



TOWN OF CHAPEL HILL

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

Legislation Details (With Text)

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Title: Consider the Final Budget and Related Items for FY 2020-21.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Draft Staff Presentation, 2. Budget Ordinance, 3. Classification & Pay Plan Effective July 1, 2020, 4. Fee Schedule Effective July 1, 2020, 5. Staff Presentation, 6. Council Questions with Staff Response, 7. AN ORDINANCE CONCERNING THE ESTABLISHMENT OF THE TOWN BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2020 (2020-06-24/O-5)

Date	Ver.	Action By	Action	Result
6/24/2020	1	Town Council	enacted	Pass

Consider the Final Budget and Related Items for FY 2020-21.

Staff:

Maurice Jones, Town Manager
Amy Oland, Director
Matthew Brinkley, Assistant Director

Department:

Manager’s Office
Business Management

☆ **Recommendation(s):**

That the Council enact the FY 2020-21 budget ordinance to establish the budget for 2020-21 and authorize the related items.

Discussion:

The proposed Budget Ordinance constitutes the annual budget for 2020-21. The ordinance reflects the Manager’s Recommended Budget as amended based on discussions with the Town Council.

Strategic Priorities:

Vision, innovation, collaboration, and dedicated employees serve as the foundation of the Town’s efforts to build a community where people thrive. Our workforce is committed to meeting the expectations of the community and supporting the strategic goals of the Council. The FY 2020-21 Manager’s Recommended Budget is reflective of, and responsive to, Council’s strategic goals established in the 2020-22 Strategic Plan. A description of the Strategic Goals is provided below.

Goal Area	What Success Looks Like
Connected Community	To create a highly connected community where bicycling, walking, and transit are convenient, everyday choices for our neighborhoods, businesses, and public spaces.

Economic & Financial Stewardship	To steward public assets and support a vibrant economy where there is opportunity for jobs and entrepreneurship that positions Chapel Hill for the future.
Safe Community	To preserve and protect life and property through the fair and effective delivery of Town services.
Affordable Housing	To increase the availability of and access to housing for households and individuals who are homeless to those in middle-income households.
Vibrant & Inclusive Community	To enrich the lives of those who live, work, and visit Chapel Hill by building community.
Environment Stewardship	To strategically manage the Town’s infrastructure and natural environment by stewardship.
Collaborative & Innovative Outcomes	To create an organization that works collaboratively from a mutual learning model to achieve outcomes for the betterment of the organization and community.

Budget Highlights:

The rapid spread of the COVID-19 virus and heartbreaking loss of life have taken an emotional and economic toll on our nation. The pandemic has altered the budget we were scheduled to present. Instead of a budget that is focused on the future, we have prepared a budget that protects the Town’s core services.

- To offset the significant revenue shortfalls we anticipate in sales tax, occupancy tax and department revenues we have proposed reductions to street maintenance, facility maintenance, vehicle replacement, pay-go capital, Ephesus Fordham TIF transfer and OPEB prefunding.
- In light of what is happening in our nation and what we have heard from the public, we will work with Council, staff and our community to examine the services provided and resources allocated to the Town’s human services and community safety initiatives.
- Personnel costs for the Town’s programs and services represent 76% of our expenditures.
- The budget includes \$62,500 to implement interim remedial actions based on the results of the ongoing assessments of coal ash remediation at the police station property.

Although economic conditions do not allow for general salary increases this year, employee compensation in the recommended budget aligns with the Town’s interest in remaining a competitive employer. Our employees provide the excellent service recognized in the biennial community survey:

- Pay adjustments to meet the Orange County Living Wage standards.
- No market rate pay adjustment.
- Plans to re-evaluate pay mid-year should economic conditions improve.
- A 2% increase in the cost of providing employees health insurance.

BUDGET SUMMARY ALL FUNDS

The following table compares the FY2019-20 Adopted Budget with the FY2020-21 Recommended Budget for all Town funds.

BUDGET SUMMARY - ALL FUNDS

Fund	FY20 Adopted	FY21 Recommended	Incr./Decr.	Incr./Decr.
General Fund	\$ 68,483,000	\$ 66,288,000	\$ (2,195,000)	-3.21%
Transit Funds	24,802,491	25,457,647	655,156	2.64%
Stormwater	2,965,115	3,010,500	45,385	1.53%
Parking Funds	2,910,861	3,204,287	293,426	10.08%
Housing	2,182,460	2,176,756	(5,704)	-0.26%
Debt Service	9,845,432	9,332,831	(512,601)	-5.21%
Capital Projects	420,341	98,949	(321,392)	-76.46%
Other Funds	4,341,057	3,595,635	(745,422)	-17.17%
Total	\$ 115,950,757	\$ 113,164,605	\$(2,786,152)	-2.40%

