

FY 2019-20 Budget Update



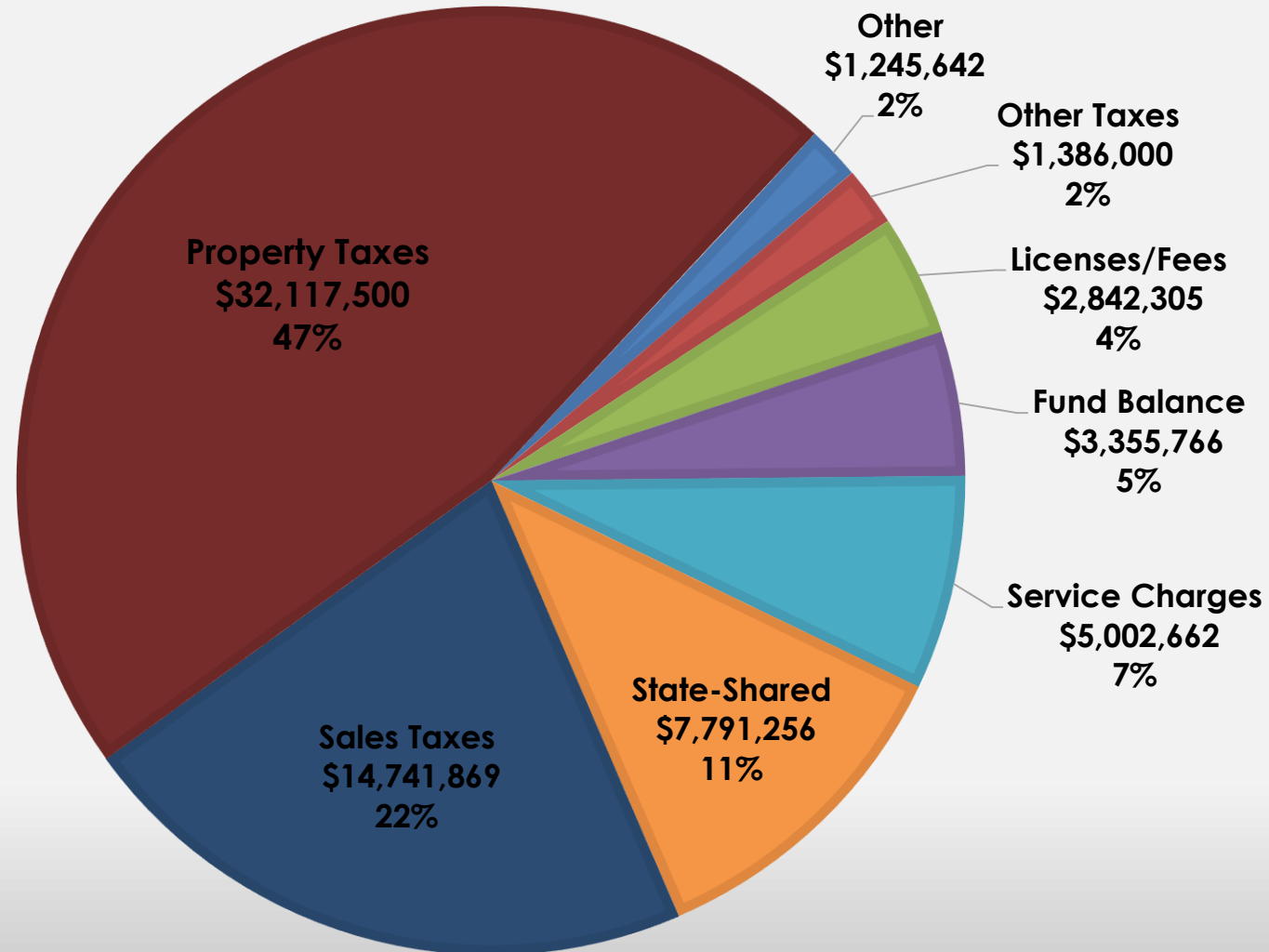
FY 2019-20 Budget Update & Long-Term Budget Strategy Development

TODAY'S TOPICS:

- FY 2019-20 Budget Update
- Budget History
- 5-Year Budget Strategy Development
- Next Steps

