



FY14 Financial Results and Trends

**Town of Chapel Hill
Business Management
Department**
January 2015

Agenda



Budget Process



FY14 Results



Trends



Capital Plan



Next Steps



FY16 Budget Process

Budget Meetings	Discussion/Purpose
January 5 th	Financial/Budget Update <ul style="list-style-type: none">- FY14 Results/Trends/Fund Balance Policy- Capital Needs/Priorities/Referendum- Transit Financial Sustainability Study
January 12 th	Asset Management Initiative Update
January 21 st	Chapel Hill 2020 Update
January 26 th	Employee Compensation Task Force Presentation
January 30 th	Council Retreat – Discussion of Council Goals

FY16 Budget Process

Budget Meetings	Discussion/Purpose
February 23rd	Budget Initial Public Forum
March 23rd	Budget Public Forum/Capital Plan Recommendation
April 27th	Capital Plan – Referendum Preliminary Resolution
May 11th	Manager’s Recommended Budget
May 13th	Budget Work Session (various topics)
May 18th	Budget Work Session (various topics)
May 27th	Capital Plan – Referendum Introduction of Bond Orders
June 1st & 3rd	Budget Work Sessions (as needed)
June 8th	Adopt Final Budget
June 22nd	Referendum- Adopt Bond Orders

Key Questions

- *Are we better off today than we were one year ago?*
- *Do the financial results of operations reveal any trends or conditions that need to be addressed on an operational or policy level?*



Financial Highlights

- *Unqualified Opinion from External Auditors*
- *Certificate of Achievement for Excellence in Financial Reporting for FY2012-13*
- *Triple A Bond Rating from Moody's and S & P*



FY14 Results (Government-Wide)

- The Town's total net position decreased by less than 1%, most of the decrease was in business-type activities (page 9)



Results (General Fund)

- *Overall fund balance (FB) is up* (revenues exceeded expenditures by \$2.6 million)
- *Available FB is down significantly* (restricted by state statute portion grew by \$3.3 million)
- *Percent of available FB is down to 19.1%* (due to increase in reserves: **receivables** and encumbrances)
- *FB has been stable over the last 6 years*

Results (General Fund)

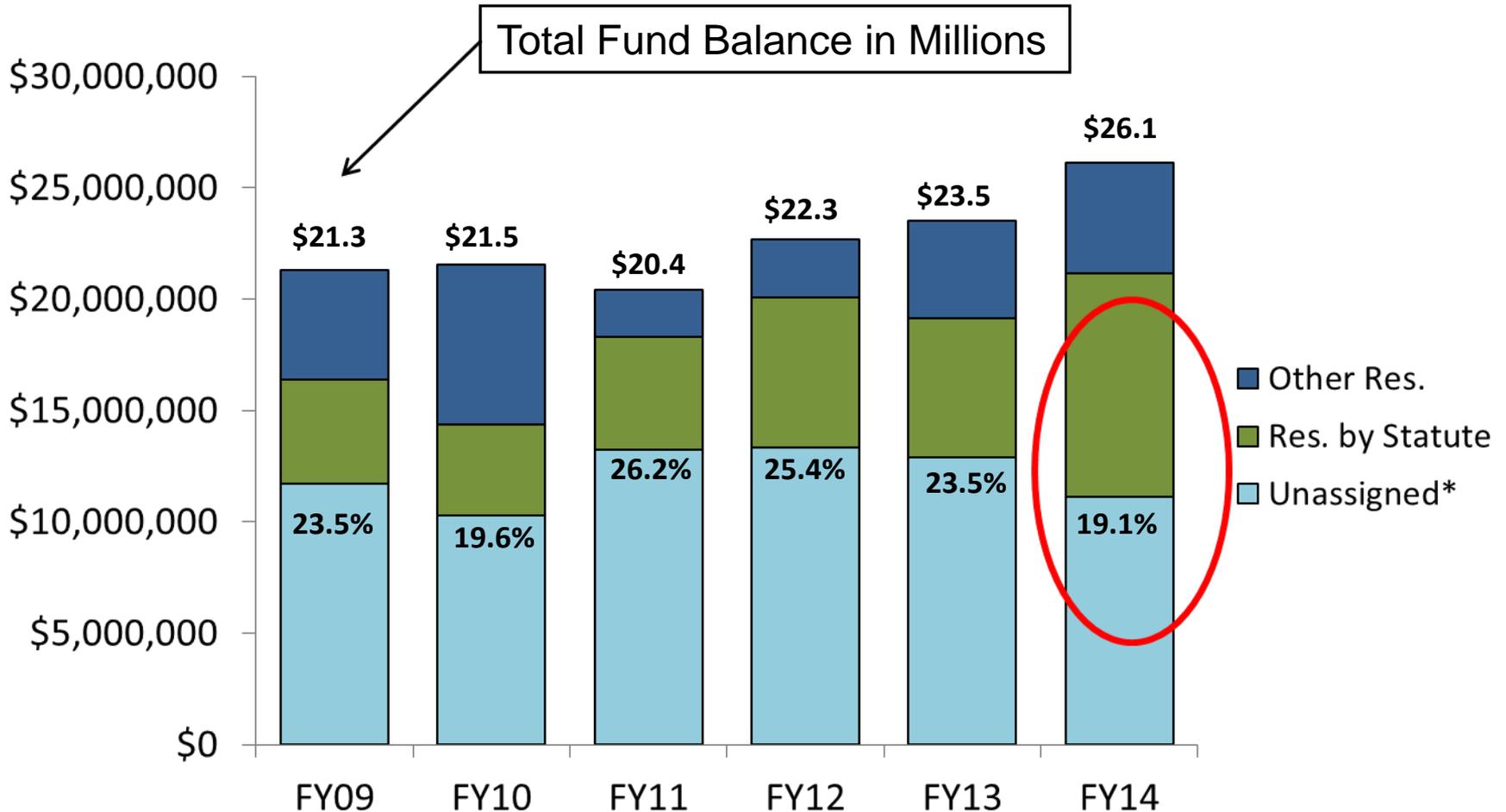
- *Expenditure growth less than planned*
(due to vacancies and carry-over amount: departmental expenditures 7.8% less than budget)
- *Revenues growth exceeded expectations* (revenues exceeded budget by 4.8%: property & sales taxes and permits)

Fund Balance Policy

- *Establishment of a FB “Floor” of 22%*
- *Excess split between OPEB Liability and High Priority Capital*
- *FY14 Fund Balance “Snap-shot” skewed by receivables*
- *Adjusting receivables to FY13 level creates unassigned FB of 23.9% or \$1.1 million in excess of 22%*

