sup>3</sup> Estimated cost of routine replacement of miscellaneous non-vehicular capital equipment.

<sup>4</sup> General Fund contribution for Capital Improvements Program.

## **GENERAL FUND**

### **ANALYSIS OF REVENUE AND COST PROJECTIONS 2012/2013 - 2017/2018**

---

	2012-13 Adopted	2013-14 Estimated	2014-15 Estimated	2015-16 Estimated	2016-17 Estimated	2017-18 Estimated
Estimated Total Costs	\$ 52,564,000	\$ 55,722,000	\$ 57,057,000	\$ 58,053,000	\$ 60,104,000	\$ 61,904,000
Estimated Total Revenues	51,035,000	51,672,000	52,187,000	51,866,000	52,525,000	53,288,000
Revenues Needed	1,529,000	4,050,000	4,870,000	6,187,000	7,579,000	8,616,000
Fund Balance Available	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
One-time use of Fund Balance	529,000	-	-	-	-	-
Additional Revenue Needed/ (Available)	\$ -	\$ 3,050,000	\$ 3,870,000	\$ 5,187,000	\$ 6,579,000	\$ 7,616,000
Change in Tax Rate in cents in Specific Years*	-	4.2	1.1	1.8	1.9	1.4

\*Value of a cent = \$728,000

***TRANSIT FUND***  
***REVENUE PROJECTIONS***  
***2012/2013 - 2017/2018***

	2012-13 Adopted	2013-14 Estimated	2014-15 Estimated	2015-16 Estimated	2016-17 Estimated	2017-18 Estimated
Taxes <sup>1</sup>	\$ 2,995,000	\$ 3,025,000	\$ 3,055,000	\$ 2,994,000	\$ 3,038,000	\$ 3,093,000
Vehicle Taxes <sup>2</sup>	415,000	417,000	419,000	421,000	423,000	425,000
Federal Operating Assistance <sup>3</sup>	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000	1,900,000
State Operating Assistance <sup>3</sup>	3,078,000	3,100,000	3,100,000	3,100,000	3,100,000	3,100,000
UNC Contract (Net) <sup>4</sup>	7,066,000	7,172,000	7,280,000	7,389,000	7,500,000	7,613,000
Carrboro Contract (Net) <sup>4</sup>	1,283,000	1,302,000	1,322,000	1,342,000	1,362,000	1,382,000
Service Charges <sup>5</sup>	694,000	708,000	722,000	736,000	751,000	766,000
Advertising	263,000	263,000	263,000	263,000	263,000	263,000
Grants	291,000	291,000	291,000	291,000	291,000	291,000
Other	30,000	30,000	30,000	30,000	30,000	30,000
Transfer from General Fund	364,000	-	-	-	-	-
<b>TOTAL</b>	<b>\$18,379,000</b>	<b>\$18,208,000</b>	<b>\$18,382,000</b>	<b>\$18,466,000</b>	<b>\$18,658,000</b>	<b>\$ 18,863,000</b>

Revenue Notes:

<sup>1</sup> Based on a Manager's Recommended tax rate of 4.6 cents through 2017-18, an addition of .5 cents from FY12.

<sup>2</sup> Assumes levy of \$15 vehicle tax for Transit (increased from \$5 in 2009-10).

<sup>3</sup> Assumes continuing level of State and Federal Operating Assistance.

<sup>4</sup> Assumes continued participation by the University and Carrboro, including assumptions on cost sharing for adopted fare-free services, assuming 1.5% growth each year.

<sup>5</sup> Based on continuing fare-free services, with remaining service charge revenue generated primarily by Tarheel Express and Triangle Transit routes, assuming 2% growth each year.

