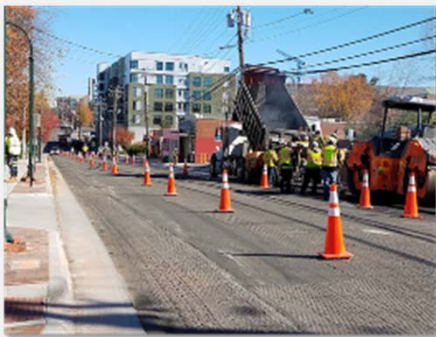


5 Year Budget Strategy Discussion



Long-Term Budget Planning

- Development of 5 –Year Budget Strategy to:
 - Build connections between strategic work plans and budget program expansions
 - Strengthen department operating budgets to meet operational needs
 - Promote environmental resiliency
 - Restore pay-go capital and vehicle replacement programs
 - Expand building maintenance and street paving programs
 - Sustain enterprise funds

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Long-Term Budget Planning

- This is an effort to better understand our long-term needs as an organization
- There will be large numbers in this document however we do not expect all these initiatives to be funded in the next five years
- The Manager's Office and Business Management have not thoroughly vetted all of the requests
- Some may never be funded
- Beginning of a long conversation about our priorities
- We will suggest a path forward for consideration by Council

5-year Budget Strategy Development

- Identified 7 Theme Areas:
 1. Environmental Sustainability
 2. Capital
 3. Human Services
 4. Human Capital
 5. Transportation
 6. Operational Sustainability
 7. Economic & Financial Sustainability



- Each theme area began with a champion/co-champion who then built a team of subject matter experts to perform data gathering and analysis of all topic areas.

Theme Area #1: Environmental Sustainability

The Environmental Sustainability theme captures a range of investments that will strengthen operational and community sustainability.

Champion: John Richardson

Co-Champion: Rae Buckley



Projected 5-Year Budget Gap: \$20.5M

Team Members:

- Vence Harris (Fire)
- Meeghan Rosen (Library)
- Chris Roberts (Public Works)
- Sue Burke (Public Works)
- Laura Selmer (Manager's Office)
- Kevin Robinson (Parks & Rec)
- Mark Agosto (Public Works)
- Kelly Drayton (Fire)
- Sammy Bauer (Public Works)



Environmental Sustainability

1. Buildings & Energy (\$1.3M)



Town Buildings
\$128k



Community Renewables
\$329k



Community Energy Programs
\$874k

Focus: Keep Greening Facilities + Community Energy

Draft

Environmental Sustainability

2. Transportation & Land Use (\$1.7M)



Mobility Plan Wayfinding
\$93k



Fleet Electrification
\$1.5M



Public EV Charging
\$75k

Focus: Wayfinding + Vehicle Electrification

Environmental Sustainability

3. Water, Wastewater & Natural Resources (\$2.3M)



Stormwater Maintenance
\$424k



Water Quality Improvements
\$1.85M

**Focus: Infrastructure Maintenance +
Water Quality**

Draft

Environmental Sustainability

4. Resiliency (\$15.2M)



Tree Planting & Land Acquisition
\$3.97M



Climate Action Programs
\$944k



Coal Ash Remediation
\$10.25M

Focus: Natural Areas, Outreach + Protection

Theme Area #2: Capital

The Capital theme is focused on the parts of the town budget dealing with the acquisition or maintenance of capital assets such as land, buildings, equipment and major software procurement.

Champion: Scott Clark

Co-champion: Ross Tompkins

Team Members:

- Richard Terrell, Andre Miller, Yesenia
- Mayhew & Mack Howell (Public Works)
- Phillip Fleischmann & Marcia Purvis (Parks & Recreation)
- CIP Team



Capital – Topic Areas



1. Infrastructure Maintenance
2. Facilities Maintenance
3. Vehicle Replacement
4. Streetscape Improvements
5. Security and Safety Improvement
6. Facilities Expansion/Renovation
7. Fire Facilities

Capital – Topic Areas



8. Historic Town Hall
9. Solid Waste Options
10. Parks Projects
11. Fire Apparatus
12. Technology
13. ADA Transition Plan

