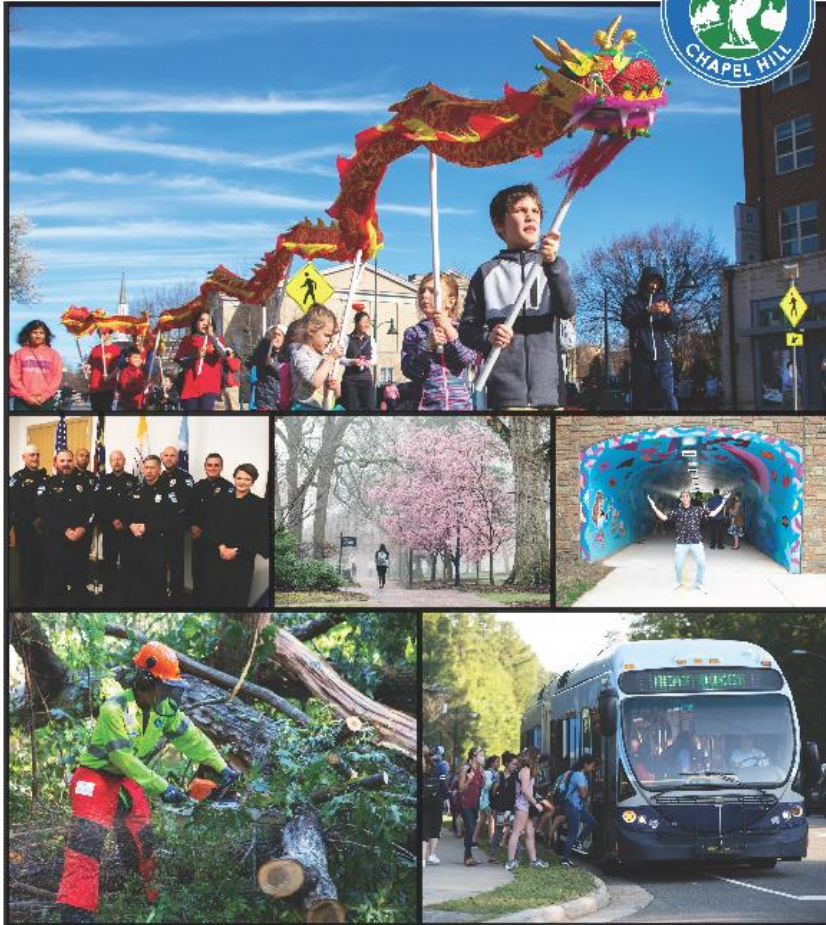


Manager's Recommended Budget FY2019-20

Town of Chapel Hill
North Carolina



Manager's Recommended Budget
FY 2019-20

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Town Mission and Council's Goals

Our Mission. *Learning, serving, and working together to build a community where people thrive.*

Council's Strategic Goals

- | | |
|-----------------------------------------|----------------------------------------------|
| I. Connected Community | V. Vibrant & Inclusive Community |
| II. Economic & Financial Sustainability | VI. Environmental Stewardship |
| III. Safe Community | VII. Collaborative & Innovative Organization |
| IV. Affordable Housing | |

Budget Foundations

Responsible, Resilient, Smart and Strategic

- Supporting Council's strategic priorities
- Protecting fund balance to promote resiliency
- Smart investments in maintaining public assets
- Supporting our most valuable resources



Budget Foundations

Recommended Budget

- \$113,030,494
- 3.7% Increase from FY 2019
- No Property Tax increase for General or Transit Fund
- 1.6 cent increase in Property Tax to support debt service for the \$10 million Affordable Housing Bond (1 cent) and General Obligation Bonds (.6 cent)

Budget Foundations

Budget Drivers

- Environmental Sustainability
 - \$315,000 for Coal Ash Remediation
 - \$50,000 to develop a Climate Action Plan
 - Debt service payments to complete Stormwater projects
- \$100,000 for Urban Design
- \$200,000 to assist with retaining and recruiting police officers
- \$515,000 increase in the local contribution to state retirement fund

Budget Resolution 2018-06-13/R-5.1

Framework for the FY 2019-20 Manager's Recommended Budget is centered around budget resolution 2018-06-13/R-5.1:

WHEREAS, the Council seeks to consider and review the foundational policies for budget development early in the process, including but not limited to:

- Investment in employee compensation to recruit, retain, and promote Town employees that carry out consistently excellent service to the community as well as the strategic priorities of the Town Council;
- Pre-funding contributions to Other Post-Employment Benefits (OPEB);
- Balancing growth in the property tax base and other revenue sources to cover the increasing costs of providing service;
- Targets for fund balance levels;
- Priorities for capital investments in infrastructure and facilities, including public transit rolling stock;
- Debt management;
- Operational trends, priorities and needs;