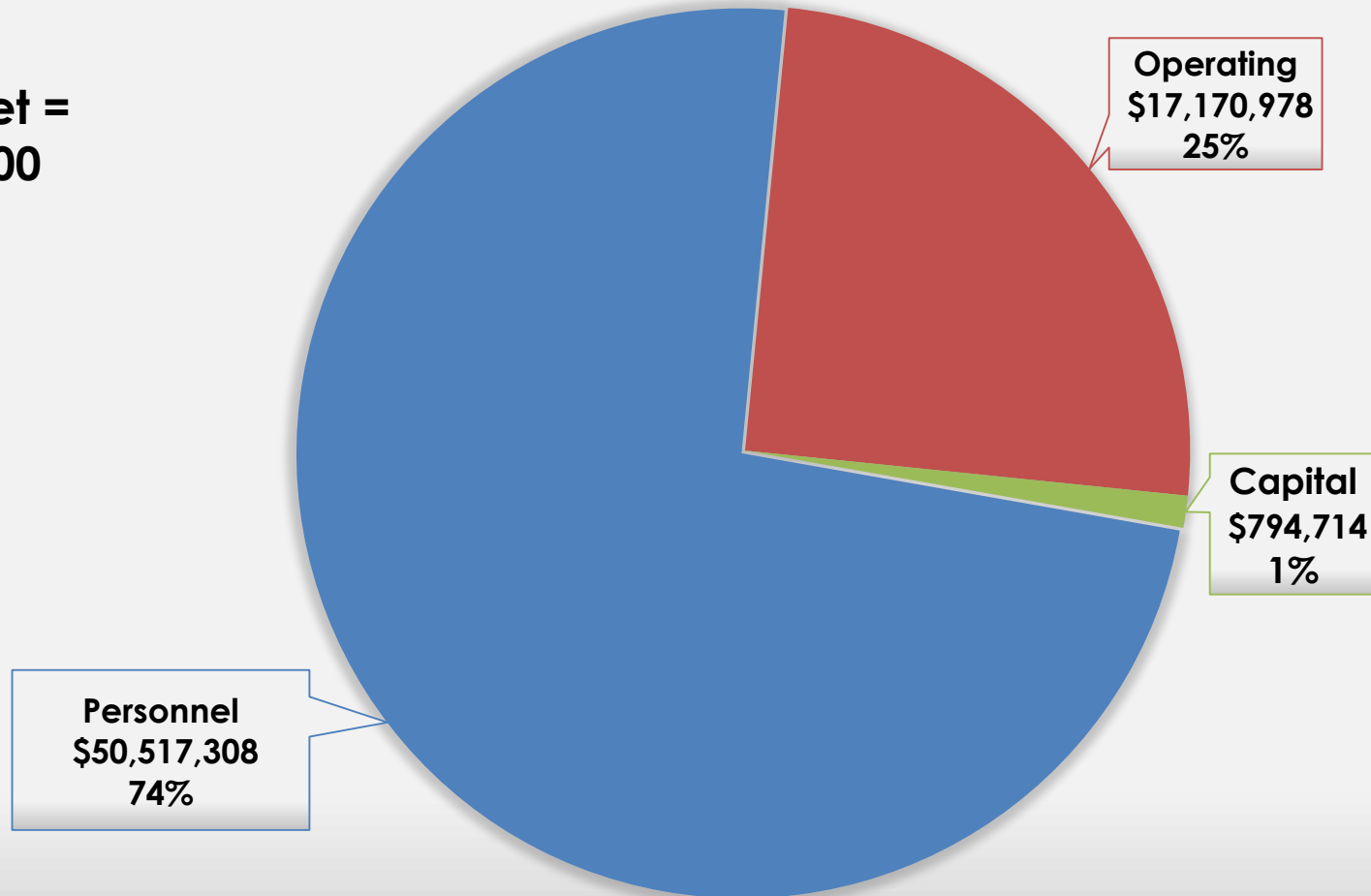
General Fund FY 2020 Revenue Budget

**Total Budget =
\$68,483,000**



General Fund FY 2020 Expenditure Budget

**Total Budget =
\$68,483,000**



Update on FY 2020 Budget Initiatives

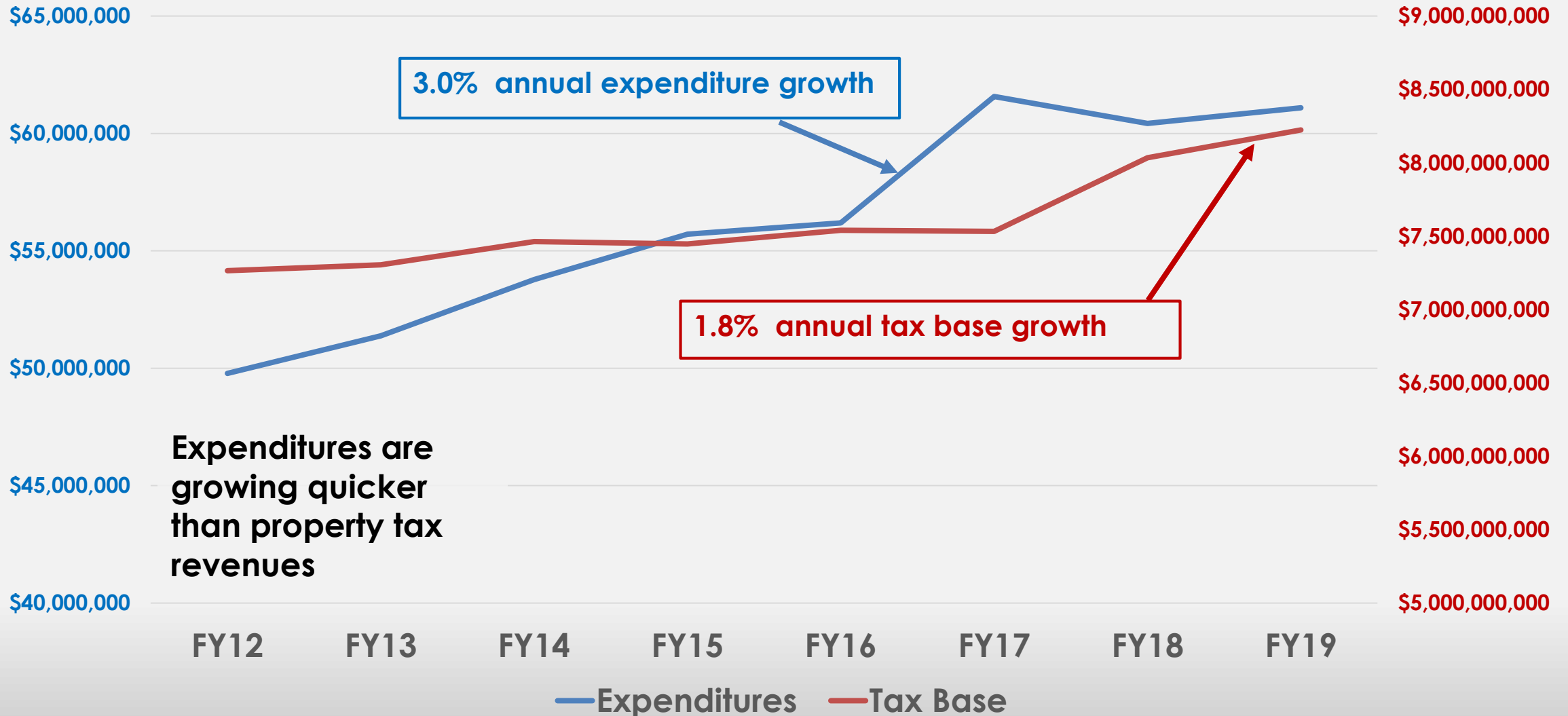
- Classification & Compensation Study
- Environmental Sustainability
 - Begin Coal Ash Remediation
 - Create Climate Action& Response Plan
 - Stormwater fee increase for bond funded capital projects
- Urban Design
- Sworn Officer Pay Adjustments

Why Are We Having This Discussion?

The Town's revenue growth is not keeping pace with the cost of carrying out our services



Expenditures vs Tax Base - Rate of Growth



Balancing Growth in Property Tax Base

Tax Rate*:

	FY09	FY10**	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18**	FY19	FY20
General Fund	42.3	36.0	36.0	37.8	37.8	38.8	38.8	38.8	38.8	37.6	38.6	38.6
Debt Fund	11.0	9.3	9.3	7.5	7.5	7.5	8.5	8.5	8.5	8.2	8.2	9.8
Transit Fund	4.8	4.1	4.1	4.1	4.1	5.1	5.1	5.1	5.1	5.0	6.0	6.0
Total	58.1	49.4	49.4	49.4	49.4	51.4	52.4	52.4	52.4	50.8	52.8	54.4