Projected 15-year capital plan = \$94 million

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Theme Area #3: Human Services

The Human Services Theme Area is focused on programs, services, and initiatives that support the residents of our community with a goal of achieving economic and social well-being and opportunities for all residents to thrive

Champion: Loryn Clark

Co-Champion: Rae Buckley

Team Members:

- Faith Brodie (Public Housing)
- Nate Broman-Fulks (Affordable Housing and Community Connections)
- Nikiya Cherry (Parks and Recreation)
- Lisa Edwards (Public Housing)
- Jackie Thompson (Affordable Housing and Community)
- Sarah Viñas (Affordable Housing and Community Connections)



Human Services – Topic Areas

1. COVID Impacts
2. Affordable Housing
3. Human Services Program
4. Building Integrated Communities
5. Language Access Plan
6. Equitable Engagement
7. Recreation and Leisure



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Human Services – Funding Needs



Affordable Housing

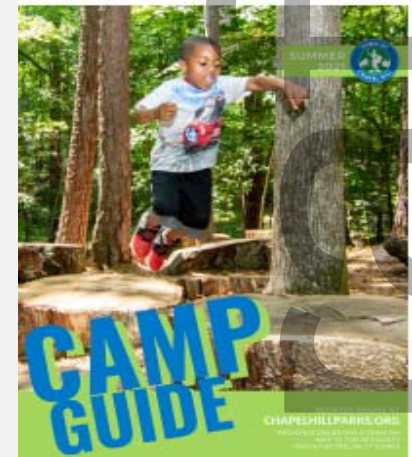
\$14.6 million



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Human Services /
Community Engagement

\$913K



Recreation & Leisure

\$316K

Projected 5-Year Budget Gap: \$15.8M

Human Services – Key Takeaways

- Focused on initiatives and programs identified by the Council as priorities
- Partnerships are crucial
- Prioritized funding for COVID relief
- Demand expected to continue increasing for human services funding, especially post COVID
- Develop plans to more fully resource Community Connections efforts – racial equity, language access, equitable engagement
- Focus on serving residents not typically served
- Additional resources needed to meet the demand for summer camps



Theme Area #4: Human Capital

Our employees are the engine of our operations, delivering the Town's services with expertise and skill. They have deep knowledge of their jobs, highly sought-after skills, and tangible, valuable abilities acquired from years of service and development. *In practical terms, human capital is people.*

Champion: Susan Brown

Co-Champion: Cliff Turner

Team Members:

- Anita Badrock (Human Resources)
- Clayton Hainline (Business Management)



Human Capital – Overview

- **Residents of Chapel Hill expect and enjoy excellent services from the Town of Chapel Hill.** Those services are provided by our excellent staff, on the front lines and behind the scenes, who are our most valuable and valued asset.
- **Our employees are at the heart of all our core business and are the engine for our strategic initiatives,** so there is some connection from this theme to all of the others, particularly Economic & Financial Sustainability, Operational Sustainability, and Human Services.
- Information related to human capital is found in two areas of the annual budget:
 - The **personnel budget** is where salaries, FICA, retirement, insurance, and other costs related to human capital are found.
 - The **operational budget** is where training, travel, and other costs associated with human capital are found.

Human Capital – Topic Areas

- **Continuing the Status Quo** – If we only maintain the status quo, our personnel costs will grow by an average of \$1.7 million per year for the next five years.
- **Implementing Classification & Compensation Recommendations** – In order to remain competitive with pay and retain our excellent employees, we expect the cost of implementation will be \$3.1 million over the next five years.
- **Creating the Workforce We Need** – Based on Senior Leadership input, we anticipate that approximately 85 new positions will be needed over the next five years, with an estimated total cost of approximately \$7 million

Human Capital – Key Takeaways

- Outcome of Classification & Compensation Study
- Importance of being competitive in the market to retain and recruit quality employees. The Town is a service organization and those services are primarily delivered by staff. These services are valued by the Community as evidenced in the high ratings in the Community Survey.
- Projected 5-Year Budget Gap – \$8.5 million (annual cost of living increase); \$3.1 million (impact of class & comp results) and \$7 million (additional position requests)



Theme Area #5: Transportation

The Transportation theme addresses connected mobility systems that provide residents and visitors convenient choices to safely move around our community, support regional connectivity and environmental stewardship.

