

Budget Questions and Requests for Information
2019-20 Council Retreat
Question #7

QUESTION: Trajectory for different categories of expenditures. Provide more details on the 3.4% average annual expenditures. What is the driving force for the increase?

RESPONDENT: Amy Oland, Business Management Director
Matt Brinkley, Budget Manager

RESPONSE: Roughly 75 percent of the Town's General Fund budget in any given year is devoted to personnel expenses. Local governments are service oriented operations, therefore the bulk of the budget is dedicated to personnel costs. Chapel Hill finds itself in a very competitive and growing region, therefore keeping up in areas such as pay & benefits can be a costly endeavor. The main driver for the roughly 3.4% average growth over the last 6 years has been personnel related. About 40% of the increase over this period of time is a result of attempting to keep pace with pay. The Town has provided around a 2-3% increase each year during this period. Roughly 10% of the overall increase comes from health insurance increases. The remaining half of the personnel increases comes from increases to personnel in several areas as well as OPEB contributions.

While personnel increases are certainly the driver for the Town's overall increase, there have also been some operating increases that have been absorbed. Over the last 6 years, the Town has placed a greater emphasis on Affordable Housing and committed an annual amount equivalent to roughly a penny on the tax rate. The Town has also absorbed costs related to the expanded Library over this period of time, changes to the transportation of our Solid Waste, increases to fuel costs, fiber network expenses, and implementation of the 2020 plan. This period of time was also a period in which the Town was coming out of the recession. One decision that was made to balance the budget during those difficult times was to cut the annual street paving budget and use bond funds. This was done for two years and those funds were replenished in FY15.

All of these increases in personnel and operating budgets are offset annually with savings, mainly due to turnover. The Town's practice for realizing these savings is the budgeting of fund balance. This ideally, allows us to "break even" at year end.