

Amy Harvey

From: Roger Stancil
Sent: Tuesday, May 08, 2018 7:28 PM
To: Allen Buansi; Donna Bell; Hongbin Gu; Jeanne Brown; Jess Anderson; Karen Stegman; Town Council; Michael Parker; Nancy Oates; Pam Hemminger; Rachel Schaevitz; Roger Stancil; Ross Tompkins
Cc: Ken Pennoyer; Matthew Brinkley; Amy Oland; Amy Harvey; Beth Vazquez; Carolyn Worsley; Catherine Lazorko; Christina Strauch; Dwight Bassett; Flo Miller; Mary Jane Nirdlinger; Rae Buckley; Ralph Karpinos; Ran Northam; Roger Stancil; Sabrina Oliver
Subject: Council Question: Item 1: Budget public hearing

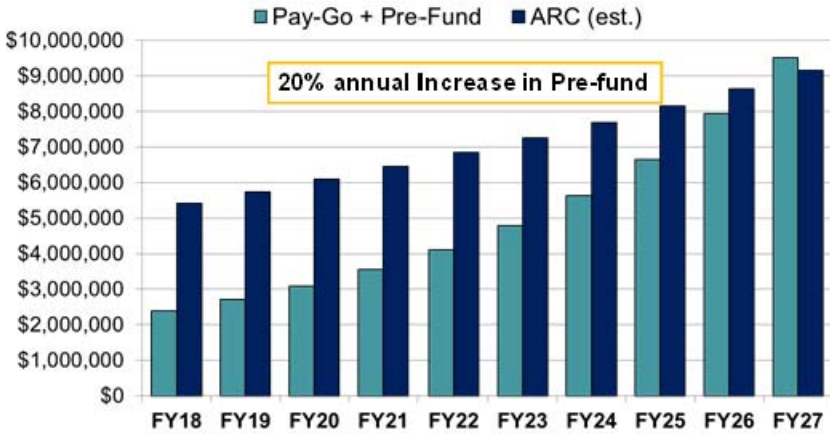
Council Question: Because OPEB pre-funding contributions would be maintained at FY18 levels in the recommended budget, will there eventually need to be an increase in future FY budgets?

Staff Response: Possibly. The Town was following a funding strategy to achieve the annually required contribution (ARC) within ten years by increasing our pre-funding amount by 20% per year. This is illustrated in the following graph:



Funding Strategy

Ramping up Pre-funding (FY18-27)



The ARC represents the portion of the present value of the total cost of post-employment benefits earned to date by employees. The ARC is calculated biennially by the Town’s actuarial consultant and can change significantly from valuation to valuation. The calculation of the ARC is based on actuarial assumptions (listed below) that could impact our progress in reaching the ARC payment regardless of whether we adhere to the 20% increase strategy.

Actuarial Assumptions:

- Turnover rate
- Retirement age
- Mortality
- Projected salary increases
- Inflation rate
- Healthcare cost trend data
- Investment returns

Notes:

- *There is no requirement to prefund the OPEB liability.*
- *The Town could choose to fund OPEB costs solely on a pay-as-go basis, as many jurisdictions do. This would ignore the impact of escalating future costs.*
- *The Town's decision to prefund is based on the potential the cost of this benefits could grow disproportionately to the rest of the budget forcing the Town to make difficult decisions in order to maintain our commitment. For this reason it is prudent to prefund the liability to the extent practical given our budgetary constraints.*
- *The Town has chosen to address the OPEB liability by partial pre-funding and ramping up to the ARC amount. In addition, the Town has taken the following steps to limit its OPEB liability:*
 - *Closed the defined benefit plan in 2010. All employees hired after July 1, 2010 are part of a defined contribution plan that has no future liability for the Town.*
 - *The Town has established an irrevocable trust for pre-funded assets. The Town has set aside more than \$4 million in the trust.*
 - *The Town has requested local legislation to expand the investment options for the trust to increase investment earnings and the earnings assumption used in the actuarial calculation.*
- *There is no Council policy regarding OPEB funding/pre-funding. The decision to pre-fund the OPEB liability is made annually as part of the budget deliberations.*
- *There is an accounting requirement to report the OPEB liability and the Town's funding progress in the annual financial statements.*

Based on the last actuarial valuation (12/31/16), the Town's total liability is \$56.1 million (present value of all earned and projected benefits) and the ARC is \$5,418,919.

Amy Harvey

From: Roger Stancil
Sent: Wednesday, May 09, 2018 1:50 PM
To: Allen Buansi; Donna Bell; Hongbin Gu; Jeanne Brown; Jess Anderson; Karen Stegman; Town Council; Michael Parker; Nancy Oates; Pam Hemminger; Rachel Schaevitz; Roger Stancil; Ross Tompkins
Cc: Brian Litchfield; Amy Harvey; Beth Vazquez; Carolyn Worsley; Catherine Lazorko; Christina Strauch; Dwight Bassett; Flo Miller; Mary Jane Nirdlinger; Rae Buckley; Ralph Karpinos; Ran Northam; Roger Stancil; Sabrina Oliver
Subject: Council Question: transit advertising

A Council Member asked about the revenue generated by the sale of advertising on our buses. I thought all of you would be interested in our response.