Total GF Fund Balance

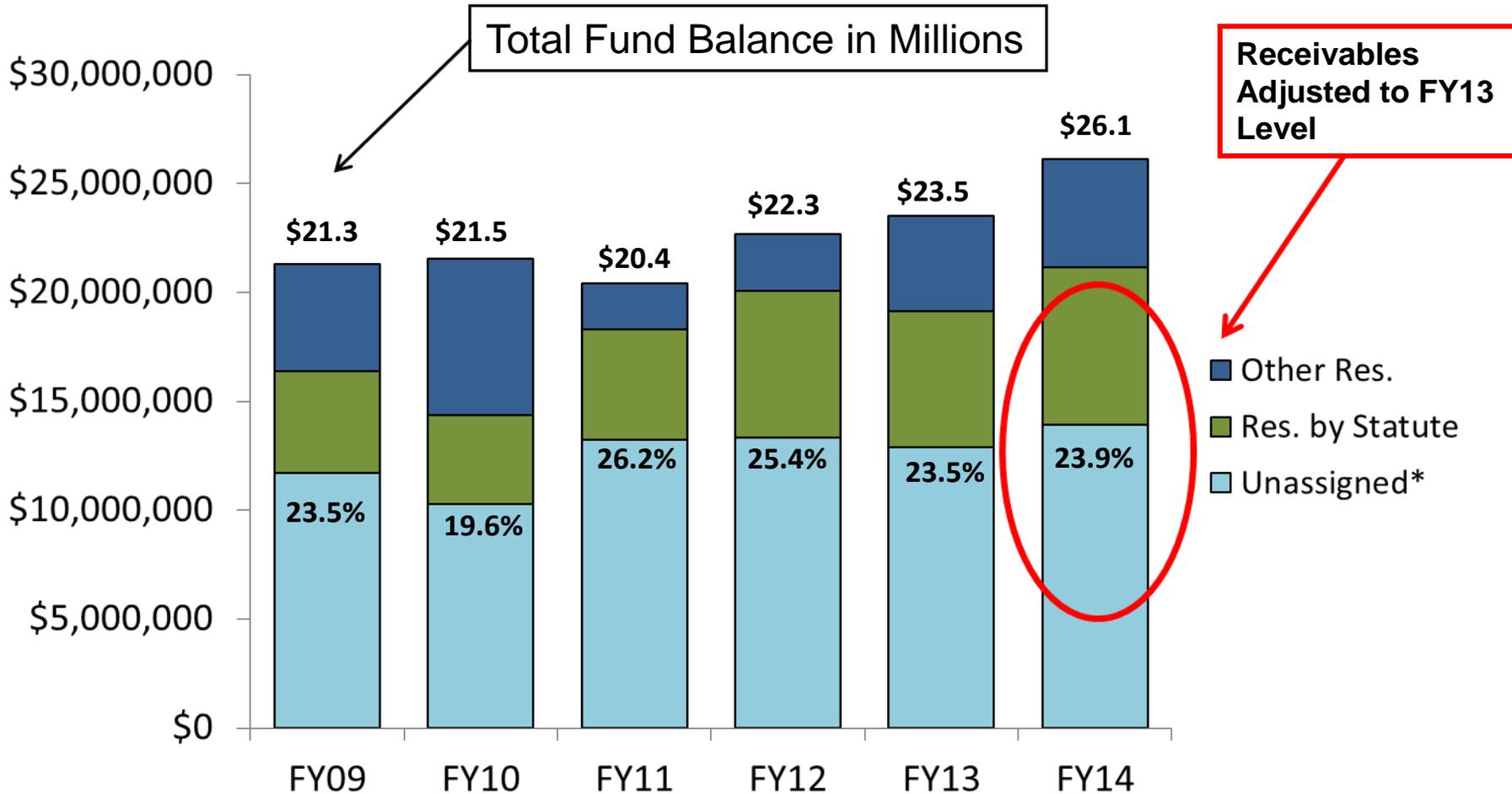
FY2008-9 thru FY2013-14



* Unassigned fund balance is calculated as a percent of next year's appropriations and is not adjusted for debt service payments moved to Debt Management Fund in FY09

Total GF Fund Balance

FY2008-9 thru FY2013-14 (Adjusted for Receivables)



* Unassigned fund balance is calculated as a percent of next year's appropriations and is not adjusted for debt service payments moved to Debt Management Fund in FY09



Trends

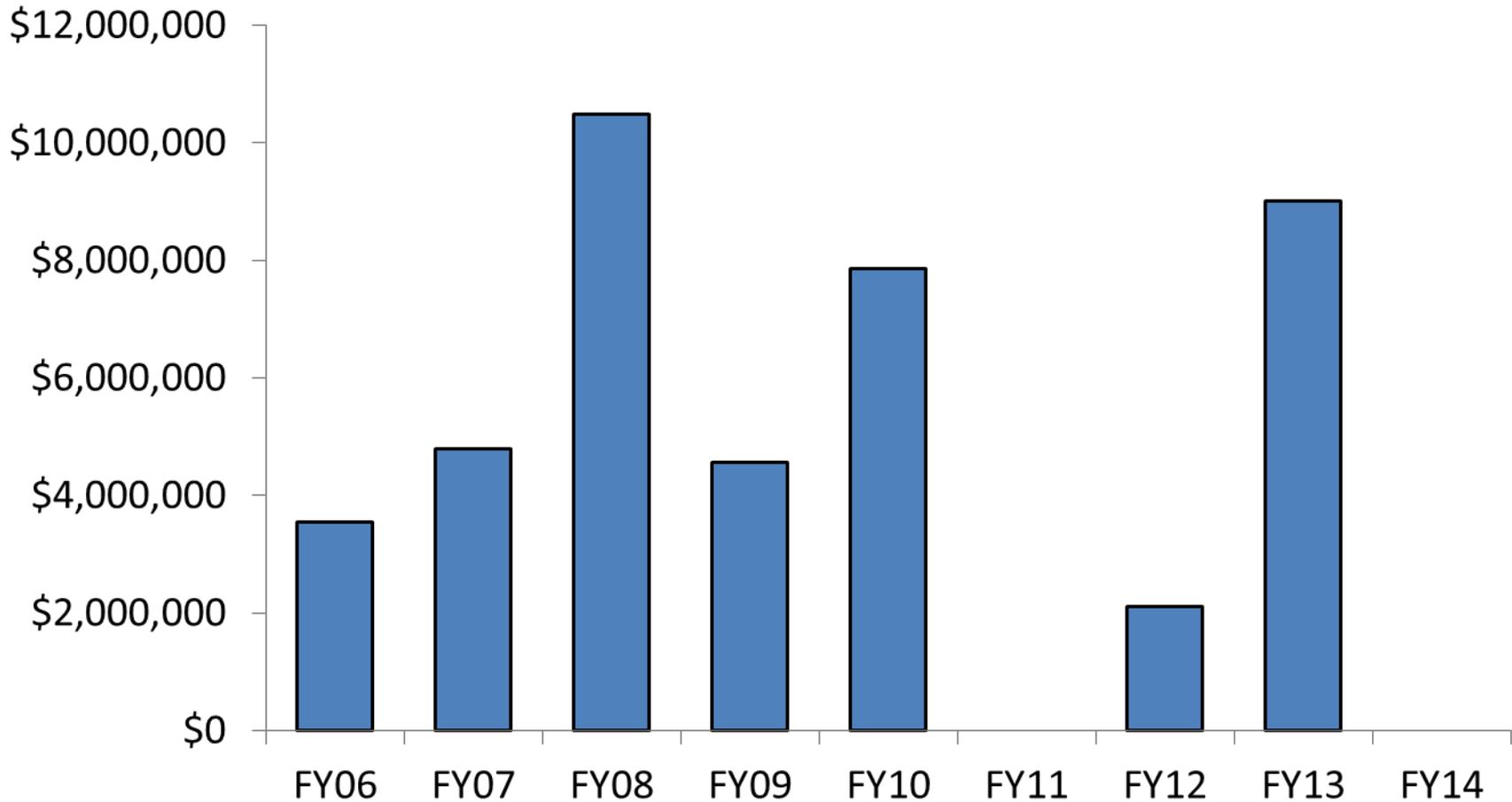
- **Transit bus funding model not working** (federal & state funding for bus purchases is unreliable)
- **Parking Fund is out of balance** (revenues are not keeping pace with costs: debt & capital repairs)
- **Vacancies are on the rise** (turnover is increasing as the economy improves)
- **Capital Program falling behind** (pent-up need for capital investment)

