

BUDGET PROCESS

The Board of Commissioners requested departmental goals in November of 2005. The goals submitted by departments and agencies were presented to the Commissioners on January 13, 2006. These goals are summarized on the following pages. The Board of Commissioners met in February to develop goals for the organization. The Commission goals are discussed in the County Manager's message and the Executive Summary.

Departments and agencies submitted detailed operating budget requests to the Budget Office in the Finance Department on February 10, 2006 in accordance with procedures established by the Budget Calendar. The budget requests of County agencies and departments included basic and additional requests. Basic requests are requests to finance currently mandated or authorized services within guidelines, or ongoing expenditures. Additional requests are over and above the basic FY 2005 / 2006 service levels.

After analyzing the budget requests, Budget staff met with the County Manager, department heads and agency heads during the months of March, April and May to review the requests. The County Manager's Recommended FY 2006 / 2007 Budget reflected his consideration of these recommendations in light of revenue projections and real property assessments, and his top priority initiatives are reflected in the Budget Message. Supplemental requests were incorporated into a series of Decision Packages for review by the Board of Commissioners. The Decision Packages reflect additional needs of the department or agency heads not included in the County Manager's recommended budget.

As presented to the County Commission, the Recommended Budget is intended to provide the resources necessary to continue current services. In his Budget Message, the County Manager may also recommend adjustments to the general property tax rates and user fees necessary to finance these services and may identify high priority needs, new initiatives and program changes for County Commission consideration during budget deliberations. These and other issues brought forward at the budget public hearings were addressed during the County Commission budget work sessions in May and June 2006. After careful deliberation, the Recommended Budget, as modified to include the final Add/Delete List of decision packages and the adopted millage rate, was adopted by the County Commission on July 7, 2006. The Final Add/Delete List is incorporated in the adopted budget column in each fund's summary and detail information.

Departmental Goals

Clerk of Commission - 1001130

- To serve the Commission in the best possible manner and as efficiently and economically as possible.

Finance - 1001510

- Provide high quality financial information to the Board of Commissioners, county management, and the public for analysis and decision making purposes.
- Further develop the use of strategic planning and forecasting models that analyze the cost effect of trends, programs and positions over multiple years.
- Establish and fund an annual capital improvement plan that addresses the Board's stated priorities, including deferred maintenance items.
- Emphasize performance measurement standards as part of the annual budget process.
- Automate processes within limits of existing software.

Purchasing - 1001517

- Update Purchasing Ordinance and Procedures Manual.
- Update Minority and Women Business Enterprise Program.
- Complete the infrastructure requirements and inventories under GASB-34 standards.
- Relocate Division to the Government Services Center on Eisenhower.
- Develop and Implement Web based Procurement System (E-Procurement).

County Attorney - 1001530

- Develop a permanent mediation system where tax appeals from the BOE would be reviewed by the County Attorney and the BOA.
- Review the current state law pertaining to impact fees in community improvement districts.
- Continue to work proactively with the Tax commissioner to file judicial in rem tax foreclosures.

Departmental Goals

- Continue to work proactively with users of County services to ensure the County is appropriately compensated for services it provides.
- Work proactively with ACCG and others to ensure that the County is considered in proposed legislation.

Information & Communication Services - 1001535

- Move Data Center to "Old Jail" AKA South Annex.
- Implement E-Gov by hiring a Web Master and a Security Analyst to greatly expand use of the internet.
- Move toward a paperless environment.
- Enhance disaster preparedness.
- Modernize the Criminal Justice software system.

Human Resources - 1001540

- Conduct a Comprehensive Compensation and Classification Study.
- Develop and Implement an Employee Wellness Program.
- Merit Funding/Update Employee Performance Evaluation System.
- Update the Human Resources Information System.
- Enhance Employee Training Program/Management Development.

Board of Assessors - 1001550

- Completion of the CAMA Assessment Office.
- Improve the quality and accuracy of assessment data.
- Ensure the accurate reporting of personal property.
- Salary parity with the public sector.
- Adequate office space and vehicles.

Departmental Goals

Board of Equalization - 1001551

- The goal of the BOE is to conduct hearings in a speedy, effective, and efficient manner.

Internal Audit - 1001560

- To assist county management in its administration of the public's affairs.
- To strengthen the county internal structure by reviewing departmental control systems.
- To discourage county employees fraudulent activity or other wrongdoing by performing routine scheduled audits.
- To enhance accountability for the use of taxpayer dollars by auditing performance and payment associated with certain contracts.
- To address a weakness in the County's internal control evaluation capability by contracting with a technically specialized firm.

Facilities Maintenance and Operations - 1001565

- Replace three old air handlers.
- To provide scheduled interior and exterior painting of all county facilities.
- Remove flex duct work and diffusers system in the Judicial Courthouse.
- Begin systematic replacement of Old Courthouse Air Conditioning (A/C) System.
- To implement an effective automated maintenance program to include a work request station.

Fleet Operations -1001567

- Fund Fleet Replacements in next Five Year SPLOST Program.
- Relocate Fleet Operations.
- Fleet Operations Budgeting Plan Converted to an Enterprise Fund.
- Adequately Fund Vehicle Depreciation.
- Replace Wheel Alignment System.

Departmental Goals

Administrative Services - 1001580

- Complete relocation and consolidation of all records maintained by Administrative Services and have records management software fully operational.
- Establish an in-house destruction facility to allow for recycling of shredded material.
- Have a document imaging/microfilming (archive writer) program in operation.
- Have courier service established to support records management activities.
- Have a primary and back-up postage handling system in place.

Clerk of Superior Court - 1002180

- Stop printing deed books and expand computer capabilities in the real estate section of the office.
- Initiate e-filing for criminal cases.
- Initiate e-filing for child support cases.
- Initiate e-filing of civil and domestic cases without cost to the end user.
- Update Disaster Recovery Plan as technology within the court changes.

District Attorney - 1002200

- Expand services provided to the Municipal Court.
- Expand our special prosecution function.
- Expand our advisory role to the police.
- Improve communication and coordination with police agencies particularly SCMPD.
- Enhancement and reconfiguration of the work space and equipment of the office.

Departmental Goals

Victim-Witness - 1002210

- Increase outreach and assistance to senior citizens who are victims of financial and violent crimes.
- Educate on a consistent basis clergy and faith leaders about crime victimization and its effects.
- Improve the accessibility of all forms and documents crime victims may use.
- Decrease the time from disposition of case to notification of victims and witnesses.
- Educate the community at large about issues related to victimization and available free services.

State Court / 1002300 - 1002320

- Establish a DUI Court funded by Chatham County.
- Hire additional staff to maintain storage and management of State Court records.

Magistrate Court - 1002400

- Continue to update and improve court website.
- Implement a scanning process to down size the volume of court records.
- Implement a new filing system and update to a high density system.
- Fully utilize the new criminal case management system being provided by the ICS department.
- Continue our efforts in educating the public on the courts offerings in civil and criminal procedures.

Probate Court - 1002450

- Have documents scanned that are filed into this office.
- Security system to prevent theft of files from the Record Room.
- To hire an additional person to assist with the workload of the office.
- Attend customer service workshops to keep skills refreshed.
- Remodel for more storage space.

Departmental Goals

Juvenile Court - 1002600

- Develop a Juvenile Justice Campus on the current site and adjacent land.
- Reconfigure current facilities to create immediate space for additional holding cells.
- Formalize graduated sanctions at intake as part of the Court's system of diversion.
- Implement web-based JCATS within the next 12 months.
- Evaluate the need and effectiveness of problem solving courts, e.g., Juvenile Drug Court, for Chatham County.

Public Defender - 1002800

- Secure full staffing level in accordance with initial 3 year phase-in plan.
- Secure permanent office space for fully staffed office.
- Increase application fee collections.
- Implement legal and investigation clinics for law and criminal justice students.
- Implement mental health court.

Chatham-Savannah Counter Narcotics Team - 1003222

- To be fully staffed, no personnel shortages.
- Obtain two Drug Dogs to help with street level investigations and Search Warrants.
- Purchase wire-tap equipment for high level drug investigations.
- Purchase a Meth Lab Response Vehicle, for Entry Team investigators.
- Up-date various technical equipment.

Sheriff Department - 1003300

- Improve law enforcement radio communication.
- Improve officer safety.
- Improve emergency preparedness and response.

Departmental Goals

- Acquire adequate office space to allow Bureau to effectively and efficiently facilitate services to citizens.
- Increase/improve professionalism, efficiency, and effectiveness.

Detention Center -1003326

- Expansion of existing Jail Complex/Staffing to support the increase in inmate population.
- Upgrade Security Electronics System.
- Upgrade Facility HVAC/Roofing system.
- Upgrade Training Facilities and Operations.
- Expand Video Arraignment Technology to include operations in State and Superior Courts.

Bridges - 1004230

- Systematically make repairs to the bascule bridges based on the GDOT inspection report.
- Installation of vehicular traffic improvements to reduce or eliminate operational downtime of spans.

