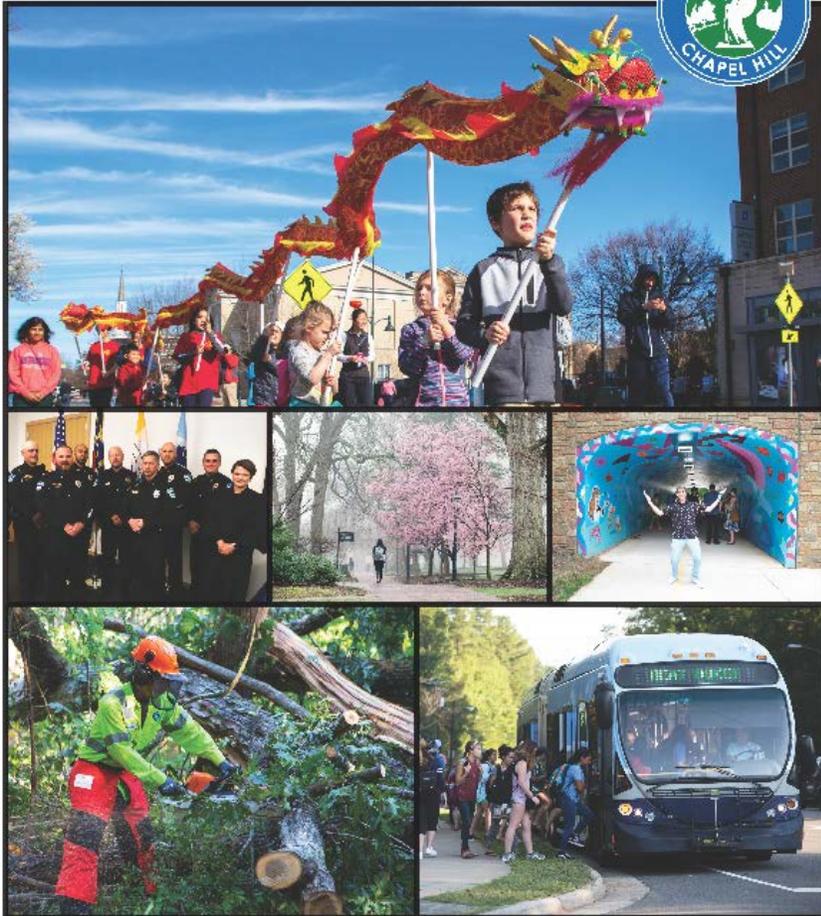


# Manager's Recommended Budget FY2019-20

Town of Chapel Hill  
North Carolina



Manager's Recommended Budget  
FY 2019-20

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# Town Mission and Council's Goals

**Our Mission.** *Learning, serving, and working together to build a community where people thrive.*

## **Council's Strategic Goals**

- |   |  |
|---|--|
| I. Connected Community                  | V. Vibrant & Inclusive Community             |
| II. Economic & Financial Sustainability | VI. Environmental Stewardship                |
| III. Safe Community                     | VII. Collaborative & Innovative Organization |
| IV. Affordable Housing                  |  |

# Budget Foundations

## Responsible, Resilient, Smart and Strategic

- Supporting Council's strategic priorities
- Protecting fund balance to promote resiliency
- Smart investments in maintaining public assets
- Supporting our most valuable resources



# Budget Foundations

## Recommended Budget

- \$113,030,494
- 3.7% Increase from FY 2019
- No Property Tax increase for General or Transit Fund
- 1.6 cent increase in Property Tax to support debt service for the \$10 million Affordable Housing Bond (1 cent) and General Obligation Bonds (.6 cent)

# Budget Foundations

## Budget Drivers

- Environmental Sustainability
  - \$315,000 for Coal Ash Remediation
  - \$50,000 to develop a Climate Action Plan
  - Debt service payments to complete Stormwater projects
- \$100,000 for Urban Design
- \$200,000 to assist with retaining and recruiting police officers
- \$515,000 increase in the local contribution to state retirement fund

# Budget Resolution 2018-06-13/R-5.1

Framework for the FY 2019-20 Manager's Recommended Budget is centered around budget resolution 2018-06-13/R-5.1:

WHEREAS, the Council seeks to consider and review the foundational policies for budget development early in the process, including but not limited to:

- Investment in employee compensation to recruit, retain, and promote Town employees that carry out consistently excellent service to the community as well as the strategic priorities of the Town Council;
- Pre-funding contributions to Other Post-Employment Benefits (OPEB);
- Balancing growth in the property tax base and other revenue sources to cover the increasing costs of providing service;
- Targets for fund balance levels;
- Priorities for capital investments in infrastructure and facilities, including public transit rolling stock;
- Debt management;
- Operational trends, priorities and needs;

# Employee Compensation

**Resolution Item #1: "Investment in employee compensation to recruit, retain, and promote Town employees that carry out consistently excellent service to the community as well as the strategic priorities of the Town Council"**

