

**From:** Roger Stancil  
**Sent:** Tuesday, January 16, 2018 5:58 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; 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 Questions: Item 11: Financial Presentation  
**Attachments:** GF Major Exp FY12\_18.docx; Pending Debt Financed Projects January 2018.xlsx

**Council Question:** I see in the Staff Memo re: the Capital Projects Fund (p 88 of agenda packet) that our increased balance “will be spent down rapidly as we continue to make progress on major capital projects.” Could you please provide a list of major capital projects the Town intends to undertake and their projected budgets? I have a note from another presentation that the Town intends to issue \$54 million of new debt in the next five years. Is most/all of that new debt intended to fund these capital projects?

**Staff Response:** See attached schedule of capital projects (Pending Debt Financed Projects). The \$54.2 million (highlighted in green) are the projects that are currently in our debt funding plan for the next 5 years. The Stormwater project is not included in that total because the debt service will be paid from the Stormwater Enterprise Fund, rather than the Debt Fund. The projects listed at the bottom of the spreadsheet represent identified needs that are not currently in the funding plan.

**Council Question:** Other than employee healthcare costs, what are some examples of other areas where the Town’s operating costs have substantially increased over the last seven years that can account for the more than 3% increase overall (p. 89, 6th bullet down, for reference)

**Staff Response:** About 74% of the Town’s General Fund Budget are personnel related expenditures (FY2017-18 Budget), therefore changes to the cost of paying employees tends to drive the overall increase in expenditures. In addition to the increases in the cost of health insurance coverage, the Town has, in most years, provided an annual salary adjustment to remain competitive in the job market, allowing us to retain and recruit excellent employees. The annual salary adjustments and health care costs are shown in the following table.

	Pay Adjustment	One-time Payment	Health Ins. Increase
<b>FY2008-09</b>	3%	0	10.0%
<b>FY2009-10</b>	0	0	17.1%
<b>FY2010-11</b>	0	\$800	13.9%
<b>FY2011-12</b>	0	\$800	10.1%
<b>FY2012-13</b>	3%	0	(3.0%)
<b>FY2013-14</b>	2%	0	4%
<b>FY2014-15*</b>	3%	0	7.0%
<b>FY2015-16*</b>	2% - 2%	0	(8.5%)
<b>FY2016-17*</b>	2% - 1.5%	0	16.9%
<b>FY2017-18*</b>	2.5%	0	12.3%

\* Increase calculated from market (mid-point) for each grade

In addition to the costs represented in the table above, the Town has periodically implemented pay adjustments and reclassifications based on a market studies (\$242,000 in additional cost in FY18) and increases to the base salary levels for certain full and part-time positions in accordance with the Orange County Living Wage standards (\$93,098 in additional costs for FY18).

Changes to non-personnel costs have tended to be programmatic rather than indicative of trends in the cost of commodities or services. In most years we see a combination of operating cost increases and decreases as new initiatives are undertaken and others are completed. This is represented in the annual increases in operating and capital costs shown in the following table.

Annual Increases	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18
Personnel	1.8%	4.4%	5.2%	6.5%	5.7%	3.7%
Operating	8.4%	3.3%	9.7%	5.0%	-8.5%	-5.2%
Capital	38.0%	16.8%	-1.6%	-5.9%	914.6%	-33.5%
Total	4.0%	4.2%	6.4%	5.9%	2.2%	0.8%

A better understanding of the factors and decisions that influenced the year-to-year changes in the Towns' General Fund Operating Budget can be gained by reading the Major Expenditures – Descriptions and Estimates section of the annual budget book (sections from FY12-18 are attached, GF Major Exp FY12).

**Council Question:** How much would the parking fund need in revenue in FY18 (compared to FY17) to keep it solvent and avoid restructuring or subsidy?

**Staff Response:** Basically, the Fund will need to finish the year within about \$30,000 of breakeven, because that is the amount of liquid assets the Fund had at year-end. In other words, if expenditures exceed revenues by more than \$30,000 the Parking Fund will need a transfer from the General Fund to stay solvent. Budgeted operating revenues for FY18 are \$2,668,762 million compared to FY17 actual operating revenues of \$2,541,380.

**Council Question:** In the CAFR presentation, does the \$1.9 million decrease in governmental funds reflect a decrease in both state and federal funding? Do we have a sense if that is typical for other towns/cities in NC?

**Staff Response:** The decrease in governmental funds is due primarily to planned spend-down of fund balance (American Legion Property). The effect of reductions in federal and state grants is evident in the Transit and Housing Enterprise Funds. The loss of federal funds for bus replacement is a nationwide trend that is increasing the cost of operating transit systems. The same can be said for Housing Federal Operating Assistance which is going down nationwide (see link below).

<https://www.cbpp.org/research/housing/chart-book-cuts-in-federal-assistance-have-exacerbated-families-struggles-to-afford>

In regards to transit and transportation this is a fairly common trend, especially for urban areas in NC and nationally. In 2015 \$'s the current national backlog for transportation infrastructure is estimated at \$926B. The national transit backlog (replacement and deferred maintenance) is around \$102B and around \$50M in the state of NC. Federal formula grants have been flat or declining for around a decade or more, with the last substantial investment infusion coming through the American Recovery and Reinvestment Act (ARRA) in 2009-2010. Federal discretionary grants have also been very limited - for example one of the last notices of funding availability for a federal transit competitive grant program was for \$55M. And, federal discretionary programs have also been suggested for elimination or substantial reduction by the current administration.

**Council Question:** Why is the Parking Fund operating at a loss now? Is that due to the purchase of the new parking meters? How long before they pay for themselves?

**Staff Response:** The Parking Fund finished with a loss in FY17 because revenues underperformed for the following reasons:

- Construction on Rosemary Street affected revenues at the Wallace Deck and 140 West
- Some changes in how parking spaces are managed had the effect of reducing revenue in the short-term, for instance:
  - Spaces in the Courtyard lot were changed from monthly lease to hourly
  - Summer Saturday Free Parking Program

*In addition, Parking Operations had unplanned maintenance expenses and a parking study that was not included in the original budget.*

*The purchase of the new Parking Meters will be made from Capital Project Funds rather than from the Parking Fund. Therefore, there the purchase will have no impact on the Parking Fund.*

**Council Question:** P. 88 makes reference to the General Fund balance reduction due in part to the purchase of the American Legion property. I recall that we made our March 2017 payment out of the higher-than-expected revenue that came in last FY. Was that not the case?

**Staff Response:** *Funds for the first payment for the American Legion property (\$3.6 million) came from fund balance in excess of 22%, as measured at FY16 year-end. The use of this amount of fund balance reduced fund balance from 28.4% to the 22% target. The additional reduction in unassigned fund balance from 22% to 20.2% was due to expenditures exceeding revenues in FY17 and the impact of one-time transactions on the calculation of the unassigned fund balance percentage.*

**Council Question:** (page 69): As we are now halfway through our current fiscal year, do we have a tentative forecast of where we will be in terms of the various fund balances at the end of this year, taking into account the next payment due on the American Legion property?

**Staff Response:** *We are currently working on the mid-year budget to actual report and it will be available by the end of next week.*

**Council Question:** (page 76): Could you refresh our memory regarding how the debt fund can go negative, specifically if it is negative, how do we meet our debt service obligations?

**Staff Response:** *Technically the Debt Fund cannot go negative, we must pay debt service and we will transfer funds to cover the expense if needed. The scenario depicted on page 76 is to illustrate the gap between our capital program and our debt fund capacity. It is assumed that either the dedicated Debt Fund tax will be increased to match debt service costs or projects will be delayed or reduced to match capacity.*

**Council Question:** (page 77): Given the sharp decline in the Transit Fund assets, will we be able to continue our bus acquisitions?

**Staff Response:** *It depends in large part on whether the CHT funding partners, including the Town, continue to support funding of the replacement plan. It should be noted that a portion of the reduction of fund assets was planned, as those assets were used to purchase buses and to provide grant matching funds. Also a delay in receiving \$1.3 million from the Orange County Transit Plan, originally expected in FY17, also reduced fund assets at year-end. The good news is that due to a variety of grants, better-than-expected terms on the bus financing arrangement, and capital replacement funds from the Orange County Transit Plan, the CHT Partners' increases needed to maintain the replacement plan will be less than projected in the Capital Plan.*

**Council Question:** (page 79): Do we have any explanation for why parking revenues declined last year? How are revenues tracking for the first half of this year?

**Staff Response:** *Revenues underperformed for the following reasons:*

- *Construction on Rosemary Street affected revenues at the Wallace Deck and 140 West*
- *Some changes in how parking spaces are managed had the effect of reducing revenue in the short-term, for instance:*
  - *Spaces in the Courtyard lot were changed from monthly lease to hourly*
  - *Summer Saturday Free Parking Program*

*We will provide an analysis of Parking Fund revenues with the mid-year budget to actual report.*

**Council Question:** (page 85): Do we have an estimate of the magnitude of the tax increase likely to be required for the Debt Fund if we are to maintain our proposed capital plan?