* Tax rates are expressed in cents per \$100 valuation

** FY 2018 & FY 2010 tax rates were the revenue neutral rate

*** FY 2022 is next planned revaluation (effective January 1, 2021)

Total Tax Bill

Total Tax Bill

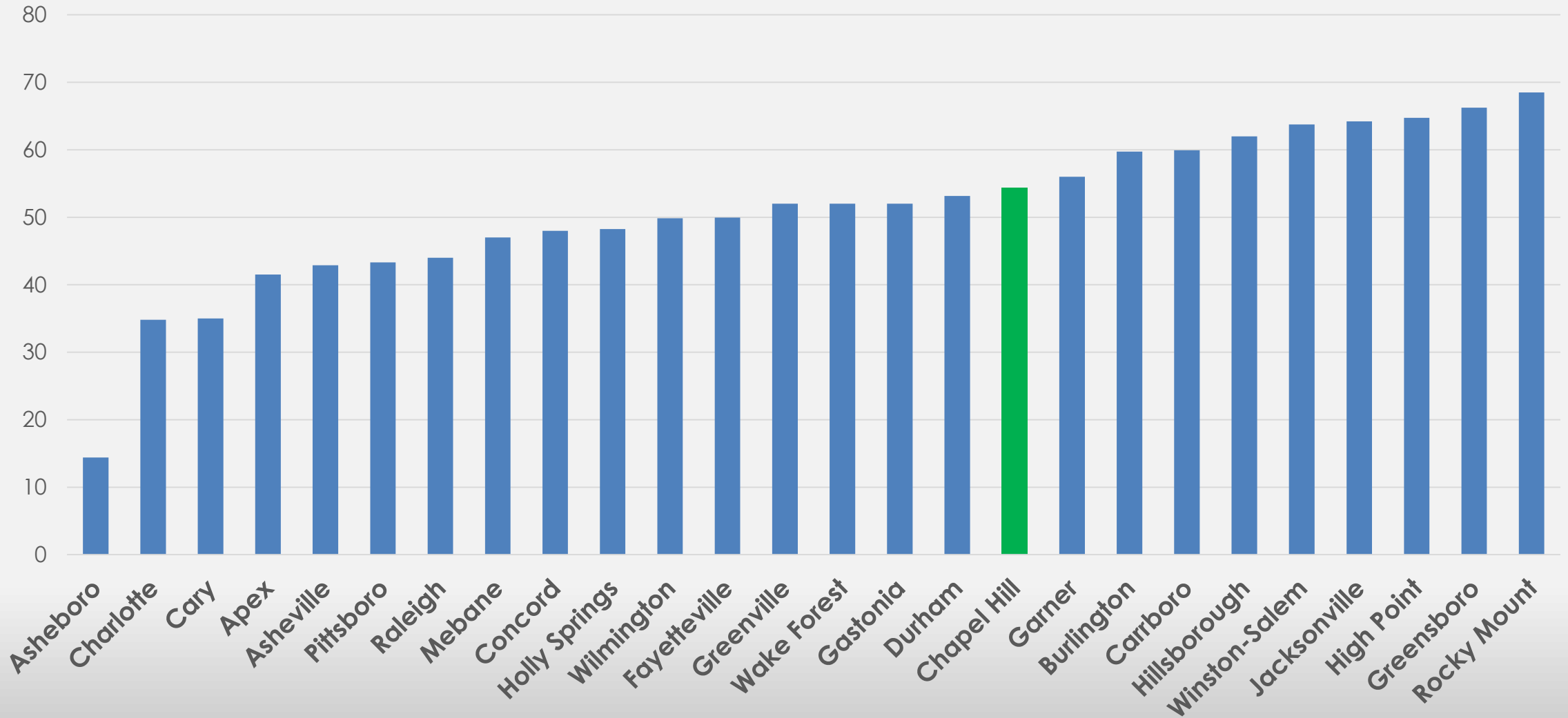
	FY09	FY10**	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18**	FY19	FY20
Chapel Hill	58.1	49.4	49.4	49.4	49.4	51.4	52.4	52.4	52.4	50.8	52.8	54.4
Orange County	100.3	85.8	85.8	85.8	85.8	85.8	85.8	87.8	87.8	83.77	85.04	86.79
CHCSS	23.0	18.84	18.84	18.84	18.84	20.84	20.84	20.84	20.84	20.18	20.18	20.18
Total	181.4	154.04	154.04	154.04	154.04	158.04	159.04	161.04	161.04	154.75	158.02	161.37