- 3% of Market Pay Raise (\$1,401,851)
- Living Wage Adjustment (\$47,915)
- 4.9% Medical Insurance Increase (\$358,301)
- 1.2% Retirement System Increase (\$515,000)
- Sworn Police Officer Pay Adjustments
- Comprehensive Classification and Compensation Study



# Pre-Funding OPEB

## Resolution Item #2: “Pre-funding contributions to Other Post-Employment Benefits (OPEB)”

- 2009 – Began pre-funding OPEB liability
- 2010 – Switched to defined contribution plan
- 2017 – Change in healthcare plan for retirees >65
- 2017 – Established OPEB irrevocable trust
- 2019 – Recommended budget proposes reduction in pre-funding
- 2019 – Draft OPEB Pre-Funding Policy presented to Council April 24<sup>th</sup>; goal of adoption in June



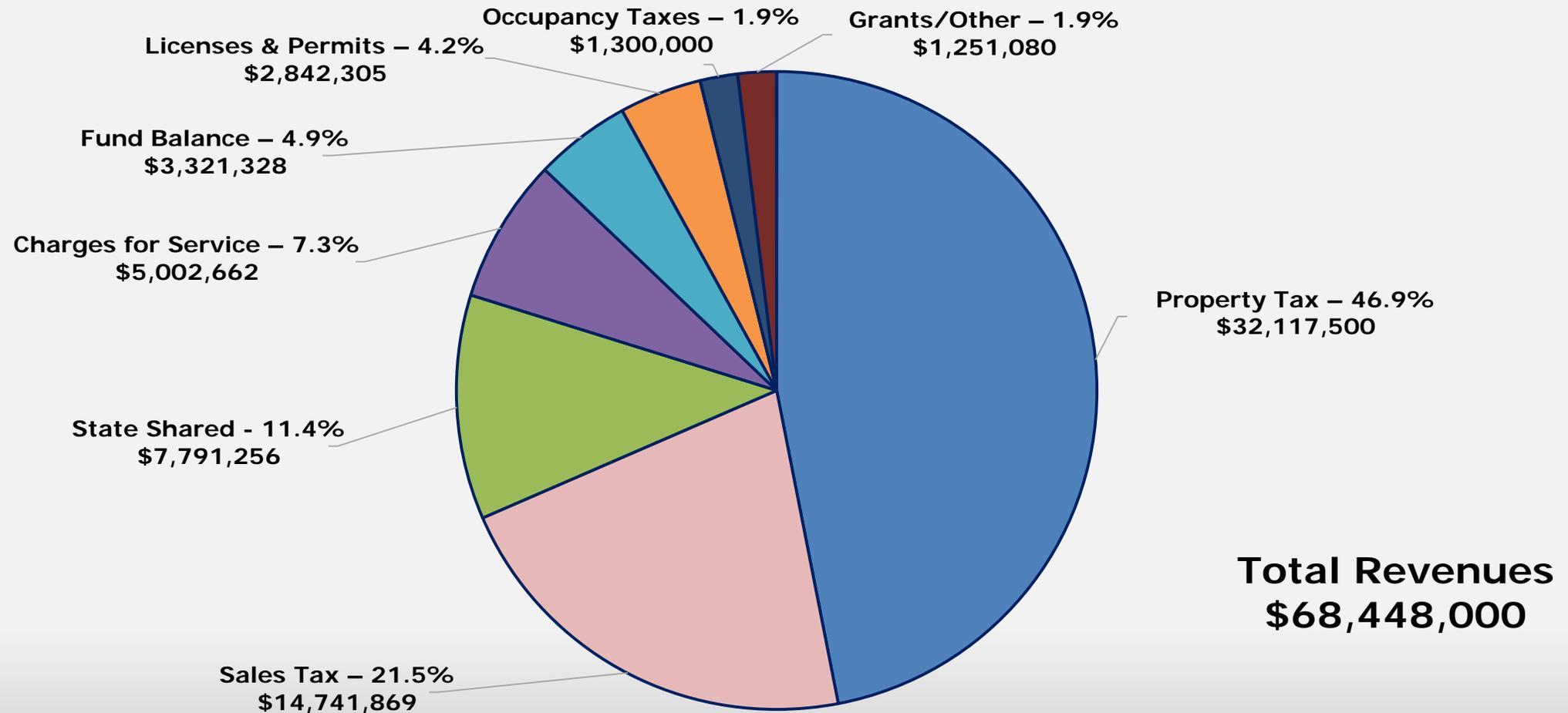
# Balancing Revenues & Expenditures

**Resolution Item #3: "Balancing growth in the property tax base and other revenue sources to cover the increasing costs of providing service"**