Transit Fund

- *Decrease in total net assets* (reduction in value of assets: fleet)
- *Increase in unrestricted net assets* (“undesigned fund balance” increase due to expenditures less than budget: vacancies)
- *Target unrestricted assets* (similar to GF: target s/b 60-90 days operating funds, excess can be used for capital)
- *Fleet age increasing* (need new funding strategy to replace fed & state funding)

Federal Grant Awards (Bus Purchases)

Average Annual Grant Award \$3.9 million



Transit Fund

Operating Results:

	<u>FY2012-13</u>	<u>FY2013-14</u>
– Charges for Services	\$ 937,872	\$ 986,558
– Non-operating Revenues	<u>17,858,101</u>	<u>18,429,109</u>
– Total Revenues	18,795,973	19,415,667
– Less: Operating Exp.*	<u>21,819,683</u>	<u>21,286,421</u>
– Change in Net Assets	(\$ 3,023,710)	(\$ 1,870,754)

* Net of Transfers and Capital Contributions

TRANSIT	FY2012-13	FY2013-14	Change
Total Net Assets	\$ 44,853,032	\$ 42,981,567	(\$ 1,871,465)
Unrestricted net assets	5,408,410	7,488,467	2,080,057
Unrestricted as % of Budget	28.9%	37.9%	

Parking Fund

- *Parking revenues from 140 West remain below expected levels*
- *Debt service and capital costs have created negative unrestricted assets*
- *Cash reserves will be exhausted and fund will need subsidy in FY16*
- *Wallace Deck needs about \$1 million in repairs*

Parking Fund

Operating Results

	<u>FY2012-13</u>	<u>FY2013-14</u>
– Charges for Services	\$ 2,125,253	\$ 2,395,883
– Non-operating Rev/Exp	<u>9,065</u>	<u>8,178</u>
– Total Revenues	2,134,318	2,404,061
– Less: Operating Expenses*	<u>2,946,718</u>	<u>3,134,981</u>
– Change in Net Assets	(\$ 812,400)	(\$ 730,920)

* Net of Transfers and Capital Contributions

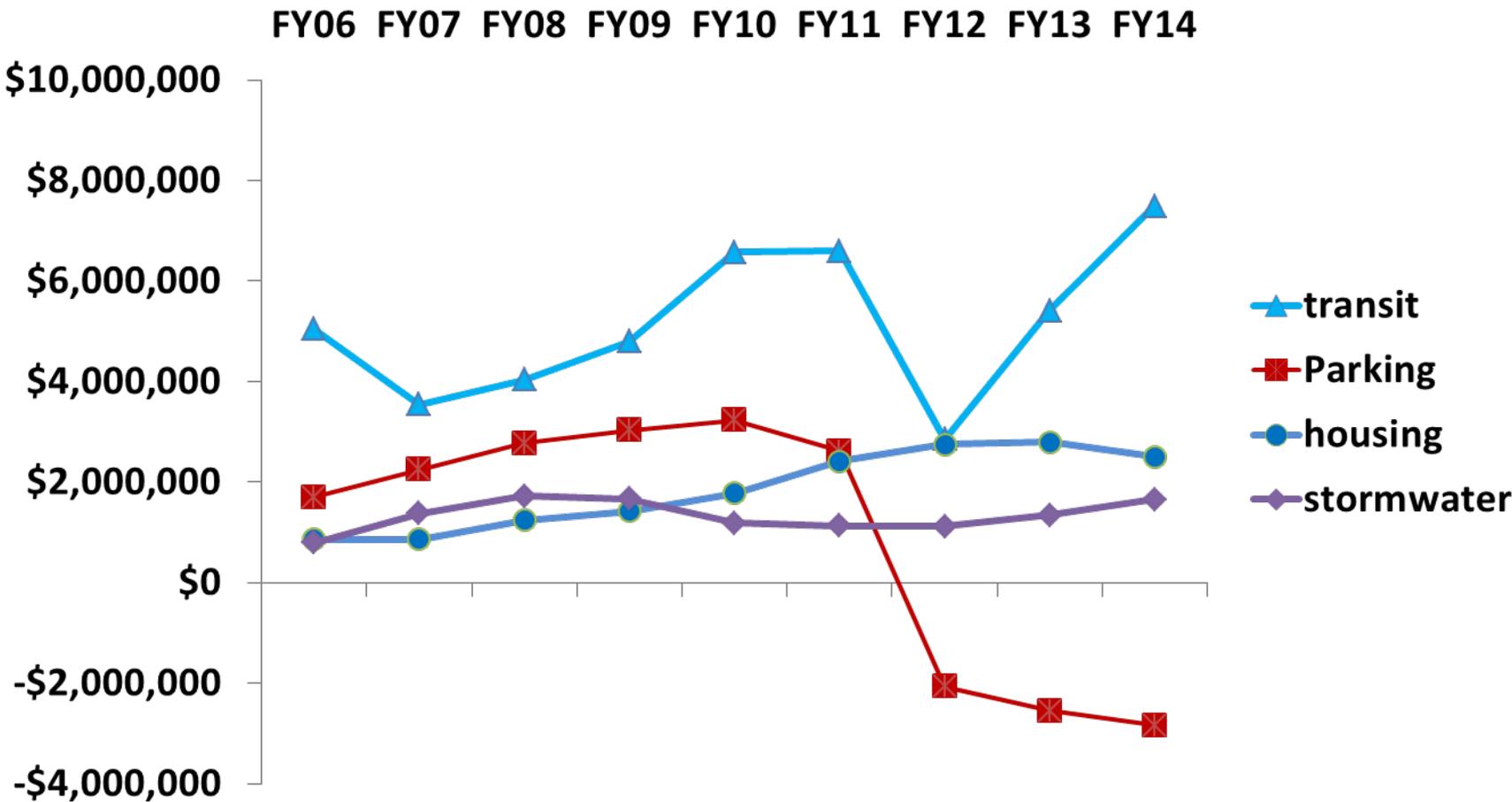
PARKING	FY2012-13	FY2013-14	Change
Total Net Assets	\$ 1,576,899	\$ 845,979	(\$ 730,920)
Unrestricted net assets	(2,544,814)	(2,844,615)	(299,801)
Unrestricted as % of Budget	N/A	N/A	N/A