Champion: Brian Litchfield

Co-Champion: Loryn Clark

Team Members:

- Bergen Watterson (Planning)
- Donnie Rhoads (Police)
- Marcia Purvis (Parks and Recreation)
- Nick Pittman (Transit)



Transportation – Overview

- Builds on Council’s strategic goal of “Connected Community – to create a highly connected community where bicycling, walking and transit are convenient, everyday choices for neighborhoods, businesses and public spaces.”
- Identifies current, planned and proposed projects (including maintenance of existing assets) that will improve, expand and help better integrate our multimodal networks, consistent with the following adopted plans and policies:
 - Mobility and Connectivity Plan
 - Orange County Transit Plan
 - Greenways Master Plan
 - Traffic Calming Policy
 - Short Range Transit Plan
 - Vision Zero Resolution



Transportation – Topic Areas

1. Bicycle-Pedestrian: safe and convenient facilities for bicycling and walking
2. Bus Rapid Transit (BRT): development and implementation of North South BRT
3. Greenways: continued development of our greenway system
4. Pedestrian Traffic Signals: new signals to improve pedestrian safety
5. Traffic Calming: installation of calming devices on residential streets
6. Transit Infrastructure: bus stops, real-time system, park and rides and Transit Facility
7. Transit Operations and Capital: investments to maintain and expand the system in coordination with our funding partners.



Transportation – Key Takeaways

- Significant planning efforts have identified community priorities, however lack of dedicated funding and/or new funding limits Town's ability to move forward on key transportation projects. Orange County Transit Plan can assist with some needs, however, is not adequate to meet unfunded Transit needs.
- Identified priorities will increase access and connectivity and support walking, bicycling and transit, while reducing greenhouse gas emissions and assisting with land use and sustainability goals.
- Funding for maintenance of existing investments is critical.

Estimated 5-Year Budget Gap:

- \$122,864,817 without NSBRT (transportation projects are typically funded with outside sources (federal & state \$) which is not accounted for in this total
- \$263,064,817 with NSBRT (NSBRT assumes around \$150M in Federal and State \$)

Theme Area #6: Operational Sustainability

Operational Sustainability theme is evaluating the resources needed to carry out day-to-day operations. By day-to-day operations, we mean our core services.

Champion: Chris Blue

Co-Champion: Ross Tompkins

Team Members:

- Chelsea Laws (Bldg. & Dev. Services)
- Tanner Thompson (Parks & Recreation)
- Yesenia Mayhew (Public Works)
- Brian Murphy (Business Management)
- Brittany Johnson (Police)



Operational Sustainability – Topic Areas

Starting point was FY 2022 unfunded budget requests. Topics that came out of that review process:

1. Organizational Effectiveness

- Town has postponed investment in new tools that could improve efficiency and ease staff workload

2. Maintain Service Levels

- Town has reduced regular and preventive maintenance, equipment replacements, and other annual operational activities in a short-term effort to maintain core services

Operational Sustainability – Key Takeaways

- Analysis revealed that little of our annual budget spending is “discretionary” after personnel and contractual obligations are met.
- The costs of contracted services, from software support to snow removal, generally increase over time.
- Changes to services are often ruled out due to the start-up costs associated with equipment or software purchases, despite the potential for long-term efficiencies and savings.
- Innovations of all types, to include those discussed in other theme areas, have been limited due to consistently constrained budgets.
- Estimated 5-Year Budget Gap = \$6.9 Million (accumulation of operational needs)



Team Area #7: Economic & Financial Sustainability

The Economic & Financial Sustainability theme is reviewing general trends in revenues and opportunities to increase the Town's financial sustainability.