Health Department - 1005110

- Increase revenue generated by the laboratory by certifying laboratory technicians to perform environmental tests of water samples.
- Increase population-based services throughout Chatham County.
- Continue to support restaurant inspections to support tourism and citizens of Chatham County.
- Establish a west Chatham County health clinic to support the population growth in the western region.
- Relocate the Infectious Disease Center to the existing Midtown Clinic on Drayton Street.

Departmental Goals

Mosquito Control - 1005144

- Replace the multi-engine Piper Aztec airplane.
- Replace two aging rotary ditchers with one rotary ditcher and one long-reach backhoe.
- Reclassify one seasonal Mosquito Control Aide to a permanent position in pay grade 16 or 17.
- Significantly upgrade the Mosquito Control webpage on the Chatham County website.
- Design, install, and maintain a public information center in the lobby of the Mosquito Control Administration building.

Recreation & Park Services - 1006100

- Commit to improve the cleanliness and safety of the park facilities that lengthens the life of the infrastructure.
- Implement capital repair program for the park facilities.
- Focus on the quality of the County's youth recreational program.
- Seek volunteerism for physical improvements and recreational programs.
- Seek and pursue grant opportunities to augment capital improvements.

Library - 1006500

- Refreshed and changing library collections.
- Harness the power of technology.
- Enhance the library experience.
- Provide staffing levels required to support the Library Service Program.
- Provide convenient access to library facilities.

Departmental Goals

CEMA - 2123920

- Design and construct a Regional Homeland Security Center.
- Expand Public Outreach, Disaster Awareness, and Education activities.
- Expand warning and communication capabilities.
- Achieve compliance with National Standards in Emergency and Disaster Management.
- Enhance Hazard Mitigation and Critical Infrastructure Protection.

Engineering - 2701575

- Improve business processes.
- Keep recruiting for department engineering position vacancies.
- Increase compensation to be more competitive nationally and locally.
- Promote professional development, cross-training and professional certification.
- Always seek opportunities to reduce bureaucracy and remove obstacles.

Savannah -Chatham Metropolitan Police - 2703200

- To Design, obtain funding, and construct the following facilities; Islands Precinct, Southwest Precinct, Skidaway Island Marine Patrol Building, Animal Control Shelter, and Weather Survival 911 Center.
- To work to enhance and improve community involvement and public safety problem solving.
- To develop initiatives designed to better enhance Youth Development to prevent youth crimes.
- To improve quality of life issues jurisdiction wide through police partnerships with other agencies.
- To further develop and define the role of the Savannah-Chatham Metropolitan Police Department partnership with other Public Safety Agencies and Emergency Planning and Management.

Departmental Goals

Public Works - 2704100

- Work toward tracking a unit cost for each activity including routine maintenance.
- Relocation of Public Works and Park Services facility.
- Develop a program to plant and care for the tree canopy in unincorporated public right-of-way and within public facilities.
- Implement a pavement management program that extends the life of the roadway surface.
- Develop and maintain a digital inventory utilizing GIS technology of all maintenance facilities.

Building Safety & Regulatory Services - 2707210

- Continue to recruit and hire dedicated and competent staff.
- Develop a recruitment outreach program with Georgia Southern University School of Construction Management.
- Develop a Co-op/Internship Program with the Georgia Southern University School of Construction Management.
- Expand the Building Permit and Inspection tracking software programs to maximize the option for electronic processing.
- To become more proactive in our enforcement of County Ordinances.

Metropolitan Planning Commission - 2707410

- To improve coordination and working relationships with other departments and agencies.
- To compile and document comprehensive plans for all agencies inside Chatham County.
- To continue to streamline the development application process in Chatham County.
- To complete the Unified Zoning Ordinance for Chatham County and the City of Savannah - this will mark the completion of the TriCentennial Plan.
- To update and maintain the Area Geographic Information Systems map.

Departmental Goals

Water and Sewer Enterprise Fund - 5054400

- Keep system water loss to within a 10% tolerance.
- Develop a cost center for each separate water system.

Solid Waste Enterprise Fund - 5404501

- Reduce dependability on landfill disposal by moving toward recycling.
- Extend solid waste management services to smaller municipalities.
- Continue a cyclic vehicle replacement program.

**CHATHAM COUNTY, GEORGIA BUDGET CALENDAR
FISCAL YEAR JULY 1, 2006 THRU JUNE 30, 2007**

| ORIGINAL DATE | AMENDED DATE | BUDGET ACTIVITY | TAX DIGEST PROCESS |
|--|---------------------|---|--|
| October 3, 2005 | | FY 2007 / 2011 Capital budget Packages distributed. | |
| November 4, 2005 | | FY 2007 / 2011 Capital budget Requests due from departments. | |
| November 7, 2005 - November 14, 2005 | | CIP Committee convenes to rate projects. | |
| November 9, 2005 | | Memo to departments concerning five goals for next year. | |
| November 14, 2005 - November 21, 2005 | | Works sessions of five year goals. | |
| November 15, 2005 - November 22, 2005 | | Finalize FY 2007 / 2011 CIP - Identify emergency projects / finalize priorities. | |
| November 30, 2005 | | Goals due from departments. | |
| December 1, 2005 - December 31, 2005 | | Prepare FY 2007 / 2011 CIP Workbook. | |
| January 13, 2006 | | Fiscal Year ending June 30, 2007 Budget Calendar to Board for approval. Five-year CIP & Five-year departmental goals submitted to Board. | Year 2006 Millage Levy Calendar to Board for approval. Once approved, notice sent to Board of Education on Millage Levy Calendar. |
| January 23, 2006 | | Expanded Staff Meeting to kick-off FY 2006 / 2007 budget process. FY 2006 / 2007 Budget Request packages distributed. | |
| January 16, 2006 - February 3, 2006 | | Revenue / Expenditure Data Entry Training with Departments | |
| January 23, 2006 - February 24, 2006 | | Goal Setting: Board of County Commissioners / County Manager | |
| February 3, 2006 | | Fiscal Year Ending June 30, 2007 Budget Calendar to Board for approval & 5 Year Capital Improvement Plan transmitted to Board. Revenue estimates due from depts. | Year 2006 Millage Levy Calendar to Board for approval. After approval, notice sent to Board of Education on Millage Levy Calendar. |

**CHATHAM COUNTY, GEORGIA BUDGET CALENDAR
FISCAL YEAR JULY 1, 2006 THRU JUNE 30, 2007**

| | | | |
|--------------------------------------|--------------------------------|--|--|
| February 6, 2006 - March 3, 2006 | | Complete Fiscal Year Ending 6/30/07 revenue estimates. <u>All Funds</u> | |
| February 10, 2006 | | Budget Request Packages due from departments. | |
| February 13, 2006 - April 7, 2006 | | Analyze departmental budget requests/hold conference with Department Heads/Budget Staff (to run concurrent w/staff analysis). | |
| March 13, 2006 - March 24, 2006 | | Budget reviews begins- County Manager/Department Heads/Budget Staff (to run concurrent w/staff analysis). | |
| April 3, 2006 - April 17, 2006 | | Prepare budget workbooks for County Manager and Board of Commissioners - Final Internal Review by Finance Director- Budget Staff. | |
| April 17, 2006 - April 21, 2006 | | Final proposed budget goes to Print Shop. | |
| April 28, 2006 | May 12, 2006 | Advertise availability of proposed budget and June 9, 2006 public hearing (State Law). Proposed budget document and budget message are transmitted to the Board. | |
| May 1, 2006 - June 9, 2006 | May 15, 2006 - June 9, 2006 | Board Workshops | |
| May 24, 2006 | | Advertise adoption FY 2006 / 2007 Budget. | |
| May 26, 2006 | June 12, 2006 | Board conducts public hearing at regular Commission meeting. | |
| June 2, 2006 | | | Year 2006 Digest provided to Finance for Millage Levy calculations. |
| June 12, 2006 - June 16, 2006 | | Final review/revisions of Proposed Budget by the Board. | |
| June 16, 2006 | | | Advertisement of 5-year history to newspaper (June 23, 2006 publication as required by State Law). |

**CHATHAM COUNTY, GEORGIA BUDGET CALENDAR
FISCAL YEAR JULY 1, 2006 THRU JUNE 30, 2007**

| | | | |
|------------------------------------|--|--|--|
| June 19, 2006 | | | Advertise 1 st and 2 nd Public Hearing on Millage Levy to be held on June 27 th at 9:30 a.m. and 6:00 p.m. |
| June 22, 2006 | | | Advertise year 2006 Tax Digest and 5-year history (two weeks prior to millage levy as required by State Law - House Bill 66, Act. No. 478). |
| June 23, 2006 | | Adoption of FY 2006 / 2007 budget by County Commissioners. | Year 2006 Tax Digest and 5-year history to Board as information. |
| June 23, 2006 - September 15, 2006 | | Prepare 2006 / 2007 budget book and complete FY 2006 / 2007 budget document. | |
| June 27, 2006 | | | Hold 1 st and 2 nd Public Hearing on Millage Levy - 9:30 a.m. and 6:00 p.m. |
| June 28, 2006 | | | Advertise 3 rd Public Hearing on Millage Levy to be held on July 7 th at 9:30 a.m. |
| July 1, 2006 | | Beginning of Fiscal Year 2006 / 2007 - budget goes into effect. | |
| July 7, 2006 | | Amend FY 2006/2007 adopted budget to incorporate tax digest and millage rates as approved. | (1) Hold 3 rd Public Hearing on Millage Levy at 9:30 a.m. (2) Adoption of year 2006 Chatham County M&O, SSD and Chatham Area Transit Millage Levy by the County Commissioners. |
| July 21, 2006 | | | Adoption of Year 2006 Board of Education Millage Levy by the County Commissioners. |
| July 24, 2006 | | | Tax Digest to Atlanta |
| August 1, 2006 | | | State Penalty assessed if digest not submitted to the State. |
| September 15, 2006 | | Deadline for submission of adopted budget document for GFOA Award. | |

BUDGETS AND BUDGETARY ACCOUNTING

The County follows these procedures in establishing the budgetary process and data reflected in this report. Many of these processes are outlined in detail on the Budget Calendar adopted by the Board, shown on page 458.