Parking Fund

- *Eliminating transfer to Debt Fund for 140 West would help balance the Parking Fund* (this would take advantage of tax increment created by project)
- *Additional revenue would eventually be needed* (moving debt buys time, but does not completely fix the problem)

Enterprise Funds Unrestricted Assets

FY2005-6 thru FY2013-14

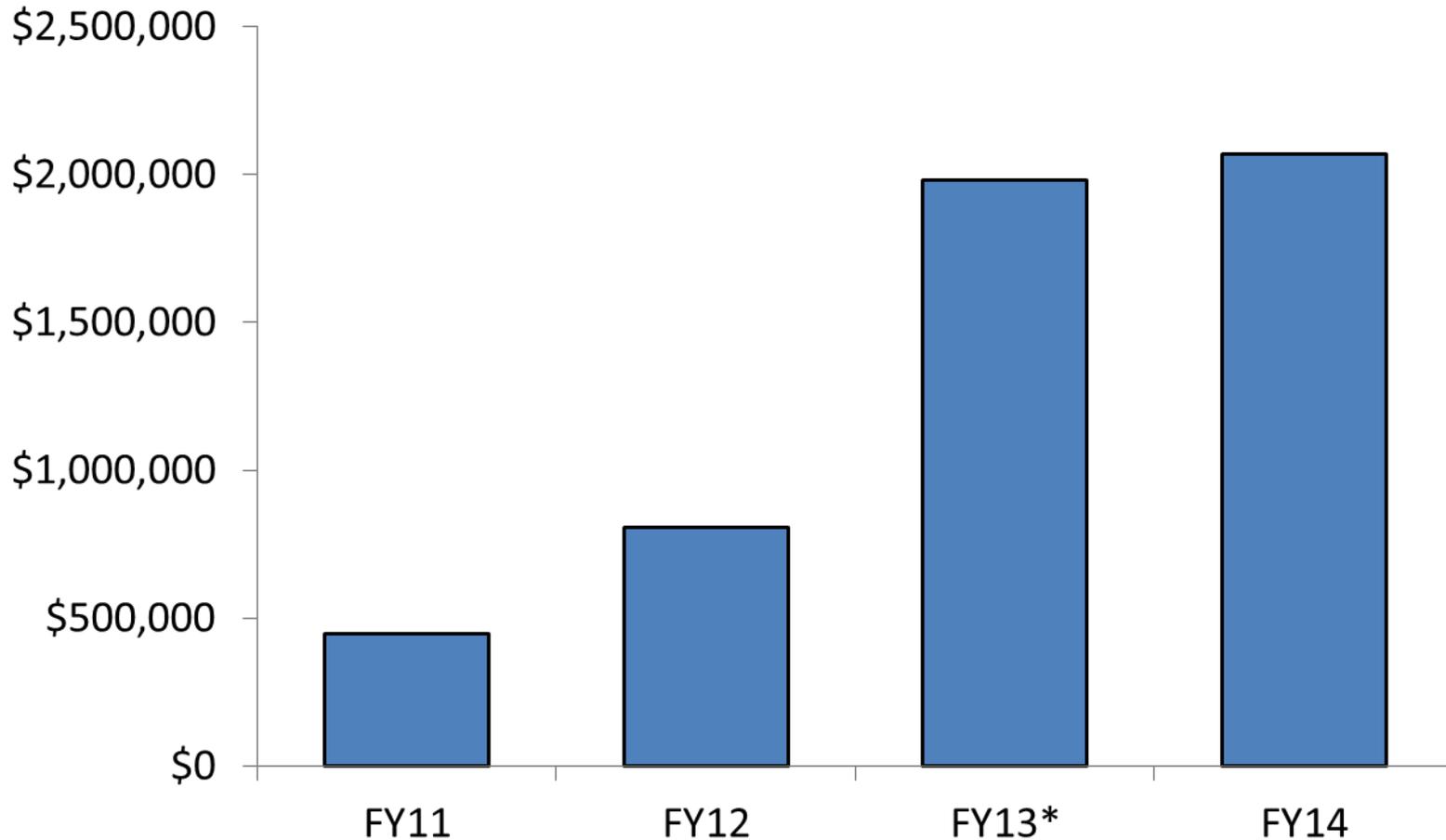


Vacancies

- *Quality of Town Services depends on developing and maintaining a high-performing workforce*
- *Improving economy makes it harder to retain and recruit employees*
- *Class & Comp Plan addressed market and time-in-grade adjustments*
- *Additional changes are needed to stay competitive*

General Fund Personnel Cost Savings

(Due in part to turnover)



** Change in Personnel Funding Transfer Policy*

Vacancies

- *Council adopted a compensation philosophy that balances retention and recruitment, employee interests and financial stability.*
- *Consistent with that philosophy the employee Compensation Taskforce will present its recommendations to Council at its January 26th Business Meeting.*

