



TOWN OF CHAPEL HILL

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

Legislation Text

File #: [22-0509], Version: 1

Consider the Final Budget and Related Items for FY 2022-23.

Staff:

Maurice Jones, Town Manager
Amy Oland, Director

Department:

Manager's Office
Business Management



Recommendation(s):

That the Council enact the FY 2022-23 budget ordinance to establish the budget for FY 2022-23 and authorize the related items.

Discussion:

The proposed Budget Ordinance constitutes the annual budget for 2022-23. 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 2022-23 Manager's Recommended Budget is reflective of, and responsive to, Council's 2020-22 strategic goals. 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 with a range of incomes, from those 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 and creating a place for everyone.

Environmental Stewardship	To strategically manage the Town’s infrastructure and natural environment by promoting resiliency and sustainability.
Collaborative & Innovative Organization	To create an organization that works collaboratively from a mutual learning mindset, leads innovation, and produces effective outcomes for the betterment of the organization and community.

Budget Highlights:

A municipal budget is an expression of a community’s values. It is our hope that we have emerged on the far side of this global pandemic, and we recognize that our world will be returning to a “new normal”, that will require us to remain flexible during this time of transition. This year’s budget restores funding needed to continue to deliver high-quality, core services to our residents, businesses, and visitors. Our goal now is to rebound and move our strategic interests as a community forward. These investments in safety, diversity, climate, and quality of life are important steps in the right direction. Recovery will include immediate action with one-time funding as well as a return to our longer-term vision and 5-year plan for the ongoing budget.

In the FY 2022-23 budget:

- There are no recommended reductions or changes to core service levels provided by our operating departments.
- Employee compensation changes included in the recommended budget are designed to keep the Town competitive in attracting and retaining the excellent employees who provide the excellent service recognized in the biennial survey.
 - A tiered 4-5% of market rate pay increase (4% increase for employees who have been with the Town for less than five years and 5% for staff with five or more years of experience with the Town) for all full-time and part-time employees employed with the Town as of June 30, 2022 to be effective with the July 15, 2022 payroll. Market rate is defined as the midpoint

- of each pay grade.
- A 2% increase in the cost of providing employees health insurance.
- The FY 2022-23 budget includes a property tax rate of 52.2 cents per \$100 of valuation. This represents a 0.8-cent increase dedicated for Transit from the existing tax rate of 51.4 cents.
- The FY 2022-23 budget adds the following priorities:
 - Adds \$379,496 for four new positions - Grants Administrator, Diversity, Equity, and Inclusion (DEI) Officer, Planning Technician, and an Economic Development Administrative Coordinator.
 - Allocates \$158,005 to address the next phase of the classification & compensation study and to address compression.
 - Adds \$40,000 to increase the stipend for Council members.
 - Adds \$80,000 to the Climate Action Plan funding.
 - Adds \$27,325 to Human Services program funding.
 - Adds \$100,000 to implement downtown improvements.
 - Adds \$75,000 to bicycle & pedestrian safety improvement projects.
 - Adds \$50,000 to the Vision Zero program.
 - Adds \$40,000 to cultural arts.
 - Adds \$50,000 for parks maintenance projects.
 - Adds \$160,000 for cost-of-service increases.
 - Adds \$98,000 for cybersecurity and other technology security programs.
 - Allocates \$258,000 towards an interlocal agreement with the Interfaith Council to support its homeless shelter operations.
 - Allocates \$126,000 towards the Street Outreach Harm Reduction and Deflection (SOHRAD) under the Partnership to End Homelessness funding request.

BUDGET SUMMARY ALL FUNDS

The following table compares the FY 2021-22 Adopted Budget with the FY 2022-23 Proposed Budget for all Town funds.

BUDGET SUMMARY - ALL FUNDS

Fund	FY22	FY23	Incr./Decr. \$	Incr./Decr. %
	Adopted	Proposed		
General Fund	\$ 71,020,000	\$ 76,689,000	\$ 5,669,000	7.98%
Transit Fund	26,300,046	31,454,363	5,154,317	19.60%
Stormwater Fund	3,009,500	3,010,000	500	0.02%
Parking Fund	3,335,988	6,130,626	2,794,638	83.77%
Housing Fund	2,176,756	2,416,924	240,168	11.03%
Debt Service Fund	9,664,932	9,570,927	(94,005)	-0.97%
Capital Project Fund	697,241	741,241	44,000	6.31%
Other Funds	3,893,220	4,664,569	771,349	19.81%
Total	\$ 120,097,683	\$ 134,677,650	\$ 14,579,967	12.14%
<i>Note: includes intrafund transfers</i>				

THE FINAL BUDGET ORDINANCE

- The General Fund tax rate, Transit Fund tax rate, and Debt Management Fund tax rate represent a 0.8 cent increase going to the Transit Fund.
- The tax rates included in the Budget Ordinance are:
 - General Fund 37.2
 - Debt Management Fund 8.8
 - Transit Fund 6.2
 - Total 52.2 cents**
- The Budget Ordinance also:
 - Sets the Downtown Service District tax at 6.4 cents per \$100 assessed value (revenue neutral rate)
 - Establishes the Town’s Fee Schedule for FY 2022-23.
 - Uses about \$2.7 million in existing fund balance to balance the budget.
 - A tiered 4-5% of market (midpoint) rate pay increase (4% increase for employees who have been with the Town for less than five years and 5% for staff with five or more years of experience with the Town) for all full-time and part-time employees employed with the Town as of June 30, 2022.

