



TOWN OF CHAPEL HILL

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

Legislation Text

File #: [22-0103], Version: 1

Discuss FY 2021 Excess Fund Balance Appropriation.

Staff:

Maurice Jones, Town Manager
Amy Oland, Director

Department:

Manager's Office
Business Management



Recommendation(s):

That the Council receive an update on the Fiscal Year 2021 Excess Fund Balance Appropriation and discuss the intended uses for these funds.

Key Issues:

In spite of the challenges of the pandemic, the Town finished FY 2021 in an incredibly strong financial position. We attribute this to the following factors:

- Conservative budgeting practices - The Town was extremely conservative going into the FY 2021 budget as we recognized that there were numerous factors that we did not know how the pandemic would impact.
- Unexpected sales tax growth - We anticipated a 5% decline from prior year collections, but we actually saw a 15.7% increase over prior year sales tax revenues.
- Personnel savings - The Town typically experiences \$2-3 million in personnel savings each year due to about 10% of the Town's regular positions (60-70) being vacant due to natural attrition from turnover, retirements, etc. However, as a result of the hiring freeze, we had \$5.9 million in personnel savings in FY 2021.

Total fund balance at June 30, 2021 was up by \$7,028,454 (from \$27.3 million to \$34.3 million). Available fund balance is up by \$5.9 million (from \$15.1 million to \$21.0 million). The amount of fund balance that is available to appropriate at the end of FY 2021 is \$7.9 million (35.3%). Available fund balance is the amount remaining after all commitments for future expenditures, required reserves defined by State statutes, and previous designations have been calculated. The Town strives to maintain a targeted available fund balance of 22% of General Fund expenditures (including transfers). FY 2021 expenditures were much lower than is usual as a result of budget cuts and personnel savings due to the hiring freeze. While \$7.9 million is available to appropriate, staff has recommended only appropriating \$4.5 million to ensure we finish FY 2022 at or just above the 22% target.

We discussed one possible funding allocation with Council at the January 5th work session. Based on feedback we received, we made some adjustments to the proposed plan and are offering two alternative scenarios.

Recommended Use	Original Recommendation	Revised Recommendation A	Revised Recommendation B
Classification & Compensation Phase I	\$ 500,000	\$ 500,000	\$ 500,000
Climate Action	500,000	0	0
Affordable Housing/Human Services	500,000	500,000	500,000
Maintenance	500,000	750,000	750,000
Vehicle Replacements	1,000,000	900,000	750,000
Fire Engine	0	750,000	750,000
Streets	500,000	600,000	500,000
Department One-Time Adds	500,000	500,000	250,000
Splash Pad Placeholder	<u>500,000</u>	<u>0</u>	<u>500,000</u>
TOTAL	\$ 4,500,000	\$ 4,500,000	\$ 4,500,000

Classification & Compensation Implementation

\$100,000 was approved in the FY 2020 budget to hire a consultant to perform a compensation and classification study. Council received the results of the study on January 12, 2022. Phase I of the study included moving all employees up to the minimum of the new pay grades and for those who were already at the minimum to help address compression was to provide a 2%/3% of market pay adjustment based on the number of years worked with the Town. \$400,000 was included in the FY 2022 budget towards this first phase of the implementation. At the January 26, 2022 Council meeting, Council approved the new pay plan and approved the appropriation of \$500,000 of excess fund balance for this purpose.

Climate Action

We reduced the original proposal for climate action to \$0. Even with all of the reductions that were made in the FY 2022 budget, Council was able to allocate ½ cent (\$470,000) towards implementation of the climate action plan. Since these funds will recur annually, the excess fund balance could be allocated towards some of the areas that were cut in the FY 2022 budget or that have been historically underfunded.

Affordable Housing/Human Services

Potential uses include:

- COVID-19 human service response and recovery efforts (emergency housing assistance, food distribution coordination, etc.)
- Predevelopment activities for Town affordable housing projects
- Property acquisition for affordable housing
- Racial equity assessment of the Human Services program
- Transitional housing maintenance

Maintenance

There is a current backlog of maintenance projects that were identified in the 5-year budget plan of \$11.4 million. The priority projects recommended here are:

- Post Office/Courthouse Roof Replacement and Cupola Repairs - The project will include exterior repairs to the building including masonry repairs and painting. The estimated cost is \$550,000.
- Town Hall Parking Deck Repairs - The scope of work would address structural maintenance interests and would restore the original concrete surface to mitigate slipping on the deck surface when wet. The estimated cost is \$200,000.

Vehicle Replacements

There is a current backlog of vehicle replacements that were identified in the 5-year budget plan of \$5.6 million. The priority replacements recommended here include:

- 3 Police patrol vehicles and 2 Police crisis unit vehicles
- Solid Waste division pickup truck
- Building Maintenance division van and pickup truck
- Construction division pickup truck
- Streets division pickup truck
- Parks Maintenance division pickup truck, dump truck, multi-purpose mowers/tractors, tractor & boom mower, and riding mowers
- Fire pickup truck

41.7% of the funding would be used to purchase fully electric vehicles. This would purchase seven EVs and four dual charging stations. An additional 16.7% of the funding would be used to purchase three hybrid vehicles. These vehicles are much more efficient and produce less emissions than the vehicles they would be replacing.

Fire Engine

The Town would be replacing Engine 32, which was placed in service in 2009, and was due to be replaced in FY 2021. This new fire engine will be based out of Fire Station 2. The current front line truck will be rotated into the reserve fleet. If the order can be placed in February, it would allow the Town to get on the production schedule for delivery no later than February 2023. Delaying purchase would result in anticipated price increases and a 26 month delivery date.

Streets

There is a current backlog of street resurfacing projects that were identified in the 5-year budget plan of \$14.5 million. The proposed funds would be used to patch, mill, and resurface 14 town-maintained streets totaling 3.4 miles rated poor to very poor condition.

Department One-Time Budget Adds

There is a current backlog of department budget adds of \$9.3 million made up largely of new position requests and operation expansions that are annual expenditures. Potential one-time adds include:

- New software implementations (payroll software, electronic signatures, development review software, community engagement software)
- COVID related supplies, material, cleaning supplies, and materials for workplace modifications
- P&R comprehensive plan
- A-Boom mower for Parks & Recreation

Splash Pad Placeholder

Based on feedback received from Council at the January 5th work session, Council expressed interest to use the excess fund balance to replenish programs that were cut in the FY 2021 budget or that have not had sufficient funding in the last several years. There were concerns about whether this was the best source of funds to use for development of a splash pad. Therefore, we have provided two alternative scenarios - one that keeps the splash pad and one that removes the splash pad from the allocation. If removed, we will look for alternative revenue sources to address this Council and community interest (American Rescue Plan Act, Pay Go Capital, 2/3 bonds)



Attachments:

- Draft Staff Presentation
- Response to Council Question - Public Housing Capital Needs and Funding

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

PRESENTER: Maurice Jones, Town Manager
Amy Oland, Business Management Director

RECOMMENDATION: That the Council receive an update on the FY 2021 Excess Fund Balance Appropriation and to provide the opportunity to discuss the intended uses for these funds.