1. Departments and Agencies submit detailed budget requests to the Budget Office in the Finance Department, which reviews and compiles the request and makes recommendations to the County
2. The County Manager submits a recommended balanced budget to the Board of County Commissioners in late April or early May annually.
3. The Board of County Commissioners holds such public workshops as it deems necessary and holds an advertised public hearing on the recommended budget at which the first reading of the budget resolution occurs. The budget is adopted by Resolution at a regular Board meeting, advertised in accordance with State law.
4. Formal budgetary integration is employed for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.
5. Budgets for governmental fund types are maintained on a basis consistent with generally accepted accounting principles.
6. The County Manager, Finance Director and Budget Officer are authorized to transfer budgeted amounts within departments, with the exception of transfers which increase salary appropriations. The Board of County Commissioners may transfer amounts between departments and approve appropriations of additional resources.

ENCUMBRANCES AND APPROPRIATIONS

Appropriations are encumbered as a result of purchase orders, contracts or other forms of legal commitments. Encumbrances outstanding at year end are reported as a reservation of fund balance at year-end. Appropriations lapse at year end; however, re-appropriation of amounts to cover significant encumbrances are made by the Board of County Commissioners during the subsequent fiscal year as an amendment to the budget. The level of control (level at which expenditures may not legally exceed the budget) is exercised by the Board of County Commissioners on a departmental level.

BASIC SERVICES

In this year's budget process, the service level and associated funding level were used to try to hold increases in operating costs to a minimum. "Basic Services" used in the development of FY 2006/2007 budgeting included the following activities:

1. Activities that are required by law or ordinance.
2. Activities that affect the public health and safety.
3. Activities that are necessary to preserve capital asset value.

BUDGET CALENDAR

The Board of Commissioner's formally adopted a Budget Calendar on January 13, 2006 detailing target dates for both the budget and millage levy process. The calendar is shown herein:

**CHATHAM COUNTY FY 2006/2007 ORGANIZATION "SHORT-TERM" FINANCIAL
AND OPERATIONAL BUDGETARY GUIDELINES:**

The County's budget was prepared in accordance with the following internal guidelines to provide the citizens of Chatham County with the highest level of service possible within certain funding availability limits.

1. Prepare and submit to the Board of Commissioners a budget balanced to current revenues.
2. Develop budgets for all funds to provide effective fiscal control and fiscal responsibility of tax dollars.
3. Adopt the County's budget prior to the beginning of the fiscal year, which begins on July 1, to facilitate effective and efficient budget administration.
4. Continue to provide funding to departments at a level that will allow them to operate effectively and efficiently in the delivery of public services.
5. Develop a Vehicle Replacement schedule that will provide meaningful information and financial mechanism's for the funding of vehicles on a timely basis.
6. Provide funding for debt service for the County obligations including:
 - (a) Series 2005 Revenue Refunding and Improvement Bonds, Series 2005 for various Chatham County Projects,
 - (b) Chatham County Hospital Authority Revenue Bonds, Series 1993,
 - (c) Series 1999 DSA Revenue Bonds,
 - (d) Remaining obligations for Pollution Control Financing,
 - (e) Series 2005A Revenue Refunding bonds, for various Chatham County projects, and
 - (f) Several capital leases.
7. Address the capital needs outlined in the revised five year Capital Improvement Program FY 2006-2010. Seek to include capital funding within the budget.

8. Continue to provide effective and efficient fiscal management in the administration of the County's budget.
9. Address issues in pay and benefit administration through the budget process, including new positions.
10. Provide choices to the Board in the form of Decision Packages so that the Board may select programs and services consistent with their stated goals.
11. Provide the Board with Five Year Forecast models to illustrate the current and future impacts of variable millage rates, programs and tax digest growth rates.

Basis of Accounting:

Basis of accounting refers to when revenues, expenditures and expenses are recognized in the accounts and reported in the financial statements. Specifically, it relates to the timing of the measurements made, regardless of the measurement focus applied.

The accounting and reporting treatment applied to a fund is determined by its measurement focus:

- Governmental funds are accounted for on a current financial resources measurement focus and modified accrual basis of accounting. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception is that principal and interest paid on general long term debt is recognized when due. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e. both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, usually 60 days. Revenues considered susceptible to accrual are property taxes, charges for services and investment income. In applying the concept of being susceptible to accrual pursuant to GASB Statement 33, the provider should recognize liabilities and expenses, and the recipient should recognize receivables and revenue when the applicable eligibility and time requirements are met. Resources transmitted prior to the eligibility requirements are met are, under most circumstances, reported as advances by the provider and deferred revenue by the recipient.
- Proprietary, Internal Service and Pension Trust Funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus for these funds is the economic resources basis.

Basis of Budgeting:

The General fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds are developed on the same basis consistent with the accounting treatment. The budgets are developed on a modified accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) consistent with the Governmental Accounting Standards Board (GASB).

The Enterprise Funds and Internal Service Funds are developed on the accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) consistent with the Government Accounting Standards Board (GASB).

FIVE YEAR FORECAST

During the budget process the Finance Department utilized the Five-Year budget forecast model for the General Fund and Special Services District Fund. Enterprise models were also developed but are not included herein. These models were established using historical data and trend analysis while allowing for unusual and non-recurring events. The five-year forecast is a planning tool that can be used to project how changes in revenue or the addition of a new program will effect fund balance in both the current and in future years.

The model explores how changes in digest growth and millage rates will impact revenues. Growth assumptions have been made for the various expenditure categories such as personal services, repairs and maintenance, supplies, purchased services, etc. New programs and services can be added to the model to access their long-term financial impact.

The models shown reflect the adopted budget's five year impact. These models should help the Board plan for future service additions and capital funding needs.

Five-Year Forecast - General Fund As Adopted

Projected Statement of Revenues and Expenditures Revised - Period Ending June 30, 2011

| | Adopted | Projected | Projected | Projected | Projected |
|----------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <u>REVENUES</u> | <u>2006-2007</u> | <u>2007-2008</u> | <u>2008-2009</u> | <u>2009-2010</u> | <u>2010-2011</u> |
| Tax Revenue - Digest | 94,974,864 | 102,012,501 | 109,571,628 | 117,690,885 | 126,411,780 |
| Other Tax Revenue | 14,823,900 | 15,120,378 | 15,422,786 | 15,731,241 | 16,045,866 |
| License & Permits | 880,670 | 880,670 | 880,670 | 880,670 | 880,670 |
| Intergovernmental | 4,761,559 | 4,761,559 | 4,761,559 | 4,761,559 | 4,761,559 |
| Charges for Services | 8,869,987 | 8,869,987 | 8,869,987 | 8,869,987 | 8,869,987 |
| Fines & Forfeitures | 3,497,830 | 3,497,830 | 3,497,830 | 3,497,830 | 3,497,830 |
| Interest on Investments | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 |
| Miscellaneous | 318,540 | 318,540 | 318,540 | 318,540 | 318,540 |
| Other Financing Sources | 390,000 | 390,000 | 390,000 | 390,000 | 390,000 |
| Sub-total of Revenues | 128,717,350 | 136,051,465 | 143,912,999 | 152,340,713 | 161,376,232 |
| | | | | | |
| <u>EXPENDITURES</u> | | | | | |
| General Government | 22,664,926 | 23,542,101 | 25,444,565 | 26,161,485 | 27,902,065 |
| Judiciary | 22,981,751 | 24,464,319 | 26,112,201 | 27,923,518 | 29,887,196 |
| Public Safety | 40,727,862 | 43,267,268 | 45,599,994 | 48,073,798 | 50,697,873 |
| Public Works | 1,286,721 | 1,311,839 | 1,340,403 | 1,370,496 | 1,402,201 |
| Health & Welfare | 10,086,017 | 10,348,429 | 10,589,652 | 10,840,089 | 11,100,165 |
| Culture & Recreation | 9,468,139 | 9,767,156 | 10,066,446 | 10,378,763 | 10,704,812 |
| Housing & Development | 120,000 | 120,000 | 120,000 | 120,000 | 120,000 |
| Debt Service | 5,601,855 | 5,397,192 | 5,395,677 | 5,408,741 | 5,354,047 |
| Other Financing Uses | 15,780,079 | 11,419,152 | 11,864,066 | 12,346,286 | 12,869,114 |
| Subtotal of Expenses | 128,717,350 | 129,637,456 | 136,533,004 | 142,623,176 | 150,037,473 |
| | | | | | |
| Fund Balance added (used) | 0 | 6,414,009 | 7,379,995 | 9,717,537 | 11,338,759 |