Champion: Mary Jane Nirdlinger

Co-Champion: Dwight Bassett

Team Members:

- Phil Fleischmann (Parks & Recreation)
- Laura Selmer (Economic Development)
- Tommy Gregory (Fire)
- Chelsea Laws (Bldg. & Dev. Services)
- Colleen Willger (Planning)
- Judy Johnson (Planning)



Economic & Financial Sustainability – Topic Areas

1. Property Tax
2. Sales Tax
3. Economic Development Incentives
4. Permit and Use Fees



Economic & Financial Sustainability – Key Takeaways

Context:

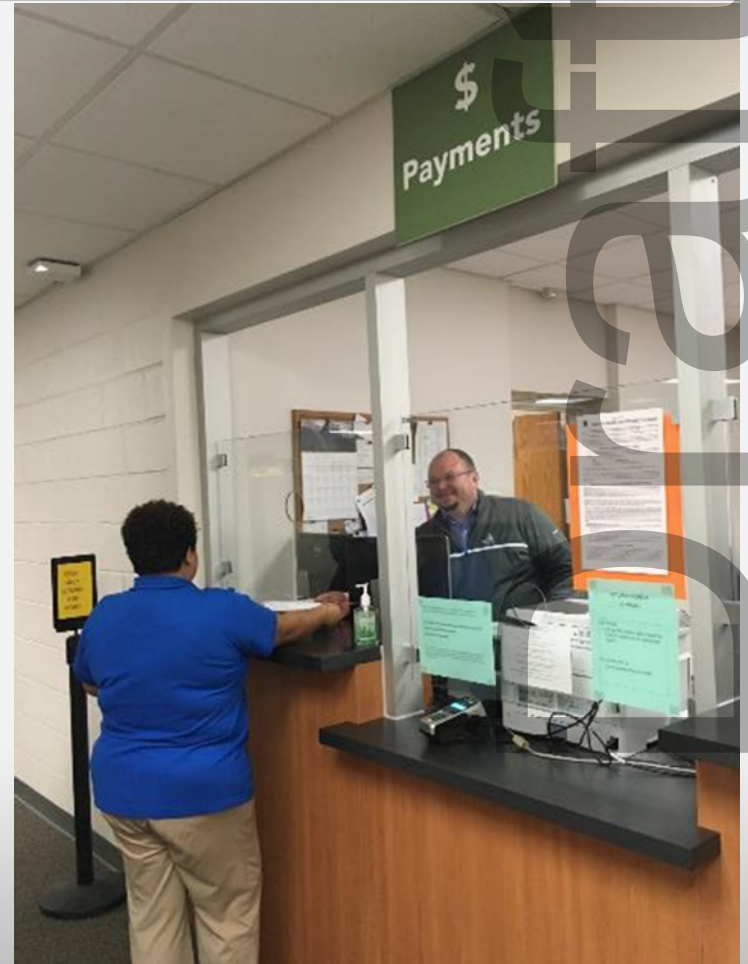
- From FY00 (56.3) to FY22 (51.4) our **tax rate** has experienced less growth than our comparison communities in North Carolina.
- Our **sales tax revenues** have grown on average just over 5% per year. FY21 was an exceptional year of growth (15.7%) during the pandemic.
- Our **economic development incentive** payments began in FY20 to Carraway Village and Wegman's.



Economic & Financial Sustainability – Key Takeaways

Review our fees philosophy:

- When do we **waive fees** and how much?
- Should we **recover a higher percentage** of our costs for some programs?
- Try **new approaches** (performance pricing)?
- Should **“free” services** have a cost (credit cards, code enforcement, fire and building reinspection feeds)?
- Should we **lift the cap or adjust** development fees?



Next Steps

- This presentation represents the 1st phase of the 5-year budget strategy
- Impact of FY 2021 excess fund balance allocation
- Impact of American Rescue Plan Act (ARPA) funding on projects proposed in document
- Presentation of Classification & Compensation study results
- Integration of 5-year budget strategy in FY 2022-23 budget development process
- Return at Council Retreat to continue discussion

Draft

Additional Council
Priorities or questions
regarding the Five-Year
Budget Strategy?

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