**Staff Response:** *In order to prevent the Debt Fund from going negative given the issuance scenario shown on page 76, the Debt Fund Tax would need to be raised 1 penny either in FY19 or FY20. A tax increase instituted after FY20 would need to be more than 1 penny.*

**Council Question:** Given the above, how likely is it that we can proceed with a debt issuance for affordable housing, as was discussed in the fall?

**Staff Response:** *It is highly unlikely that the Debt Fund would have capacity to support future affordable housing bonds unless the debt fund tax rate were raised by an amount sufficient to cover debt service costs for any affordable housing bonds issued. This has been part of the Council discussion about these bonds.*

**Council Question:** Is there a safe "fluctuation", so to speak, from year to year for the government-wide financial position and General Fund?

**Staff Response:** *The Town's 22% fund balance target is designed to provide a "safe" level of reserves to protect against a variety of risks. A small dip below 22% for one year is considered acceptable as long as it does not become a trend.*

**Council Question:** What is done usually with unassigned fund balance? Does it go into a rainy day fund?

**Staff Response:** *Unassigned fund balance is our rainy day fund. It is available to fill gaps in cash-flow and to protect the Town from unforeseen events. Amounts above our informal target of 22% are considered available for appropriation by Council. It is customary that any appropriated fund balance above the target would be for one-time uses, recognizing the uncertainty of the source.*

**Council Question:** Is the new debt service of \$3.5 million for this year or for the period through FY22?

**Staff Response:** *The \$3.5 million of new debt service would be added in several individual debt issuances through 2022. Each of these debt transactions are subject to Council review and formal approval.*

# GENERAL FUND

## Major Expenditures - Descriptions and Estimates

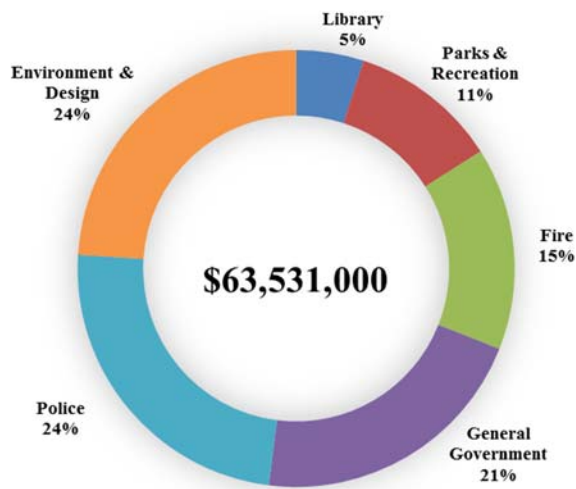
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### FY2017-18

The General Fund provides basic services for Town citizens including police and fire protection, environment and development services (including planning, public works, engineering, and inspections), general administration and planning for growth and development in the community.

The pie chart below shows the relative proportions of expenditures for the various functions and departments in the General Fund budget totaling \$63,531,000 for the 2017-18 budget.

The largest category of expenditures for the General Fund is Public Safety services, with Police Department expenditures of about \$15.2 million and Fire Department expenditures of about \$9.2 million.



Environment and Development is the second largest category in the General Fund at about \$15.2 million, including Planning & Development Services, Housing & Community and Public Works which provide services of affordable housing, planning for growth, engineering, solid waste collection, maintenance of streets, and maintenance of Town facilities.

Police, Fire and Public Works together comprise about 57.7% of total General

Fund expenditures.

Other General Fund services include Parks and Recreation programs totaling about \$7.4 million, Library services of \$3.1 million, and General Governmental activities (Administration, Communications & Public Affairs, Business Management, Human Resources, Attorney, and Non-Departmental) totaling about \$13.4 million.

Non-departmental expenditures total \$4.0 million. Non-departmental expenditures include a transfer for capital improvements of \$476,500. \$1,112,137 is included in the annual budget for distribution to other agencies in support of human services, cultural and arts programs, economic development and development of affordable housing as adopted by the Council. The non-departmental budget also includes funding for “penny for housing” (\$688,395) and legal/investigations/demolition funds (\$100,000). The budget for liability and property insurance totals \$400,000.

Significant changes in the 2017-18 budget includes changes to medical insurance rates. The adopted budget includes a 12.0% increase in rates for active employees and under-65 retirees, or about a \$611,000 increase.

# ***GENERAL FUND***

## ***Major Expenditures - Descriptions and Estimates***

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Additional expenses in the budget include a 2.5% of market rate salary adjustment starting July 1, 2017 (\$845,000) and moving 72 employees to a higher job classification based on the implementation of recommendations given from an independent market study (\$242,000). Further additional expenses include an increase in temporary salary pay in order to stay in compliance with the Orange County Living Wage ordinance (\$93,098) and implementing pay and performance incentives in the Police department (\$86,000). There are purchases for an extractor and dryer (\$22,800) and a power unit (\$8,500) for the Fire Department. There is an additional \$20,000 for asphalt for patching in Public Works.

The 2017-18 Adopted Budget continues to fund retiree medical costs on a pay-as-you-go basis (\$1,185,188), and contributes \$630,000 towards the post-employment benefit (OPEB) liability. The budget increases funding for the Orange Community Housing & Loan Trust by \$11,270 and the Homelessness Initiative by \$7,810.

The table below shows expenditure levels for General Fund personnel, operating costs and capital outlay.

# GENERAL FUND

## Major Expenditures - Descriptions and Estimates

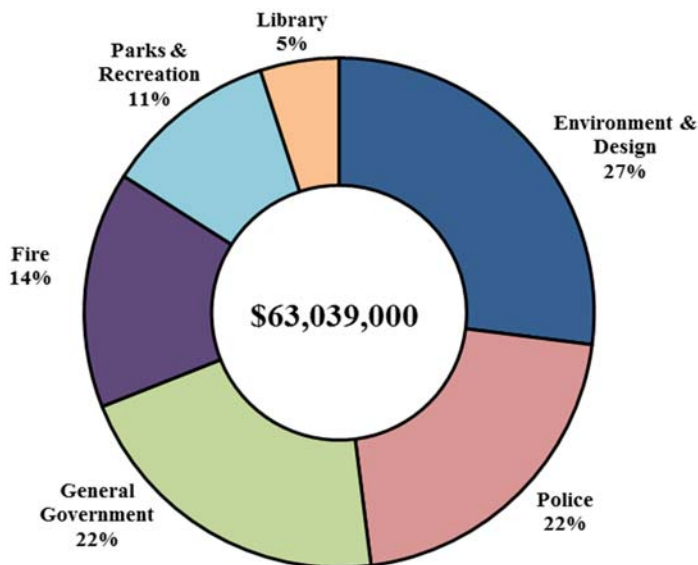
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### FY2016-17

The General Fund provides basic services for Town citizens including police and fire protection, environment and development services (including planning, public works, engineering, and inspections), general administration and planning for growth and development in the community.

The pie chart below shows the relative proportions of expenditures for the various functions and departments in the General Fund budget totaling \$63,039,000 for the 2016-17 budget.

The largest category of expenditures for the General Fund is Public Safety services, with Police Department expenditures of about \$13.4 million and Fire Department expenditures of about \$9.3 million.



Environment and Development is the second largest category in the General Fund at about \$17 million, including Planning & Sustainability, Housing & Community and Public Works which provide services of affordable housing, planning for growth, engineering, solid waste collection, maintenance of streets, inspections, and maintenance of Town facilities.

Police, Fire and Public Works together comprise about 55% of total General Fund expenditures.

Other General Fund services include Parks and Recreation programs totaling about

\$7.1 million, Library services of \$3.1 million, and General Governmental activities (Administration, Communications & Public Affairs, Business Management, Human Resources, Technology Solutions, Attorney, and Non-Departmental) totaling about \$13.4 million.

Non-departmental expenditures total \$4.5 million. Non-departmental expenditures include a transfer for capital improvements of \$778,000. \$1,095,057 is included in the annual budget for distribution to other agencies in support of human services, cultural and arts programs, economic development and development of affordable housing as adopted by the Council. The non-departmental budget also includes funding for “penny for housing” (\$688,395), legal/investigations/demolition funds (\$100,000) and the Technology Fund (\$270,407). The budget for liability and property insurance totals \$400,000.

Significant changes in the 2016-17 budget includes changes to medical insurance rates. The adopted budget includes a 15.5% increase in rates for active employees and under-65 retirees, or

# ***GENERAL FUND***

## ***Major Expenditures - Descriptions and Estimates***

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about a \$638,000 increase. The budget also includes an increase to the employer contribution to the state retirement system from 6.67% to 7.25%, or about \$155,000, for General Fund employees.