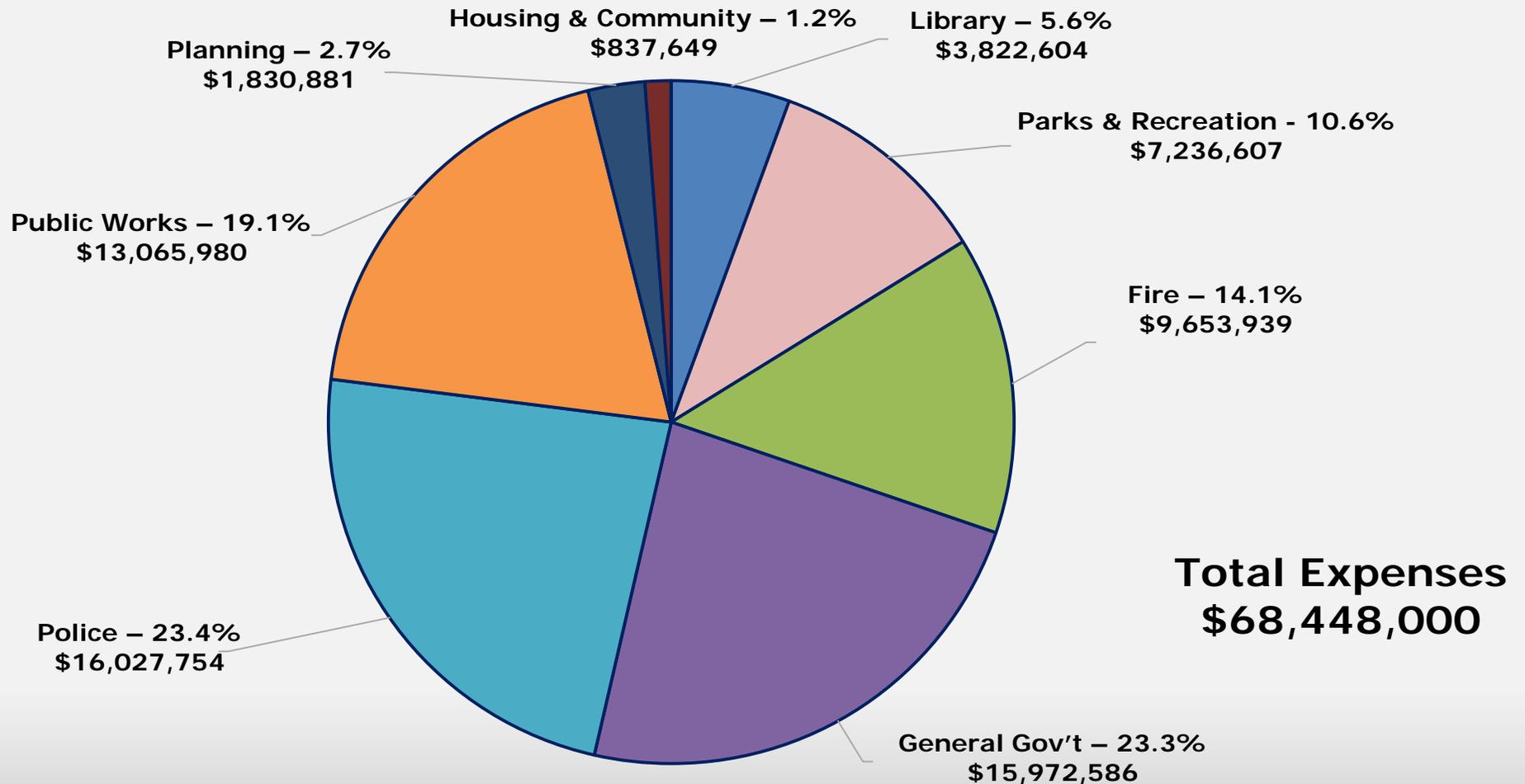
- General Fund revenue summary
- General Fund expenditure summary
- Rates of Growth – expenditures vs tax base
- Sales Tax revenues



