

05-15-2019 Town Council Meeting
Responses to Council Questions

ITEM #1: Update: FY 2019-20 Budget

Council Question: Can you talk about what departmental/overall town efficiencies have been found? Has a review been done?

Staff Response: *Every year, departments work with their staff to develop their department budgets, and in doing so, make every attempt to provide service delivery in the most efficient and effective ways possible. In FY 2018 and FY 2019, this process included providing budget cut proposals that would have minimal impact on service delivery. Examples include: reductions to maintenance, uniforms, equipment replacement, special projects and re-evaluating positions when vacancies arise.*

Further evaluation of departmental budgets occurs throughout the fiscal year in the form of our quarterly business plan check-ins with departments.

- *Quarter 1 - In the first quarter (July 1 – September 30), departments prepare their business plan for the year. This document describes each department's priorities and how they connect to Council's goals.*
- *Quarter 2 - In the second quarter (October 1 – December 31), departments identify trends and challenges facing their departments.*
- *Quarter 3 - The third quarter (January 1 – March 31) is dedicated to budget development for the upcoming fiscal year.*
- *Quarter 4 - The fourth and final quarter (April 1 – June 30) is dedicated to the preparation and delivery of the Manager's Recommended Budget and culminates with the adoption of the budget by the Town Council by June 30th. During this time, the Manager and key leadership incorporate feedback from Council, the public and departments to develop a balanced budget for consideration by the Council. Once the Manager's Recommended Budget is presented, a series of work sessions are held to work through the intricate details of the budget.*

In terms of overall budget efficiencies, in recent years, the Town has made significant reductions in areas such as pay-go capital, vehicle replacement and healthcare plan design changes in order to balance the budget.

The Town has not undertaken an efficiency study. This process would require a consultant to come in and interview Council, stakeholders, the Town Manager, and departments and to perform an in-depth review of all of the Town's services. To conduct this in depth review would cost roughly \$100,000.

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Council Question: Why is the Planning Department losing FTE's??

Staff Response: *The Planning Department has undergone a reorganization over the last year with the Building & Development Services Division. Five employees, along with the functions they perform, moved from Planning to Building & Development Services (Inspections).*

Please see the tables below from the budget book that show a 5 FTE position decrease from the FY 2018-19 adopted budget to the FY 2019-20 recommended in planning offset by a 5 FTE position increase in inspections.

<i>PLANNING DEPARTMENT</i>			
<i>STAFFING COMPARISONS - IN FULL-TIME EQUIVALENTS</i>			
	2017-18	2018-19	2019-20
	ADOPTED	ADOPTED	RECOMMENDED
Planning			
Director - Planning	1.00	1.00	1.00
Operations Manager - Planning	1.00	1.00	1.00
Community Resilience Officer	0.00	1.00	1.00
Planning Manager ¹	5.00	3.00	1.00
Planner/Planner II/Senior Planner ²	7.00	8.00	8.00
GIS Analyst II	2.00	0.00	0.00
Transportation Demand Community Manager ³	1.00	1.00	1.00
Code Enforcement Officer	1.00	1.00	0.00
Administrative Coordinator	0.65	0.65	0.65
Downtown Project Manager	1.00	1.00	1.00
LUMO Project Manager	1.00	1.00	1.00
Permitting Systems Technician	1.00	1.00	0.00
Planning Technician	1.00	1.00	0.00
Division Totals	22.65	20.65	15.65

Inspections			
Building Inspector Director	1.00	1.00	1.00
Code Enforcement Officer	2.00	2.00	2.00
Code Compliance Officer	1.00	0.00	0.00
Building Operations Manager	0.00	1.00	1.00
Commercial Plans Reviewer - Sr.	0.00	1.00	1.00
Customer Service Technician	1.00	1.00	2.00
Administrative Assistant	1.00	1.00	1.00
Inspector	7.00	7.00	7.00
Inspector Supervisor	1.00	1.00	1.00
Permit Technician	2.00	2.00	2.00
Planning Manager	0.00	0.00	2.00
Permitting Systems Admin	0.00	0.00	1.00
Planning Technician	0.00	0.00	1.00
Division Totals	16.00	17.00	22.00

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Council Question: We still haven't gotten a clear presentation/information about Chapel Hill Transit and whether there is a budget shortfall and what the longer-term strategic plan is to keep the system viable. Could we please get a transit presentation?