Employee Compensation

Resolution Item #1: "Investment in employee compensation to recruit, retain, and promote Town employees that carry out consistently excellent service to the community as well as the strategic priorities of the Town Council"

- 3% of Market Pay Raise (\$1,401,851)
- Living Wage Adjustment (\$47,915)
- 4.9% Medical Insurance Increase (\$358,301)
- 1.2% Retirement System Increase (\$515,000)
- Sworn Police Officer Pay Adjustments
- Comprehensive Classification and Compensation Study



Pre-Funding OPEB

Resolution Item #2: “Pre-funding contributions to Other Post-Employment Benefits (OPEB)”

- 2009 – Began pre-funding OPEB liability
- 2010 – Switched to defined contribution plan
- 2017 – Change in healthcare plan for retirees >65
- 2017 – Established OPEB irrevocable trust
- 2019 – Recommended budget proposes reduction in pre-funding
- 2019 – Draft OPEB Pre-Funding Policy presented to Council April 24th; goal of adoption in June



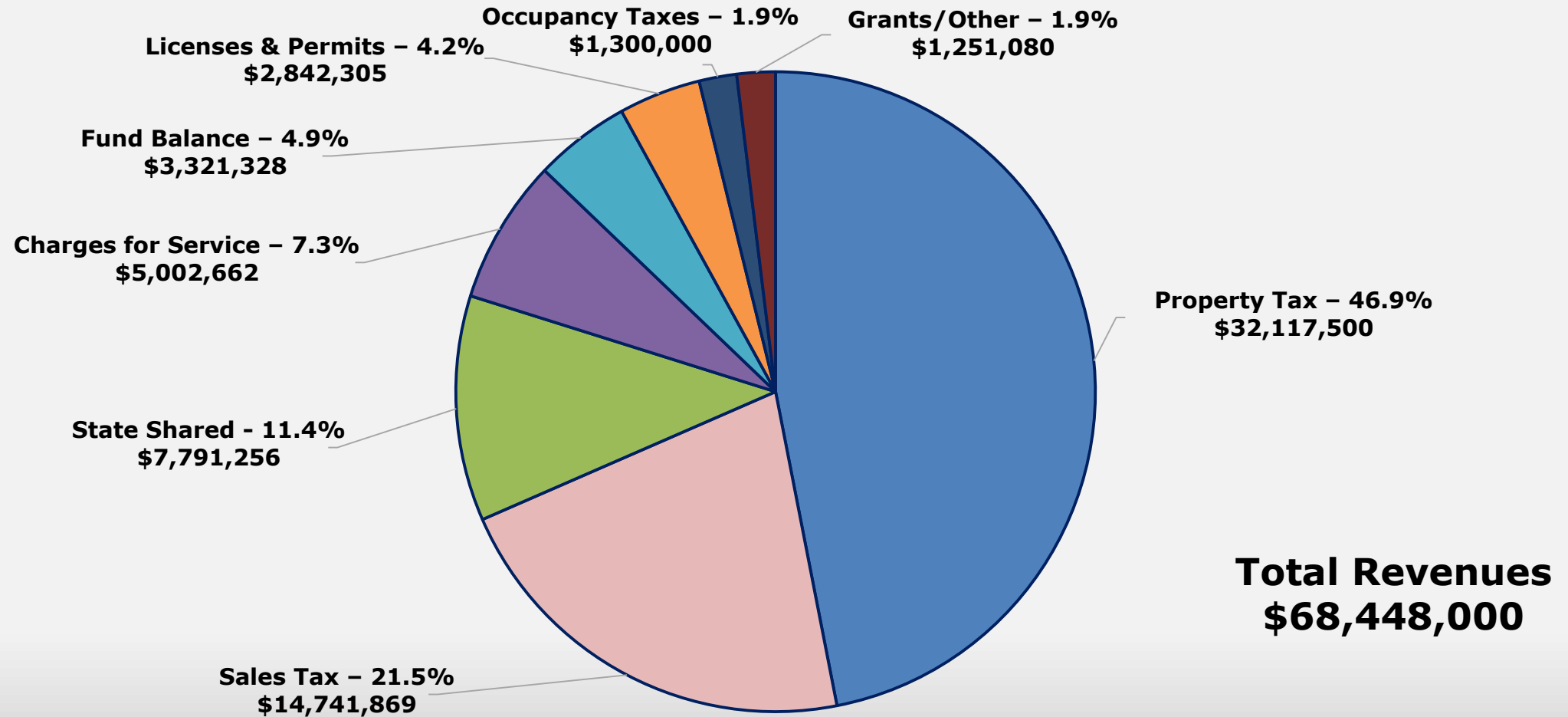
Balancing Revenues & Expenditures

Resolution Item #3: "Balancing growth in the property tax base and other revenue sources to cover the increasing costs of providing service"