Additional expenses in the budget include a 2% of market rate salary adjustment, once on the first payroll of July 2016, and a 1.5% market rate salary adjustment on the first payroll of January 2016 (\$1,007,000). Further additional expenses include a new Assistant Fire Chief of Operations (\$183,113) in the Fire department and a Principal Planner for Housing & Community. There is a contract for an Open Data Analyst (\$55,000) to improve Town communication with Chapel Hill citizens, and a \$30,000 contract for snow removal. Licensing and service costs are anticipated to increase for 2016-17 which is reflected in \$136,740 dedicated to those areas.

The 2016-17 Adopted Budget continues to fund retiree medical costs on a pay-as-you-go basis (\$925,000), and contributes \$525,000 towards the post-employment benefit (OPEB) liability. The budget increases funding for the Orange Community Housing & Loan Trust by \$28,000 and the Human Services Advisory Board by \$74,400.

The table below shows expenditure levels for General Fund personnel, operating costs and capital outlay.



# GENERAL FUND

## Major Expenditures - Descriptions and Estimates

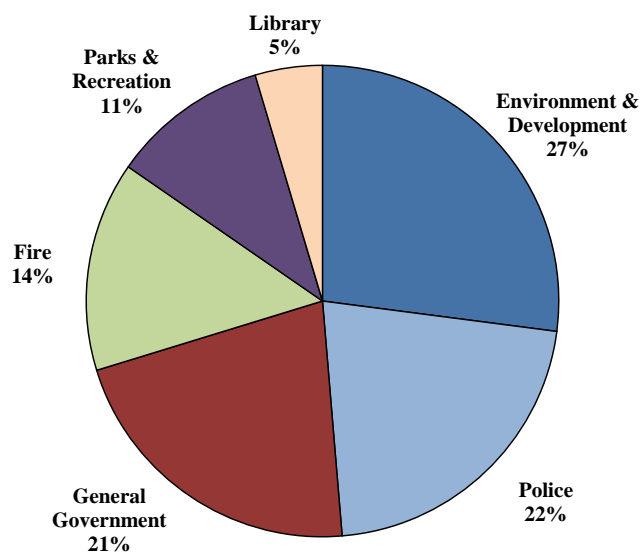
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### FY2015-16

The General Fund provides basic services for Town citizens including police and fire protection, environment and development services (including planning, public works, engineering, and inspections), general administration and planning for growth and development in the community.

The pie chart below shows the relative proportions of expenditures for the various functions and departments in the General Fund budget totaling \$61,701,000 for the 2015-16 budget.

The largest category of expenditures for the General Fund is Public Safety services, with Police Department expenditures of about \$13.3 million and Fire Department expenditures of about \$8.9 million.



Environment and Development is the second largest category in the General Fund at about \$16.6 million, including Planning & Sustainability, Housing & Community and Public Works which provide services of affordable housing, planning for growth, engineering, solid waste collection, maintenance of streets, inspections, and maintenance of Town facilities.

Police, Fire and Public Works together comprise about 56% of total General Fund expenditures.

Other General Fund services include Parks and Recreation programs totaling about \$6.6 million, Library services of \$2.8 million, and General Governmental activities (Administration, Communications & Public Affairs, Business Management, Human Resources, Attorney, and Non-Departmental) totaling about \$13.5 million.

Non-departmental expenditures total \$5.1 million. Non-departmental expenditures include a transfer for capital improvements of \$778,000. \$969,838 is included in the annual budget for distribution to other agencies in support of human services, cultural and arts programs, economic development and development of affordable housing as adopted by the Council. The non-departmental budget also includes funding for the "penny for housing" (\$688,395), legal/investigations/demolition funds (\$100,000) and the Technology Fund (\$270,407). The budget for liability and property insurance totals \$400,000.

Significant changes in the 2015-16 budget includes changes to medical insurance rates. The adopted budget includes an 8.5% decrease in rates for active employees and under-65 retirees, or about \$359,000. The budget also includes a decrease to the employer contribution to the state retirement system from 7.07% to 6.67%, or about \$93,000, for General Fund employees.

# ***GENERAL FUND***

## ***Major Expenditures - Descriptions and Estimates***

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Additional expenses in the budget include a 2% of market rate salary adjustment, once on the first payroll of July 2015 and again on the first payroll of January 2016 (\$1,030,000), increases in development related expenses in Planning & Sustainability, Public Works, Fire and Business Management (\$858,000), which includes 3 additional Inspectors, an additional Plans Reviewer, 2 Fire Inspectors, an additional Revenue Collector, Supplemental Development Plan Review and additional associated operating costs. Further additional expenses include an increase for staff dedicated to Risk Management (\$138,000), increased costs associated with the Parks & Recreation departmental reorganization (\$263,000), two additional IT Analyst positions (\$162,000), an additional position dedicated to Affordable Housing (\$100,000), a joint administrative position shared between Housing & Community and Planning & Sustainability (\$66,000), a new Customer Service Technician dedicated to the Permit Center (\$59,000), a new limited term Human Resources Consultant (\$83,000), a new Records Manager (\$69,000) and other various increases in training, equipment, supplies and technology (\$250,000).

The 2015-16 Adopted Budget continues to fund retiree medical costs on a pay-as-you-go basis (\$925,000), but does not contribute towards the post-employment benefit liability. The budget increases funding for the Orange Community Housing & Loan Trust (\$100,000) and the Homeless Initiative (\$4,000). The budget also includes a transfer to the Transit Fund (\$116,000).

The table below shows expenditure levels for General Fund personnel, operating costs and capital outlay.

# **GENERAL FUND**

## ***Major Expenditures - Descriptions and Estimates***

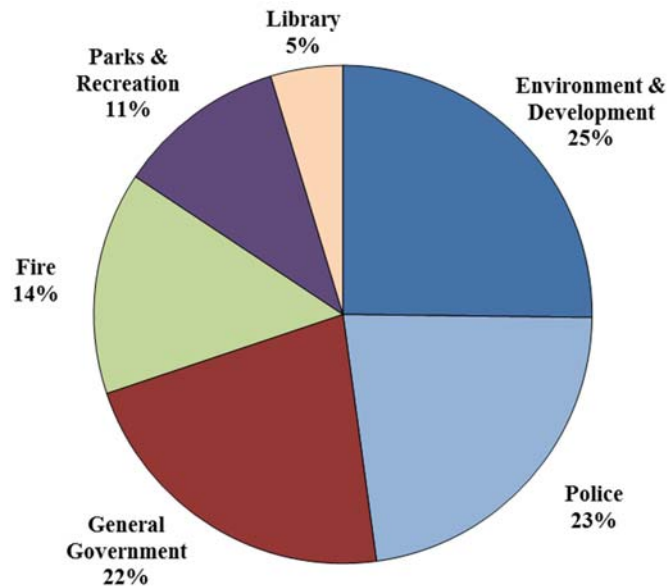
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### **FY2014-15**

The General Fund provides basic services for Town citizens including police and fire protection, environment and development services (including planning, public works, engineering, and inspections), general administration and planning for growth and development in the community.

The pie chart below shows the relative proportions of expenditures for the various functions and departments in the General Fund budget totaling \$58,274,000 for the 2014-15 budget.

The largest category of expenditures for the General Fund is Public Safety services, with Police Department expenditures of about \$13.2 million and Fire Department expenditures of about \$8.4 million.



Environment and Development is the second largest category in the General Fund at about \$14.7 million, including Planning, Inspections and Public Works which provide services of planning for growth, engineering, solid waste collection, maintenance of streets, inspections, and maintenance of Town facilities.

Police, Fire and Public Works together comprise about 58% of total General Fund expenditures.

Other General Fund services include Parks and Recreation programs totaling about \$6.4 million, Library services of \$2.7 million, and General Governmental

activities (Administration, Communications & Public Affairs, Business Management, Human Resources, Attorney, and Non-Departmental) totaling about \$12.8 million.

Non-departmental expenditures total \$4.9 million. Non-departmental expenditures include a transfer for capital improvements of \$779,000. \$865,674 is included in the annual budget for distribution to other agencies in support of human services, cultural and arts programs, economic development, and for development of affordable housing as adopted by the Council. The budget for liability and property insurance totals \$450,000.

Significant changes in the 2014-15 budget includes changes to medical insurance rates. The adopted budget includes a 7.0% increase in rates for active employees and under-65 retirees, or

# ***GENERAL FUND***

## ***Major Expenditures - Descriptions and Estimates***

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about \$340,000. The budget also includes an increase to the employer contribution to the state retirement system from 7.07% to 7.17%, or about \$26,000, for General Fund employees.

Additional expenses in the budget include a 3% of market rate salary adjustment (\$683,000), restoration of street paving funding (\$578,600), the establishment of a legal/investigations/demolition fund (\$100,000), increases to the transfer to CIP fund (\$20,500), increase of the equivalent of approximately 1 penny on the tax rate (\$688,395) for affordable housing initiatives such as the Northside community plan, five new positions in Finance, Fire, Inspections and Library (\$348,000), increases in training funds in various departments (\$75,000), increases for various one-time equipment purchases in Fire, Parks, and Public Works (\$83,000), additional funding for Halloween event safety (\$27,300), additional Library collections materials (\$25,000) and an increase in funding for solid waste disposal (\$24,000).