Staff Response: *Brian Litchfield, Transit Director, will be presenting at the May 15th budget work session to provide an update on the Transit Fund budget for FY 2019-20 and to discuss the long-term strategic plan for the transit system.*

Council Question: When we talk about balancing our tax base, we need to have some way of measuring the impact of new development; could you please share the residential (apartments, condos/townhomes, single family), retail, office projection we talked about at a previous meeting? You said there are reasonable ways to calculate cost of service for different types of development, so that would be good to include in our budget and planning conversations so we know what we are aiming for and how much things cost us.

Staff Response: *The Town has used a fiscal impact study model to help track the projected revenues and expenditures related to proposed development. Staff are currently working on updating the revenue and expenditure actuals for the following projects: 140 West Franklin, East 54, Greenbridge, Lux Apartments, Shortbread Lofts, Carolina Square and Berkshire to share back with Council.*

The Town has reached out to the UNC School of Government to discuss the opportunity to evaluate the financial analysis model that we use to see if there are alternate models that would track this information more effectively. They have a team who has an interest in this area, but do not have the funding to pursue additional work on this topic. They are collecting the names of organizations who are interested in pursuing this topic if funding becomes available.

Our interest for next steps would be to engage with Council at a work session to do a step-by-step walk through of our current model so that everyone understands the information that makes up the analysis and to discuss alternate strategies to help provide the information that would enable Council to feel like they are able to make informed decisions regarding these developments.

Council Question: Is Rogers Road water and sewer included in this budget? If not, can it be?

Staff Response: *Rogers Road water and sewer is not included in the Manager's Recommended Budget for FY 2019-20.*

The Town exceeded its 22% General Fund fund balance target in both FY 2014 & FY 2015. Half of the available fund balance was allocated for OPEB pre-funding and half of the available fund

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balance was allocated for capital, more specifically, Rogers Road. In FY 2014, we allocated \$558,000 and in FY 2015, we allocated \$500,000 for a total of \$1,058,000 towards Rogers Road. We also have \$100,000/year from FY 2015 – FY 2018 that was set aside in the General Fund that was allocated for the Rogers Road project for a total of \$400,000. We will be bringing a miscellaneous budget amendment to Council on June 12th to move these funds from the General Fund to the Multi-Year Capital Projects Fund to be spent on the Town's contribution (43%) of the monies Orange County spent to get the water and sewer lines extended to this area.

We have a total of \$1,458,000 set aside for the Rogers Road project. The Town has made two payments to Orange County for FY 2018 and FY 2019 that total about \$410,000. Therefore, the Town has about 5 years (FY 2020 – FY 2024) of payments set aside for this project. The Town's commitment to make payments to Orange County for this project goes through FY 2036. Rogers Road will be one of the topics for discussion as we develop the 5-year long range plan for the budget.

Council Question: I requested there be money set aside in last year's budget for childcare and transportation for advisory board members who might need it; could we get an update on how this has been communicated and what participation has been? Will it be included this year as well?

Staff Response: *The Town's staff liaison to the boards and commissions shared the program information with the board chairs and the board chairs were asked to share with their members. Reimbursement requests were to be made through the Communications and Public Affairs Department. To date, no requests for reimbursement have been received.*

There was \$5,000 included in the FY 2019 budget for this program and these funds were once again included in the FY 2020 budget.

Council Question: Any updates on composting?

Staff Response: *Composting is being explored by the Solid Waste Advisory Group (SWAG) and is an agenda item for the SWAG's next meeting scheduled on June 17, 2019.*

Composting options that are currently available to [residents](http://www.orangecountync.gov/965/Mulch-Compost)¹ and [businesses](http://www.orangecountync.gov/1008/Commercial-Recycling)² include: residential food waste drop-off at the Eubanks Road Waste and Recycling Center (and other locations), composting workshops, compost bins available for purchase, and commercial food waste collections.