Five-Year Forecast - Special Service District As Adopted

Projected Statement of Revenues and Expenditures Revised - Period Ending June 30, 2011

| <u>REVENUES</u> | <u>Adopted 2006-2007</u> | <u>Projected 2007-2008</u> | <u>Projected 2008-2009</u> | <u>Projected 2009-2010</u> | <u>Projected 2010-2011</u> |
|----------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
| Tax Revenue - Digest | 12,872,966 | 13,768,924 | 14,727,242 | 15,752,258 | 16,848,615 |
| Other Tax Revenue | 5,408,586 | 5,516,758 | 5,627,093 | 5,739,635 | 5,854,427 |
| License & Permits | 1,350,000 | 1,350,000 | 1,350,000 | 1,350,000 | 1,350,000 |
| Intergovernmental | 514,518 | 514,518 | 514,518 | 514,518 | 514,518 |
| Charges for Services | 406,300 | 406,300 | 406,300 | 406,300 | 406,300 |
| Fines & Forfeitures | 1,996,900 | 1,996,900 | 1,996,900 | 1,996,900 | 1,996,900 |
| Interest on Investments | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 |
| Miscellaneous | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 |
| Other Financing Sources | 672,660 | 672,660 | 672,660 | 672,660 | 672,660 |
| Sub-total of Revenues | 23,426,930 | 24,431,060 | 25,499,712 | 26,637,270 | 27,848,420 |
| | | | | | |
| <u>EXPENDITURES</u> | | | | | |
| General Government | 2,305,415 | 2,387,284 | 2,465,403 | 2,548,618 | 2,637,302 |
| Judiciary | 892,444 | 933,196 | 972,667 | 1,013,936 | 1,057,086 |
| Public Safety | 10,900,974 | 12,326,032 | 13,388,794 | 14,547,151 | 15,819,701 |
| Public Works | 4,849,545 | 5,086,263 | 5,380,259 | 5,690,407 | 6,017,636 |
| Housing & Development | 1,448,826 | 1,494,567 | 1,541,257 | 1,589,611 | 1,639,696 |
| Debt Service | 112,120 | 112,120 | 112,120 | 112,120 | 112,120 |
| Other Financing Uses | 2,917,606 | 2,479,011 | 2,517,768 | 2,557,609 | 2,598,573 |
| Subtotal of Expenses | 23,426,930 | 24,818,473 | 26,378,268 | 28,059,452 | 29,882,114 |
| | | | | | |
| Fund Balance added (used) | 0 | (387,413) | (878,556) | (1,422,182) | (2,033,694) |

CAPITAL EXPENDITURES IMPACT ON THE OPERATING BUDGET

The Adopted Budget provided funding to the Capital Improvement Program Fund of \$521,400 from the General Fund M & O. No operating cost increases were anticipated as a result of the transfers.

Three vehicles were added to the Parks fleet in FY2005/2006 and will increase maintenance and fuel in the FY2006/2007 budget. Charlie Brooks Park was upgraded at a cost of \$265,000 in FY2005/2006. The upgrades should decrease maintenance and repair costs.

The majority of the projects in the Special Purpose Local Option Sales Tax (SPLOST) Funds represent construction in progress and will not have a significant effect on operating budgets in FY 2006/2007.

Approval of the pending Special Purpose Local Option Sales Tax Referendum will provide funding for several projects that will significantly impact the operating budget in future years. (1) The Detention Center Addition will have an impact of \$6.9 million dollars. These dollars will cover additional personnel expenses for 135 new employees and utility cost. (2) The Courthouse Addition and the Juvenile Court Plan will result in additional maintenance and utility cost. (3) The improvement of parks and playgrounds will provide the citizens with safe equipment and reduce maintenance cost. (4) The Tennis Center and the Skate Facility will result in additional maintenance, utility and personnel cost. At the time of writing the cost of items 2 thru 4 have not been quantified.

The County's five year Capital Improvement Plan is a separate document which reference the operating impact of each project.

BUDGET FORMAT - ADOPTED BUDGET DOCUMENT

The FY 2006/2007 Annual Budget Document for Chatham County provides historical, present, and future comparisons of revenues and expenditures; proposed allocations of resources - both fiscal and personnel; and descriptions of the anticipated annual accomplishments of County programs.

The Budget Document is divided in three sections. The first section contains an overview of the County's budget through the budget message, budget synopsis, tables and graphs. Each of the next two sections concentrates on a particular type of fund: the tax-supported General Fund, the Special Service District Fund, Special Revenue Funds, Capital Improvement Program Funds, Debt Service Fund, Enterprise Funds and the Internal Service Funds. The remaining sections address statistical information and other policy related materials.

Each departmental budget comprises five different summary forms. The departmental budget summary form provides a description of departmental responsibilities and a schedule of departmental expenditures and staff levels. These resource allocations are provided for FY 2004/2005 actual (audited), FY 2005/2006 budgeted, FY 2005/2006 YTD Actual Realized, FY 2006/2007 departmental requests and the FY 2006/2007 County Manager recommendations. Expenditures are "broken-out" into several cost categories: personal services, supplies, contractual services, and capital outlays; when appropriate, debt service costs are also provided. The major policy issues faced in each organizational unit, both those funded and included in the budget as well as those still unfunded, are described. The departmental objectives and performance measures page explains the annual departmental objectives. The departmental summary by object code form provides a summary of each departmental past, present, and future expenditures and personnel allocations.

The budget is presented in a format listing each departmental expenditures and the required revenues by source needed to finance the cost of operation. Each department budget consist of the total expenditures and the revenues required, identified by other revenues and the net tax support. The other revenues consists of all the other revenue sources excluding property tax revenues. The formula developed for allocating the revenues is based on a percentage of the revenues to the expenditures to balanced the departmental appropriations. The FY 2006/2007 General Fund (M & O) and the Special Service District (unincorporated areas) general operations are funded with separate tax levy. Effective in FY 1993 the Special Service District Fund Budget is reflected as a Special Revenue Fund consistent with the financial reporting practice in the County's Comprehensive Annual Financial Report.

In fiscal year 2006/2007 the County continued to improve the narrative for service description and the improvement of performance measurements in the form of specific goals and objectives. The bottom line of a government body is the service it provides to citizens and the budget as a policy document and an operating guide must effectively translate its dollars into services. Additionally, this application will help enhance the budget to show the relationship between organizational units and programs and to facilitate budgetary performance measurements.

Changes In Fund Balance

The charts shown herein illustrate fund balance changes for the General Fund M&O, the Special Service District and the other governmental funds of the County for fiscal years 2005 through 2007. Projected data is based on adopted budget resolutions. Actual Fiscal 2004 / 2005 data has been included for information purposes and represents audited information. Chatham County does not project fund balance information; fund balance information is only released after completion of the annual independent audit.

The General M&O Fund represents the main operating fund of the County. The Special Service District is a special revenue fund that provides services to the residents of the County's "second largest city", the unincorporated area, and levies a millage for those services. The chart also provided financial information for Other Special Revenue Funds including the following funds: Confiscated Assets, Emergency Management, Street Paving, Street Lighting, Emergency Telephone System, Multiple Grant, Child Support Enforcement, Hotel / Motel Tax, Land Disturbing Activities Ordinance, and the Land Bank Authority. Capital Projects data shown summarizes financial data for all the capital project funds including the four special purpose local option sales tax funds, the Capital Improvements Program Fund, the CIP Bond Fund (Series 1999) and the CIP Bond Fund (Series 2005).