The 2014-15 Adopted Budget continues to fund retiree medical costs on a pay-as-you-go basis (\$941,850), but does not contribute towards the post-employment benefit liability. The budget completely restores the pay-as-you-go CIP to the \$1 million level that has been historically budgeted. The General Fund contribution is supplemented by 2/3 bonds proceeds (\$165,000).

The table below shows expenditure levels for General Fund personnel, operating costs and capital outlay.

# GENERAL FUND

## Major Expenditures - Descriptions and Estimates

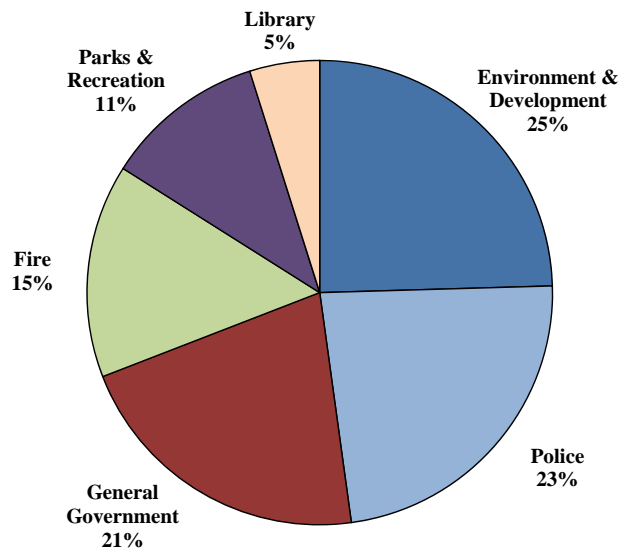
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### FY2013-14

The General Fund provides basic services for Town citizens including police and fire protection, environment and development services (including planning, public works, engineering, and inspections), general administration and planning for growth and development in the community.

The pie chart below shows the relative proportions of expenditures for the various functions and departments in the General Fund budget totaling \$54,788,500 for the 2013-14 budget.

The largest category of expenditures for the General Fund is Public Safety services, with Police Department expenditures of about \$12.8 million and Fire Department expenditures of about \$8.1 million.



Environment and Development is the second largest category in the General Fund at about \$13.4 million, including Planning and Public Works which provide services of planning for growth, engineering, inspections, solid waste collection, maintenance of streets, inspections, and maintenance of Town facilities.

Police, Fire and Public Works together comprise about 60% of total General Fund expenditures.

Other General Fund services include Parks and Recreation programs totaling about \$6.1 million, Library services of \$2.6 million, and General Governmental activities (Administration,

Communications & Public Affairs, Business Management, Human Resources, Attorney, and Non-Departmental) totaling about \$11.7 million.

Non-departmental expenditures total \$4.2 million. Non-departmental expenditures include a transfer for capital improvements of \$758,500. \$852,850 is included in the annual budget for distribution to other agencies in support of human services, cultural and arts programs, economic development and development of affordable housing as adopted by the Council. The budget for liability and property insurance totals \$450,000. Prior years included the transfer to the Debt Service Fund, but in 2008-09, a portion of the property tax was allocated to debt service instead.

Significant changes in the 2013-14 budget includes changes to medical insurance rates. The adopted budget includes an allowance for a 4% increase in rates for active employees and under-65 retirees, netted with a rate reduction for over-65 retirees of 12.4%. The total allowance is about \$63,000 in group medical insurance for General Fund employees and retirees. The budget also includes an increase to the employer contribution to the state retirement system from 6.74% to 7.07%, or about \$137,000, for General Fund employees.

# ***GENERAL FUND***

## ***Major Expenditures - Descriptions and Estimates***

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Additional expenses in the budget include an allowance for a 2% salary increase (\$443,000), implementation of Phase I & II of the Class & Compensation Study (\$149,000), the establishment of a technology fund (\$270,000), increased costs for 10 additional hours at the expanded Library (\$248,746), increases to the transfer to CIP fund (\$164,500) for costs associated to the Ephesus Church/Fordham Construction Engineering, increases due to the expanded Library (\$115,000), increases due to transporting solid waste to Durham (\$355,000) and an increase funds dedicated to the implementation of the Comprehensive Plan (\$80,000).

The 2013-14 Adopted Budget doesn't restore the \$661,000 in street paving that was removed in FY2012 due to the use of two-thirds bonds. This budget also continues to suspend contributions for other post-employment benefits (\$400,000). The 2013-14 budget also fails to completely restore the pay-as-you-go CIP fund to the \$1 million level that has been historically budgeted (\$171,500).

The table below shows expenditure levels for General Fund personnel, operating costs and capital outlay.

# GENERAL FUND

## Major Expenditures - Descriptions and Estimates

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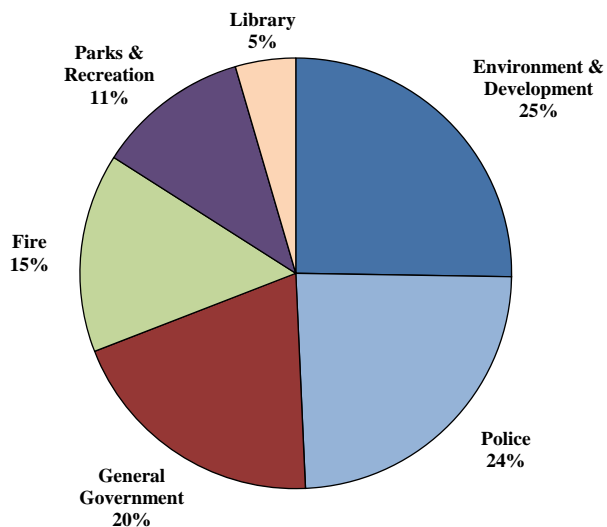
### FY2012-13

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The General Fund provides basic services for Town citizens including police and fire protection, environment and development services (including planning, public works, engineering, and inspections), general administration and planning for growth and development in the community.

The pie chart below shows the relative proportions of expenditures for the various functions and departments in the General Fund budget totaling \$52,564,000 for the 2012-13 budget.

The largest category of expenditures for the General Fund is Public Safety services, with Police Department expenditures of about \$12.6 million and Fire Department expenditures of about \$7.8 million.



Environment and Development is the second largest category in the General Fund at about \$12.9 million, including Planning and Public Works which provide services of planning for growth, engineering, inspections, solid waste collection, maintenance of streets, inspections, and maintenance of Town facilities.

Police, Fire and Public Works together comprise about 61% of total General Fund expenditures.

Other General Fund services include Parks and Recreation programs totaling about \$6.0 million, Library services of \$2.4 million, and General

Governmental activities (Administration, Communications & Public Affairs, Business Management, Human Resources, Attorney, and Non-Departmental) totaling about \$10.8 million.

Non-departmental expenditures total \$4 million. Non-departmental expenditures include a transfer for capital improvements of \$594,000. \$809,700 is included in the annual budget for distribution to other agencies in support of human services, cultural and arts programs, economic development and development of affordable housing as adopted by the Council. The budget for liability and property insurance totals \$421,000. For FY13, a transfer to the Transit Fund in the amount of \$364,000 has been included to cover increases to the Transit operation. Prior years included the transfer to the Debt Service Fund, but in 2008-09, a portion of the property tax was allocated to debt service instead.

Significant changes in the 2012-13 budget include a 3% decrease, or about \$166,000 in group medical insurance for General Fund employees and retirees. The budget also includes a decrease

# ***GENERAL FUND***

## ***Major Expenditures - Descriptions and Estimates***

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to the employer contribution to the state retirement system from 6.88% to 6.74%, or about \$33,000, for General Fund employees.

Additional expenses in the budget include a 3% salary increase (\$621,000), increased costs for a partial year at the expanded Library (\$154,000), restoration of a portion of the street paving funds (\$111,000), increases to the transfer to CIP fund (\$160,000) for costs associated with the Fiber Network, increases in costs associated with becoming compliant with Federal Narrowbanding Regulations (\$91,000), increases due to the rise in fuel costs (\$120,000), restoration of funding for the 4<sup>th</sup> of July event (\$43,000), Public Safety software, equipment, and maintenance increases (\$159,000) and funds dedicated to the implementation of the Comprehensive Plan (\$170,000).

The 2012-13 Adopted Budget doesn't entirely restore the \$661,000 in street paving that was removed in FY2012 due to the use of two-thirds bonds. This budget also continues to suspend contributions for other post-employment benefits (\$400,000). The 2012-13 budget also fails to completely restore the pay-as-you-go CIP fund to the \$1 million level that has been historically budgeted (\$350,000).

The table below shows expenditure levels for General Fund personnel, operating costs and capital outlay.