¹ <http://www.orangecountync.gov/965/Mulch-Compost>

² <http://www.orangecountync.gov/1008/Commercial-Recycling>

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Council Question: Do we envision any costs to the town associated with Eastowne, Amity, etc.? Are there things we want that are part of our negotiating strategies that we may need to partner on or put money into in order to get what we really want?

Staff Response: *For both the Amity and Eastowne projects, the applicants have agreed to pay for the consultants that would conduct peer review and other services for the Town.*

At this time, we are not aware of any other costs that the Town would incur. Negotiations with Eastowne are expected to last well into the fiscal year so any future funding requests could be include in the budget deliberations for FY 20 and beyond.

Council Question: Do we need to think about funding for future years for Comp Plan updates? I know this would not be for this year, but thinking ahead/longer range budgeting?

Staff Response: *As the Town updates the Land Use Management Ordinance (LUMO), we are in essence beginning the conversation for the Town's Comprehensive Plan. The Comp Plan will be one of the items that we discuss as we begin talking about the 5-year long range budget plan.*

Council Question: On the same note of longer-range budgeting, what specifically are we doing to plan for needed stormwater infrastructure that cannot be financed through the bond and/or new development?

Staff Response: *Staff will present a stormwater update at the June 12th Council meeting. Topics will include:*

- *Stormwater projects that have been completed*
- *Stormwater projects that are in design or construction*
- *The stormwater projects that are proposed as part of the \$3.2 million bond issuance tentatively scheduled for Spring 2020*

Additional stormwater infrastructure upgrades will be one of the items that we discuss as we begin talking about the 5-year long range budget plan.

Council Question: Is money for the rewrite of the Historic District Guidelines included in the budget?

Staff Response: *Funds for the Historic District Design Guidelines were not included in the Manager's Recommended Budget for FY 2019-20. The Town has re-applied for a grant from the*

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State Historic Preservation Office (SHPO) to cover the cost of drafting updated guidelines and hope to hear back from the SHPO in mid-July.

Council Question: If we were to accommodate the requests for increases from the four organizations we have performance agreements with (Community Home Trust, Partnership to End Homelessness, Food Council, etc.), where specifically would the money come from? Whose line item would be reduced elsewhere in the budget in order to fill those four requests?

Staff Response: *Additional information about the requests from the four organizations that the Town has performance agreements with will be shared with Council at the May 15th budget work session. Please see below for a summary of the information that will be shared.*

1. **Downtown Partnership** – *The Downtown Partnership requested a \$20,000 increase to the support they receive from the Town. \$10,393 of the request can be absorbed in the Downtown Service District Fund (revenues had exceeded expenditures by this amount so it was budgeted as a reserve to balance the fund). The remaining \$9,607 would need to come from fund balance in the Downtown District Fund.*
2. **Food Council** – *The Food Council requested a \$4,110 increase to the support they receive from the Town. The FY 2019 funding request was \$25,000 and the Town allocated CDBG funds for the program. We recognized at that time, that this would not be an ongoing funding source and that the General Fund would have to take on future years support. The FY 2020 funding source for the \$29,110 request would be fund balance in the General Fund.*
3. **Community Home Trust** – *The Community Home Trust requested a \$5,370 increase to the support they receive from the Town. The FY 2020 funding source for the \$5,370 request would be fund balance in the General Fund.*
4. **Project to End Homelessness** – *The Project to End Homelessness requested a one-time increase of \$17,958 to the support they receive from the Town. The FY 2020 funding source for the \$17,958 request would be fund balance in the General Fund.*

Council Question: If council members advocate for other additions to the budget, please let us know who we would be taking the money from?

Staff Response: *The Town has balanced the General Fund budget using \$3,321,328 in appropriated fund balance. If council members wish to advocate for additions to the budget, there are two options to fund these requests. The first option is to take something out of the budget. The second option is to use fund balance to fund the request.*

A conservative number for the General Fund appropriated fund balance is \$3 million. This allows the Town to realize personnel savings due to vacancies but to have some flexibility in

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case opportunities arise throughout the year. It also allows for the possibility to have excess fund balance over the 22% target at the end of the year to be used for one-time purposes. Budgeting more than the \$3.3 million we already have appropriated, reduces the likelihood that there will be excess fund balance and increases the chance that we might actually use fund balance. This is a trend we do not want to promote as the bond rating agencies look to see positive year-end results as a sign of a healthy budget.

