



TOWN OF CHAPEL HILL

Town Hall
405 Martin Luther King Jr.
Boulevard
Chapel Hill, NC 27514

Town Council

Meeting Minutes - Draft

Mayor Pam Hemminger
Mayor pro tem Jessica Anderson
Council Member Donna Bell
Council Member Allen Buansi
Council Member Hongbin Gu

Council Member Nancy Oates
Council Member Michael Parker
Council Member Karen Stegman
Council Member Rachel Schaevitz

Saturday, January 26, 2019

8:30 AM

140 Friday Center Dr.

Council Retreat

Roll Call

Present: 9 - Mayor Pam Hemminger, Mayor pro tem Jessica Anderson, Council Member Donna Bell, Council Member Allen Buansi, Council Member Hongbin Gu, Council Member Nancy Oates, Council Member Michael Parker, Council Member Rachel Schaevitz, and Council Member Karen Stegman

Others Attendees

Town Manager Maurice Jones, Deputy Town Manager Florentine Miller, Assistant Town Manager Mary Jane Nirdlinger, Town Attorney Ralph Karpinos, Assistant to the Town Manager Ross Tompkins, Interim Business Management Director Amy Oland, Budget Manager Matt Brinkley, Director of Organizational and Strategic Initiatives Rae Buckley, Strategic Plan Project Manager David Finley, Human Resource Director Cliff Turner, Communications Manager Catherine Lazorko, Mayor's Aide Jeanne Brown, Officer Rick Fahrer, Deputy Town Clerk Amy Harvey, and Facilitator Anne Davidson. Two members of the public were also in attendance.

1. Open Remarks and Introductions.

The Mayor reconvened the retreat at 9:01 a.m. at the Center for School Leadership Development from the evening before. Ms. Davidson stated that the goal for the day was to gain a broad overview of the current budget and budget planning process, clarify key interests for the 2019 budget planning process, and to affirm current goals/work plan priorities.

2. Role of Facilitator and Expectations for Working Together.

Ms. Davidson reviewed her role as a facilitator and the expectations for the day.

3. Operating Budget Overview.

Mr. Jones provided an overview of the budget drivers, process and next step for the development of the budget. He reviewed the general fund revenues for FY19 and highlighted that in the current year, personnel accounts for almost 75

percent of the Town's General Fund expenditures. He also noted that many Town residents appreciate the services the Town provides. Mr. Jones underscored the fact that the Town's revenue growth is not keeping pace with the growth in costs, and the desire to build some sustainable efforts.

Ms. Oland continued the presentation (attached) by outlining the Fund Balance appropriations and lapsed salaries. She stated that historically this was a tool used to provide a balanced budget. Ms. Oland provided an overview of each of the enterprise funds and shared challenges identified in each. *Many of the questions and observations from the Council discussions are included in the attached "parking lot" list.*

Mr. Jones reminded the Council that last June it had adopted a resolution identifying things to be reviewed and discussed early in this budget process. He identified the budget drivers and discussed balancing growth in the property tax base. There was a discussion about the property tax rates, which included the tax revaluation.

Ms. Oland noted that the Town's tax base is about \$8 billion, and as such it would take a lot of change to generate an increase in the tax revenue. She noted some of the recent economic development investments that have been negotiated.

Ms. Oland described the current target for the fund balance was set at 22 percent, and described the practice of using any overage for one-time capital expenditures. She recommended that a policy be drafted to establish a minimum level of unassigned fund balance in accordance with Government Financial Officers Association standards.

After a short break, Mr. Jones described the capital investment priorities and debt management. He then introduced Mr. Turner to share information on employee compensation.

Mr. Turner described a compensation philosophy and some of the work that several teams have done in this area. He noted the factors to consider when providing pay raises, and shared data on the organizations that the Town uses for comparison. Mr. Turner stated that the medical insurance rates fluctuate yearly. The Town has been working on several things to attempt to stabilize this cost.

Ms. Oland described the Other Post Employee Benefits (OPEB) liability, and some of the historical data. She recommended drafting an OPEB pre-funding policy to establish minimum levels of funding.

Mr. Jones reviewed current process and things already identified with the budget discussion.