From: Brian Litchfield
Sent: Wednesday, May 09, 2018 11:37 AM
To: Roger Stancil <rstancil@townofchapelhill.org>
Cc: Ralph Karpinos <rkarpinos@townofchapelhill.org>; Flo Miller <fmiller@townofchapelhill.org>; Ken Pennoyer <kpennoyer@townofchapelhill.org>
Subject: RE: transit advertising

BML

Roger – please find below some additional information on transit advertising revenues and the (former) Advertising Manager position, along with some updates on next steps. The funding Partners have asked us to explore a third-party contract and as part of that review a consideration could also be ending or adjusting the program. Understanding that we and our funding Partners are always looking for reasonable ways to reduce the need for tax based revenues, I recommend we take the time to review the feasibility of a third-party contract. Is this information helpful? Is there additional information we can provide? Thank you, BML

Financial History

- In 2011, initial estimates indicated that advertising net revenues for Chapel Hill Transit could range from \$200,000 to \$400,000 and could be utilized to offset Partner contributions.
- Financial summary since FY2011-12 :

Transit Advertising

	FY12	FY13	FY14	FY15	FY16	FY17	FY18 April
Total expenses	\$81,817	\$ 81,274	\$84,292	\$ 80,488	\$ 78,887	\$82,328	\$
Exterior revenues	\$44,611	\$102,864	\$85,121	\$ 92,674	\$121,844	\$76,629	\$
Interior revenues	\$15,072	\$ 12,975	\$12,621	\$ 13,232	\$ 9,568	\$12,569	\$
Total Advertising Revenues	\$59,683	\$115,839	\$97,742	\$105,906	\$131,412	\$89,198	\$
Net Revenue	\$28,166	\$34,565	\$13,650	\$25,423	\$55,825	\$6,875	\$85,647

- As a result of performance and a review of experiences from other municipalities/systems related to transit advertising, the Chapel Hill Transit Partners Committee has asked staff to explore third-party advertising contract to determine if net revenues could be increased to offset costs to the funding partners.

Advertising Position

- The Advertising Manager position reflected in the recommended budget was reclassified to the position of Training and Safety Specialist on April 18, 2018, following an internal review by Transit, HRD and BMD. Due to timing it was not possible to reflect this in the Recommended Budget, however, it will be reflected in the budget moving forward.

Current Status and Next Steps

- Based on performance and the review of local and national experience, the Chapel Hill Transit Partners Committee have asked staff to explore a third-party contract for transit advertising
 - Transit staff will issue an Invitation for Bid (IFB) for a contractor(s) over the summer of 2018 and staff and Partners will evaluate for feasibility.
 - The City of Greensboro, City of Fayetteville, City of High Point and Piedmont Authority for Regional Transportation (PART) have followed a similar process in the past two to three years and all report favorable revenue results.
 - IFB will be issued by August 2018, as staff is currently focused on critical procurements for the next fiscal year (must be completed by July 1, 2018).
- Transit Advertising Manager resigned for another opportunity in late 2017. Transit has since reclassified the position to meet operational safety needs.
- Next steps are to finish and issue the IFB and provide Partners and Council with recommendations about the advertising program in early fall.
- Over the summer Transit staff will also work with our Partners and Legal to determine if there is an option to adjust our existing policy to one that indicates transit vehicles are a

nonpublic forum and removes the option for political, religious, or issue advertisements as currently allowed by 3.02 and 3.03 of the currently adopted policy.

- o The Transit Partners as a group and as individual entities have historically been involved in reviewing and making recommendations on advertising policy. There is certainly an expectation that they would again have such an opportunity to weigh in, although the final decision would be the Council's.

From: Roger Stancil

Sent: Wednesday, May 02, 2018 10:23 PM

To: Allen Buansi <abuansi@townofchapelhill.org>; Donna Bell <dbell@townofchapelhill.org>; Hongbin Gu <hgu@townofchapelhill.org>; Jeanne Brown <jbrown2@townofchapelhill.org>; Jess Anderson <janderson@townofchapelhill.org>; Karen Stegman <kstegman@townofchapelhill.org>; Town Council <mayorandcouncil@townofchapelhill.org>; Michael Parker <mparker@townofchapelhill.org>; Nancy Oates <noates@townofchapelhill.org>; Pam Hemminger <[p he mminger@townofchapelhill.org](mailto:phe mminger@townofchapelhill.org)>; Rachel Schaevitz <rschaevitz@townofchapelhill.org>; Roger Stancil <rstancil@townofchapelhill.org>; Ross Tompkins <rtompkins@townofchapelhill.org>