# **GENERAL FUND**

## ***Major Expenditures - Descriptions and Estimates***

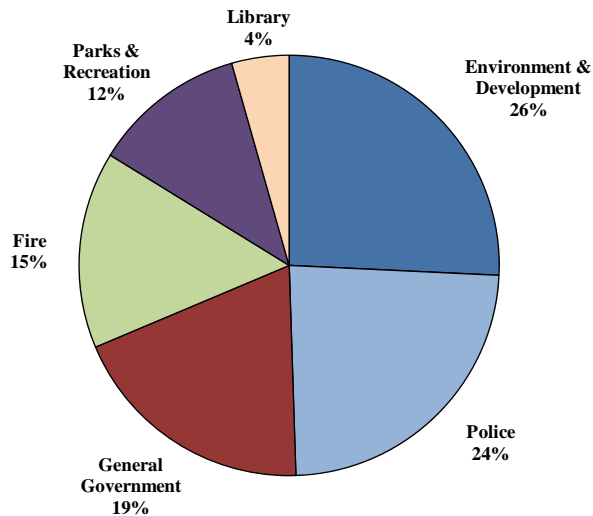
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### **FY2011-12**

The General Fund provides basic services for Town citizens including police and fire protection, environment and development services (including planning, public works, engineering, and inspections), general administration and planning for growth and development in the community.

The pie chart below shows the relative proportions of expenditures for the various functions and departments in the General Fund budget totaling \$50,540,000 for the 2011-12 budget.

The largest category of expenditures for the General Fund is Public Safety services, with Police Department expenditures of about \$12.0 million and Fire Department expenditures of about \$7.4 million.



Environment and Development is the second largest category in the General Fund at about \$13.0 million, including Planning and Public Works which provide services of planning for growth, engineering, inspections, solid waste collection, maintenance of streets, inspections, and maintenance of Town facilities.

Police, Fire and Public Works together comprise about 61% of total General Fund expenditures.

Other General Fund services include Parks and Recreation programs totaling about \$5.9 million, Library services of \$2.2 million, and General

Governmental activities (Administration, Communications & Public Affairs, Business Management, Human Resources, Attorney, and Non-Departmental) totaling about \$9.9 million.

Non-departmental expenditures total \$3.2 million. Non-departmental expenditures include a transfer for capital improvements of \$432,300. The non-departmental budget also includes \$242,017 in matching funds for a federal Fire grant. \$809,700 is included in the annual budget for distribution to other agencies in support of human services, cultural and arts programs, economic development and development of affordable housing as adopted by the Council. The budget for liability and property insurance totals \$410,000. Prior years included the transfer to the Debt Service Fund, but in 2008-09, a portion of the property tax was allocated to debt service instead.

Significant changes in the 2011-12 budget include a 10.1% increase, or about \$520,000 in group medical insurance for General Fund employees and retirees. The budget also includes an increase to the employer contribution to the state retirement system from 6.35% to 6.88%, or \$128,620, for General Fund employees. Additional expenses in the budget include funding of previously unfunded & grant funded Planner positions (\$93,087), Ombudsman (\$75,000), and development of a Comprehensive Plan (\$250,000).

# ***GENERAL FUND***

## ***Major Expenditures - Descriptions and Estimates***

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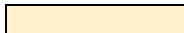
Major reductions to the 2011-12 budget include using bond funds for street paving (\$661,000), using bond funds for Library transition costs (\$229,700), reduction in CIP funding (\$740,500), elimination of 4<sup>th</sup> of July celebration (\$37,100), elimination of Project Turn Around (\$76,844), suspension of contributions for other post-employment benefits (\$400,000), reduction in matching funds for federal Fire grant (\$247,669), elimination of one-time Development Review funding (\$217,000), and miscellaneous budget cuts (\$520,894).

The table below shows expenditure levels for General Fund personnel, operating costs and capital outlay.

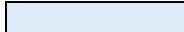
## Debt Financed Capital Projects

SCHEDULED PROJECTS:			
Project Name	GO Bonds	Installment Fin.	Project Funding Sources
American Legion Property Purchase	\$ 4,300,000	\$ -	P&R GO Bonds (\$3.6 million 1st payment from fund balance March 2017)
Street & Sidewalk Projects	5,500,000	-	Streets & Sidewalk GO Bonds
Elliott Road Storage	2,700,000	-	Stormwater Fees
<b>FY18 GO Bond Issue</b>	<b>\$ 12,500,000</b>		
Municipal Services Center (MSC)	\$ 2,700,000	\$ 31,400,000	P&R GO Bonds \$2.7m, IF \$24.0m, sale of property \$1.6m (total \$28.3)
Wallace Deck	-	2,400,000	Combined with MSC IF, \$300k from sale of property
Ef (Blue Hill) Phase II	-	2,600,000	Combined with MSC IF, \$1.6m from NCDOT phase 1 reimb. Repayment thru TIF
<b>FY19 GO &amp; IF Issues</b>	<b>\$ 2,700,000</b>	<b>\$ 36,400,000</b>	
Stormwater Projects (timing TBD)	\$ 3,200,000		Balance of Stormwater bonds - repayment from stormwater fees
<b>Streets &amp; Sidewalks FY22 GO</b>	<b>\$ 7,700,000</b>		Balance of Streets & Sidewalks GO Bond Authority
Scheduled Issuance	\$ 26,100,000	\$ 36,400,000	
Debt Fund	\$ 20,200,000	\$ 34,000,000	(Total \$54.2 million)
Enterprise Funds	\$ 5,900,000		
UNUNSCHEDULED PROJECTS:			
Project Name	GO Bonds	Installment Fin.	Project Funding Sources
Fire Station 3	\$ -	\$ 3,500,000	TBD
Fire Station 4	-	3,500,000	TBD
Fire Training Facility		7,000,000	Contingent on disposition of existing facility and availability of regional facilities
Transfer Station	5,200,000	-	Authority extension required after FY22
Varsity Theater	-	3,000,000	TBD
Old Town Hall	-	2,500,000	Partnership with County?
AH Referendum	10,000,000	-	November 2018 Referendum
Coal Ash Remediation (Police HQ)			No cost estimate available
American Legion Development		-	No cost estimate available
<b>UNUNSCHEDULED PROJECTS</b>	<b>\$ 15,200,000</b>	<b>\$ 19,500,000</b>	

Stormwater Fund Projects



Projects not scoped



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**From:** Roger Stancil  
**Sent:** Tuesday, January 23, 2018 6:14 PM  
**To:** Allen Buansi; Donna Bell; Hongbin Gu; Jeanne Brown; Jess Anderson; Karen Stegman; Town Council; Michael Parker; Nancy Oates; Pam Hemminger; Rachel Schaevitz; Ross Tompkins  
**Cc:** Ken Pennoyer; Amy Harvey; Beth Vazquez; Carolyn Worsley; Catherine Lazorko; Christina Strauch; Dwight Bassett; Flo Miller; Mary Jane Nirdlinger; Rae Buckley; Ralph Karpinos; Ran Northam; Sabrina Oliver; Sabrina Oliver  
**Subject:** FOLLOWUP: Council Questions: Item 11: Financial Presentation  
**Attachments:** GF & Personnel Cost Increases.xlsx; Personnel Costs as Percent of Budget.xlsx

**Council Question:** In order to put the information in context, do you have information on personnel expenditures of our surrounding cities, Raleigh, Durham, Cary, Carrboro etc? What percentage of of their town's general Fund Budget goes to personnel related expenditures, and what's their rate of annual expenditure increase?

**Staff Response:** *Please see the attached charts. Our takeaways are as follows:*

- The Town's percentage of General Fund costs that are personnel related is typical for municipalities in North Carolina. Most fall in the 70-75% range. Because of differences in how they organize their fund structure some jurisdictions appear to have a lower personnel cost percentage. Raleigh and Carrboro for example, unlike the TOCH, both budget debt service in their General Fund. In addition Carrboro budgets their contribution to Chapel Hill Transit in their General Fund. After adjusting for these accounting differences both of these jurisdictions would be above 70% personnel costs.*
- The Town's annual increase in General Fund Budget is also typical, although from year to year there tends to be significant variations. For instance, Durham had a decrease of 1.81% in FY16 and an increase of 5.7% in FY17 and Cary had an increase of 8.17% in FY15 followed by an increase of just 0.24%. For this small selection the average annual increase is between 2.5% and 5.0%. Some of these variations are due to the start (increase) or completion (decrease) of major initiatives or capital projects financed through the General Fund budget. In other cases changes coincide with revenue constraints, with larger increases occurring in years when there is a property tax increase and smaller increases in years when tax rates are unchanged. Both Raleigh and Cary had tax increases the years when their General Fund budgets went up 7.21% and 8.17%, respectively. The common element in all of these budgets is increase in personnel costs. Annual salary adjustments and the increasing cost of employee benefits tend to impact each jurisdiction similarly because we are competing for labor in the same market.*

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**From:** Roger Stancil  
**Sent:** Tuesday, January 16, 2018 5:58 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 <phemminger@townofchapelhill.org>; Rachel Schaevitz <rschaevitz@townofchapelhill.org>; Roger Stancil <rstancil@townofchapelhill.org>; Ross Tompkins <rtompkins@townofchapelhill.org>  
**Cc:** Ken Pennoyer <kpennoyer@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

**Subject:** Council Questions: Item 11: Financial Presentation

**Council Question:** I see in the Staff Memo re: the Capital Projects Fund (p 88 of agenda packet) that our increased balance “will be spent down rapidly as we continue to make progress on major capital projects.” Could you please provide a list of major capital projects the Town intends to undertake and their projected budgets? I have a note from another presentation that the Town intends to issue \$54 million of new debt in the next five years. Is most/all of that new debt intended to fund these capital projects?