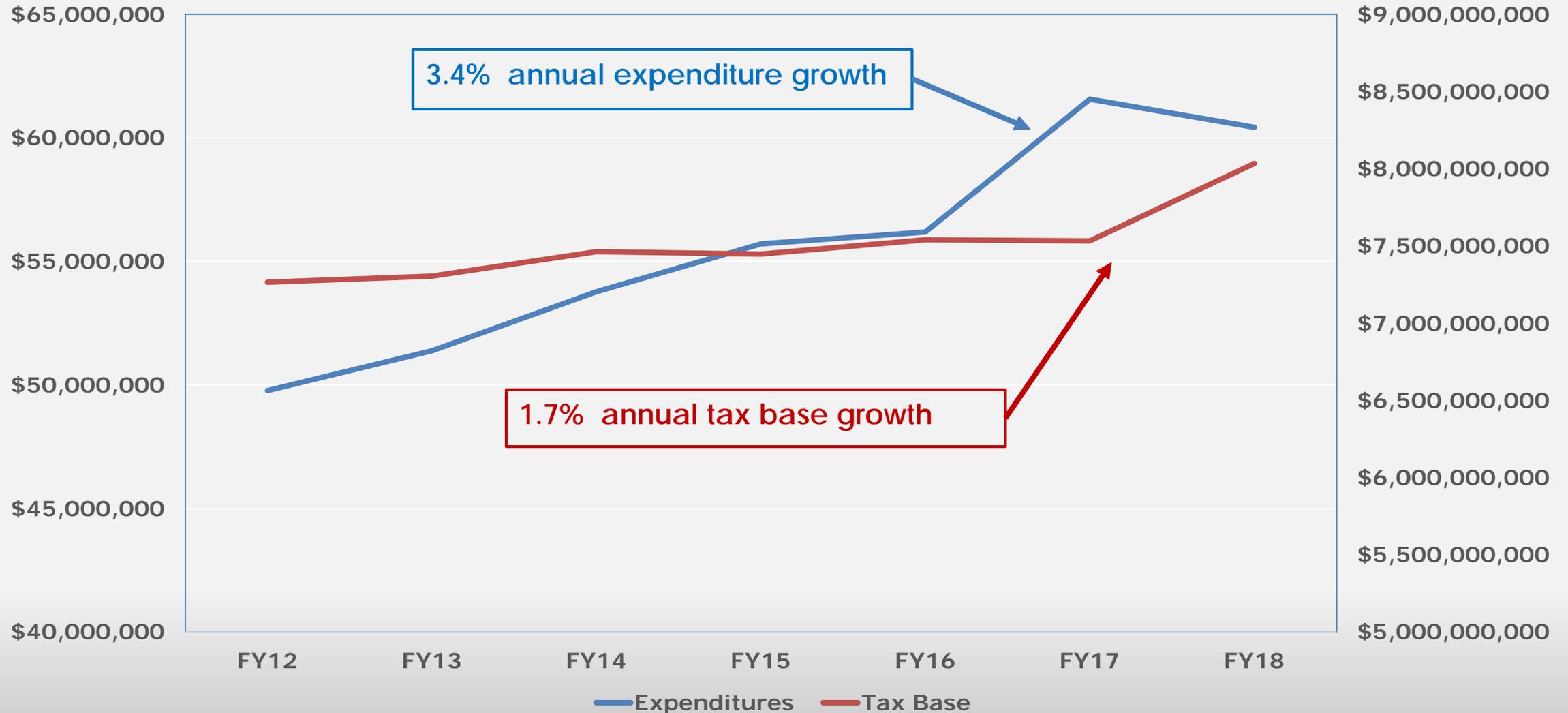
# General Fund Revenues FY2019-20



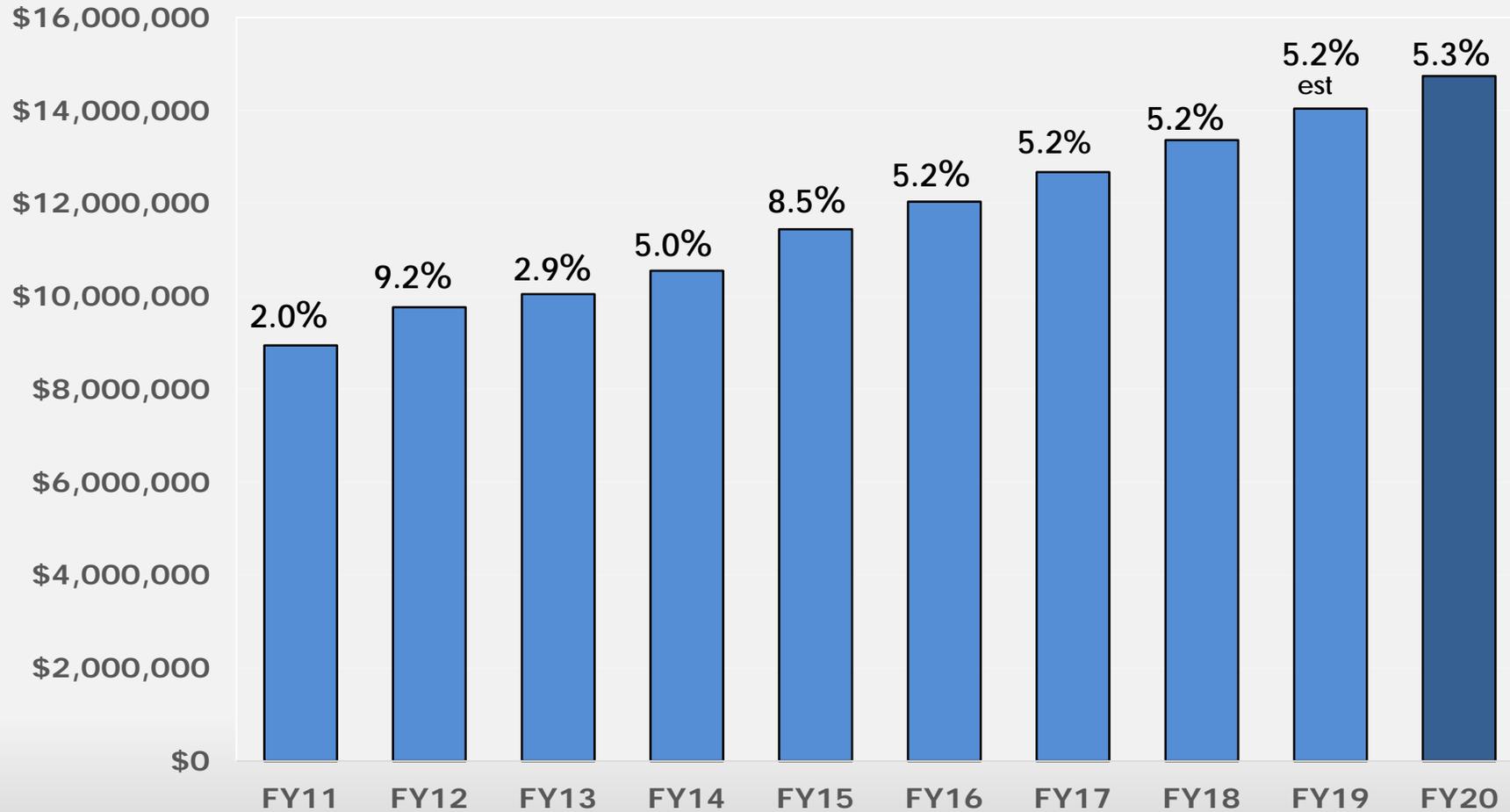
# General Fund Expenses FY2019-20



# Expenditures vs Tax Base - Rate of Growth



# Sales Tax History



# Fund Balance Target

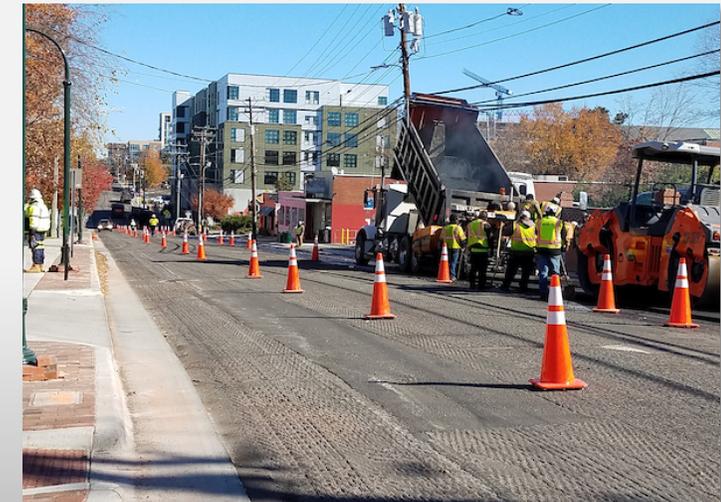
## Resolution Item #4: "Targets for fund balance levels"

- Reserve for emergencies, unforeseen events & opportunities.
- Unassigned fund balance target of 22% or higher of General Fund expenditures.
- Draft Fund Balance Reserve Policy presented to Council April 24<sup>th</sup>; goal of adoption in June
- FY2019-20 recommended budget appropriates \$3.3 million in fund balance to balance the budget.

# Capital Investments

## Resolution Item #5: “Priorities for capital investments in infrastructure and facilities, including public transit rolling stock”

- Existing projects (2015 & 2018 bond referendums)
- Carry out proposed debt plan (FY2020 - FY2024)
- Invest in annual capital & maintenance needs
  - Pay-go capital
  - Maintenance
  - Street repaving
  - Vehicle replacements
  - Bus fleet



# Debt Management

## Resolution Item #6: "Debt management"

- Recommending a tax increase of 1.0 cent for affordable housing
- Recommending a tax increase of 0.6 cents to generate revenue necessary for Town to continue meeting existing debt obligations and create the needed borrowing capacity for planned capital:
  - Municipal Services Center
  - Elliott Road Extension
  - Wallace Deck
  - Streets & Sidewalks

# Property Tax Rates

## RECOMMENDATION:

- No change for General Fund or Transit Fund
- 1.6 Cents Increase for Debt Service Fund

Current Tax Rate

52.8

Proposed Tax Rate

54.4

- \$200,000 assessed valuation
- current = \$1,056    proposed = \$1,088    difference = \$32