* Tax rates are expressed in cents per \$100 valuation

** FY 2018 & FY 2010 tax rates were the revenue neutral rate

*** FY 2022 is next planned revaluation (effective January 1, 2021)

Tax Rate Comparisons



It Takes A Lot To Move The Needle



- **1% added (\$83 million)** to the tax base generates the following tax revenue:

General Fund (38.6)	\$ 320,280
Debt Fund (9.8)	81,340
Transit Fund* (6.0)	<u>49,800</u>
	\$ 451,520

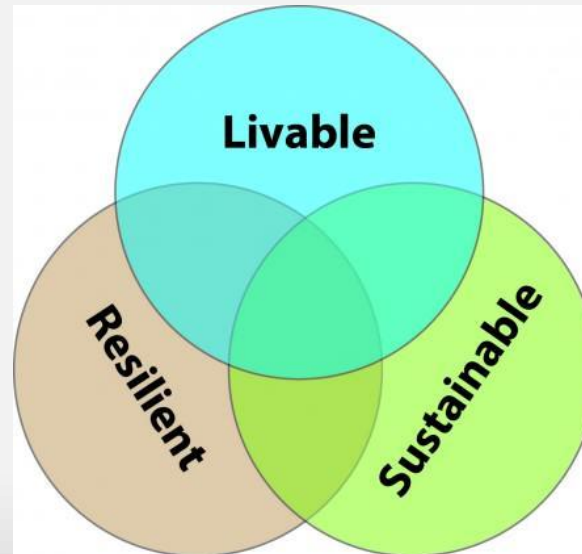
** Transit fund revenues are dedicated to paying for the Transit System*

Budget Balancing – What We Have Done 2010-2020

- Maintained core services
- Tightened department line item budgets
- Appropriated higher levels of fund balance/lapsed salary
- Health insurance plan changes
- Established Defined Contribution Plan in FY 2010
- Suspended/Held Funding Levels for Other Post Employment Benefit (OPEB) contributions
- Significantly reduced pay-go capital and vehicle replacements
- Used bond funds for annual street resurfacing
- Balanced economic development investments with incentive agreements

New Investments 2010 - 2020

- Economic Development
- Expansion & Renovations of Public Facilities
- Affordable Housing
- Sustainability & Resiliency
- Facilities Maintenance
- Transportation
- Public Safety



Budget Drivers

- Growth Rate in Tax Base and Other Revenues
- Fund Balance Target
- Personnel
 - Compensation
 - Benefits
 - Pre-Funding Other Post Employment Benefits (OPEB)
- Focus on Core Services
- Priorities for Capital Investments



Other Post Employment Benefits (OPEB)

- Town provides retiree healthcare coverage based on years of service
- Timeline:
 - 2009 – Began pre-funding OPEB liability
 - 2010 – Switched to defined contribution plan
 - 2017 – Change in healthcare plan for retirees >65
 - 2017 – Established OPEB irrevocable trust
 - 2019 – OPEB Pre-Funding Policy adopted by Council on June 12th
 - 2020 – Finding the right annual amount to pre-fund OPEB liability

15-Year Capital Plan (No Existing Funding)

Solid Waste Transfer Station	\$ 5.2 million
Fire Station 1 Replacement	3.3 million
Fire Station 3 Replacement	3.1 million
Fire Station 4 Replacement	2.8 million
Fire Training Building Replacement	1.8 million
PW Facility Addition	2.2 million
Teen Center Renovation	2.0 million
Morgan Creek Trail, Phase III	3.6 million
Barclay Trail	0.4 million
Battle Park Trail	3.0 million
Bolin Creek Trail, Phase IV	0.9 million
Timberlyne Trail	3.1 million

Roof Replacements	\$ 2.8 million
HVAC Replacements	2.4 million
Town Facility Security Upgrade	0.5 million
Town Facility ADA Improvements	0.6 million
Fire Engines (5)	5.7 million
Police Radios	1.2 million
Traffic Signal Improvements	0.9 million
Tennis Court Replacements	0.6 million
Synthetic Turf Replacements	1.7 million
Streets, Sidewalks, Traffic & Bike/Ped	10.8 million
Meadowmont Dam Replacement	0.6 million
Bolinwood Drive Bridge Replacement	0.9 million