**Staff Response:** See attached schedule of capital projects (Pending Debt Financed Projects). The \$54.2 million (highlighted in green) are the projects that are currently in our debt funding plan for the next 5 years. The Stormwater project is not included in that total because the debt service will be paid from the Stormwater Enterprise Fund, rather than the Debt Fund. The projects listed at the bottom of the spreadsheet represent identified needs that are not currently in the funding plan.

**Council Question:** Other than employee healthcare costs, what are some examples of other areas where the Town’s operating costs have substantially increased over the last seven years that can account for the more than 3% increase overall (p. 89, 6th bullet down, for reference)

**Staff Response:** About 74% of the Town’s General Fund Budget are personnel related expenditures (FY2017-18 Budget), therefore changes to the cost of paying employees tends to drive the overall increase in expenditures. In addition to the increases in the cost of health insurance coverage, the Town has, in most years, provided an annual salary adjustment to remain competitive in the job market, allowing us to retain and recruit excellent employees. The annual salary adjustments and health care costs are shown in the following table.

	Pay Adjustment	One-time Payment	Health Ins. Increase
<b>FY2008-09</b>	3%	0	10.0%
<b>FY2009-10</b>	0	0	17.1%
<b>FY2010-11</b>	0	\$800	13.9%
<b>FY2011-12</b>	0	\$800	10.1%
<b>FY2012-13</b>	3%	0	(3.0%)
<b>FY2013-14</b>	2%	0	4%
<b>FY2014-15*</b>	3%	0	7.0%
<b>FY2015-16*</b>	2% - 2%	0	(8.5%)
<b>FY2016-17*</b>	2% - 1.5%	0	16.9%
<b>FY2017-18*</b>	2.5%	0	12.3%

\* Increase calculated from market (mid-point) for each grade

In addition to the costs represented in the table above, the Town has periodically implemented pay adjustments and reclassifications based on a market studies (\$242,000 in additional cost in FY18) and increases to the base salary levels for certain full and part-time positions in accordance with the Orange County Living Wage standards (\$93,098 in additional costs for FY18).

Changes to non-personnel costs have tended to be programmatic rather than indicative of trends in the cost of commodities or services. In most years we see a combination of operating cost increases and decreases as new initiatives are undertaken and others are completed. This is represented in the annual increases in operating and capital costs shown in the following table.

Annual Increases	FY12-13	FY13-14	FY14-15	FY15-16	FY16-17	FY17-18
Personnel	1.8%	4.4%	5.2%	6.5%	5.7%	3.7%
Operating	8.4%	3.3%	9.7%	5.0%	-8.5%	-5.2%
Capital	38.0%	16.8%	-1.6%	-5.9%	914.6%	-33.5%
Total	4.0%	4.2%	6.4%	5.9%	2.2%	0.8%

*A better understanding of the factors and decisions that influenced the year-to-year changes in the Towns' General Fund Operating Budget can be gained by reading the Major Expenditures – Descriptions and Estimates section of the annual budget book (sections from FY12-18 are attached, GF Major Exp FY12).*

**Council Question:** How much would the parking fund need in revenue in FY18 (compared to FY17) to keep it solvent and avoid restructuring or subsidy?

**Staff Response:** *Basically, the Fund will need to finish the year within about \$30,000 of breakeven, because that is the amount of liquid assets the Fund had at year-end. In other words, if expenditures exceed revenues by more than \$30,000 the Parking Fund will need a transfer from the General Fund to stay solvent. Budgeted operating revenues for FY18 are \$2,668,762 million compared to FY17 actual operating revenues of \$2,541,380.*

**Council Question:** In the CAFR presentation, does the \$1.9 million decrease in governmental funds reflect a decrease in both state and federal funding? Do we have a sense if that is typical for other towns/cities in NC?

**Staff Response:** *The decrease in governmental funds is due primarily to planned spend-down of fund balance (American Legion Property). The effect of reductions in federal and state grants is evident in the Transit and Housing Enterprise Funds. The loss of federal funds for bus replacement is a nationwide trend that is increasing the cost of operating transit systems. The same can be said for Housing Federal Operating Assistance which is going down nationwide (see link below).*

<https://www.cbpp.org/research/housing/chart-book-cuts-in-federal-assistance-have-exacerbated-families-struggles-to-afford>

*In regards to transit and transportation this is a fairly common trend, especially for urban areas in NC and nationally. In 2015 \$'s the current national backlog for transportation infrastructure is estimated at \$926B. The national transit backlog (replacement and deferred maintenance) is around \$102B and around \$50M in the state of NC. Federal formula grants have been flat or declining for around a decade or more, with the last substantial investment infusion coming through the American Recovery and Reinvestment Act (ARRA) in 2009-2010. Federal discretionary grants have also been very limited - for example one of the last notices of funding availability for a federal transit competitive grant program was for \$55M. And, federal discretionary programs have also been suggested for elimination or substantial reduction by the current administration.*

**Council Question:** Why is the Parking Fund operating at a loss now? Is that due to the purchase of the new parking meters? How long before they pay for themselves?

**Staff Response:** *The Parking Fund finished with a loss in FY17 because revenues underperformed for the following reasons:*

- *Construction on Rosemary Street affected revenues at the Wallace Deck and 140 West*
- *Some changes in how parking spaces are managed had the effect of reducing revenue in the short-term, for instance:*
  - *Spaces in the Courtyard lot were changed from monthly lease to hourly*
  - *Summer Saturday Free Parking Program*

*In addition, Parking Operations had unplanned maintenance expenses and a parking study that was not included in the original budget.*

*The purchase of the new Parking Meters will be made from Capital Project Funds rather than from the Parking Fund. Therefore, there the purchase will have no impact on the Parking Fund.*

**Council Question:** P. 88 makes reference to the General Fund balance reduction due in part to the purchase of the American Legion property. I recall that we made our March 2017 payment out of the higher-than-expected revenue that came in last FY. Was that not the case?

**Staff Response:** *Funds for the first payment for the American Legion property (\$3.6 million) came from fund balance in excess of 22%, as measured at FY16 year-end. The use of this amount of fund balance reduced fund balance from 28.4% to the 22% target. The additional reduction in unassigned fund balance from 22% to 20.2% was due to expenditures exceeding revenues in FY17 and the impact of one-time transactions on the calculation of the unassigned fund balance percentage.*

**Council Question:** (page 69): As we are now halfway through our current fiscal year, do we have a tentative forecast of where we will be in terms of the various fund balances at the end of this year, taking into account the next payment due on the American Legion property?

**Staff Response:** *We are currently working on the mid-year budget to actual report and it will be available by the end of next week.*

**Council Question:** (page 76): Could you refresh our memory regarding how the debt fund can go negative, specifically if it is negative, how do we meet our debt service obligations?

**Staff Response:** *Technically the Debt Fund cannot go negative, we must pay debt service and we will transfer funds to cover the expense if needed. The scenario depicted on page 76 is to illustrate the gap between our capital program and our debt fund capacity. It is assumed that either the dedicated Debt Fund tax will be increased to match debt service costs or projects will be delayed or reduced to match capacity.*

**Council Question:** (page 77): Given the sharp decline in the Transit Fund assets, will we be able to continue our bus acquisitions?

**Staff Response:** *It depends in large part on whether the CHT funding partners, including the Town, continue to support funding of the replacement plan. It should be noted that a portion of the reduction of fund assets was planned, as those assets were used to purchase buses and to provide grant matching funds. Also a delay in receiving \$1.3 million from the Orange County Transit Plan, originally expected in FY17, also reduced fund assets at year-end.*

*The good news is that due to a variety of grants, better-than-expected terms on the bus financing arrangement, and capital replacement funds from the Orange County Transit Plan, the CHT Partners' increases needed to maintain the replacement plan will be less than projected in the Capital Plan.*

**Council Question:** (page 79): Do we have any explanation for why parking revenues declined last year? How are revenues tracking for the first half of this year?