# Operations

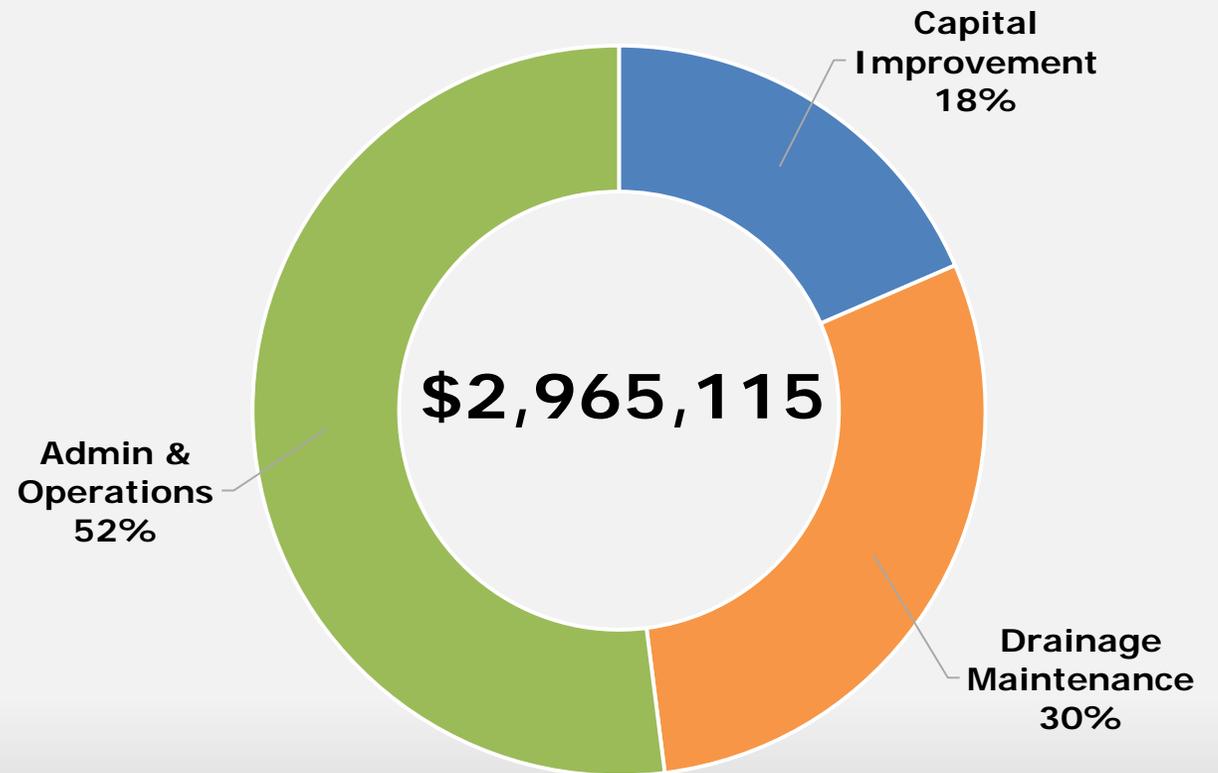
## Resolution Item #7: “Operational trends, priorities and needs”

- Maintaining Town’s core services
- Climate Action Plan
- Urban Design Services
- Environmental Sustainability
- Town’s Enterprise Operations:
  - Stormwater
  - Transit
  - Parking
  - Housing