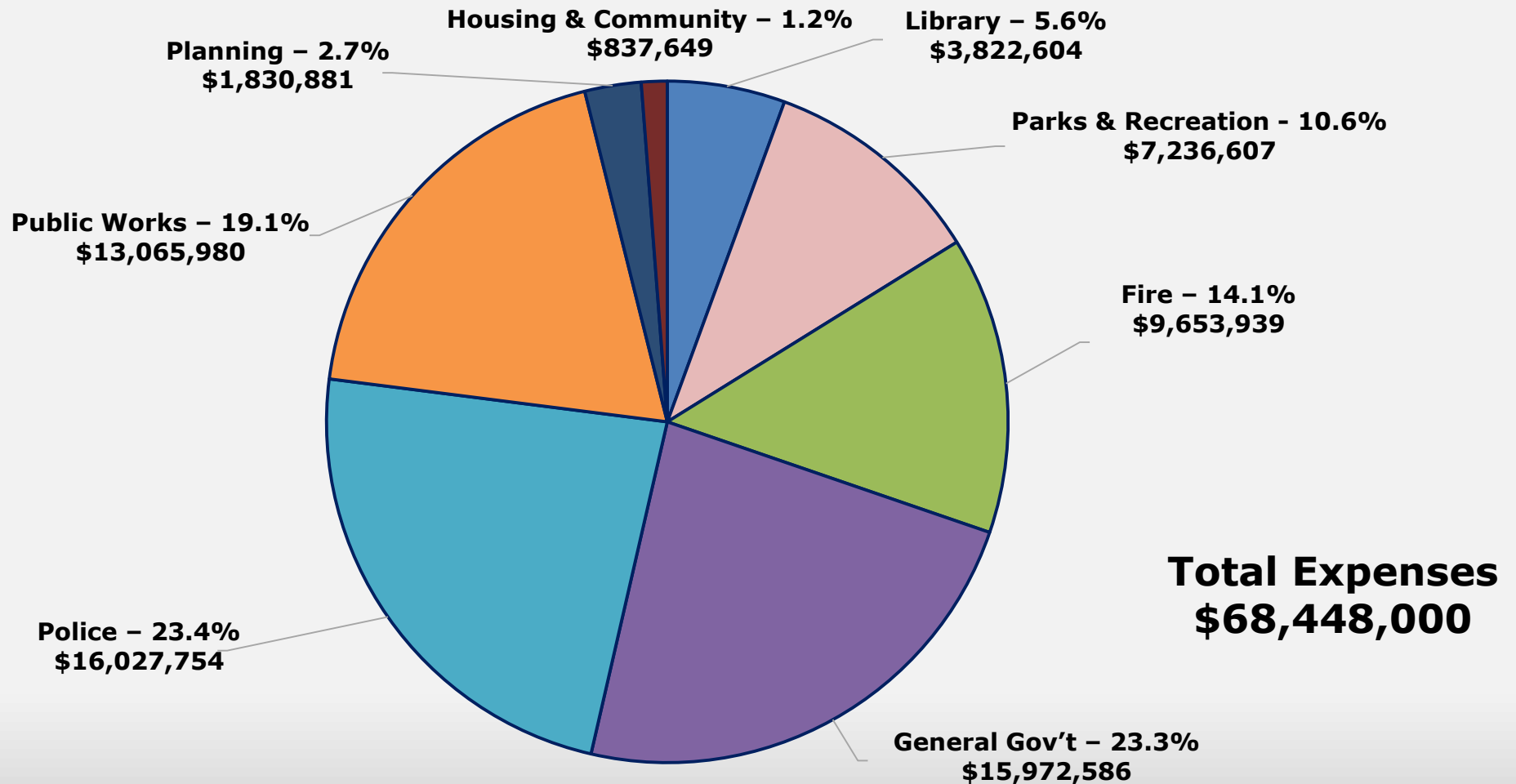
- General Fund revenue summary
- General Fund expenditure summary
- Rates of Growth – expenditures vs tax base
- Sales Tax revenues



