



TOWN OF CHAPEL HILL

Town Hall
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Chapel Hill, NC 27514

Legislation Details (With Text)

File #: [23-0501] **Version:** 1 **Name:**
Type: Discussion Item **Status:** Passed
File created: 5/30/2023 **In control:** Town Council
On agenda: 6/7/2023 **Final action:** 6/7/2023
Title: Consider the Final Budget and Related Items for FY 2023-24.

Sponsors:

Indexes:

Code sections:

Attachments: 1. Budget Ordinance FY 2023-24.pdf, 2. Pay Plan 7-1-2023.pdf, 3. Fee Schedule FY 2023-24.pdf, 4. Resolution Approving FY2024 Performance Agreements.pdf, 5. Draft Staff Presentation, 6. Staff Presentation, 7. Emails from the Public, 8. Council Questions with Staff Response, 9. AN ORDINANCE CONCERNING THE ESTABLISHMENT OF THE TOWN BUDGET FOR THE FISCAL YEAR BEGINNING JULY 1, 2023 (2023-06-07/O-1), 10. A RESOLUTION APPROVING 2023-24 FUNDING FOR PERFORMANCE AGREEMENTS WITH HUMAN SERVICE AGENCIES AS RECOMMENDED BY THE HUMAN SERVICES ADVISORY BOARD (2023-06-07/R-1)

Date	Ver.	Action By	Action	Result
6/7/2023	1	Town Council	enacted	Pass
6/7/2023	1	Town Council	recused	Pass
6/7/2023	1	Town Council	adopted	Pass

Consider the Final Budget and Related Items for FY 2023-24.

Staff:

Chris Blue, Interim Town Manager
Amy Oland, Director

Department:

Manager's Office
Business Management



Recommendation(s):

That the Council enact the FY 2023-24 budget ordinance to establish the budget for FY 2023-24 and authorize the related items.

Discussion:

The proposed Budget Ordinance constitutes the annual budget for 2023-24. 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 2023-24 Manager's Recommended Budget is reflective of, and responsive to, Council's strategic focus areas and goals for FY 2023 - 2025. A description of the Strategic Focus Areas is provided below.

Strategic Focus Area	What Success Looks Like
Environmental Stewardship	To mitigate effects of climate change through management of Town resources, partnerships, and natural environment and as we densify to also strengthen protection of sites in our natural areas plan and parks master plan.
Economic & Financial Stewardship	To support a vibrant economy by supporting business development, jobs creation, and entrepreneurship by balancing our tax base to support a diverse community.
Affordable Housing & Housing Production	To increase housing across a range of incomes and housing types and achieve equitable housing outcomes for historically marginalized populations.
Connected Community	To create a highly connected community where bicycling, walking, and transit are convenient, everyday choices for accessing our neighborhoods, businesses, and public spaces without a car.
Heathy & Inclusive Community	To collaborate with communities and institutions to eliminate inequities, build community, and enrich the health and lives of those who live, work, and visit Chapel Hill.
Safe Community	To embrace a holistic approach to making Chapel Hill a healthy, safe, and supportive community in which to live, work, and visit. Stable and safe housing makes stable and safe communities.
Employee Recruitment & Retention	To attract top talent across the organization, offer fair and competitive compensation, and ensure that all employees have the resources, knowledge, and training to do their best work every day.

Budget Highlights:

This budget is an expression of our community's values. This year's budget proposes a 5-cent tax increase to provide the funding needed to continue to deliver high-quality, core services to our residents, businesses, and visitors. This increase is necessary to help offset the reality that the Town has not had a significant tax increase in many years, inflation has caused the cost of doing business to go up, and we need to prioritize our employees who carry out the high-value services to our community. Our goal now is to reset and move our community's strategic interests forward. Key investments in safety, diversity, climate, and quality of life are important steps in the right direction.

In the FY 2023-24 budget:

- The FY 2023-24 budget includes a property tax rate of 57.2 cents per \$100 of valuation. This represents a 5.0 cent increase dedicated for the General Fund from the existing tax rate of 52.2 cents. The tax increase focuses on people, services, facilities, fleet, parks & fire capital, greenways, and housing.
- 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 5% of market rate cost of living pay increase for all full-time and part-time employees employed with the Town as of June 30, 2023, to be effective with the July 14, 2023, payroll. Market rate is defined as the midpoint of each pay grade.
 - No increase in the cost of providing employees health insurance.
- There are no recommended reductions or changes to core service levels provided by our operating departments.
- The FY 2023-24 budget adds the following priorities:
 - Adds \$1,267,599 for fourteen new positions (11 General Fund and 3 Transit Fund) - Greenway & Mobility Senior Planner/Project Manager, Special Projects Planning Technician, Engineer I-III, Commercial Plans Reviewer, Crisis Counselor, 3 Firefighters, Municipal Arborist, Affordable Housing Manager, Maintenance Mechanic, Information Technology

- Analyst, Safety & Training Coordinator, and a Service Attendant.
- Allocates \$400,000 to address the next phase of the classification & compensation study to address compression, provide language incentive pay, and begin building a progression system for many Town positions.
- Adds \$40,000 to increase the stipend for Council members.
- Adds \$65,290 to human services program and agency funding.
- Adds \$911,000 for parks maintenance projects.
- Adds \$263,720 for cost-of-service increases.
- Adds \$138,455 for penny for housing.
- Adds \$250,000 for facilities maintenance.
- Adds \$747,373 for vehicle replacements.
- Adds \$250,000 for fire capital.
- Adds \$401,403 for greenways
- Adds \$27,893 for technology needs.
- Adds \$100,000 for a tax relief program.