Budget Challenges

Capital

Transfer Station

Asset Management

Town Hall Project

Ephesus Fordham

Parks Master Plan

Bike & Pedestrian Plan

Public Safety Facilities

Parks & Rec. Facilities

Operating

Youth Services

CIP Funding Target

Library Operating

Pay 4 Performance

Health Care Costs

Street Resurfacing

Recycling

Policy

Transit Sustainability

Northside Community

Rogers Road

Affordable Housing

Referendum

Parking Fund

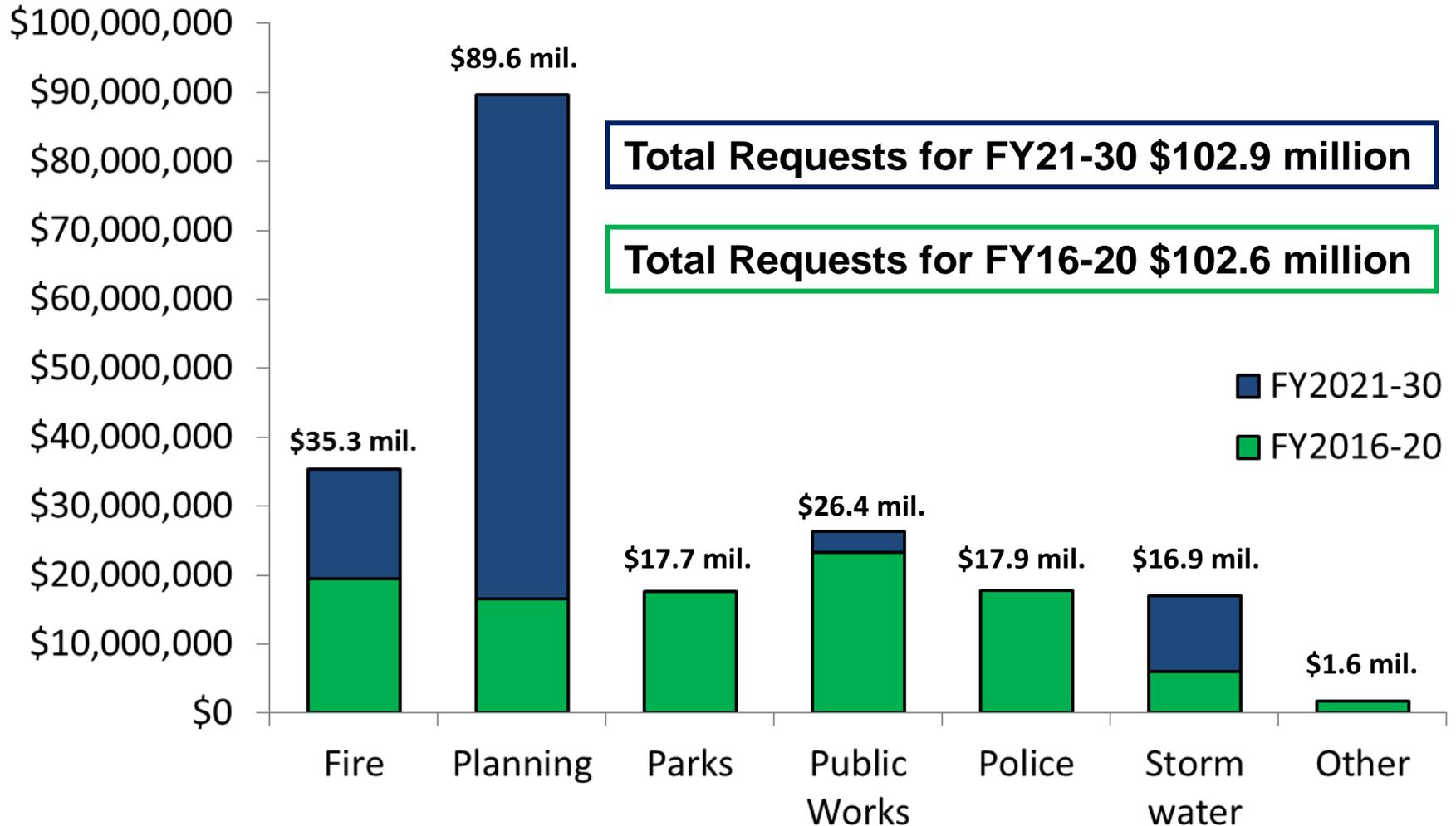


Capital Program

- *Maintaining Pay-go close to target \$1 million*
- *Last debt issuance was 2/3rds bonds in FY13*
- *General Obligation Bond Authority exhausted in FY11*
- *Projects submitted for FY16-30 CIP total \$205 million*

Capital Project Requests

FY2016-30



Debt Management Fund

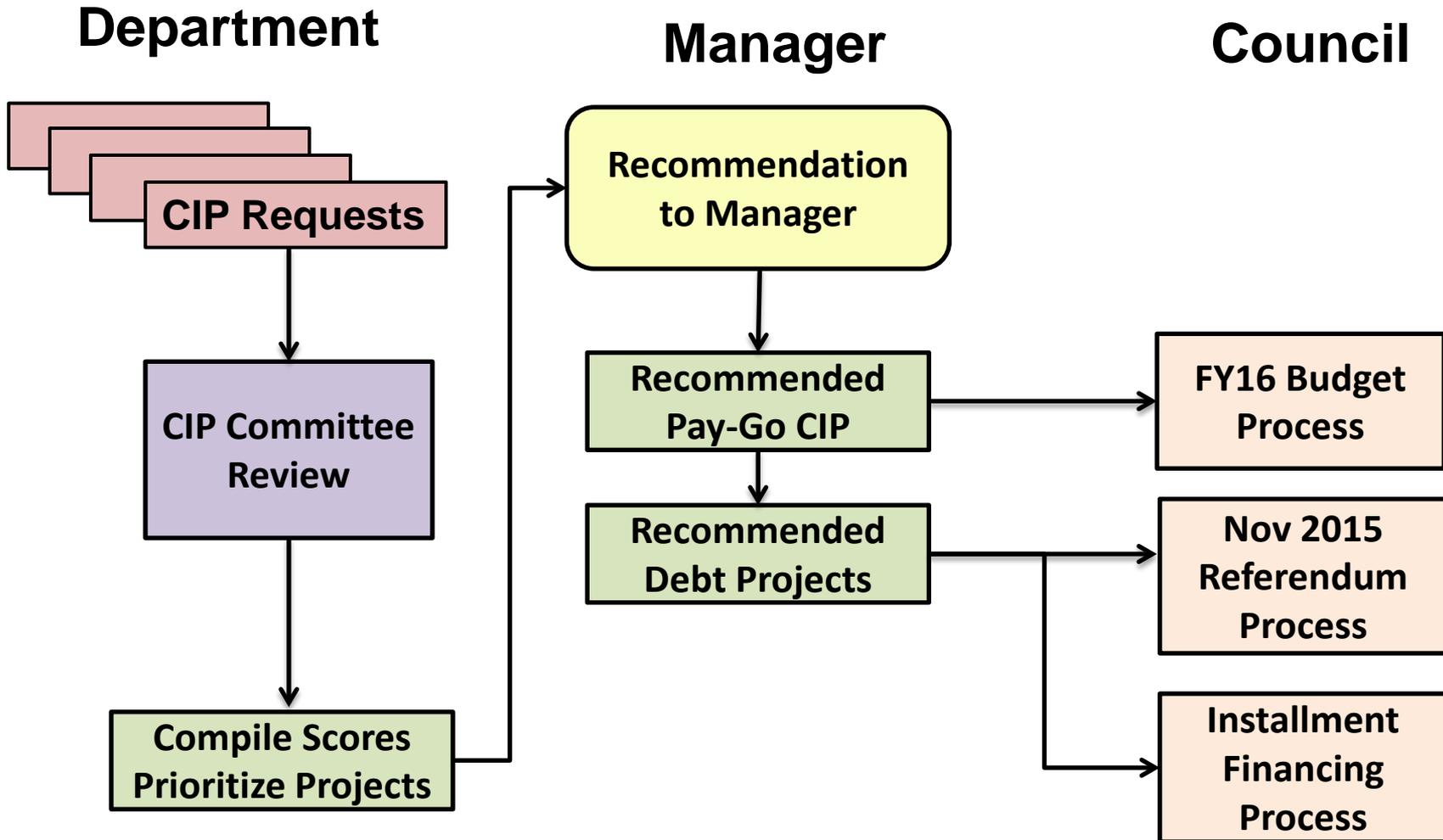
- *The Debt Fund was created by Council in FY2009 as a dedicated source for debt service payments*
- *Debt fund revenues include General Fund property tax and transfer from Parking*
- *Ratio of annual debt service payments to Government Fund revenues is 9%*