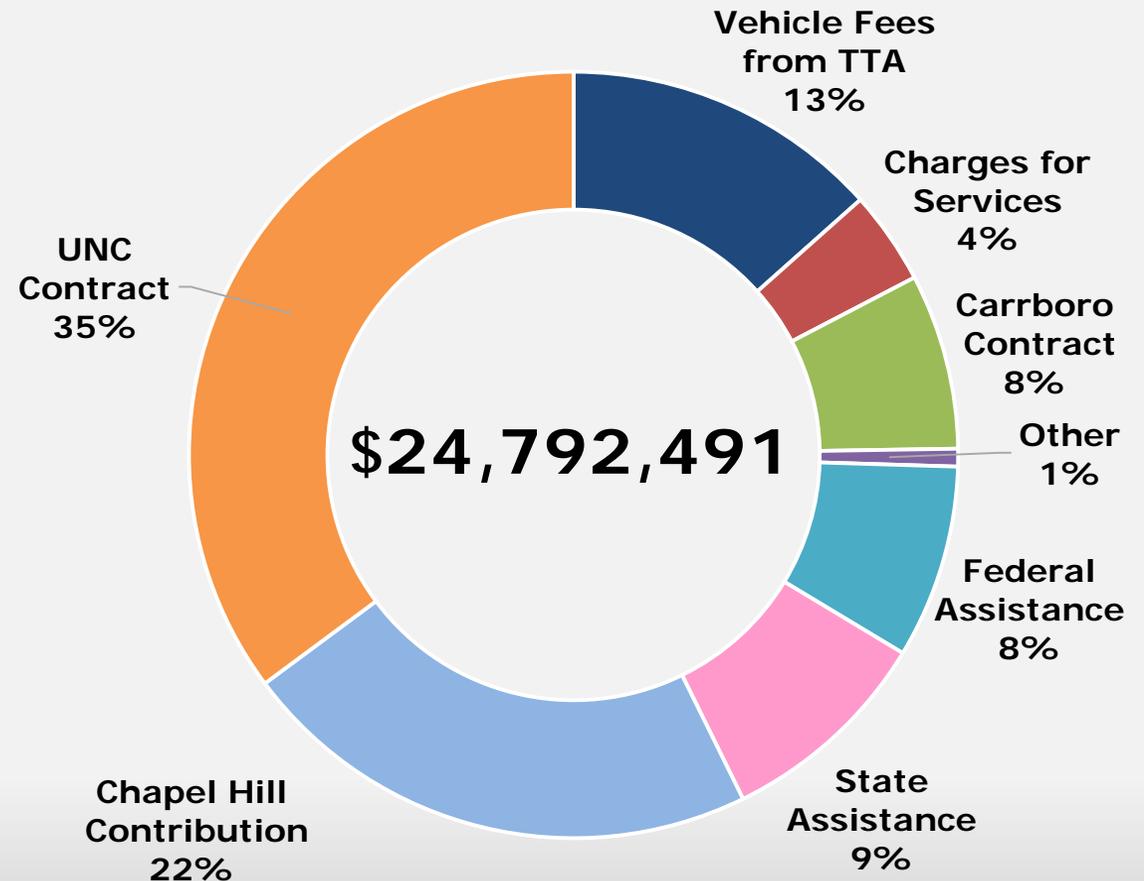
# Stormwater Fund Expenses FY 2019-20

- 8.8% Increase (\$240,000)
- \$2.82 per ERU recommended fee increase to issue remaining \$3.2 million GO bonds for:
  - Lake Ellen Flood Storage Project
  - Red Bud Flood Storage Project
  - Booker Creek Road Project
- \$10 average annual bill increase
- Stormwater Fund in good fiscal condition



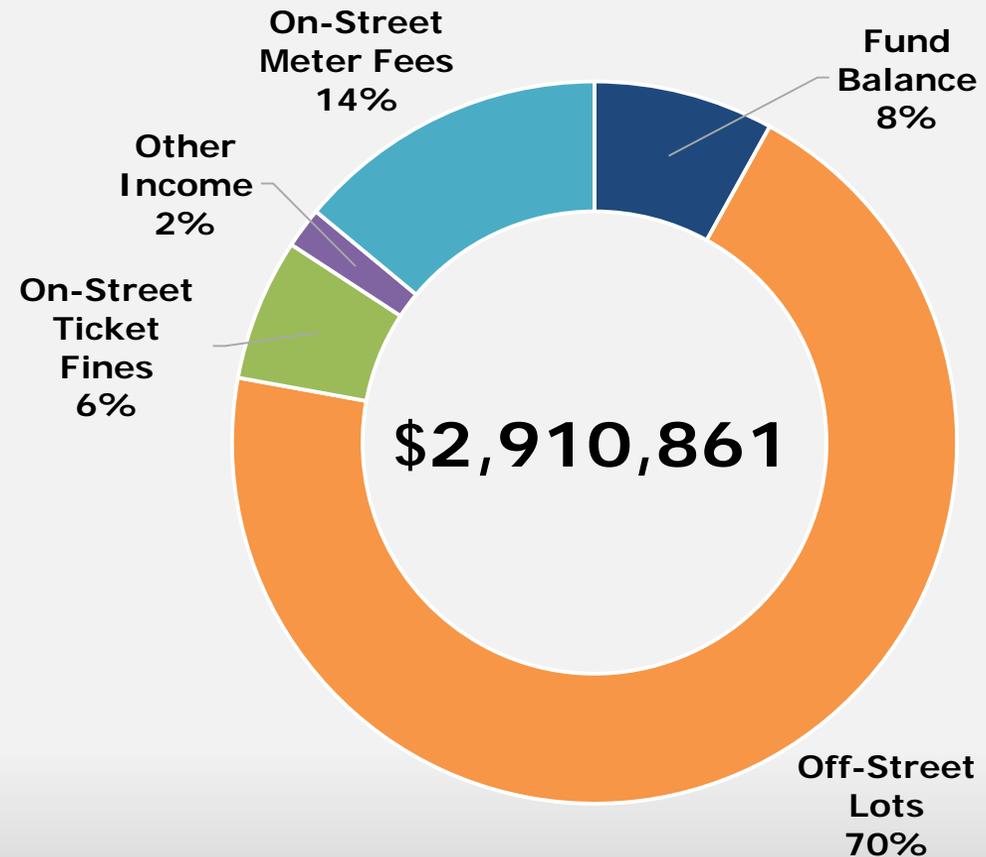
# Transit Fund Revenues FY 2019-20

- No recommended tax increase
- 4.3% increase overall
- No use of Fund Balance
- Small increases for partners (UNC, Carrboro & Town)
- Federal Assistance unchanged
- State Assistance decrease \$686,000
- Vehicle Fees from Orange County Transit Plan increase \$1.3 million Bus Replacements
- Transit Fund in relatively good fiscal condition – dependent on fed/state monies & bus replacement needs



