

Summary

1. Budget Context, Revenue Trends, and Use of Excess Fund Balance

- Desire for stronger narrative around how strategic priorities align to budget choices.
- Recognition of structural budget pressures, including inflation, healthcare costs, and continued service demands.
- Federal uncertainty continues to influence local budget strategy.
- Last year's conservative assumptions (5% of valuation property tax appeals, 0% sales tax growth, reduced reliance on fund balance appropriation to balance budget) created an apparent revenue "excess" – which is being used for core government functions, inflationary pressure, and funding priorities identified in the five-year budget outlook.

2. Employee Pay and Benefits

- Concerns about retaining skilled staff and remaining competitive with neighboring jurisdictions.
- Questions about long-term sustainability of recurring personnel cost increases.
- Desire for more transparency about market adjustments, pay compression, and compensation philosophy.
- Total cost of FY 2027 compensation adjustments in the General Fund: \$2 million for cost-of-living adjustment, \$555K for health insurance, and \$330K for retirement.
- Merit pay system is still under early exploration; no decisions have been made yet.
- Important message to convey: The Town did not grow bureaucracy; only three positions were added, and one is offset by reduced funding to the Visitors Bureau.

3. Operational Costs & Inflationary Pressures

- Interest in understanding the drivers behind operational cost inflation.
- CPI is not a good indicator for municipal budgets; fire equipment, chemicals, salt, technology, and commercial vehicles have much higher inflation.
- Desire to see more cost-containment strategies or efficiency efforts highlighted.
- Requests for additional clarity on year-over-year operating variances by department.
- Need for lifecycle analysis for facilities, fleet, roads, and new projects to better forecast long-term costs.

4. Enterprise Funds (Transit, Parking, Public Housing, and Stormwater)

- Enterprise funds should be self-supporting: Stormwater & Parking have user fees; Transit relies on Partner contributions rather than a fee; Housing relies heavily on federal funding.
- Questions about rising utility & fee-based service costs and whether adjustments are keeping pace with needs.
- Interest in improved long-term forecasting for enterprise fund stability.
- Capital projects (ex: South Estes paving) come from Housing capital grant funds, not annual operating budget.
- Parking incentives/leases that waive parking fees do not generate parking revenue.

5. Facilities, Capital, and Greenways

- Broad agreement that deferred maintenance is becoming increasingly urgent to address.
- Interest in more transparent prioritization of capital projects and criteria for inclusion.
- Questions about long-term facility planning and potential funding strategies (e.g., bonds, pay-go, grants).
- Reinforcement of the purpose of the debt fund which was created to avoid conflicts between operating cost pressures and debt service payments and to provide an opportunity to build up borrowing capacity.
- Support for visible, high-impact investments such as parks, greenways, and infrastructure with strong public benefit.
- Interest in using one-time funds strategically to address backlog items.

Summary (Cont'd)

7. Public Arts & Culture, Tourism, and Community Partnerships

- Desire for greater clarity on equity considerations in program funding.
- Questions about evaluating community program effectiveness and alignment to priorities.
- Repurposed Visitors Bureau funding will fund a staff role that will support conference & event recruitment downtown and Friday Center utilization.
- Carolina Performing Arts exploring a new February 2027 festival (three-year pilot) blending campus & downtown.
- Pilot testing for Lot 2 concepts planned for fall.

8. County-Town Fiscal Relations

- Strong concerns about County imposed cost increases (library funding cuts, solid waste increase outside of agreed process, tax collection fees) leading to “double paying” for some shared services.
- Town residents already pay disproportionately due to higher property values.
- Desire for clearer explanation of what is mandated vs. discretionary in relation to county partnerships and charges.
- Interest in formalizing expectations to reduce recurring uncertainty in budget planning.
- Overall tension: Chapel Hill feels “dumped on” and is seeking a more equitable relationship.

9. Public Messaging

- Need to help the public understand / provide clearer communication describing:
 - Why are costs rising and what the community receives in return.
 - Why maintaining competitive pay saves money long-term (turnover, training, overtime).
 - Town is not striving to be the highest paying employer.
 - Tradeoffs when funding is limited.
 - Historical under-investment created a need for larger corrective increases.
 - Revaluations were often rolled back & we forfeited opportunities to stay on track.
 - Why municipal cost drivers differ from household CPI.
 - Requests to highlight community-facing projects in public communications to reinforce value.



Town Council Budget Briefings

Summary of Small Group Meetings Held May 7, May 8, May 11

Questions Raised

Budget & Financial Structure

- What is the status of Fire Station #3 & Fire Station #4 projects?
- How exactly does the debt fund function and why was it created?
- What portion of Chapel Hill taxes supports the library, and what is the impact?

Staffing & Operational Costs

- Should retention information be shared publicly?
- What positions are being requested but not filled?
- How do we communicate pay structure, turnover costs, and long-term staffing strategy?
- How are departments absorbing costs and increasing efficiency?

County-Town Fiscal Relations

- What is the inventory of all County payments the Town makes? Can we receive a consolidated memo?
- Can we establish a policy that the Town does not pay more unless we receive a higher level of service?

Public Messaging

- How do we simplify and communicate the rationale behind pay increases and cost drivers?
- What visuals/charts best explain historic underfunding and the required catch-up?

Future Follow-Up Items

Analysis & Reporting

- Prepare a consolidated memo summarizing all **County payments**, surcharges, and shared service contributions.
- Provide an update on **the two fire station projects**.
- Develop a **lifecycle cost analysis framework** for facilities, fleet, and infrastructure.
- Outline **recurring vs. one-time costs** in the 3.4% general fund increase.
- Prepare charts showing:
 - * Historical tax/revenue neutral decisions vs. “ideal” funding trajectory
 - * Municipal inflation drivers vs. CPI
 - * Compensation cost breakdown (COLA, insurance, retirement)

Communications & Work Session Materials

- Include examples (basketballs, salt, chemicals) demonstrating cost increases.
- Incorporate numbers for the work-session presentation: \$2M (pay), \$555k (health), \$330k (retirement).
- Show how underfunding in previous years required the recent catch-up.
- Prepare messaging clarifying that enterprise funds operate differently (e.g., Parking vs. Transit vs. Housing).

Policy & Operational Follow-Up

- Explore creation of an **in-house small projects unit** for greenways/bike-ped improvements.
- Continue evaluation of **merit-based pay** (long-term).
- Review and confirm the **solid waste working group process** relative to the County’s proposal.
- Consider whether to adopt a **service-level policy** tied to cost increases.

Partnerships & Economic Development

- Provide more detail on:
 - Friday Center collaboration opportunities
 - Carolina Performing Arts February 2027 festival
 - Lot 2 proof-of-concept test plan
 - Public housing repositioning plan timeline

County Relationship

- How do we engage the County in “level-setting” conversations about shared services and fairness?
- How do we communicate that state and federal gridlock create local fiscal pressures?