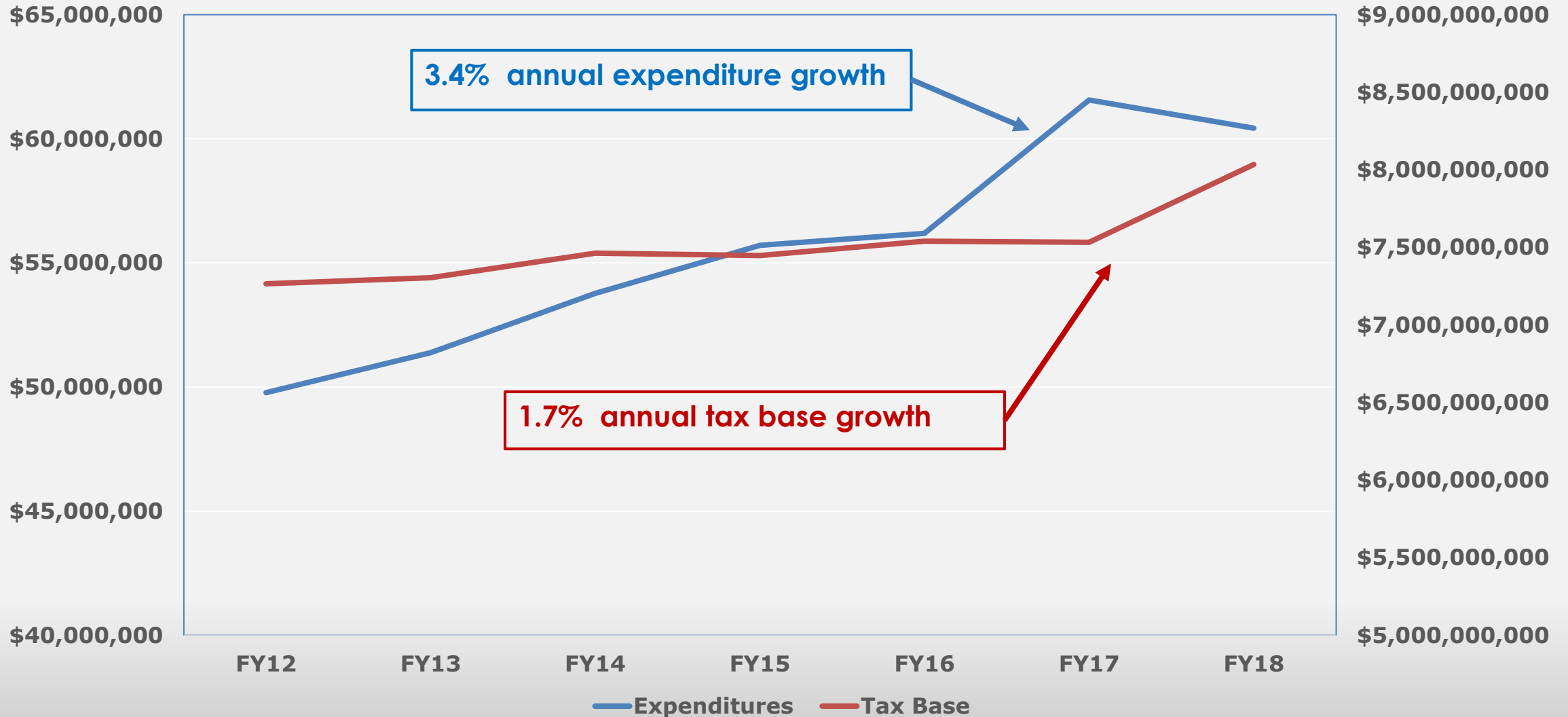
General Fund Revenues FY2019-20



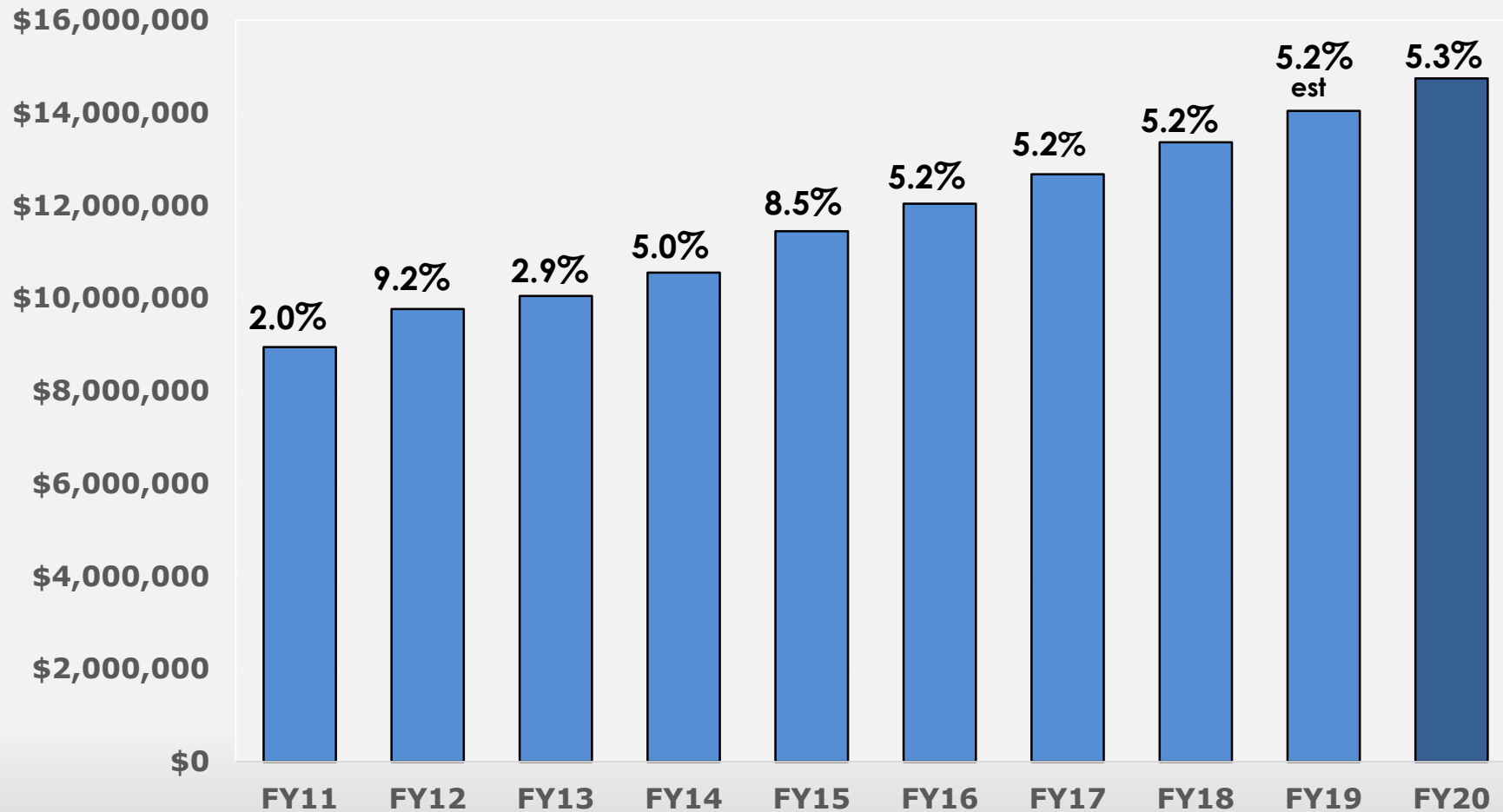
General Fund Expenses FY2019-20



Expenditures vs Tax Base - Rate of Growth



Sales Tax History



Fund Balance Target

Resolution Item #4: “Targets for fund balance levels”

- Reserve for emergencies, unforeseen events & opportunities.
- Unassigned fund balance target of 22% or higher of General Fund expenditures.
- Draft Fund Balance Reserve Policy presented to Council April 24th; goal of adoption in June
- FY2019-20 recommended budget appropriates \$3.3 million in fund balance to balance the budget.

Capital Investments

Resolution Item #5: “Priorities for capital investments in infrastructure and facilities, including public transit rolling stock”

- Existing projects (2015 & 2018 bond referendums)
- Carry out proposed debt plan (FY2020 - FY2024)
- Invest in annual capital & maintenance needs
 - Pay-go capital
 - Maintenance
 - Street repaving
 - Vehicle replacements
 - Bus fleet



Debt Management

Resolution Item #6: "Debt management"

- Recommending a tax increase of 1.0 cent for affordable housing
- Recommending a tax increase of 0.6 cents to generate revenue necessary for Town to continue meeting existing debt obligations and create the needed borrowing capacity for planned capital:
 - Municipal Services Center
 - Elliott Road Extension
 - Wallace Deck
 - Streets & Sidewalks

Property Tax Rates

RECOMMENDATION:

- **No change for General Fund or Transit Fund**
- **1.6 Cents Increase for Debt Service Fund**

Current Tax Rate

52.8

Proposed Tax Rate

54.4

- \$200,000 assessed valuation
- current = \$1,056 proposed = \$1,088 difference = \$32