Fiscal Year 2004/2005 - Actual

| Fund | Balance 07/01/2004 | Revenues FY 2004/2005 | Expenditures FY2004/2005 | Net Before Transfers | Transfers In | Transfers Out | Balance 06/30/2005 |
|----------------------------|-----------------------|--------------------------|-----------------------------|-------------------------|--------------|---------------|-----------------------|
| M & O Fund | 10,126,589 | 105,853,217 | 99,709,906 | 16,269,900 | 338,261 | 2,664,523 | 13,943,638 |
| Special Revenue Funds: | | | | | | | |
| - Special Service District | 9,929,759 | 19,947,725 | 16,883,110 | 12,994,374 | 732,759 | 1,890,036 | 11,837,097 |
| - Other | 2,124,797 | 8,685,058 | 8,770,167 | 2,039,688 | 433,300 | 705,759 | 1,767,229 |
| Debt Service Fund | 84,738 | 17,783,816 | 17,782,158 | 86,396 | 0 | 0 | 86,396 |
| Capital Projects Funds | 141,194,181 | 70,238,577 | 48,166,919 | 163,265,839 | 890,738 | 29,260 | 164,127,317 |
| TOTAL | 163,460,064 | 222,508,393 | 191,312,260 | 194,656,197 | 2,395,058 | 5,289,578 | 191,761,677 |

Fiscal Year 2005/2006 - Projected

| Fund | Balance 07/01/2005 | Revenues FY 2005/2006 | Expenditures FY2005/2006 | Net Before Transfers | Transfers In | Transfers Out | Balance 06/30/2006 |
|----------------------------|-----------------------|--------------------------|-----------------------------|-------------------------|--------------|---------------|-----------------------|
| M & O Fund | 13,943,638 | 117,350,753 | 114,962,077 | 16,332,314 | 383,000 | 6,656,858 | 10,058,456 |
| Special Revenue Funds: | | | | | | | |
| - Special Service District | 11,837,097 | 21,724,902 | 21,106,189 | 12,455,810 | 783,000 | 6,986,152 | 6,252,658 |
| - Other | 1,767,229 | 10,232,775 | 12,102,946 | -102,942 | 768,154 | 669,000 | -3,788 |
| Debt Service Fund | 86,396 | 6,763,781 | 6,733,900 | 116,277 | 0 | 29,881 | 86,396 |
| Capital Projects Funds | 164,127,317 | 46,775,478 | 51,117,607 | 159,785,188 | 7,493,878 | 0 | 167,279,066 |
| TOTAL | 191,761,677 | 202,847,689 | 206,022,719 | 188,586,647 | 9,428,032 | 14,341,891 | 183,672,788 |

Fiscal Year 2006/2007 - Projected

| Fund | Balance 07/01/2006 | Revenues FY 2006/2007 | Expenditures FY2006/2007 | Net Before Transfers | Transfers In | Transfers Out | Balance 06/30/2007 |
|-------------------------------|-------------------------------|----------------------------------|-------------------------------------|---------------------------------|---------------------|----------------------|-------------------------------|
| M & O Fund | 10,058,456 | 128,327,350 | 124,209,645 | 14,176,161 | 390,000 | 4,507,705 | 10,058,456 |
| <u>Special Revenue Funds:</u> | | | | | | | |
| - Special Service District | 6,252,658 | 22,277,966 | 20,788,654 | 7,741,970 | 672,660 | 2,161,972 | 6,252,658 |
| - Other | -3,788 | 7,993,857 | 8,910,391 | -920,322 | 834,645 | 645,660 | -731,337 |
| Debt Service Fund | 86,396 | | | 86,396 | | 0 | 86,396 |
| Capital Projects Funds | 167,279,066 | 102,293,942 | 229,342,419 | 40,230,589 | 521,400 | 0 | 40,751,989 |
| TOTAL | 183,672,788 | 260,893,115 | 383,251,109 | 61,314,794 | 2,418,705 | 7,315,337 | 56,418,162 |

Data for internal service funds and enterprise funds is not included in the charts above.

Projected decreases in fund balance are largely the result of two factors. First, the County adjusts its adopted budget annually to carryforward prior year open encumbrances. As a result, departmental budgets are increased with an offset to fund balance. Second, the County has been providing increased funding to the Capital Improvement Fund (CIP Fund). Fund balance levels in excess of those adopted in the County's Financial Policies have been transferred to the CIP Fund. No adverse impact on fund balance is anticipated as a result of the transfers.

Chatham County's Financial Policies include a Fund Balance Policy for the General M&O Fund and the Special Service District. The policies are located in this budget documents behind the tab "Financial Policies". The policies were adopted in March 2004.

Fund Balance is defined as the equity of governmental funds and trust funds. It is the difference between a fund's assets and its liabilities. The governmental fund measurement focus is upon determination of financial positions and changes in financial positions (sources, uses and balance of financial resources), rather than upon net income determination. The statement of revenues, expenditures, and changes in fund balance is the primary governmental fund operating statement. Fund balance can be divided into two components - reserved and unreserved.

FUND ACCOUNTING

The accounts of the County are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance/retained earnings, revenues, and expenditures/expenses. The following information includes the fund types used by the County.

GOVERNMENTAL FUND TYPES

Governmental Funds are those through which most governmental functions of the County are financed. The acquisition, use and balances of the County's expendable financial resources, and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following are the County's Governmental Fund Types:

General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - The Special Revenue funds are used to account for the proceeds of specific revenue sources (other than Capital Project and Trust Funds) that are legally restricted to expenditures for specified purposes. The major fund (Special Service District) is used to account for special levy ad valorem taxes and other activities for the unincorporated area of the County. Other Special Revenue Funds are:

Confiscated Revenue Fund

Revenues are from funds received from participation in drug related cases and confiscated property.

Chatham Emergency Management Fund

This agency provides emergency service in a disaster area and in the event of enemy attack. Funding is provided by the State of Georgia and Chatham County.

Street Paving Fund

Revenues are from the special assessments levied for street improvements.

Street Lighting Fund

Revenues are from the special assessments levied for street lighting services.

Emergency Telephone System Fund

Revenues are from funds generated from telephone subscriber surcharge fees for operation of the emergency 911 system.

Multiple Grant Fund

Revenues are from various local, state and federal agencies.

Child Support Fund

This grant fund was established to account for the funds received and expended for the costs associated with the collection and disbursement of child support received and/or recovered.

Hotel / Motel Tax Fund

The County imposes an excise tax in the unincorporated area of 6% on charges made from rooms, lodging, or accommodations furnished by hotels, motel, inns, lodges, and tourist camps. The hotel-motel tax cannot be levied on rooms, lodgings, or accommodations furnished for more than 10 consecutive days; meeting rooms; or rooms, lodgings, or accommodations furnished for one or more consecutive days to Georgia state or local government officials and employees traveling on official business. 50% of all collections transferred to the Special Service District Fund, 33.33% are forwarded to the Savannah Convention Center and 16.67% are forwarded to the Georgia International

Land Disturbing Activities Ordinance Fund

Revenues are from fees paid by Developers and donations.

The Land Bank Authority Fund

Revenues are from Sales of Surplus Land.

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest and related costs on governmental contractual obligations.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Business-type/Proprietary Funds). The County displays four major funds, Sales Tax I, Sales Tax II, Sales Tax III, and Sales Tax IV. These funds account for the proceeds of a special one cent sales tax adopted by referendum and related expenditures for roads, drainage and other improvements. Although the Sales Tax I and Sales Tax II funds did not meet the fiscal criteria for a major fund in 2004, the County chose to continue their presentation as major funds due to the high level of public interest in their activities.

PROPRIETARY FUND TYPES

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the Proprietary Funds of the County:

Enterprise Funds - Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services including capital costs, be recovered with fees and charges or (c) has a pricing policy designed for the fees and charges to recover similar costs. The major funds, (Chatham Area Transit Authority and Solid Waste Management Fund), account for business-type activities for transportation services and solid waste collection and disposition.

Water & Sewer Fund

The Water & Sewer Fund accounts for the provision of water and sewer services to the system customers within the County. All activities necessary to provide such services are accounted for in this fund. Activities are funded with user fees.

Solid Waste Management Fund

The Solid Waste Management Fund accounts for the provision of Solid Waste collection, transportation and disposal for the residents in the unincorporated area of Chatham County. All activities necessary to provide such services are accounted for in this fund. This fund also provides for landfill operations which were separated from the Public Works Department in 1992 to comply with State accounting and reporting requirements.

Chatham Area Transit Authority Fund (CAT)

CAT is a component unit of the County, providing local transportation services.

Parking Garage Fund

This fund accounts for parking services of the County which are recovered by user fees.

Henderson Golf Club Fund

Revenues are generated from golf activities in this Enterprise Fund.

Building Safety & Regulatory Services Fund

The Building Safety & Regulatory Services Fund provides for the collection of permit, plan review, inspections and zoning fees for the administration of the applicable county ordinances and the administration and enforcement of the State Minimum Construction Codes.

Internal Service Fund - Internal Service Funds are used to account for the financing of goods or services provided by an activity to other departments or funds of the County on a cost-reimbursement basis. The County's internal service funds are used to account for the financing of certain risk management services such as health insurance claims and catastrophic claims that are not covered by insurance which are charged to other departments or funds of the County on a cost-reimbursement basis.

Catastrophic Claims Fund

This fund was established to track the reserve that is restricted for payment of catastrophic claims.

Risk Management Fund

This fund was established to track the reserve that is restricted for payment of risk management claims.

Health Insurance Fund

To account for the claims arising from medical costs for which the County is self-insured.

FIDUCIARY FUND TYPES

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus (economic resources measurement focus) of fiduciary funds is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Trust and Agency Funds are used to account for the pension trust or agencies, which are custodial in nature.

Pension Trust Fund - Pension Trust funds are used to account for public employee retirement systems. The Pension Trust Fund is accounted for in the same manner as Proprietary Funds.

Agency Funds - There are eight agency funds, seven of which account for the receipts and disbursements of funds by the tax commissioner and various clerks of court, and the eighth is the flex benefit plan, which accounts for employee withholdings for dependent and medical care under section 125 of the IRS code.