**Staff Response:** *Revenues underperformed for the following reasons:*

- *Construction on Rosemary Street affected revenues at the Wallace Deck and 140 West*
- *Some changes in how parking spaces are managed had the effect of reducing revenue in the short-term, for instance:*
  - *Spaces in the Courtyard lot were changed from monthly lease to hourly*
  - *Summer Saturday Free Parking Program*

*We will provide an analysis of Parking Fund revenues with the mid-year budget to actual report.*

**Council Question:** (page 85): Do we have an estimate of the magnitude of the tax increase likely to be required for the Debt Fund if we are to maintain our proposed capital plan?

**Staff Response:** *In order to prevent the Debt Fund from going negative given the issuance scenario shown on page 76, the Debt Fund Tax would need to be raised 1 penny either in FY19 or FY20. A tax increase instituted after FY20 would need to be more than 1 penny.*

**Council Question:** Given the above, how likely is it that we can proceed with a debt issuance for affordable housing, as was discussed in the fall?

**Staff Response:** *It is highly unlikely that the Debt Fund would have capacity to support future affordable housing bonds unless the debt fund tax rate were raised by an amount sufficient to cover debt service costs for any affordable housing bonds issued. This has been part of the Council discussion about these bonds.*

**Council Question:** Is there a safe "fluctuation", so to speak, from year to year for the government-wide financial position and General Fund?

**Staff Response:** *The Town's 22% fund balance target is designed to provide a "safe" level of reserves to protect against a variety of risks. A small dip below 22% for one year is considered acceptable as long as it does not become a trend.*

**Council Question:** What is done usually with unassigned fund balance? Does it go into a rainy day fund?

**Staff Response:** *Unassigned fund balance is our rainy day fund. It is available to fill gaps in cash-flow and to protect the Town from unforeseen events. Amounts above our informal target of 22% are considered available for appropriation by Council. It is customary that any appropriated fund balance above the target would be for one-time uses, recognizing the uncertainty of the source.*

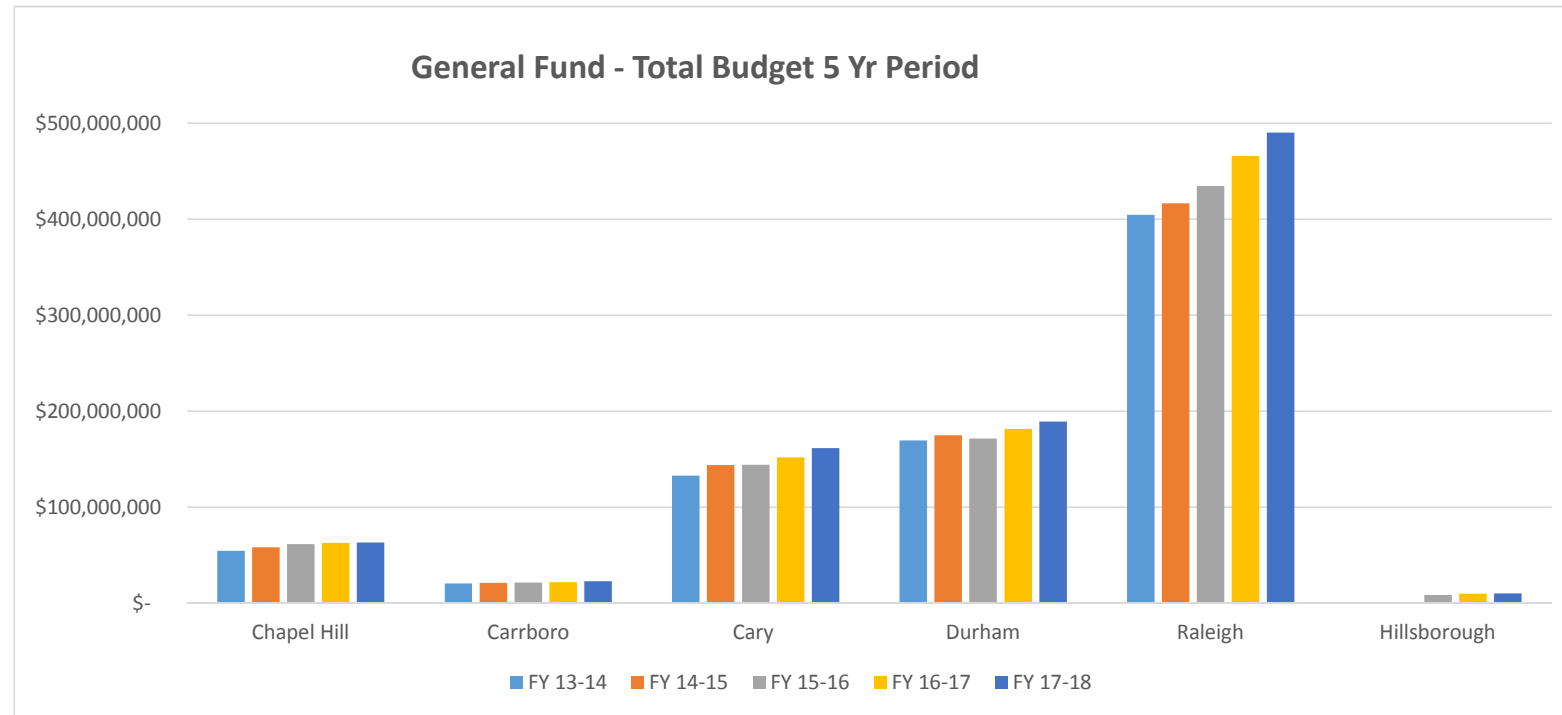
**Council Question:** Is the new debt service of \$3.5 million for this year or for the period through FY22?

**Staff Response:** *The \$3.5 million of new debt service would be added in several individual debt issuances through 2022. Each of these debt transactions are subject to Council review and formal approval.*



### General Fund Total Budget

Jurisdiction	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18
Chapel Hill	\$ 54,788,500	\$ 58,274,000	\$ 61,701,000	\$ 63,039,000	\$ 63,531,000
Carrboro	20,735,656	21,313,803	21,572,647	22,032,357	22,869,686
Cary	133,066,635	143,931,944	144,280,452	152,217,413	161,681,713
Durham	169,631,820	175,004,614	171,844,119	181,640,346	189,448,009
Raleigh	404,773,075	416,705,398	434,926,973	466,306,581	490,608,086
Hillsborough	N/A	N/A	8,647,840	9,888,187	10,399,638



### % Increase from Prior Year Budget

Fiscal Year	Chapel Hill	Carrboro	Cary	Durham	Raleigh	Hillsborough
14-15	6.36%	2.79%	8.17%	3.17%	2.95%	N/A
15-16	5.88%	1.21%	0.24%	-1.81%	4.37%	N/A
16-17	2.17%	2.13%	5.50%	5.70%	7.21%	14.34%
17-18	0.78%	3.80%	6.22%	4.30%	5.21%	5.17%

## Growth in Personnel Expenses for Selected Jurisdictions

### General Fund Personnel Budget

Jurisdiction	FY 14-15	FY 15-16	FY 16-17	FY 17-18
Chapel Hill*	\$ 40,450,250	\$ 42,440,519	\$ 45,096,276	\$ 46,773,297
Carrboro	11,321,997	11,918,907	12,554,270	13,244,463
Cary	92,447,794	98,165,845	105,182,597	109,680,308
Durham	130,267,401	134,224,064	140,467,916	147,410,931
Raleigh	223,380,021	237,530,898	249,442,923	266,703,348
Hillsborough		4,714,207	4,980,789	5,296,571

### General Fund Total Budget

Jurisdiction	FY 14-15	FY 15-16	FY 16-17	FY 17-18
Chapel Hill*	\$ 58,274,000	\$ 61,701,000	\$ 63,039,000	\$ 63,531,000
Carrboro	20,414,885	20,255,038	22,032,357	22,869,686
Cary	143,931,944	144,280,452	152,217,413	161,681,713
Durham	175,004,614	171,844,119	181,640,346	189,448,009
Raleigh	416,705,398	434,926,973	466,306,581	490,608,086
Hillsborough		8,647,840	9,888,187	10,399,638

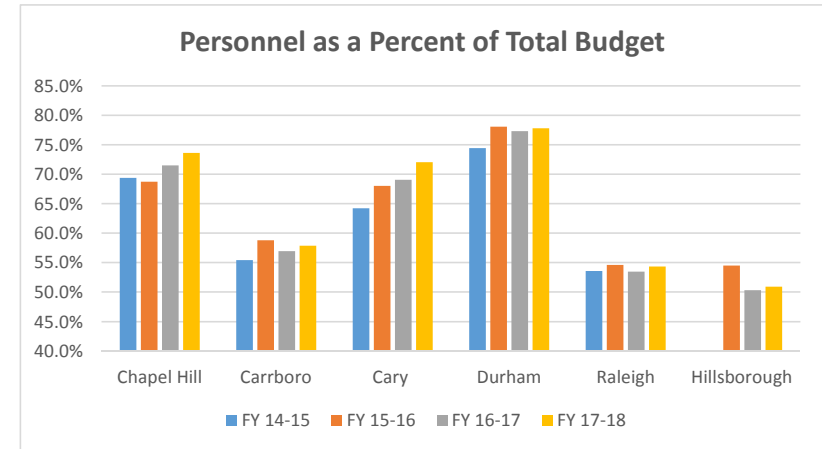
### Percent of Total Budget

Jurisdiction	FY 14-15	FY 15-16	FY 16-17	FY 17-18
Chapel Hill	69.4%	68.8%	71.5%	73.6%
Carrboro	55.5%	58.8%	57.0%	57.9%
Cary	64.2%	68.0%	69.1%	72.1%
Durham	74.4%	78.1%	77.3%	77.8%
Raleigh	53.6%	54.6%	53.5%	54.4%
Hillsborough		54.5%	50.4%	50.9%