Council Question: If we were to eliminate something from your recommended budget, I'd suggest the \$100K for the comprehensive compensation study. We had one done not long ago, and as my concern is for the lower-paid workers, it seems like you already have a handle on how their pay compares to our nearby competitors without a formal study.

Staff Response: *The Town last conducted a classification and compensation study in FY 2013. This study was conducted by Waters Group out of Texas. The consultants reviewed all job descriptions at that time, which took over six months of staff time to pull together the updated information. They compared the Town's salary ranges to those of sixteen specified benchmark agencies across North Carolina. The result of the study was to revise the pay ranges of all positions, separating out our public safety pay ranges from the other three salary bands they created.*

In early 2017, the Town contracted with Springsted, Inc. to conduct a market pay study. This study compared the Town's current salary ranges using one hundred Benchmark positions from across the Town's job classes. Springsted queried sixteen agencies in North Carolina and twelve transit agencies across the United States to provide recommendations for adjustments. 43 job classes affecting 220 employees focused primarily on the Town's non-exempt employees in the lower pay bands were made in June 2017.

Classification and compensation studies should be completed every 5-8 years to ensure that salary ranges are accurate and keeping up with market changes. Market pay studies should be done every 2-3 years to ensure that key jobs are not falling behind the market in compensation.

Council Question: a) How much total revenue does the Town collect from the Downtown MSD property tax?

b) Are these revenues devoted exclusively to the Downtown or are they intermingled with other general fund revenues?

c) What is the specific allocation of these funds?

d) How much does the Town contribute to the Downtown Partnership? Are all of these funds provided from the Downtown MSD tax or are there other sources?

Staff Response: *a) The total valuation of property in the Downtown Service District is \$531,470,000 for FY 2020. The 7 cent tax rate per \$100 in valuation yields \$372,000 in property*

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tax revenue for the Downtown Service District Fund. For additional information, please refer to page 5 of the FY 2019-20 Manager's Recommended Budget for information related to tax rates and collections for all funds.