REVENUE ANALYSIS AND OVERVIEW

Major sources of revenue are discussed in this section. Revenues are projected, using a straight line approach based on five year historical information. Revenues based on the tax digest (i.e. real and personal property, motor vehicles, timber, etc.) are adjusted to the actual digest when received from the Chief Appraiser. Departments submit any legislated fee increases at the beginning of the budget process with their revenue projections.

Property Taxes - Tax Digest

The Chief Appraiser is responsible for receiving returns and fairly and impartially assessing property. The total assessed valuation for County's 2006 Tax Digest was set at \$12.8 billion (net of 40 percent fair market value and exemptions). This translated into growth of 14.4 percent for the General Fund in 2006 and 10.7 percent in the Special Service District.

Property Taxes are the County's largest revenue source. A five year levy history for the County's main operating fund, the General Fund, is presented below:

CURRENT 2006 TAX DIGEST AND 5 YEAR HISTORY OF LEVY

| | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|-----------------------|--------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Real & Personal | \$ 6,491,438,253 | \$ 7,157,432,649 | \$ 7,866,820,594 | \$ 8,507,109,822 | \$ 9,619,207,743 | \$11,244,344,033 |
| Motor Vehicles | \$ 535,645,528 | \$ 539,613,418 | \$ 532,734,547 | \$ 532,592,954 | \$ 540,914,870 | \$ 542,324,490 |
| Mobile Homes | \$ 24,493,400 | \$ 24,879,000 | \$ 27,499,800 | \$ 27,340,800 | \$ 27,862,000 | \$ 28,981,400 |
| Timber | \$ 2,027,136 | \$ 1,462,840 | \$ 1,736,725 | \$ 2,706,080 | \$ 1,687,482 | \$ 1,484,053 |
| Gross Digest | \$ 7,053,604,317 | \$ 7,723,387,907 | \$ 8,428,791,666 | \$ 9,069,749,656 | \$10,189,672,095 | \$11,817,133,976 |
| Less M&O Exemptions | \$ (1,163,471,399) | \$(1,369,072,186) | \$(1,668,328,563) | \$(1,905,144,394) | \$(2,253,017,477) | \$(2,737,009,482) |
| Net M&O Digest | \$ 5,890,132,918 | \$ 6,354,315,721 | \$ 6,760,463,103 | \$ 7,164,605,262 | \$ 7,936,654,618 | \$ 9,080,124,494 |
| Gross M&O Millage | 11.777 | 11.697 | 11.637 | 11.510 | 12.163 | 11.912 |
| Less Rollbacks | -1.410 | -1.330 | -1.270 | -1.143 | -1.126 | -1.075 |
| Net M&O Millage | 10.367 | 10.367 | 10.367 | 10.367 | 11.037 | 10.837 |
| Net Taxes Levied | \$ 61,063,008 | \$ 65,875,191 | \$ 70,085,721 | \$ 74,275,463 | \$ 87,596,857 | \$ 98,401,309 |
| Net Taxes \$ Increase | \$ 1,231,618 | \$ 4,812,183 | \$ 4,210,530 | \$ 4,189,742 | \$ 13,321,394 | \$ 10,804,452 |
| Net Taxes % Increase | 2.1% | 7.9% | 6.4% | 6.0% | 17.9% | 12.3% |

Millage Value For Chatham County Government

One mill is the equivalent of \$1 of tax for each \$1,000 of assessed value of a resident's home. Assessed value for homeowners is arrived at by multiplying 40% times the estimated fair market value of the property. If a resident has a home with the estimated fair market value of \$75,000, the assessed value is \$30,000 ($75,000 \times 40\%$). Therefore, one mill of new taxation will generate \$18 of the tax receipts, ($\$75,000 \times 40\%$ less \$12,000 for homestead exemption, equals \$18,000). The table below calculates county taxes of a home with a market value of \$75,000.

| 2006 | GENERAL M&O | SPECIAL SERVICE DISTRICT |
|--------------------------------|-------------|--------------------------|
| Estimated Market Value of Home | \$75,000 | \$75,000 |
| Assessment Factor | 40.00% | 40.00% |
| Assessed Value (40%) | \$30,000 | \$30,000 |
| Less HIE (County Only) | \$12,000 | \$12,000 |
| Difference | \$18,000 | \$18,000 |
| County Taxation | 10.837 | 3.475 |
| (1) Home Owner Pays: | | |
| Consolidated | \$195.07 | \$195.07 |
| Unincorporated | \$0.00 | \$62.56 |

(1) Excludes Board of Education, City of Savannah, Other Municipalities and State of Georgia

Comparative Tax Digest information for the past two years is presented below:

REVENUE ANALYSIS - PROPERTY TAXES

MILLAGE

2006 ACTUAL ASSESSED VALUATION CATEGORIES

| PROPERTY TYPES | General Fund M&O and Special Service District | | |
|-----------------------|--|--------------------------|--------------------------|
| | % OF TOTAL - 2006 | % OF TOTAL - 2005 | % OF TOTAL - 2004 |
| Real Property | 78.16% | 75.88% | 74.54% |
| Personal Property | 17.10% | 18.65% | 19.39% |
| Automobile | 4.46% | 5.13% | 5.72% |
| Mobile Home | 0.26% | 0.29% | 0.31% |
| Timber | 0.01% | 0.02% | 0.03% |
| Heavy Equipment | 0.01% | 0.03% | 0.01% |
| TOTAL | 100.00% | 100.00% | 100.00% |

CHATHAM COUNTY, GEORGIA - ASSESSED VALUATION CATEGORIES 2006

ACTUAL ASSESSED VALUE 2005 & 2006

| Tax Digest Property Type | General M&O | | | | |
|-------------------------------------|--------------------------|--------------------------|----------------|----------------|-----------------|
| | 2006 | 2005 | 2006 | 2005 | % Change |
| Real Property | \$ 9,427,947,048 | \$ 7,889,854,448 | 79.78% | 77.43% | 19.49% |
| Personal Property | \$ 1,816,396,985 | \$ 1,729,353,295 | 15.37% | 16.97% | 5.03% |
| Automobile | \$ 541,145,780 | \$ 536,571,680 | 4.58% | 5.27% | 0.85% |
| Mobile Home | \$ 28,981,400 | \$ 27,862,000 | 0.25% | 0.27% | 4.02% |
| Timber | \$ 1,484,053 | \$ 1,687,482 | 0.01% | 0.02% | -12.06% |
| Heavy Duty Equipment | \$ 1,178,710 | \$ 4,343,190 | 0.01% | 0.04% | -72.86% |
| Total | \$ 11,817,133,976 | \$ 10,189,672,095 | 100.00% | 100.00% | 15.97% |

| Tax Digest Property Type | Special Service District (SSD) | | | | |
|-------------------------------------|---------------------------------------|-------------------------|----------------|----------------|-----------------|
| | 2006 | 2005 | 2006 | 2005 | % Change |
| Real Property | \$ 3,844,958,265 | \$ 3,288,712,122 | 74.46% | 72.41% | 16.91% |
| Personal Property | \$ 1,087,752,686 | \$ 1,018,218,201 | 21.06% | 22.42% | 6.83% |
| Automobile | \$ 216,108,460 | \$ 219,520,270 | 4.18% | 4.83% | -1.55% |
| Mobile Home | \$ 14,701,800 | \$ 14,457,200 | 0.28% | 0.32% | 1.69% |
| Timber | \$ 480,865 | \$ 810,729 | 0.01% | 0.02% | -40.69% |
| Heavy Duty Equipment | \$ 115,833 | \$ 157,432 | 0.00% | 0.00% | -26.42% |
| Total | \$ 5,164,117,909 | \$ 4,541,875,954 | 100.00% | 100.00% | 13.70% |

Tax Reduction Factors

The five year levy history shows the growth in exemptions for the County. These exemptions include:

Homestead Exemption: The homeowner's tax bill is reduced due to the increase in homestead exemption in 1991 from \$2,000 to \$12,000 over the period 1991-1994 in increments of \$2,500 annually. The homeowner's tax bill is further reduced due to several types of additional exemptions allowed. This budget document does not address other taxing levies for the other municipalities in Chatham County

Freeport Exemption: Freeport is the exemption of certain inventory taxes, as allowed by Georgia law. On October 14, 1988 the Board passed a resolution to allow the citizens of Chatham County to know the manner in which a freeport exemption would be implemented if the voters of Chatham County approved such an exemption. The referendum passed in November 1988.

The freeport exemption was implemented in twenty percent (20%) increments as growth in the tax digest equal to \$285,000,000 occurred. The first 20 percent on freeport took effect in FY 1992. The final 20 percent on freeport was realized in 1999. The County Commissioners adopted a resolution to extend the freeport extension in Chatham County for calendar year 2001 to the 100 percent level.