FY15 Calculation of Debt Service Ratio	
Total GF Debt Service	\$ 5,949,978
General Fund Revenues	\$ 58,274,000
Debt Fund Tax Revenues	<u>6,615,506</u>
Total Gov. Fund Revenues	\$ 64,889,506
Ratio of DS/Gov. Revenues	9.17%

Capital Program

- Council's addition of 1 penny to Debt Fund tax makes a Nov 2015 referendum feasible
- The Town has capacity to issue about \$40-\$50 million in new debt in the next 7-10 years using debt fund resources only
- Increasing debt tax will increase capacity by about \$10 million per penny
- Assuming 140 West debt payment will reduce capacity

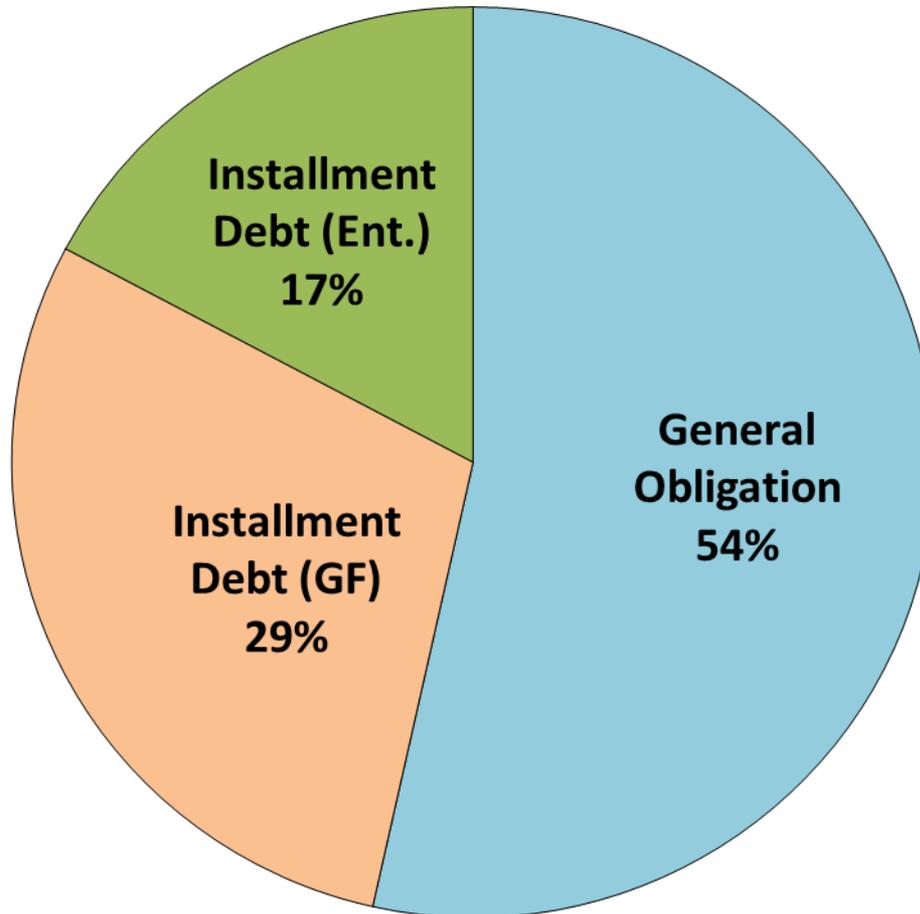
CIP Review Process