4. *Expectations for 2019 Budget Process*

Mr. Jones asked for feedback on the budget process and expectations for this

year's discussions. Some elements were:

- Consider setting up reserve fund for maintenance of Town buildings, with a list of projects.
- Identify core budget items where there is not freedom of discretion to make large changes and also identify strategic initiatives where there is a higher likelihood to make a choice.
- Identify a multi-year strategy for transit and stormwater to address long-term goals.
- Talk to SWAG about a public interest for composting. Evaluate yard waste/leaf removal should we consider reduction. Could be considered an extra service as opposed to an essential service.
- Consider the creation of an urban design position.
- Share a breakdown of the expenditure and revenue numbers. What goes to salary, healthcare, etc., which may provide clarity on the core budget items where there isn't a large area for decision making and change without substantial impact. Identify market influences.
- Provide trends from departments with significant revenue sources, such as Planning and Permitting. Include sales tax numbers also. This would reflect the increase in development and the associated revenues.
- Provide transparency and clarity in the budget documents and budget process. Identify projects like Rogers Road where the Town is a contributor.
- Provide both comprehensive presentations, and granular data. May help Council members to compare project impacts and share with the community.
- Look for a way to show that the expenditures in the Town budget connect to and show execution of the Council's strategic goals.
- Consider a multi-year budget strategy. Provide a broad trajectory.

Attendees had lunch and resumed the program at 12:51 p.m.

5. Goal Overview and Prioritization

Ms. Buckley opened the session by acknowledging an inspiration for today's conversation was that many successes and accomplishments have been recognized in the 2016-18 Council Goals. The past few years have focused on the development of vision level goals, she said. This year the planning committee identified a need hold the discussion at a tactical level to continue to take actions to get to the broad Town vision. Ms. Buckley stated that the goal was to confirm and prioritize the work plans.

The quarterly Affordable Housing Reports include a Goal Statement, Community Indicators, performance measures and work plans. She described the sources of data for the development of the work plans and how the work plans would be used in this and future fiscal years. Ms. Buckley stated that the next steps would be to continue to build on this model for the other goal areas.

Ms. Buckley noted that the Council had worked with Dr. Monica Allen, Insight Performance Management Group consultant on a survey. The next iteration

would include a recommendation on next steps for strategic planning, continue to work on structure and offer specificity, the goal areas feel too broad and an interest in clarifying staff and Council roles in the process, she said. Ms. Buckley stated that the results indicated that the Council affirmed that it is generally "ok" with the goals, so the work plans were organized using the goal areas. She reported that the Council indicated a clear focus on the environmental stewardship and affordable housing goals, with similar interests in the economic development, connected community and vibrant and inclusive community goals. Ms. Oates noted that the safe community goal ranks lower because there is a higher confidence in that area. The other areas need more work. There are already action items that are being maintained in this area, she said.

The Council reviewed the work plans and identified things that they wanted to add, stop or change. See the next iteration of the work plans (attached).

After the exercise, the Council discussed the prospect of prioritizing the items within the work plans. There appeared to be consensus that having the staff bring back a next iteration of the work plans along with additional information in response to the questions asked during the retreat would provide the Council members with an opportunity to provide further direction. Mr. Jones reminded the Council that there would be a budget work session in March for further discussion. The Council requested that the staff expand the work plan to indicate proposed short-, medium- and long-term timelines to each item, and to identify projects already in progress. The Council would then have the opportunity to adjust the time indicators and affirm agreement on the document. The Council agreed to continue the discussion at the work session.

Announcements.

Mayor Hemminger provided reminders of upcoming events in the following week. Other positive feedback was received and appreciation was expressed for the Committee and staff support for the retreat.

6. Next Steps and Group Critique of Retreat

Ms. Davidson asked for feedback on the meeting logistics. Some elements were: the facilities were good although the space for Friday was too small, staff provided a good balance of history and data to consume and provide reaction, time was used to delve into important issues, request that independent activities be done prior to the meeting, and a desire to take active steps for policy development.

Ms. Davidson confirmed that staff would review and finalize documents for Council review. She also congratulated the Council for continuing to build on the relationship building from last year's retreat, which contributed to this year's success.

7. Adjourn.

The meeting adjourned at 3:03 p.m.

Additional Materials

[\[19-1070\]](#)

Attachments: [Budget Financial Overview Presentation](#)
[Goal Overview and Prioritization Presentation](#)
[2019 Council Retreat - Council Edited Strategic Work
Plans](#)
[Parking Lot List](#)