Operations

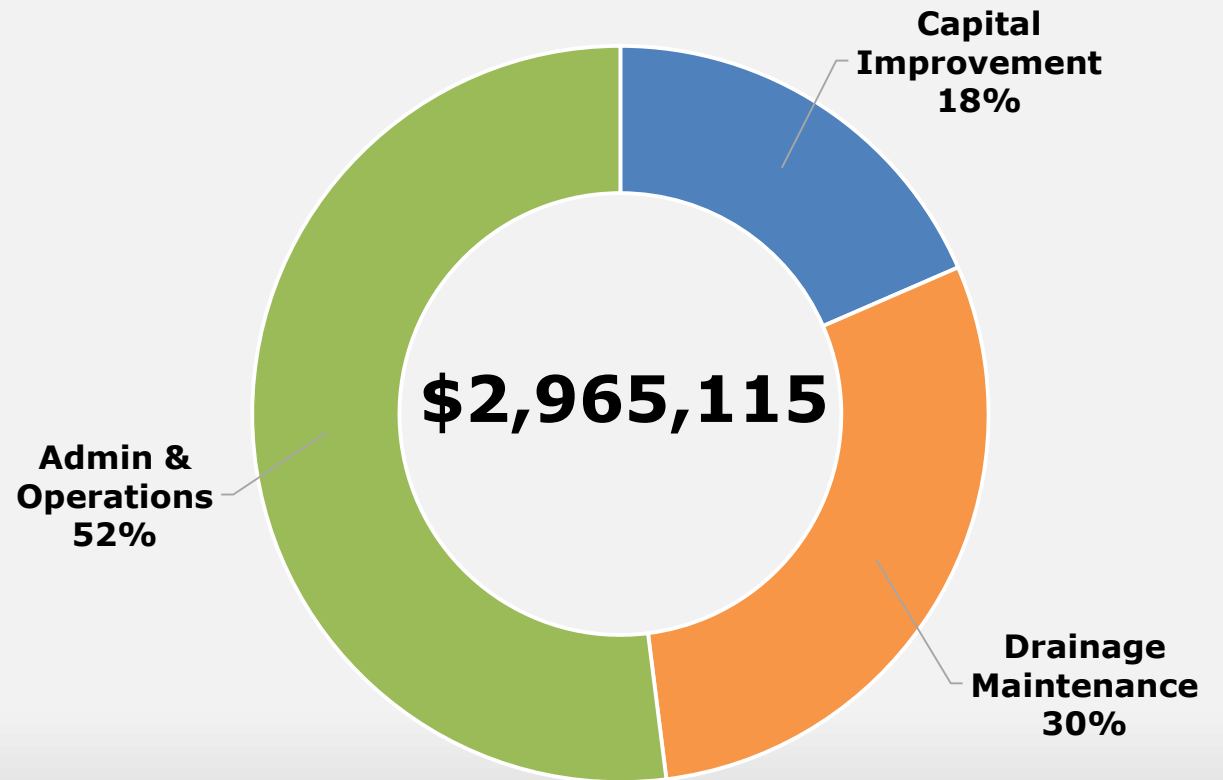
Resolution Item #7: “Operational trends, priorities and needs”

- Maintaining Town’s core services
- Climate Action Plan
- Urban Design Services
- Environmental Sustainability
- Town’s Enterprise Operations:
 - Stormwater
 - Transit
 - Parking
 - Housing