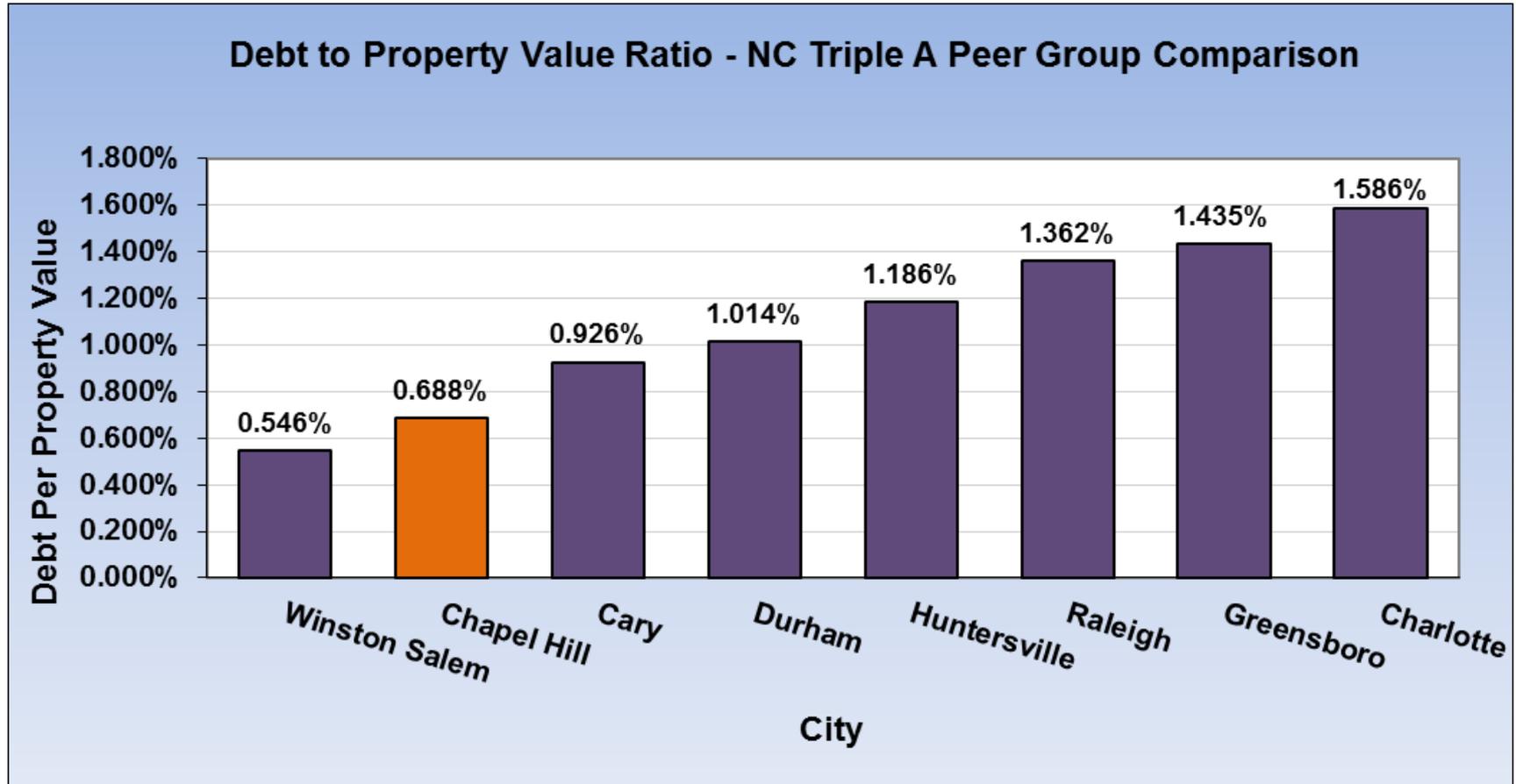
Total Town Debt

June 30, 2014

\$52,606,000

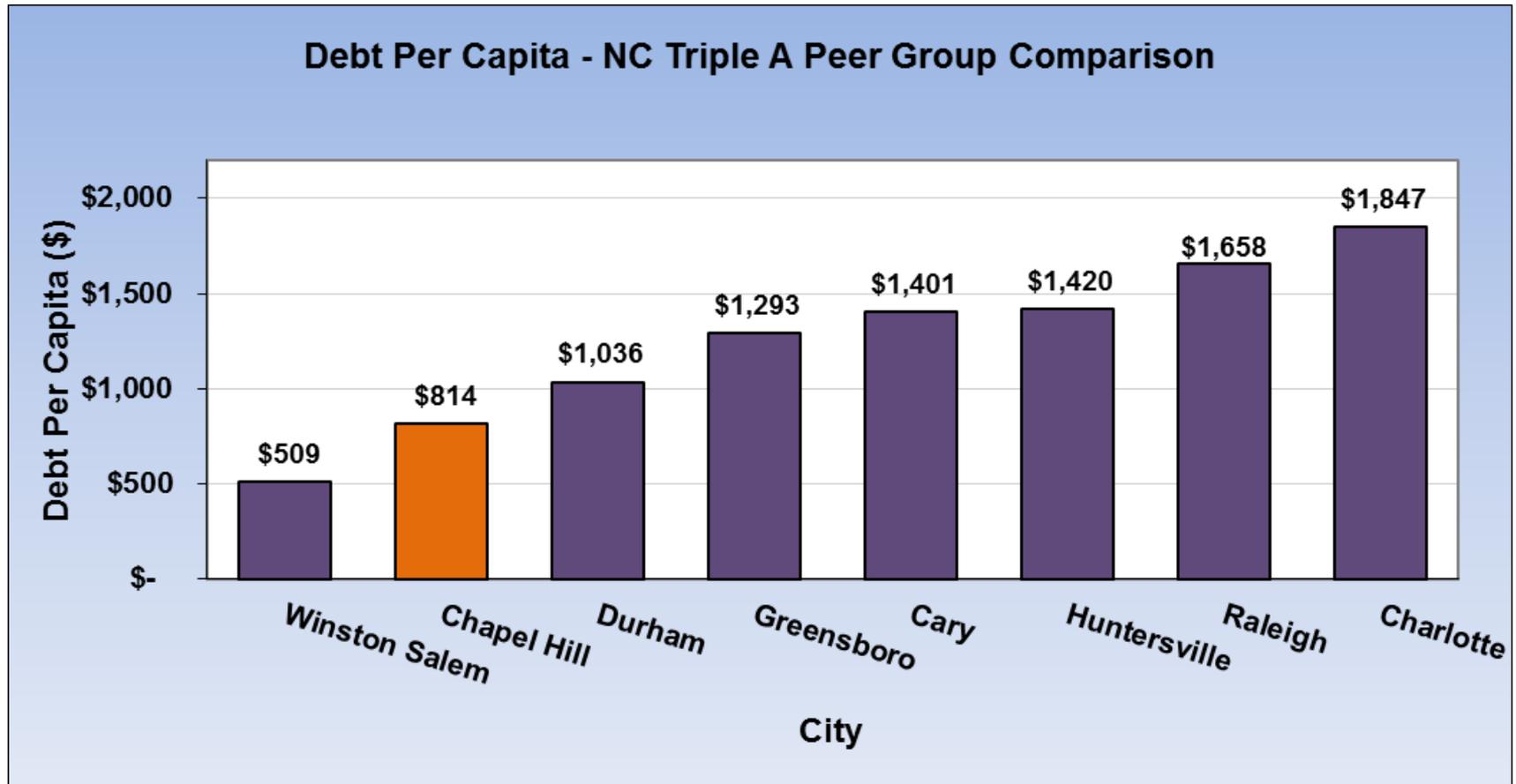


G.O. Debt Benchmarks



LGC Analysis of Municipal Debt June 2013

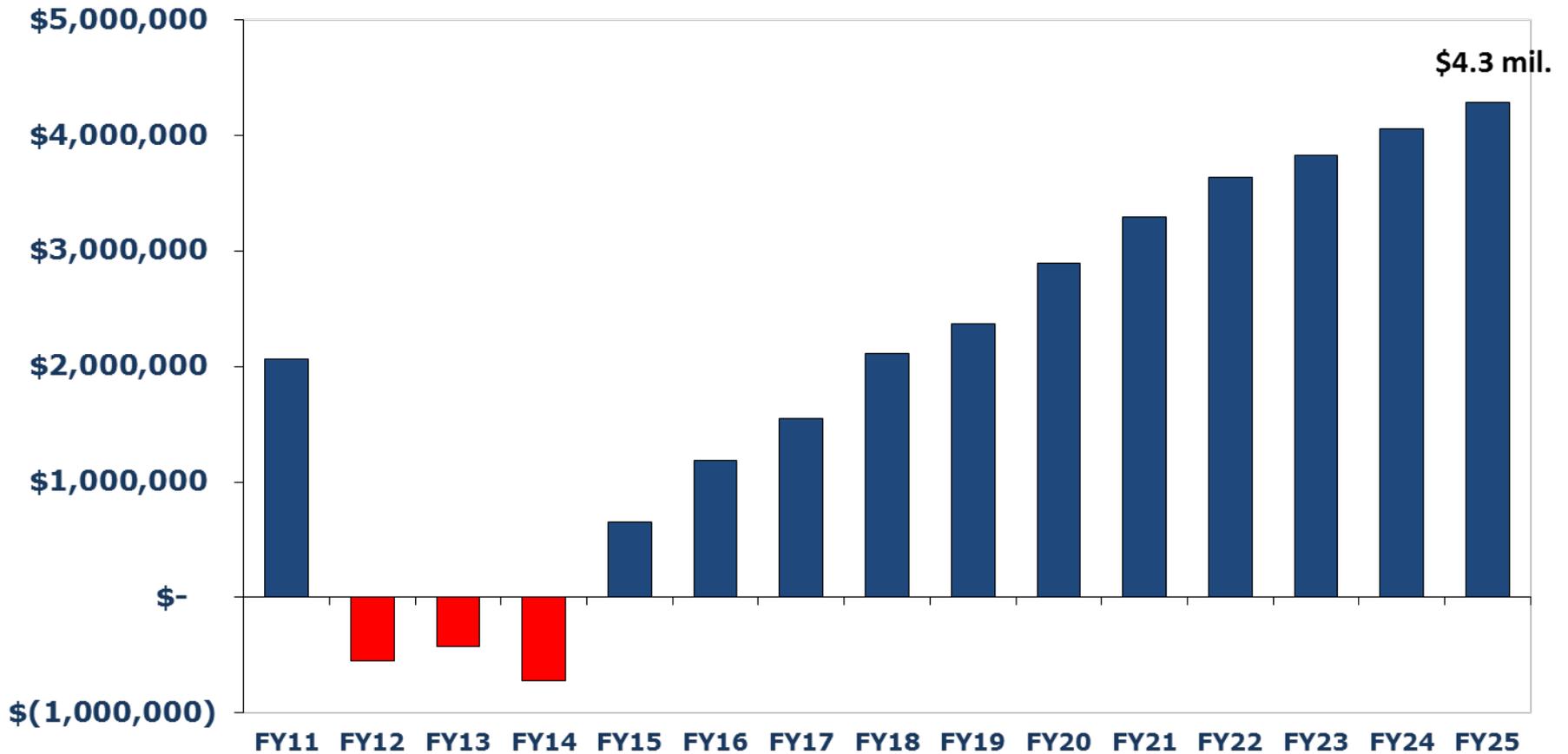
G.O. Debt Benchmarks



LGC Analysis of Municipal Debt June 2013

Debt Fund

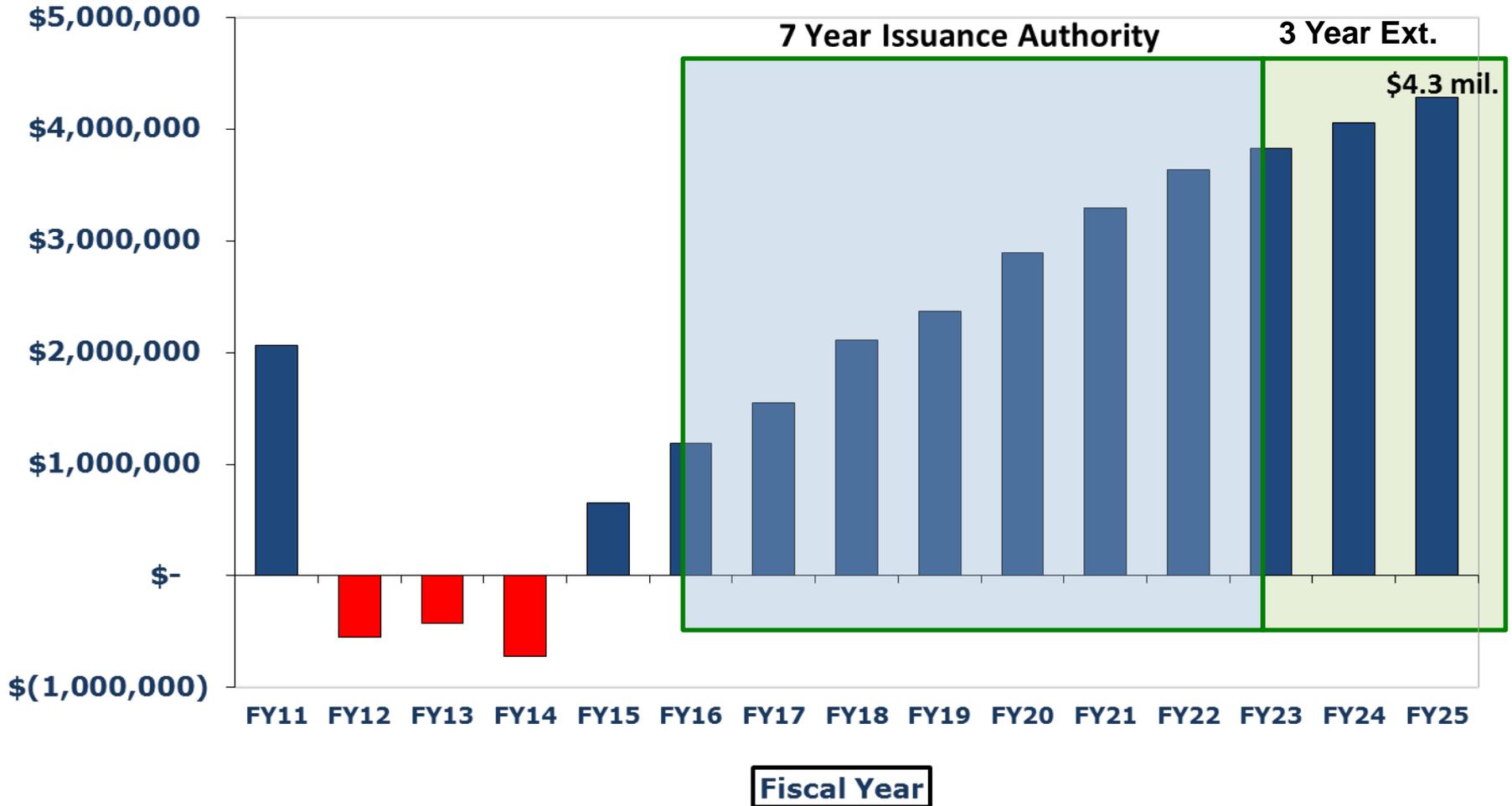
Annual Additions to Reserve



Fiscal Year

Debt Fund

Annual Additions to Reserve



Debt Capacity Calculation

Additional Debt Fund Capacity 7-10 years **\$ 4,300,000**

**New debt supported by debt fund @ \$12,000 debt
\$1,000 available for debt service** **\$50,000,000**

Additional debt supported by 1 penny **\$9,600,000**

Reduced by Parking and Town Hall/Ef debt **(\$7,200,000)**

Capacity reduced by non-G.O. Debt **?**

Capital Calendar Milestones

- **CIP Committee Recommendation to Manager** **February 27**
- **Manager’s Recommendation for Capital Plan** **March 23**
- **Council Adoption of Preliminary Resolution** **April 27**
- **Introduce Bond Orders** **May 27**
- **Public Hearing on Bond Orders & Adoption of Bond Orders** **June 22**





Next Steps

- *Fund Balance Policy – Appropriation of amount over 22%*
- *Parking Fund – Assumption of 140 West debt by Debt Fund*
- *Referendum Planning*
- *Transit Bus Replacement Strategy*