### General Fund Full Time Equivalents

Jurisdiction	FY 14-15	FY 15-16	FY 16-17	FY 17-18	CY % Increase
Chapel Hill	489	506	508	511	0.52%
Carrboro					
Cary	1,042	1,076	1,104	1,107	0.27%
Durham	1,653	1,705	1,753	1,799	2.62%
Raleigh	2,795	2,860	2,955	2,929	-0.88%
Hillsborough	56	60	61	62	1.85%

\* Adopted Budget



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**From:** Roger Stancil  
**Sent:** Friday, January 26, 2018 6:36 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; 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:** Additional Information; Item 9: Comprehensive Annual Financial Report (CAFR)

Item 9 on your agenda for Wednesday is a Report on the Town's Comprehensive Annual Financial Report (CAFR) for the Period ended June 30, 2017 and Financial Update Presentation.

The following is the link to the Comprehensive Annual Financial Report (CAFR). It is posted on the Town website

<http://www.townofchapelhill.org/Home/ShowDocument?id=38433>

Your auditors will be at the Council meeting. I know there is a lot of information and numbers. While we are happy to receive your questions and develop responses, I suggest you review the information in the document, review the information in the agenda packet, hear the presentation at the meeting and then identify questions we did not address for you. I am thinking this approach might keep you from being overwhelmed with financial information. Public finance is different from the practices in the private sector. In North Carolina, we are fortunate to have the Local Government Commission to provide excellent oversight.

Having said this, we are happy to provide information in response to questions you ask.

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**From:** Roger Stancil  
**Sent:** Monday, January 29, 2018 11:00 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; Amy Oland; Matthew Brinkley; 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 9: Financial Update

**Council Question:** The transit and parking budgets are not in good shape; what does LRT mean for the town's budget? If LRT moves forward, especially given that the Republican Administration may very well cut transit \$\$\$ and the burden will then fall on towns and counties, what scenarios do we need to be preparing for if LRT does or does not move forward?

**Staff Response:** *The Durham-Orange Light Rail project is currently estimated to open in 2028. The budget for the capital cost of the project was set at roughly \$2.47 billion when the project entered the Engineering phase of the New Starts process in 2017. Fifty percent (\$1,238 million) is expected from a federal grant agreement, 30% (\$738.4 million) from Durham County, 6% (\$149.5 million) from Orange County, 10% (\$247 million) from the State, and 4% from other sources (such as private donations). The counties approved the funding allocations in their 2017 updates of the county transit plans and are funding the project through the dedicated funding streams approved by voters in 2011 (Durham County) and 2012 (Orange County). The Town has not dedicated any funding towards the light-rail project and has no requirement to assist in meeting any potential future funding gap.*

*If the Durham-Orange Light Rail project is significantly delayed or postponed, we will need to consider how best to serve this critical corridor from a local and regional transportation perspective. Additionally, as part of the FTA's Transit-Oriented Development grant, the Town is working with Gateway Consulting on revised land-use regulations for the Gateway station area that are rail-ready but not rail-dependent, and will help the Town meet its land-use goals before the rail project is delivered.*

*Regionally, GoTriangle, GoDurham, Chapel Hill Transit, Orange County and other stakeholders are developing short-range transit plans that will identify service and any funding gaps for transit services needed to support Durham-Orange light rail, as well as other transit priorities.*

**Council Question:** Is it an option to delay planned capital projects rather than raise taxes? Where are we with a plan for the coal ash under the current police station?

**Staff Response:** *(see also Agenda Item 8 Q & A) In order to avoid the Debt Management Fund cash deficit projected for planned debt issuance (see Scenario 1 attached) Council would need to delay the Municipal Services Center (MSC) project two years (see Scenario 2 attached).*

*The projected cash deficit in the Debt Fund under the current debt issuance plan would result in a maximum cash deficit of about \$4.7 million in FY2024-25. Because the MSC project represents 60% of the total planned Debt Fund supported debt, it is the only project large enough to eliminate the negative cash flow problem through rescheduling.*

*If the MSC is delayed two years (Scenario 2), the projected Debt Fund cash flow will stay positive. Delay of the MSC project will add at least 6% per year to the cost of construction based on current cost trends. For the purpose of this exercise it is assumed that the total project cost, including cost of coal ash mitigation at the site of the existing Police headquarters, will not exceed \$35.7 million for both scenarios. This includes planned debt proceeds and the \$1.6 million of existing project funds.*

*It should also be noted that the planned debt scenario does **not** include other planned capital projects including:*

- *Fire Station replacements (stations 3 & 4)*

- *Fire Training Facility*
- *Transfer Station*
- *Varsity Theater*
- *Old Town Hall Renovation*
- *Affordable Housing Referendum*
- *American Legion Development*

*Addition of these projects to the debt issuance plan would require an additional tax increase in the debt fund.*

Debt Financed Capital Projects Scenario 1			
<b>FY18 GO Bond Issue</b>	<b>\$ 12,500,000</b>		
Project Name	GO Bonds	Installment Fin.	Debt Fund
American Legion Property Purchase	\$ 4,300,000	\$ -	\$ 4,300,000
Street & Sidewalk Projects	3,500,000	-	3,500,000
Elliott Road Storage (stormwater)	2,700,000	-	
<b>Total Debt Fund Impact</b>			<b>\$ 9,800,000</b>
<b>FY19 GO &amp; IF Issues</b>	<b>\$ 39,100,000</b>		
Project Name	GO Bonds	Installment Fin.	Debt Fund
Municipal Services Center (MSC)	\$ 2,700,000	\$ 31,400,000	\$ 34,100,000
Wallace Deck	-	2,400,000	2,400,000
Ef (Blue Hill) Phase II	-	2,600,000	2,600,000
<b>Total Debt Fund Impact</b>			<b>\$ 39,100,000</b>
<b>FY22 GO &amp; IF Issues</b>	<b>\$ 10,900,000</b>		
Project Name	GO Bonds	Installment Fin.	Debt Fund
Street & Sidewalk Projects	\$ 7,700,000	\$ -	\$ 7,700,000
Stormwater Projects	3,200,000		-
<b>Total Debt Fund Impact</b>	<b>\$ 10,900,000</b>	<b>-</b>	<b>\$ 7,700,000</b>
<b>Projected Debt Fund cash low-point</b>		<b>\$ (4,756,901)</b>	<b>FY25</b>
Debt Financed Capital Projects Scenario 2			
<b>FY18 GO Bond Issue</b>	<b>\$ 12,500,000</b>		
Project Name	GO Bonds	Installment Fin.	Debt Fund
American Legion Property Purchase	\$ 4,300,000	\$ -	\$ 4,300,000
Street & Sidewalk Projects	3,500,000	-	3,500,000
Elliott Road Storage (stormwater)	2,700,000	-	
<b>Total Debt Fund Impact</b>			<b>\$ 9,800,000</b>
<b>FY19 Installment Financing</b>	<b>\$ 5,000,000</b>		
Project Name	GO Bonds	Installment Fin.	Debt Fund
Wallace Deck	-	2,400,000	2,400,000
Ef (Blue Hill) Phase II	-	2,600,000	2,600,000
<b>Total Debt Fund Impact</b>			<b>\$ 5,000,000</b>
<b>FY21 GO &amp; IF Issue</b>	<b>\$ 10,900,000</b>		
Project Name	GO Bonds	Installment Fin.	Debt Fund
Municipal Services Center (MSC)	\$ 2,700,000	\$ -	\$ 2,700,000
<b>FY22 GO &amp; IF Issues</b>	<b>\$ 10,200,000</b>		
Project Name	GO Bonds	Installment Fin.	Debt Fund
Street & Sidewalk Projects	\$ 7,000,000	\$ -	\$ 7,000,000
Stormwater Projects	3,200,000		-
<b>Total Debt Fund Impact</b>	<b>\$ 10,200,000</b>	<b>-</b>	<b>\$ 7,000,000</b>
<b>Projected Debt Fund cash low-point</b>		<b>\$ 85,999</b>	<b>FY25</b>

**Council Question:** When will the American Legion decision-making come back before the Council?