***TRANSIT FUND***  
***COST PROJECTIONS***  
***2012/2013 - 2017/2018***

---

	2012-13 Adopted	2013-14 Estimated	2014-15 Estimated	2015-16 Estimated	2016-17 Estimated	2017-18 Estimated
Personnel Services <sup>1</sup>	\$ 11,003,000	\$ 11,571,000	\$ 11,961,000	\$ 12,161,000	\$ 12,565,000	\$ 12,973,000
Operations <sup>2</sup>	7,682,000	7,939,000	8,231,000	8,510,000	8,825,000	9,152,000
Capital Reserve Fund <sup>3</sup>	-	300,000	300,000	300,000	300,000	300,000
<b>TOTAL</b>	<b>\$ 18,685,000</b>	<b>\$ 19,810,000</b>	<b>\$ 20,492,000</b>	<b>\$ 20,971,000</b>	<b>\$ 21,690,000</b>	<b>\$ 22,425,000</b>

**Assumptions for years after 2012-13**

<sup>1</sup> Assumptions include:

- Annual increase of 2% in FY14 and 3% each year thereafter, with additional 2.5% adjustments to implement Pay and Classification plan in FY14 and FY15.
- 5% increase in medical insurance each year
- From 3% to 11% for retirement increases as projected by the State Treasurer through 2017-18.

<sup>2</sup> Increase in operating costs of 3% annually for most operating costs and 5% for fuel and tires.

<sup>3</sup> Amounts allocated for Capital Equipment Reserve Fund for replacement of buses, purchase of capital equipment, and local cost of Transit facilities.

***TRANSIT FUND  
REVENUE AND COST PROJECTIONS  
2012/2013 - 2017/18***

---

	2012-13 Adopted	2013-14 Estimated	2014-15 Estimated	2015-16 Estimated	2016-17 Estimated	2017-18 Estimated
Estimated Costs	\$18,685,000	\$ 19,810,000	\$ 20,492,000	\$20,971,000	\$ 21,690,000	\$ 22,425,000
Estimated Revenues	18,379,000	18,208,000	18,382,000	18,466,000	18,658,000	18,863,000
Revenue Needed/(Excess)	306,000	1,602,000	2,110,000	2,505,000	3,032,000	3,562,000
Fund Balance Available	306,000	600,000	-	-	-	-
Additional Revenue Needed	\$ -	\$ 1,002,000	\$ 2,110,000	\$ 2,505,000	\$ 3,032,000	\$ 3,562,000
Change in Tax Rate in Specific Years	-	1.4	(0.4)	0.2	0.2	0.2

1 cent on the tax rate = \$728,000

Assumptions on future revenues and costs:

- Same revenue sources as available in 2011-12 (assumes current level of State funding for operating assistance).
- Assumes constant level of federal operating assistance.
- Includes estimated adjustments of about 3% in salaries and operating costs after FY14, with an additional 2.5% in FY14 and FY15 for implementation of the Pay and Classification Plan.