The Property Taxpayer's Bill of Rights: This law, which took effect on January 1, 2000, calls for a mandatory rollback in the millage rate whenever the tax digest increases. The stated aim is to prevent creeping tax bills. If elected officials propose to increase the millage rate, they must hold three public meetings - at times when the most constituents can attend - to explain why the tax hike is necessary and vote publicly for or against it. The law also shifts the burden of proof from the homeowner to the local government in the appeals process; requires the county assessors office to provide a written explanation to homeowners as to why their taxes went up; and allows taxpayers going through the appeal to name the time of their hearing before the Board of Equalization. The law also calls on taxing bodies to cover the legal fees of any homeowner who receives a 15 percent reduction or greater in their assessment and allows taxpayers going through the appeals process the right to record the hearing.

The Stephens-Day Bill: This law, which took effect on January 1, 2001, grants each Chatham County homeowner a homestead exemption from all Chatham County ad valorem taxes for county purposes in an amount equal to the amount of the assessed value of that homestead that exceeds the assessed value of that homestead for the taxable year immediately preceding the taxable year in which that exemption is first granted to such resident. This exemption does not apply to taxes assessed on improvements to the home or additional land added to the homestead after January 1 of the base year. In addition, it does not apply to taxes to pay interest on and to retire bonded indebtedness of the County. The exemption is renewed automatically from year to year as long as the homeowner occupies the residence as a homestead.

MAJOR REVENUE SOURCES

Major revenue sources for the County's General Fund and Special Service District are shown below:

1. TAX REVENUES

PROPERTY TAXES: Included are the County-wide taxes going to the General Fund, Special Service District and the Chatham Area Transit Authority. The taxable value based on year 2006 Tax Digest:

| <u>Taxing Authority</u> | Year 2006 Taxable <u>Valuation</u> | 2004 Millage <u>Rate</u> | 2005 Millage <u>Rate</u> | 2006 Millage <u>Rate</u> |
|--------------------------|--|--------------------------------|--------------------------------|--------------------------------|
| General Fund M&O | \$9.08 Billion | 10.367 | 11.037 | 10.837 |
| Special Service District | \$3.71 Billion | 3.475 | 3.475 | 3.475 |

The property tax is the largest revenue source of the total budgeted revenues for the General Fund and Special Service District appropriated funds. According to the Georgia Constitution as amended, there are three "classes" of property from which property taxes are collected. Furthermore, certain properties are "exempted" from taxation by constitution.

All property taxes are ad valorem. Ad Valorem means "according to value", therefore taxes are based on the value of the property a person owns. The value which is placed on each type of property is regulated by state laws and affected by court decisions. Since 1968, Georgia Law has required that the assessed valuation of all property for tax purposes be set at 40% of the fair market value. Fair market value is what the property would bring if it were sold on the open market in the usual manner, (i.e. a forced sale would not reflect market value).

The actual amount of tax charged an owner of a piece of property depends on its assessed value and on the county tax rate (millage rate). The tax rate is set by the county commissioners and includes the rate needed by the county board of education. In determining the rate each year, both boards consider how much money they will need during the year in their budgets to provide services and carry on daily operations.

LOCAL OPTION SALES TAX (LOST): A second major source of revenue for many counties and cities is the joint county and municipal local option sales tax. Subject to voter approval, a sales and use tax of 1 percent may be imposed on the purchase, sales, rental, storage, use, or consumption of tangible personal property and related services. Proceeds from this tax are collected by the Georgia Department of Revenue and disbursed to the county and its qualified municipalities on a basis negotiated by the county government and these cities. One percent of the amount collected is paid into the general fund of the state treasury to defray the costs of administration.

As a condition to imposing the tax in the years after the initial year of levy, the tax bill of each property taxpayer must show the reduced county and city millage rate resulting from the receipt of sales tax revenue from the previous year, as well as the reduced dollar amount of the person's property tax resulting from the receipt of such revenue. Chatham County currently receives an estimated 17.60 percent annually of the one percent local option sales tax. Proceeds are deposited in the General Fund M&O. Data on LOST distributions can be found on the next page.

SPECIAL PURPOSE LOCAL OPTION SALES TAX (SPLOST): A special local option sales tax is another significant source of county revenue. Subject to voter approval, this additional 1 percent sales and use tax may be imposed on the purchase, sale, rental, storage, use, or consumption of tangible personal property and related services. The tax is collected by the Georgia Department of Revenue and disbursed to the county. One percent of the amount collected is paid into the general fund of the state treasury to defray the costs of administration. The proceeds may be used for debt retirement and capital projects.

Budgets for the County's SPLOST funds are found in the capital project funds section of this document. Current collections are accounted for in the Special Purpose Local Options Sales Tax Project Fund 2003-2008.

LOCAL OPTION SALES TAX:

| CHATHAM COUNTY, GEORGIA - CERTIFICATE OF DISTRIBUTION LOCAL OPTION SALES TAX APPROVED JUNE 9, 1995 THROUGH A RENEGOTIATED PROCESS | | | | | | | |
|--|------------------|--------|--------|-----------|-----------|-----------|-----------|
| County & Municipalities | | Year | | | | | |
| | | 1996 | 1997 | 1998-2002 | 2003-2005 | 2006-2007 | 2008-2012 |
| Bloomington | shall receive | 1.17% | 1.14% | 1.14% | 1.37% | 1.37% | 1.36% |
| Garden City | | 3.81% | 3.65% | 3.71% | 5.68% | 5.78% | 5.77% |
| Pooler | | 2.29% | 2.25% | 2.25% | 3.20% | 3.20% | 3.19% |
| Port Wentworth | | 2.06% | 2.02% | 2.02% | 1.78% | 1.68% | 1.67% |
| Savannah | | 70.71% | 57.41% | 68.73% | 67.26% | 67.36% | 67.21% |
| Thunderbolt | | 1.43% | 1.41% | 1.41% | 1.30% | 1.20% | 1.20% |
| Tybee Island | | 1.46% | 1.45% | 1.45% | 1.74% | 1.74% | 1.73% |
| Vernonburg | | 0.07% | 0.07% | 0.07% | 0.07% | 0.07% | 0.07% |
| Chatham County | | 17.00% | 30.60% | 19.22% | 17.60% | 17.60% | 17.80% |

HISTORICAL & PROJECTED COLLECTIONS

| | | |
|-----------|--------------------------|--------------|
| 1998 | LOST - Actual | \$7,622,664 |
| 1999 | LOST - Actual | \$7,804,705 |
| 2000 | LOST - Actual (6 months) | \$4,160,719 |
| 2000-2001 | LOST - Actual | \$8,346,449 |
| 2001-2002 | LOST - Actual | \$8,568,769 |
| 2002-2003 | LOST - Actual | \$8,306,131 |
| 2003-2004 | LOST - Actual | \$8,750,846 |
| 2004-2005 | LOST - Actual | \$9,249,775 |
| 2005-2006 | LOST - Actual | \$9,662,715 |
| 2006-2007 | LOST - Budgeted | \$10,150,000 |

2. **LICENSES AND PERMITS:**

If authorized by local or general law or by municipal charter, counties and municipalities, may, under their police power, license and regulate the conduct of certain occupations. A county may regulate only in the unincorporated areas; a municipality only within its boundaries. License fees are to provide funds to cover the cost of regulation and must approximate the expense of regulation. Counties and cities may not charge dealers in distilled spirits more than \$5,000 annually for each license. Various other limitations on the licensing of occupations are found in court opinions and statutes.

3. **FINES AND FEES:**

Revenue from these sources includes fines and penalties charged for violating county or city ordinances (traffic fines, parking fines, etc.), forfeitures of money posted to guarantee appearance in court, and court fees and costs. Counties and municipalities may adopt any or all provisions of the Georgia Uniform Rules of the Road law and prescribe fines for violations, except where otherwise expressly provided by law.

4. **INTERGOVERNMENTAL REVENUE:**

The General Assembly is empowered to make funds available to counties for any public purpose, based on a ratio of county public road mileage to total public road mileage in the state. Grants also are authorized to aid in the construction and maintenance of county roads. These are based on each county's share of the total number of homesteads in the state, and entitlement requires certain property tax credits to taxpayers. In addition, each county receives annually a fixed, statutory dollar amount to be used exclusively for the construction and maintenance of public roads. Public road grants are also available through county contracts with the Department of Transportation.

5. **INTEREST ON INVESTMENTS:** Interest earned on short-term investments of excess cash available in the cash concentration bank accounts.

LEGAL DEBT MARGIN AND DESCRIPTION OF LONG-TERM OBLIGATIONS

LEGAL DEBT MARGIN

The present constitutional limit on direct general obligation bonds for Chatham County is the amount equivalent to 10% of the net assessed valuation of taxable property for debt service purposes. The unused legal debt margin is computed below:

| | |
|--|------------------|
| Total Assessed Value of Taxable Property for year 2006 | \$11,817,133,976 |
| Less Exemptions for Bond Purposes (Year 2006) | (\$680,343,264) |
| Net Assessed Valuation of Taxable Property for Bond Purposes | \$11,136,790,712 |
| 10% of Taxable Values | \$1,113,679,071 |
| General Obligation Backed Debt | \$0 |
| Less assets in debt service funds available for payment of principal (June 2006) | \$0 |
| Total deductions | \$0 |
| Unused Legal Debt Margin | \$1,113,679,071 |

The Constitutional debt limitation applies to all general obligation bonds authorized. Additional general obligation bonds may be authorized to be issued if so approved by a majority of those voting in an election held for that purpose. Chatham County has no general obligation bonds authorized but unissued.

