

Council question: Given that things will continue to change in ways that are impossible to predict – both positively and negatively – would it make sense to pre-determine lists of things that we'll add/reinvest in if things improve and further cuts we would make if the opposite were true?

Staff Response: *We have not identified a process at this time to determine how we would prioritize restoring cuts. If further cuts are needed, we will extend our hiring freeze and will work with departments to hold items already identified in their operating budgets. We will evaluate actual revenue collections and will come back before Council to provide regular updates and make any recommendations at that time.*

Council question: Similarly, it seems to me that a lot what happens financially in Town will be driven by what happens with UNC. Would it be possible to come up with broad revenue scenarios premised on full opening in August, partial opening, or no opening?

Staff Response: *The largest reduction in the Town's projected revenues is in Sales Taxes collections. We have projected a 10% reduction for sales occurring from March 2020 through June 2020 with an additional 5% reduction for the entirety of FY 2021. When doing a budget to budget comparison, the result is a 9.5% reduction for FY 2021. We haven't attempted to project out sales taxes based on the opening of the University due to the number of unknowns, but rather chose to base our estimates on percentage decreases in sales overall which is consistent with the approach taken by Town of Carrboro (9% decrease projected) and Orange County (10% decrease projected). It is important to point out that not all of the sales tax revenues that come to the Town are point of sale, therefore statewide sales impact our revenues as well.*

If we were to make a further reduction in sales taxes based on a continuance of the 10% reduction throughout FY 2021, the result would be an additional \$650,000 and the budget to budget reduction would be 13.9%. Our strategy when preparing this budget was to lower our reliance on fund balance in an effort to be more flexible in the event that revenues come in worse than expected. We also have the ability to extend the hiring freeze to obtain additional savings to cover any revenue shortfalls we might experience in excess of our revenue projections

Council question: Our estimated expenses for 2019-20 vs. budget are down nearly \$5 million. To what is that attributable?

Staff Response: *The FY 2020 Original Budget is \$68,483,000 and the FY 2020 Revised Budget is currently \$70,031,605. The revised budget includes items which carried forward from FY 2019 (contract and encumbrances) and adjustments that have been made during the year. Current year expenditure estimates are currently \$65,898,639 yielding a savings of \$4,132,966. The overwhelming majority of that savings is found in Personnel (\$3,385,047). This savings is due to a combination of natural attrition combined with the hiring freeze. The remaining \$747,919 is operating savings realized throughout the year due to cost cutting measures in response to COVID-19.*

Council question: What is the total annual cost of bringing all relevant employees to OC Living Wage on July 1 rather than January 1?

Staff Response: *The total number of full-time employees that would be affected by the Orange County Living Wage adjustment is 20, and would cost approximately \$26,000 to bring those employees up the standard on July 1st. The cost would be approximately \$13,000 if we wait until January 1st. The number of full-time employees impacted by the living wage adjustment is higher than normal due to the fact that we are not including a cost of living raise for FY 2021. Although \$26,000 is not a significant part of our budget, if the living wage adjustment was approved, it would cause compression issues around positions in the impacted pay grades.*

There are 172 program support employees that would be impacted. The average increase for these employees is \$0.45/hr. The total cost impact is difficult to compute, however, because it is based on the number of hours worked and this is not a set amount for each employee.

Council question: Given normal attrition rates, how many FTEs would we/will we lose in the 1st and 2nd quarters due to the hiring freeze?

Staff Response: *It's important to mention that the FY 2021 Manager's Recommended Budget does not eliminate any positions, but rather puts a freeze on the filling of vacant positions for the first quarter and the ability to extend that freeze if warranted. We are basing the savings projections off the 60 existing vacant positions in the General Fund that would generate \$1,180,265 in savings for the first quarter. If the hiring freeze is carried into the 2nd quarter FY 2021, we assume a similar amount of savings which could be higher depending on the amount of attrition we see between now and then.*

Council question: Given that many owners will struggle for a while and unemployment will not subside quickly, have we made any allowance in our RE tax collections for increased non-payments?

Staff Response: *We have not reduced the Town's collection rate for real property for FY 2021. During the 2008 recession the lowest that our property tax collection rate went was 99.4% (a 0.3% decrease from prior year collection). This decrease equated to a \$90,000 decrease in tax collections for that year in the General Fund. Based on the information that we have at this time, we did not feel that the collection rate needed to be adjusted.*

Council question: Based on recent NCDOT presentations, it appears that Powell Bill funds will shrink. Have we made any projections for that?

Staff Response: *We have not made any adjustments downward in the Manager's Recommended Budget for Powell Bill funds. We just received information from the NCDOT that states that there will likely be a percentage reduction on a statewide level of around 2.8%. The effect of this change to the town is a decrease in our funding allocation of \$41,076.*

There are conferences planned for mid to late June to address the Powell Bill and we plan to have staff representation at those events. This is yet another area of unknown and supports our strategy of a lower reliance on fund balance in an effort to have flexibility should revenues come in lower than anticipated.

Council question: The budgets for both funds project significant increases in revenues over 2019-20 (which will have nearly four months of zero revenues). When does the budget assume charging for parking again and at what rates?

Staff Response: *The FY 2021 Manager's Recommended Budget included the assumption that we will resume charging current parking fees on July 1. The budget also included the assumption that parking rates will increase on January 1 from \$1.00 to \$1.50 per hour at the Wallace Deck, CVS Deck, and Lot 2 and from a \$115/month leased rate to \$125/month. There have since been conversations that we consider moving to the new rates effective August 1. If we make this change, we could extend free parking through the end of July.*

Council question: The budget also assumes a significant increase in parking fines. What is this based on and is it appropriate in the current environment?

Staff Response: *Through the first three quarters of the current fiscal year, we received \$172,183 in parking fines and \$32,565 in parking ticket late fees. We based the FY 2021 budget off of the data from the current year which indicated an upward trend. These increases also reflect the new meters will a full year of implementation. In the previous year, there was a grace period in which little to no enforcement was happening due to getting the new system in place. Also, the technology associated with the new meters offers more robust enforcement through real time monitoring.*