BUDGET SUMMARY ALL FUNDS

The following table compares the FY 2022-23 Adopted Budget with the FY 2023-24 Proposed Budget for all Town funds.

BUDGET SUMMARY - ALL FUNDS

Fund	FY23 Adopted	FY24 Proposed	Incr./Decr. \$	Incr./Decr. %
General Fund	\$ 76,689,000	\$ 84,879,000	\$ 8,190,000	10.68%
Transit Fund	31,454,363	32,149,890	695,527	2.21%
Stormwater Fund	3,010,000	3,059,200	49,200	1.63%
Parking Fund	6,130,626	6,089,089	(41,537)	-0.68%
Housing Fund	2,416,924	2,588,770	171,846	7.11%
Debt Service Fund	9,570,927	12,752,312	3,181,385	33.24%
Capital Project Fund	741,241	2,386,104	1,644,863	221.91%
Other Funds	4,664,569	6,180,105	1,515,536	32.49%
Total	\$ 134,677,650	\$ 150,084,470	\$15,406,820	11.44%
<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 5.0 cent increase going to the Transit Fund.
- The tax rates included in the Budget Ordinance are:

General Fund	42.2
Debt Management Fund	8.8
Transit Fund	6.2
Total	<u>57.2 cents</u>

- 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 2023-24.
- Uses about \$2.5 million in existing fund balance to balance the budget.
- A 5% of market (midpoint) rate cost of living pay increase for all full-time and part-time employees employed with the Town as of June 30, 2023.

FEE SCHEDULE

- The Manager's Recommended Budget for FY 2023-24 proposes the following changes to the existing fee schedule.
 - 5% increase to all Planning fees, including price per metric fees, as well as removal or increase of fee caps
 - Removal of Library room rental fees

FUND BALANCE

The Recommended Budget appropriates \$2,469,359 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 using approximately \$4.5 million of fund balance. This is a planned use of fund balance resulting from FY 2022 due to higher-than-expected sales tax revenues, conservative budgeting practices, and numerous vacant positions that resulted from the hiring freeze 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. Use of this fund balance keeps us at our 22% target.

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 2023-24, the recommended Pay-Go CIP is up \$1,644,863 from FY 2023, due to new funding for parks capital, greenways, and other pay-go capital projects. 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	2023-24 Recommended Budget
Municipal Facilities	\$ 601,000
Housing Rental Facilities	56,701
Infrastructure	587,403
Parks Facilities	1,141,000
Greenways	500,000
Total	\$ 2,386,104

- **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	\$ 16,200,000	\$ 0
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	\$ 29,200,000	\$ 11,100,000

The authority to issue the remainder of the 2015 Bonds, after receiving a three-year extension from the Local Government Commission expires in November 2025.

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 and the remaining \$5.245 million in March 2023 for 2200 Homestead Road, Trinity Court, and Weavers Grove.

- Plans for future debt issuance include the following major projects:
 - Municipal Services Center \$ 45,000,000
 - East Rosemary Parking Deck 9,000,000

PERFORMANCE AGREEMENTS WITH OTHER AGENCIES

The FY 2023-24 budget includes a 5% increase of \$28,691 to the amount allocated for performance agreements for Human Services, an additional \$62,792 for the Interfaith Council to support its homeless shelter operations, an additional \$35,330 for the Community Home Trust, and removes funding for the Orange County Food Council. The proposed amounts include the following changes:

Performance Agreements with Other Agencies	2022-23 Budget	2023-24 Proposed Budget
Human Services	\$ 573,825	\$ 602,516
Arts	43,500	43,500
Public Health	29,110	-
Affordable Housing	795,758	861,467
Economic Development	270,000	270,000
Total Contributions to Agencies	\$ 1,712,193	\$ 1,777,483

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 72% of the FY 2023-24 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 2023-24 Recommended Budget includes a 5% of cost-of-living market rate pay increase for all classified employees employed with the Town as of June 30, 2023. 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 2023-24 Transit operating budget reflects a 2.2% increase mainly due to increased personnel costs. Small corresponding Partner (UNC & Town of Carrboro) increases, and anticipated increases in both federal and state annual operating assistance are included.

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. The Town borrowed an additional \$8.155 million to purchase 8 buses (5 diesel and 3 electric) in FY 2023.

BUDGET ORDINANCE

The components of the Budget Adoption Ordinance for FY 2023-24 are as follows:

- 1. Appropriations** - Authorization of funds to be expended in the FY 2023-24 Budget by function and fund.
- 2. Revenues** - Estimated revenues expected to be available during the FY 2023-24 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 2023.
- 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 2023.
- 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 2023-24 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 2023-24 Fiscal Year.
- 8. Stormwater Fee** - Establishes the stormwater fee for FY 2023-24.
- 9. Reappropriation of Outstanding Purchase Orders** - Appropriates encumbered balances from prior fiscal year so that financial obligations created in FY 2022-23 can be paid in FY 2023-24.
- 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
 - Attachment 1: Classification & Pay Plan Effective July 1, 2023
 - Attachment 2: Fee Schedule Effective July 1, 2023
- Resolution Approving 2023-24 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: Chris Blue, Interim Town Manager

RECOMMENDATION: That the Council enact the FY 2023-24 budget ordinance to establish the budget for 2023-24 and authorize the related items.