The County's debt policy is found behind the tab "Financial Policies".

LONG TERM OBLIGATIONS

Chatham County has a number of long-term debt obligations. FY2007 principal and interest payments for the County's long term obligations by fund are:

| <u>Long-term Obligation</u> | <u>Fund where Annual Debt Service Budgeted</u> | <u>Annual Principal</u> | <u>Annual Interest</u> | <u>Total</u> |
|---|--|-----------------------------|----------------------------|---------------------|
| Series 1999 DSA Bonds | General Fund | \$ 375,000 | \$ 81,962 | \$ 456,962 |
| Series 2005A DSA Bonds | General Fund | 30,000 | 277,713 | 307,713 |
| Series 2005 DSA Bonds | General Fund | 2,655,000 | 1,139,415 | 3,794,415 |
| Pollution Control Facilities Financing | General Fund | 9,978 | 0 | 9,978 |
| Ballfield Lighting System Lease - 2005 | General Fund | 44,371 | 9,561 | 53,932 |
| Equipment Purchase Lease - 1999 | General Fund | 35,635 | 992 | 36,627 |
| Motorola Radio System Upgrade Lease - 2004 | General Fund | 231,585 | 51,389 | 282,974 |
| Mosquito Control Facility | General Fund | 68,751 | 264,759 | 333,510 |
| 800 MHz Radio Communication System Lease - 1996 | General Fund | 220,204 | 4,480 | 224,684 |
| Motorola Radio System Upgrade Lease - 2004 | Special Service District | 50,836 | 11,280 | 62,116 |
| Chatham County Hospital Authority Bonds | Debt Service Fund | 120,000 | 65,855 | 185,855 |
| Total Annual Debt Service | | <u>\$ 3,841,360</u> | <u>\$ 1,907,406</u> | <u>\$ 5,748,766</u> |

A description of each of these obligations is shown:

(1) DOWNTOWN SAVANNAH AUTHORITY REVENUE BONDS, SERIES 1999, \$9.3 MILLION

In November 1999, the County issued \$9.3 million revenue bonds to finance certain capital improvements and construction projects through the Downtown Savannah Authority. The bonds are limited obligations of the DSA, payable from payments made by the County to the DSA under the provisions of an intergovernmental agreement dated November 1, 1999. The bonds pay interest between 5.1% and 5.875%, depending on the maturity date. These bonds were partially refunded on November 3, 2005 with the Downtown Savannah Authority Revenue Bonds, Series 2005A. As of June 30, 2006, the bonds outstanding totaled \$1,605,000.

(2) **DOWNTOWN SAVANNAH AUTHORITY REVENUE REFUNDING BONDS, SERIES 2005A**

The Series 2005A DSA bonds were issued November 3, 2005 to partially refund the DSA Series 1999 bonds. The bonds are limited obligations of the DSA, payable from payments made by the County to the DSA under the provisions of an intergovernmental agreement. The bonds pay interest between 3% and 5%, depending on the maturity date, with a final maturity date on January 1, 2020. As of June 30, 2006 the bonds outstanding totaled \$6,075,000.

(3) **DOWNTOWN SAVANNAH AUTHORITY REVENUE REFUNDING AND IMPROVEMENT BONDS (CHATHAM COUNTY PROJECTS), SERIES 2005**

The Series 2005 DSA bonds were issued on June 29, 2005 to advance refund the DSA Series 1993 bonds and provide approximately \$12,000,000 for additional capital project needs. The bonds are limited obligations of the DSA, payable from payments made by the County to the DSA under the provisions of an intergovernmental agreement dated June 1, 2005. The bonds pay interest between 3.0% and 4.25%, depending on the maturity date, with a final maturity on January 1, 2026. As of June 30, 2006 the bonds outstanding totaled \$26,550,000.

(4) **POLLUTION CONTROL FACILITIES FINANCING**

Chatham County, under court order, has agreements with various county municipalities regarding the financing of pollution control facilities. Payments to the City of Pooler currently remain under the obligation, and the payments will be completed in 2018. At June 30, 2006 the amount outstanding totals \$119,736.

(5) **BALLFIELD LIGHTING SYSTEM LEASE**

On June 10, 2004, Chatham County approved an agreement with G.E. Public Finance, Inc. for the funding of a ballfield lighting system at Charlie Brooks Park. The \$265,000 lease was financed over 60 months at a 4.0% interest rate. The balance payable under the lease at June 30, 2006 was \$273,958, including principal and interest.

(6) **LEASE PURCHASE EQUIPMENT 1999:**

On September 10, 1999, the County entered into a lease agreement with GE Capital Public Finance, Inc. to purchase equipment for various County Departments. The total cost of \$2,010,532, (1999-2007), consist of \$1,733,068 principal and \$277,464 with 10 payments in the amount of \$186,402 and 4 payments in the amount of \$36,627. The balance payable at June 30, 2006 is \$36,627 including principal and interest.

(7) **MOTOROLA RADIO SYSTEM UPGRADE LEASE:**

On March 12, 2004, Chatham County entered into a capital lease agreement with GE Capital Finance, Inc. to upgrade the Public Safety Radio System from a 2.03 version to a 4.1 version. The total cost of \$2,415,627 consists of \$2,050,000 principal and \$365,627 interest, with monthly debt service payments in the amount of \$28,757. Payments are split between the General Fund and the Special Service District. The lease terminates after final payment on November 2011. The balance payable at June 30, 2006 is \$1,869,236, including principal and interest.

(8) **MOSQUITO CONTROL FACILITY**

In February 2001 the County entered into an intergovernmental agreement with the Savannah Airport Commission (SAC). Under terms of the agreement the County contracted to reimburse the SAC for the design and construction costs of a Mosquito Control Facility. The County will repay SAC \$4,596,057 over thirty years at an interest rate of 6.08%. Monthly payments of \$27,793 began January 1, 2003 and will conclude on December 1, 2032. The County is also leasing a 7.7 acre site where the facility was built for fifty years. Annual rental is based on the appraised land value multiplied by a 12% factor. Rental rates will be modified every five years based upon a reappraisal of the land. At inception, the agreement specifies an annual land rental of \$36,342.

(9) **800MHz RADIO COMMUNICATION SYSTEM FINANCING LEASE:**

On August 23, 1996, the County approved a county-wide 800MHz Radio Communication System at \$2,600,000. Debt-service beginning in 1997 over a ten year period (1997-2007) at 5.398 percent with a monthly debt service payment of \$28,085. The balance due at June 30, 2006 is \$224,684 including principal and interest.

(10) **CHATHAM COUNTY HOSPITAL AUTHORITY BONDS**

On April 28, 1993 the Chatham County Hospital Authority issued \$2.245 million revenue bonds to provide funds for land acquisition and construction for public health facilities within Chatham County. The bonds are limited obligations of the Hospital Authority, payable from payments made by the County to the Authority under the Lease with respect to the project costs and from other revenues and funds pledged to the payment thereof. Final maturity occurs January 1, 2014. The bonds pay interest between 3.5% and 5.7%, depending on the maturity date. As of June 30, 2006 the bonds outstanding totaled \$1,165,000.

SHORT TERM DEBT:

Because the majority of property tax revenue is not received by the County until November of each year, Chatham County has relied on short-term borrowing for cash flow purposes. The table below reviews the County's short-term borrowing experience since 1997.

| Short Term Borrowing | | | | | | |
|-----------------------------|--------|----------------|----|------------------|----|----------------------|
| <u>Year</u> | | <u>Type</u> | | <u>Principal</u> | | <u>Interest Exp.</u> |
| 1997 | Actual | TAN | \$ | 8,250,000 | \$ | 252,748 |
| 1998 | Actual | TAN | \$ | 11,085,000 | \$ | 365,805 |
| 1999 | Actual | TAN | \$ | 29,500,000 | \$ | 550,367 |
| 2000 | Actual | TAN | \$ | 11,300,000 | \$ | 196,967 (1) |
| 2000/01 | Actual | TAN | \$ | 12,800,000 | \$ | 507,352 |
| 2001/02 | Actual | TAN | \$ | 11,300,000 | \$ | 276,607 |
| 2002/03 | Actual | INTERFUND LOAN | \$ | 11,400,000 (2) | \$ | 140,000 |
| 2003/04 | Actual | TAN | \$ | 0 | \$ | 55,800 |
| 2004/05 | Actual | INTERFUND LOAN | \$ | 17,000,000 (3) | \$ | 40,674 (3) |
| 2005/06 | Actual | INTERFUND LOAN | \$ | 8,200,000 (4) | \$ | 63,110 (4) |

1- For six months only January 1, 2000 to June 30, 2000

2 - Repaid December 2003

3 - This includes 3 different interfund loans \$9,000,000, \$5,000,000, \$3,000,000

4 - This includes 3 different interfund loans \$6,000,000, \$2,000,000, \$200,000