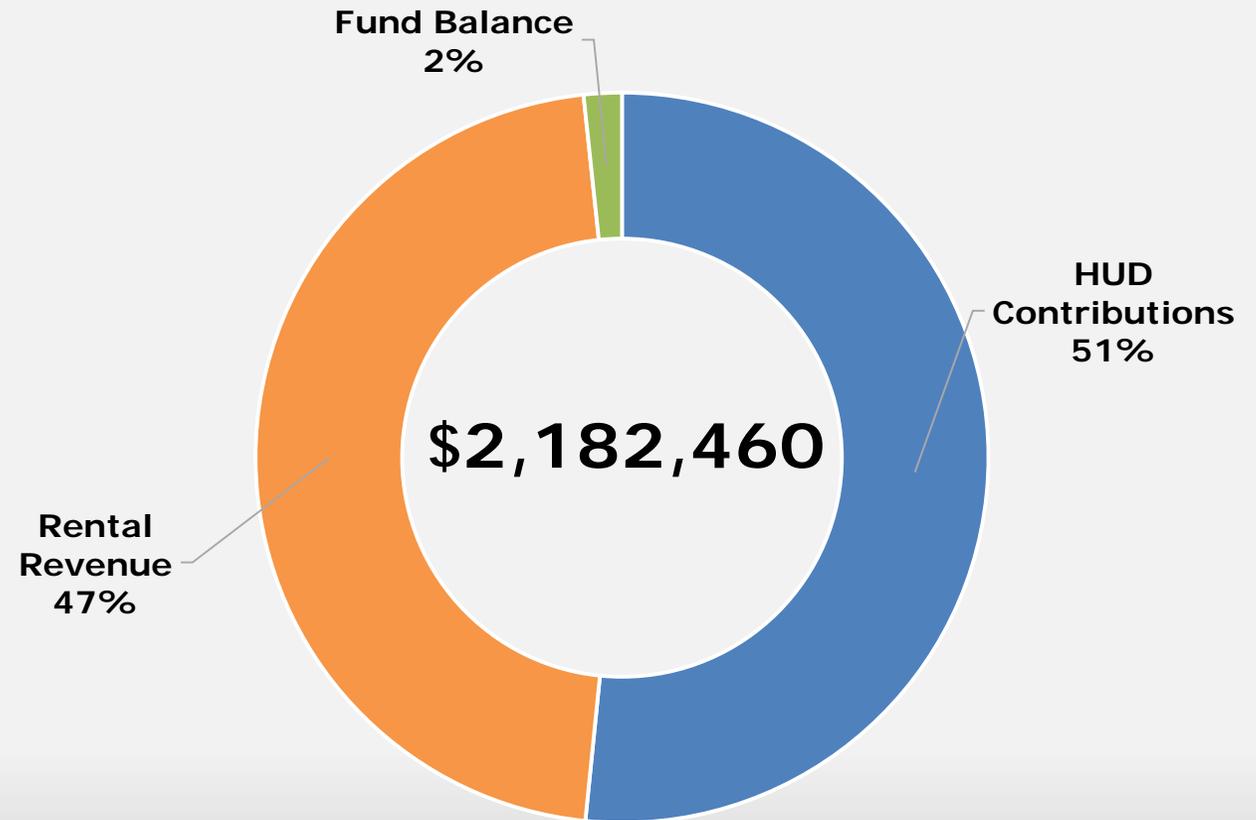
# Parking Fund Revenues FY 2019-20

- 7.5% increase in total budget
- Increase tied to lot rental cost increases
- Expenditures exceed revenues by \$233,861
- Expenditures include \$905,332 for debt service
- Parking Fund needs an influx of revenues to continue existing operations
- No Parking Fee Increases
- Reviewing rate structure and hours



# Housing Fund Revenues FY 2019-20

- 1.0% Decrease (-\$22,000)
- 52% of FY 2020 housing expenses are covered with HUD Operating Subsidy (compared with 55% in FY 2019)
- Less fund balance appropriated in FY 2020 with 5.0% HUD contributions increase and 12.6% rental revenue increase
- Housing Fund in relatively good fiscal condition assuming federal monies remain stable



# 5-Year Budget Plan

5-year long-range plan to accomplish:

- Environmental resiliency
- Connections between strategic work plans to budget program expansions
- Expansion of building maintenance and street paving programs
- Restoration of pay-go capital and vehicle replacement programs
- Sustainability of Town's enterprise funds

# Next Steps

- May 8 Public Hearing  
7:00 p.m. Council Chamber
- May 15 Budget Worksession  
6:30 p.m. Chapel Hill Public Library
- June 5 Budget Worksession  
6:30 p.m. Chapel Hill Public Library
- June 12 Proposed Budget Adoption  
7:00 p.m. Council Chamber

# Manager's Recommended FY20 Budget