Cc: Brian Litchfield <blitchfield@townofchapelhill.org>; Ken Pennoyer <kpennoyer@townofchapelhill.org>; Amy Oland <aoland@townofchapelhill.org>; Matthew Brinkley <mbrinkley@townofchapelhill.org>; Amy Harvey <aharvey@townofchapelhill.org>; Beth Vazquez <bvazquez@townofchapelhill.org>; Carolyn Worsley <cworsley@townofchapelhill.org>; Catherine Lazorko <clazorko@townofchapelhill.org>; Christina Strauch <cstrauch@townofchapelhill.org>; Dwight Bassett <dbassett@townofchapelhill.org>; Flo Miller <fmiller@townofchapelhill.org>; Mary Jane Nirdlinger <mnirdlinger@townofchapelhill.org>; Rae Buckley <rbuckley@townofchapelhill.org>; Ralph Karpinos <rkarpinos@townofchapelhill.org>; Ran Northam <rnortham@townofchapelhill.org>; Roger Stancil <rstancil@townofchapelhill.org>; Sabrina Oliver <soliver@townofchapelhill.org>

Subject: transit advertising

Please find below a summary of the transit advertising and where we stand with evaluating the program. The funding Partners have asked us to explore a third-party contract and as part of that review a consideration could also be ending the program. I recommend we take the time to review the feasibility of a third-party contract. The advertising position was reclassified after the budget information was put together.

Background

- On June 13, 2011, the Chapel Hill Town Council adopted a policy that approved the acceptance of exterior transit advertising and established rates for exterior advertising in an effort to generate additional revenue for Chapel Hill Transit. Prior to 2011, Transit sold only interior bus card advertising
- On October 24, 2012, the Council acted to temporarily suspend the Town's transit advertising policy after receiving staff reports which stated that the policy on advertising actually adopted by the Council on June 13, 2011 was not the policy currently being followed and that there had been some errors made in acceptance of advertising because of the use of a draft policy rather than the policy adopted by the Town Council in June, 2011.
- On December 3, 2012, following a public forum, community input and feedback from the Partner Committee, the Council adopted the current Transit advertising policy and reinstated the program (http://chapelhill.granicus.com/MetaViewer.php?view_id=7&clip_id=1689&meta_id=75863)
- The advertising program was managed by one full-time employee (Transit Advertising Sales Manager) and Maintenance staff provided support for installation and removal of some advertising.

Financial History

- Initial estimates indicated that advertising net revenues for Chapel Hill Transit could range from \$200,000 to \$400,000 and could be utilized to offset Partner contributions.
- Under the current arrangement, advertising sales, especially for external advertisements have not been able to achieve the initial estimates.

Transit Advertising Review of Local and National Experiences

- Transit systems throughout North America have developed advertising programs to enhance revenues. The sale of transit advertising in the U.S. is estimated at around \$1 billion annually; however it represents approximately 0.3% of total annual advertising expenditures. National experience suggested that advertising revenues generally constituted between .01%-3.2% of a system's revenues (depending on location and whether a system was bus-only, rail only or bus and rail).
- The management of transit advertising programs is typically handled using transit system staff (in-house) or a third-party contract (outside agency), although a few systems utilize a hybrid approach. A review of literature and available research suggested that most transit systems with advertising programs use an outside agency and a minority of systems manage their programs internally (in North Carolina, most programs are managed by outside agencies). Internal programs are usually managed by the systems marketing department or staff, while some very large systems have standalone advertising departments.

Examples of Current Advertisers

- Transit advertising provides a reasonable cost alternative for local organizations and businesses to advertise, some examples of advertisers include:
 - Chapel Hill Farmers Market
 - Carolina Performing Arts
 - UNC HealthCare
 - Orange County – Visitors Bureau
 - UNC Athletics
 - Sturdivant's Tire Pros
 - UNC School of Information & Library Science
 - UNC Center for Health Promotion
 - Southern Village Hyatt Place Hotel
 - UNC Psychiatry Department
 - UNC Center for Health Promotion
 - Berkshire Chapel Hill
 - UNC Center for Research
 - Triangle Electrical Services, Inc
 - Chapel Hill Garden Tour
- Since 2012, we have received and run two (2) separate advertisements that meet the definition of “political ad” in our adopted policy. Both have been from the Coalition for Peace with Justice and internal signs.

Current Status and Next Steps

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 - Transit staff will issue an Invitation for Bid (IFB) for a contractor(s) over the summer of 2018 and staff and Partners will evaluate for feasibility.
 - IFB to be issued by August 2018, as staff is currently focused on critical procurements for the next fiscal year (must be completed by July 1, 2018).

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