**DEBT SERVICE FUND**  
**PROJECTED TAX BASE AND OTHER REVENUES**  
**2012/2013 - 2017/2018**

---

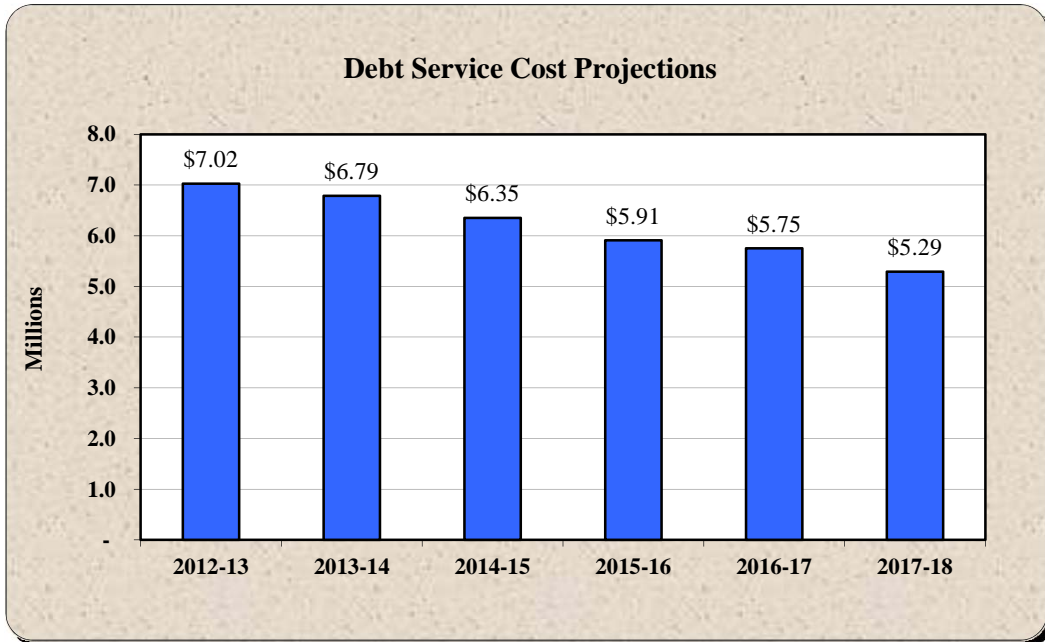
Category	2012-13 Adopted	2013-14 Estimated	2014-15 Estimated	2015-16 Estimated	2016-17 Estimated	2017-18 Estimated
Assessed Valuation (Real & Personal Property)	\$7,353,675,000	\$ 7,427,212,000	\$7,501,484,000	\$ 7,351,454,000	\$ 7,461,726,000	\$ 7,596,037,000
Tax Levy - Debt Service Fund Only*	5,515,000	5,570,000	5,626,000	5,514,000	5,596,000	5,697,000
Estimated Collections at 99%	5,460,000	5,514,000	5,570,000	5,459,000	5,540,000	5,640,000
<b>TOTAL TAXES</b>	<b>\$ 5,460,000</b>	<b>\$ 5,514,000</b>	<b>\$ 5,570,000</b>	<b>\$ 5,459,000</b>	<b>\$ 5,540,000</b>	<b>\$ 5,640,000</b>
BABS Interest Subsidy	183,000	183,000	183,000	183,000	183,000	183,000
Interest Income	2,000	2,000	1,000	-	-	-
Transfer from Parking	438,000	438,000	438,000	438,000	438,000	438,000
<b>TOTAL REVENUES</b>	<b>\$ 6,083,000</b>	<b>\$ 6,137,000</b>	<b>\$ 6,192,000</b>	<b>\$ 6,080,000</b>	<b>\$ 6,161,000</b>	<b>\$ 6,261,000</b>

\* Based on a continued tax rate of \$7.5 cents for the Debt Fund through 2017-18, with estimated growth of .5% in FY15, 1% in FY16 and 1.8% each year thereafter.



**DEBT SERVICE FUND  
PROJECTED COSTS  
2012/2013 - 2017/2018**

	2012-13 Adopted	2013-14 Estimated	2014-15 Estimated	2015-16 Estimated	2016-17 Estimated	2017-18 Estimated
Existing Debt	\$ 6,471,000	\$ 6,292,000	\$ 5,824,000	\$ 5,379,000	\$ 5,222,000	\$ 4,762,000
Two-Thirds Bonds	120,000	120,000	120,000	120,000	120,000	120,000
Refunding of \$4.94 million in 1996, 2003 and 2005 GO Bonds	(80,000)	(64,000)	(32,000)	(31,000)	(32,000)	(28,000)
Debt Issuance Cost/Premium	75,000	-	-	-	-	-
New Installment Debt Service - \$6,500,000 Downtown Initiative	438,000	438,000	438,000	438,000	438,000	438,000
<b>TOTALS</b>	<b>\$ 7,024,000</b>	<b>\$ 6,786,000</b>	<b>\$ 6,350,000</b>	<b>\$ 5,906,000</b>	<b>\$ 5,748,000</b>	<b>\$ 5,292,000</b>



***DEBT SERVICE FUND***  
***ANALYSIS OF REVENUE AND COST PROJECTIONS***  
***2012/2013 - 2017/2018***

---

	2012-13 Adopted	2013-14 Estimated	2014-15 Estimated	2015-16 Estimated	2016-17 Estimated	2017-18 Estimated
Estimated Total Costs	\$ 7,024,000	\$ 6,786,000	\$ 6,350,000	\$ 5,906,000	\$ 5,748,000	\$ 5,292,000
Estimated Total Revenues	6,083,000	6,137,000	6,192,000	6,080,000	6,161,000	6,261,000
Revenue (Needed)/Available	(941,000)	(649,000)	(158,000)	174,000	413,000	969,000
Fund Balance Available	941,000	649,000	158,000	-	-	-
Reserved for future debt	-	-	-	174,000	413,000	969,000
Additional Revenue (Needed)/Available	-	-	-	-	-	-
Change in Tax Rate in Specific Years*	0.0	0.0	0.0	0.0	0.0	0.0

Value of a cent = \$728,000