Note: includes intrafund transfers

THE FINAL BUDGET ORDINANCE

- The General Fund rate, dedicated Transit Fund rate, and Debt Management Fund tax rate remain unchanged for FY 2021.
- The tax rates included in the Budget Ordinance are as follows:

▪ General Fund	38.6	
▪ Debt Management Fund		9.8
▪ Transit Fund	<u>6.0</u>	
Total		<u>54.4 cents</u>
- The Budget Ordinance also:
 - Sets the Downtown Service District tax at 7.0 cents per \$100 assessed value (unchanged from FY 2020)
 - Makes minor adjustments to the Town’s Fee Schedule (as described below)
 - Uses about \$2.4 million in existing fund balance to balance the budget
 - Maintains funding for core services and provides some level of flexibility if the current economic situation fails to improve during the next fiscal year.

FEE SCHEDULE

To reduce the impact of economic hardships on the community, fee schedule changes are at a minimum for FY 2021:

- **Parking**
 - Reflects the authority given to the Manager in March 2020 to adjust leased and hourly rates for on-street parking and at the various parking lots
- **Transit**
 - Increase for advertising card rates from \$2.50 to up to \$10

FUND BALANCE

The Recommended Budget appropriates \$2,388,512 from the Town’s fund balance to balance the General Fund budget. Based on our preliminary estimates it looks like we will finish the current fiscal year at break-even. The FY2020-21 Recommended Budget does not budget lapsed salaries and thereby reduces the reliance on non-current revenues (appropriated fund balance + budgeted lapsed salaries). This is

important for the Town to continue to meet the 22% undesignated General Fund Balance target. Maintaining an adequate level of fund balance is critical to meet the cash flow requirements of this municipal corporation and to provide an emergency fund to safeguard the Town against the costs of recovering from unforeseen economic, emergency and natural disasters, as we are seeing with the impacts of COVID-19.

We are recommending that on an annual basis following the issuance of the Comprehensive Annual Financial Report in October, we return in late fall for Council to consider appropriating fund balance above the 22% target for capital or other one-time expenditures. In this manner, depending on the level of fund balance, Council will have a method for funding priority projects.

DEBT ISSUANCE AND THE CIP BUDGET

The Debt Management Fund is the Town’s primary source of repayment for capital borrowing. The fund was established in FY 2010 to isolate debt service payments from the General Fund so that capital investment decisions could be made independent of the operating budget.

- **Pay-Go CIP** - For FY 2020-21, the recommended Pay-go CIP is \$321,392 less than FY 2020, due to budget cuts related to COVID-19. The Pay-go CIP is funded from the annual operating budget and includes small-scale projects that can be completed within the fiscal year. The projects listed below are our highest priority small-scale projects.

CIP Project	2020-21 Recommended Budget
Municipal Facilities	\$ 62,500
Housing Rental Facilities	36,449
Total	\$ 98,949

- **General Obligation (GO) Bond Referendum** - The successful 2015 bond referendum authorized \$40.3 million in GO Bonds, including \$34.4 million of General Fund Projects and \$5.9 million of Stormwater projects. To date \$21.5 million of the authorized bonds have been issued, as shown in the following table:

Bond Order	Authority	Issued	Balance
Streets & Sidewalks	\$ 16,200,000	\$ 8,500,000	\$ 7,700,000
Trails & Greenways	5,000,000	5,000,000	0
Recreation facilities	8,000,000	5,300,000	2,700,000
Solid waste Facility	5,200,000	0	5,200,000
Stormwater Improvements	5,900,000	2,700,000	3,200,000
Total	\$ 40,300,000	\$ 21,500,000	\$ 18,800,000

The authority to issue the remainder of the 2015 Bonds expires in November 2022. A three-year extension is available with approval of the Local Government Commission.

The successful 2018 bond referendum authorized \$10 million in GO Bonds for affordable housing. To date, none of the authorized bonds have been issued, but we plan to issue \$5 million in spring FY 2021.

- Plans for future debt issuance include the following major projects:
 - Municipal Services Center \$ 34,000,000
 - Wallace Deck 2,400,000
 - Elliott Road Extension 2,600,000
 - Streets & Sidewalks 7,700,000
 - Affordable Housing 10,000,000
 - \$ 56,700,000

PERFORMANCE AGREEMENTS WITH OTHER AGENCIES

The FY 2020-21 budget maintains the amount allocated for performance agreements for Human Services. The net increase in the total amount of funding for performance agreements with other agencies in Affordable Housing, Arts and Economic Development is \$4,934. The recommended amounts include the following changes:

- An increase of \$5,491 for the Orange Community Housing and Land Trust based on the funding formula in the interlocal agreement with the Towns of Carrboro and Hillsborough and Orange County.
- An increase of \$14,443 for the Partnership to End Homelessness Initiative based on the partnership funding formula.
- A decrease of \$15,000 that was allocated in the FY 2019-20 budget for the housing locator position.