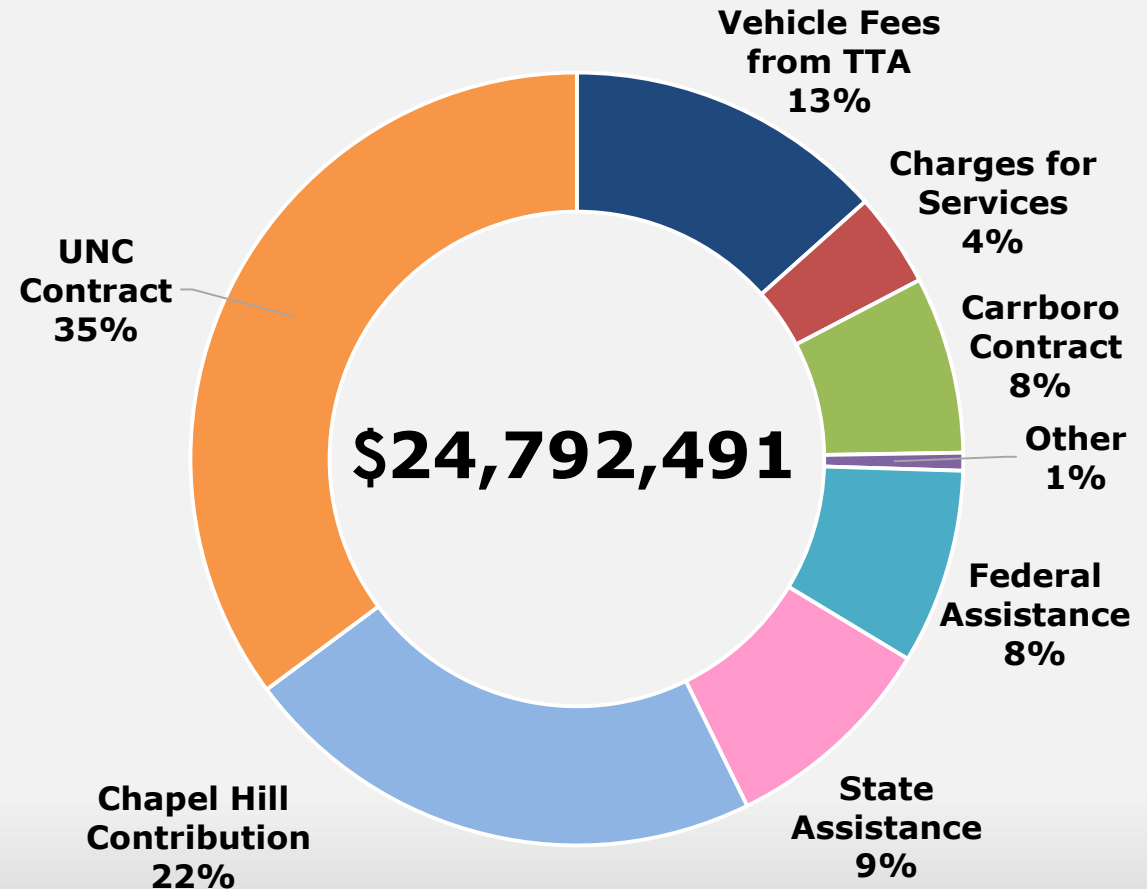
Stormwater Fund Expenses FY 2019-20

- **8.8% Increase (\$240,000)**
- **\$2.82 per ERU recommended fee increase to issue remaining \$3.2 million GO bonds for:**
 - **Lake Ellen Flood Storage Project**
 - **Red Bud Flood Storage Project**
 - **Booker Creek Road Project**
- **\$10 average annual bill increase**
- **Stormwater Fund in good fiscal condition**



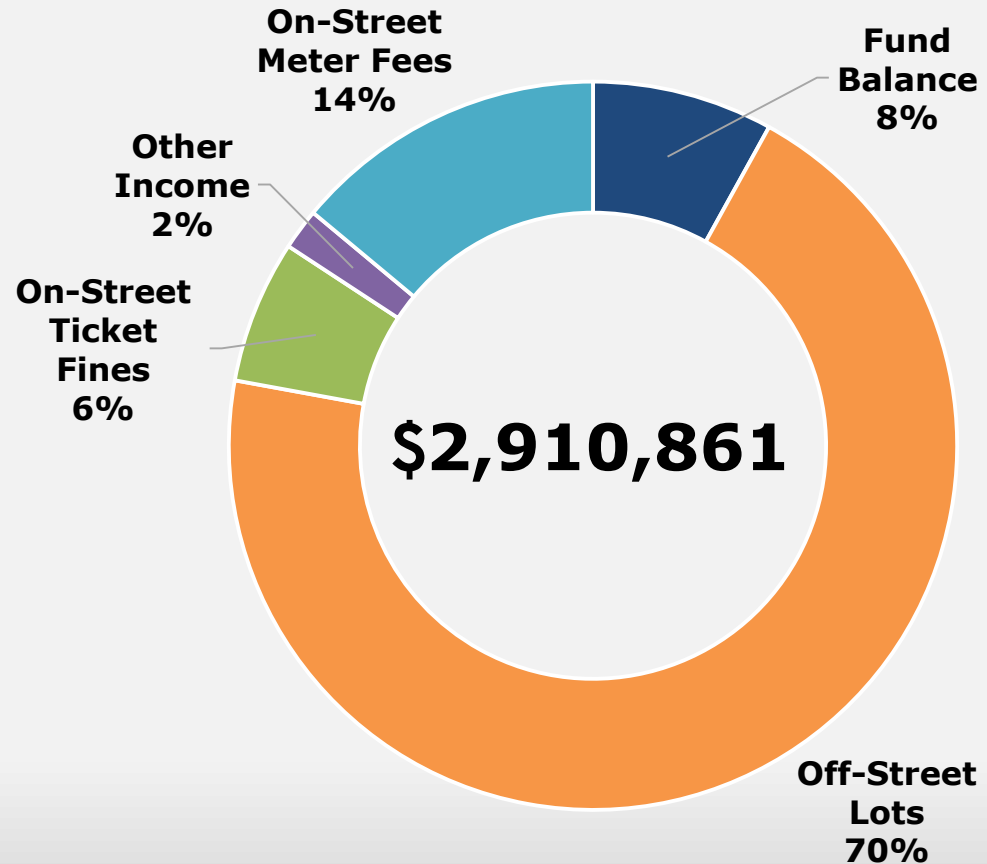
Transit Fund Revenues FY 2019-20

- **No recommended tax increase**
- **4.3% increase overall**
- **No use of Fund Balance**
- **Small increases for partners (UNC, Carrboro & Town)**
- **Federal Assistance unchanged**
- **State Assistance decrease \$686,000**
- **Vehicle Fees from Triangle Transit Authority increase \$1.3 million for Bus Replacements**
- **Transit Fund in relatively good fiscal condition – dependent on fed/state monies & bus replacement needs**