FEE SCHEDULE

- The Manager’s Recommended Budget for FY 2022-23 proposes the following changes to the existing fee schedule.
 - 5% increase to all planning fees
 - 5% increase to all engineering permit & plan review fees
 - Fire construction permit fees
 - Miscellaneous parks and recreation rental fees
 - Library room rental fees

FUND BALANCE

The Recommended Budget appropriates \$2,663,390 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 by adding to fund balance. This is the result of much higher than anticipated sales tax revenues and conservative budgeting practices. The Town still has many vacant positions that are the result of the hiring freeze maintained in FY 2021 and the competitive nature of the job force market. 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, emergencies, and natural disasters.

We recommend that each fall following the issuance of the Annual Comprehensive Financial Report (ACFR), we return to 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 capital 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. In other words, by assigning a dedicated tax to the debt fund, increases in capital investment would be dependent on the adequacy of Debt Fund revenues instead of competing with the cost of providing core services.

- **Pay-Go CIP** - For FY 2022-23, the recommended Pay-Go CIP is up \$741,241 from FY 2022, due to the continued restoration of 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	2022-23 Recommended Budget
Municipal Facilities	\$ 299,000
Housing Rental Facilities	36,241
Infrastructure	186,000
Parks Facilities	220,000
Total	\$ 741,241

- **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. The Town has begun the application process with the Local Government Commission to file for a three-year extension.

The successful 2018 bond referendum authorized \$10 million in GO Bonds for affordable housing. The Town issued \$4.755 million in May 2021 for three key projects: Weavers Grove, 2200 Homestead Road and Johnson Street Apartments.

- Plans for future debt issuance include the following major projects:
 - Municipal Services Center \$ 34,000,000
 - Streets & Sidewalks 7,700,000
 - Affordable Housing 5,245,000
 - \$ 46,945,000

PERFORMANCE AGREEMENTS WITH OTHER AGENCIES

The FY 2022-23 budget includes a 3% increase of \$27,325 to the amount allocated for performance agreements for Human Services, \$40,000 for cultural arts, \$126,000 for the Partnership to End Homelessness for the SOHRAD program, and \$203,000 for the Interfaith Council to support its homeless shelter operations (\$258,000 award, but \$55,000 will be carried forward from current year budget). The proposed amounts include the following changes:

	2021-22 Budget	2022-23 Proposed Budget
Performance Agreements with Other Agencies		
Human Services	\$ 546,500	\$ 573,825
Arts	23,500	63,500
Public Health	29,110	29,110
Affordable Housing	454,309	795,758
Economic Development	270,000	270,000
Total Contributions to Agencies	\$ 1,323,419	\$ 1,732,193

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 73% of the FY 2022-23 General Fund Recommended Budget. The costs of maintaining a high performing workforce are increasing. For the most part, the market dictates salary levels and we continue to experience turnover, difficulty filling key positions, and retirements of long-serving employees. The Town strives to remain competitive in the

labor market by maintaining its comprehensive benefits package and through annual salary adjustments.

The FY 2022-23 Recommended Budget includes a tiered 4-5% of market rate pay increase (4% increase for employees who have been with the Town for less than five years and 5% for staff with five or more years of experience with the Town) for all classified employees employed with the Town as of June 30, 2022. This adjustment will be based on the market rate (midpoint) within each pay grade so that employees currently making less than market will receive slightly larger percentage increases than those currently making more than the market.

FARE FREE TRANSIT SYSTEM

Chapel Hill Transit operates as a pre-paid system, resulting in no fares being collected on the bus. The FY 2022-23 Transit operating budget reflects a 15.3% increase mainly due to the 0.8 cent tax increase and corresponding Partner (UNC & Town of Carrboro) increases, and anticipated increases in both federal and state annual operating assistance.

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. A portion of the tax increase is intended to fund another round of borrowing to allow the Town to purchase another 10-12 buses in FY 2023.

BUDGET ORDINANCE

The components of the Budget Adoption Ordinance for FY 2022-23 are as follows:

- 1. Appropriations** - Authorization of funds to be expended in the FY 2022-23 Budget by function and fund.
- 2. Revenues** - Estimated revenues expected to be available during the FY 2022-23 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 2022.
- 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 2022.
- 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 2022-23 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 2022-23 Fiscal Year.
- 8. Stormwater Fee** - Establishes the stormwater fee for FY 2022-23.
- 9. Reappropriation of Outstanding Purchase Orders** - Appropriates encumbered balances from prior fiscal year so that financial obligations created in FY 2021-22 can be paid in FY 2022-23.
- 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.

12. Micro-Purchase Threshold - Authorizes the Town to increase our micro-purchase thresholds related to the expenditure of federal funds.



Attachments:

- Budget Ordinance
- Classification & Pay Plan Effective July 1, 2022
- Fee Schedule Effective July 1, 2022
- Resolution Approving 2022-23 Funding for Performance Agreements with Human Services Agencies as Recommended by the Human Services Advisory Board
- Draft Staff Presentation

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

PRESENTER: Maurice Jones, Town Manager

- a. Introduction and revised recommendations
- b. Comments from the public
- c. Comments from the Mayor and Town Council
- d. Motion to enact the FY2022-23 budget ordinance
- e. Motion to recuse one or more members who serve on governing boards of non-profit organizations being considered for human services funding
- f. Motion to adopt the resolution approving the human services funding.

RECOMMENDATION: That the Council enact the FY 2022-23 budget ordinance to establish the budget for 2022-23 and authorize the related items.