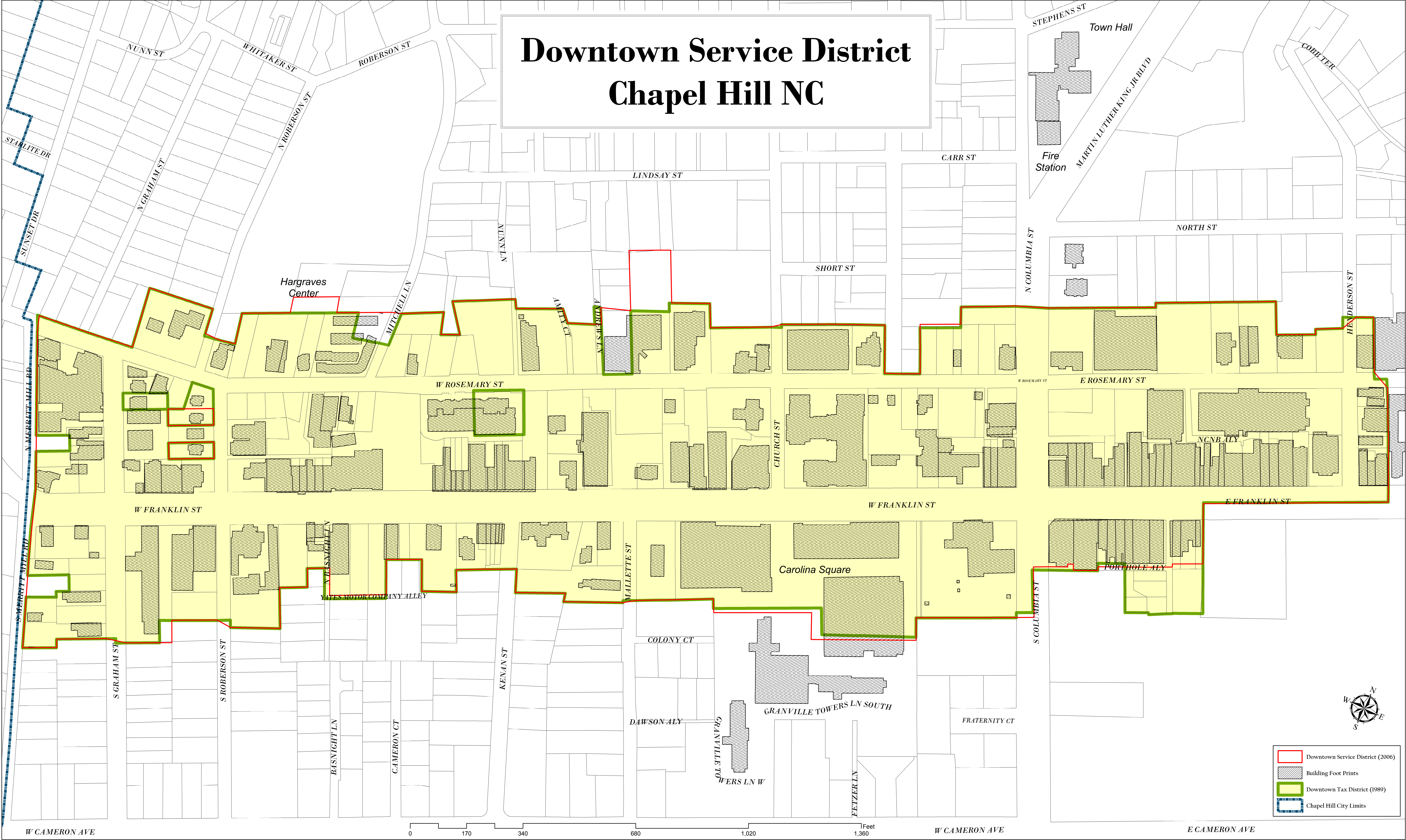
b) Revenue generated by a Municipal Service District (MSD) tax must be spent in that district and these funds cannot be transferred into the general fund or used for other purposes. The Downtown Service District is a standalone fund, and therefore maintains its own fund balance. This ensures that all proceeds from this tax are expended for the authorized services or projects in the district. Please refer to pages 125-126 in the FY 2019-20 Manager's Recommended Budget as well as General Statutes G.S.160A-535-545 for additional information.

c) The total budget for the Downtown Service District is \$446,500. The revenues for this fund are mainly comprised of the special district tax (\$372,000), but also include funding from Orange County for the "Launch" initiative (\$73,500), and Interest (\$1,000). There is a dedicated groundskeeper for the Downtown (\$59,107 salary & benefits), funding for the Downtown Partnership (\$120,000), 140 West expenses (\$105,000), public art maintenance (\$10,000), and the funding for "Launch" (\$142,000). The FY 2019-20 Manager's Recommended Budget was balanced with a contribution to reserve in the amount of \$10,393 to balance.

d) The FY 2019-20 Manager's Recommended Budget includes a total of \$190,000 for the Downtown Partnership. \$120,000 of this contribution is funded through the Downtown Service District. The remaining \$70,000 is through a performance agreement, which comes from the General Fund. Please refer to page 133 in the FY 2019-20 Manager's Recommended Budget to see the listing of performance agreements. Specifically, this is budgeted in the Non-Departmental portion of the General Fund Budget, which is summarized on page 35.

Council Question: Have the boundaries of the MSD ever been adjusted? If so, what were they and what are they now?

Staff Response: *The Downtown Service District was established June 12, 1989. The boundaries were amended two times since then: once in 2003 and again in 2006. The attached map shows the service boundaries at the time the district was established in 1989 and after the most recent amendment in 2006.*



G:\ArcGIS\New_Home\Planning\Downtown Partnership\Downtown_service_dist.mxd

Please note that the Downtown Service District boundary for 1989 is historical data that may have been based on different parcel configurations. The parcels on which the 1989 boundary are primarily based may have been adjusted in accordance with new geographic datums, and the 1989 boundary may only appear to not be coincident with the 2006 boundary. Only by performing a more thorough examination of Town records might it be possible to determine whether any differences were intentional.