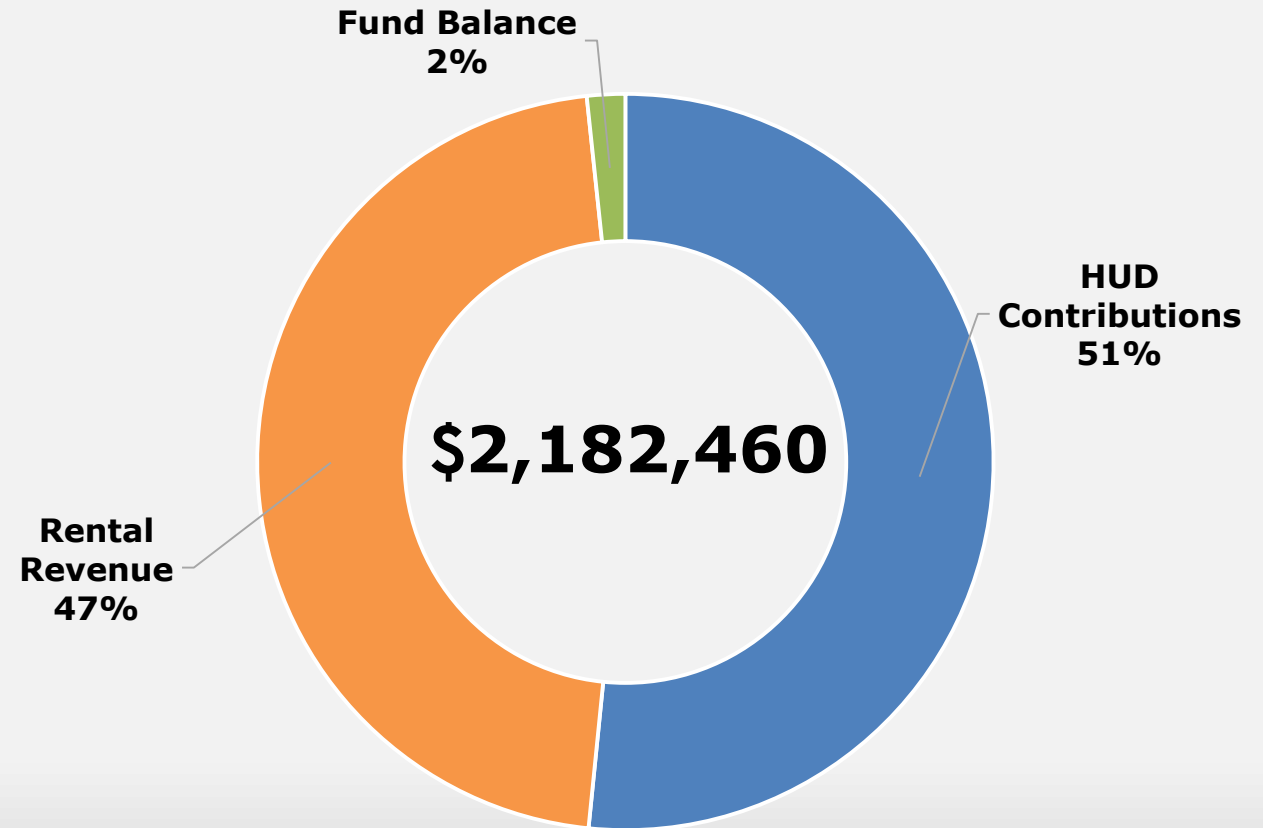
Parking Fund Revenues FY 2019-20

- **7.5% increase in total budget**
- **Increase tied to lot rental cost increases**
- **Expenditures exceed revenues by \$233,861**
- **Expenditures include \$905,332 for debt service**
- **Parking Fund needs an influx of revenues to continue existing operations**
- **No Parking Fee Increases**
- **Reviewing rate structure and hours**



Housing Fund Revenues FY 2019-20

- **1.0% Decrease (-\$22,000)**
- **52% of FY 2020 housing expenses are covered with HUD Operating Subsidy (compared with 55% in FY 2019)**
- **Less fund balance appropriated in FY 2020 with 5.0% HUD contributions increase and 12.6% rental revenue increase**
- **Housing Fund in relatively good fiscal condition assuming federal monies remain stable**



5-Year Budget Plan

5-year long-range plan to accomplish:

- Environmental resiliency
- Connections between strategic work plans to budget program expansions
- Expansion of building maintenance and street paving programs
- Restoration of pay-go capital and vehicle replacement programs
- Sustainability of Town's enterprise funds

Next Steps

- May 8 Public Hearing
7:00 p.m. Council Chamber
- May 15 Budget Worksession
6:30 p.m. Chapel Hill Public Library
- June 5 Budget Worksession
6:30 p.m. Chapel Hill Public Library
- June 12 Proposed Budget Adoption
7:00 p.m. Council Chamber

Manager's Recommended FY20 Budget