Performance Agreements with Other Agencies	2019-20 Budget	2020-21 Recommended Budget
Human Services	\$ 446,500	\$446,500
Arts	23,500	23,500
Public Health	29,110	29,110
Affordable Housing	449,375	454,309
Economic Development	270,000	270,000
Total Contributions to Agencies	\$ 1,218,485	\$ 1,223,419

MAINTAINING BASIC SERVICES

The Town is a service-based organization that relies on a skilled and flexible workforce to deliver a broad scope of governmental services. Personnel related costs account for 76% of the FY 2020-21 General Fund Recommended Budget. The costs of maintaining a high performing workforce are increasing.

The FY 2020-21 Recommended Budget does not include a market adjustment because of the financial impacts of COVID-19. We have implemented a hiring freeze on vacant positions to provide personnel savings that will extend into FY 2021. We will reconsider the freeze at the end of the first quarter and second quarter. We are not proposing any reductions in staff, and we will reevaluate pay mid-year if economic conditions improve.

The FY 2020-21 Recommended Budget includes an adjustment to bring all employees to the Orange County Living Wage standard. The new standard for 2020 will have a minimum starting wage for full-time employees with benefits of \$13.40 per hour (increase of \$0.65 per hour). There are 20 employees who will be impacted this adjustment. The cost is \$26K and will be absorbed by attrition and hiring freeze savings. The minimum starting wage for program support employees will be \$14.90 (increase of \$0.65 per hour). The cost is harder to estimate because it is impacted by position and number of hours worked. Departments will be able to absorb this increase in their budget because of programmatic changes resulting from COVID-19.

FARE FREE TRANSIT SYSTEM

Chapel Hill Transit operates as a pre-paid system, resulting in no fares being collected on the bus. The FY 2020-21 Transit operating budget reflects a 1.8% increase mainly due to an increase in state maintenance operating program (SMAP) funds. The changing and unreliable nature of federal funding for bus replacement has significantly changed the financial picture for the Town's Transit operations. In the past, 80% of the cost of replacement buses has been funded through Federal grants. As those grants dried up, the Town and its funding partners were forced to finance the purchase of 14 buses through debt in FY 2017 in order to keep the fleet from falling into a state of decline that would ultimately jeopardize service delivery. While debt spreads the cost over a 10-year period, the Town and its funding partners are now paying 100% of the cost of these new buses. In the last couple of years, there has been a turnaround and we have received grant funding that has allowed the Town to purchase and replace several buses with more currently on order.

BUDGET ORDINANCE

The components of the Budget Adoption Ordinance for FY 2020-21 are as follows:

- 1. Appropriations** - Authorization of funds to be expended in the FY 2020-21 Budget by function and fund.
- 2. Revenues** - Estimated revenues expected to be available during the FY 2020-21 Budget Year.
- 3. Tax Levy** - Tax rates for the General, Debt, and Transit Funds expressed per \$100 of valuation of taxable property as listed by the County Tax Assessor for January 2020.
- 4. Special District Tax Levy** - Tax rate for the Downtown Service District expressed per \$100 of valuation of taxable property as listed by the County Tax Assessor for January 2020.
- 5. Authorities for Transfers and Adjustments** - Defines the authority to move funds among and between functions, projects and funds.
- 6. Classification and Pay Plan** - Establishes salary grades, position classifications, and certain

general provisions concerning payment of Town Employees for the FY 2020-21 Fiscal Year. The Manager is authorized to make changes to the Plan during the fiscal year within the adopted budget.

- 7. Recommended User Fees** - Establishes all fees, fines and charges that may be imposed during the FY 2020-21 Fiscal Year.
- 8. Stormwater Fee** - Establishes the stormwater fee for FY 2020-21.
- 9. Reappropriation of Outstanding Purchase Orders** - Appropriates encumbered balances from prior fiscal year so that financial obligations created in FY 2019-20 can be paid in FY 2020-21.
- 10. Performance Agreements** - Authorizes allocation of funds to agencies participating in the Outside Agency application process for performance agreement funding, in the aggregate amount approved by Council.
- 11. Recycling Collection Services** - Authorizes Orange County to provide recycling collection services within those areas of the Town situated in Durham County and to impose and administer a basic services fee for recycling services and a solid waste convenience center fee for residents within those areas of the Town situated in Durham County.



Attachments:

- Budget Presentation
- Budget Ordinance
- Classification & Pay Plan Effective July 1, 2020
- Fee Schedule Effective July 1, 2020

The Agenda will reflect the text below and/or the motion text will be used during the meeting.

PRESENTER: Maurice Jones, Town Manager

RECOMMENDATION: That the Council enact the FY 2020-21 budget ordinance to establish the budget for 2020-21 and authorize the related items.