Source: FY 2019-20 Adopted Budget; Capital Section, Table 2

Total = \$60.1 million

Enterprise Funds

- **Transit:**

- Funding partner model
- Federal & State funding levels
- Bus Replacement Needs



- **Parking:**

- Fee schedule
- Debt service
- Fund balance



Enterprise Funds

- **Housing:**

- Federal funding level
- Unit vacancies
- Aging housing units



- **Stormwater:**

- Stormwater fee
- General Obligation bond issuance
- Future large-scale capital needs



Long-Term Budget Planning

- Development of 5 –Year Budget Strategy to:
 - Build connections between strategic work plans and budget program expansions
 - Strengthen department operating budgets to meet operational needs
 - Promote environmental resiliency
 - Restore pay-go capital and vehicle replacement programs
 - Expand building maintenance and street paving programs
 - Sustain enterprise funds

5-year Budget Strategy Development

- Identified 7 Theme Areas:
 1. Environmental Sustainability
 2. Capital
 3. Human Services
 4. Human Capital
 5. Transportation
 6. Operational Sustainability
 7. Economic & Financial Sustainability
- Each theme area began with a champion/co-champion who then built a team of subject matter experts to perform data gathering and analysis of all topic areas.



Theme Area #1: Environmental Sustainability

- The Environmental Sustainability theme captures a range of investments that will strengthen operational and community sustainability.
- Champion: John Richardson
- Co-Champion: Rae Buckley
- Topic Areas:
 - Sustainable Operations
 - Green Infrastructure
 - Community Sustainability Programs
 - Environmental Protection



Theme Area #2: Capital

- The Capital theme is focused on the parts of the town budget dealing with the acquisition or maintenance of capital assets such as land, buildings, equipment and major software procurement.
- Champion: Scott Clark
- Co-champion: Ross Tompkins
- Topic Areas:
 - Street Maintenance
 - Facilities Maintenance
 - Vehicle Maintenance/Replacement
 - Technology



Theme Area #3 : Human Services

- The Human Services theme is focused on programs, services, and initiatives that support the residents of our community with a goal of achieving economic and social well-being and opportunities for all residents to thrive.
- Champion: Loryn Clark
- Co-Champion: Rae Buckley
- Topic Areas:
 - Affordable Housing
 - Public Housing
 - Non-Profit Agencies
 - Recreation and Leisure Programs



Theme Area #4 : Human Capital

- The Human Capital theme analyzes the personnel related needs in the organization.
- Champion: Susan Brown
- Co-Champion: Steve Stewart
- Topic Areas:
 - Recruiting & Retaining Quality Employees
 - Getting Where We Need To Be



Theme Area #5 : Transportation

- The Transportation theme addresses connected mobility systems that provide residents and visitors convenient choices to move safely around our community that support regional connectivity and environmental stewardship.
- Champion: Brian Litchfield
- Co-Champion: Flo Miller
- Topic Areas:
 - Traffic
 - Sidewalks/Bike Lanes
 - Greenways/Side Paths
 - Transit System Operations
 - Bus Rapid Transit



Theme Area #6 : Operational Sustainability

- The Operational Sustainability theme is evaluating the resources needed to carry out day-to-day operations. By day-to-day operations, we mean our core services.
- Champion: Chris Blue
- Co-Champion: Ross Tompkins
- Topic Areas:
 - Organizational Effectiveness
 - Changes to Service Delivery
 - Infrastructure Maintenance & Repair
 - Maintain Service Levels



Theme Area #7 : Economic & Financial Sustainability

- The Financial Sustainability theme is reviewing general trends in revenues and opportunities to preserve the Town's financial sustainability.
- Champion: Mary Jane Nirdlinger
- Co-Champion: Steve Stewart
- Topic Areas:
 - Property Tax
 - Sales Tax
 - Economic Development Incentives
 - Permits & User Fees



5 Year Budget Strategy Template

- Staff developed a template to be completed by each theme area
- Goal is to have a consistent framework for each theme to report out on their topics.
- Each theme area consists of:
 - Executive Summary
 - Background
 - Connections
 - Funding Gap
 - Detail for each Topic Area
 - Outcomes
 - Opportunities & Tradeoffs
 - Funding Needs
 - Prioritizations

Executive Summary

<“Snippet definition of Theme”>

[Lengthier definition if necessary]

Background

[Background information on the Theme, context, importance, etc.]

Topic Areas

[High level overview of the topic areas to be discussed individually]

Connections to other Themes

[High level connections to other Themes]

Funding Gap

[Setup or description of table which follows]

Funding Category	FY21	FY22	FY23	FY24	FY25
[Topic 1] Funding Gap	\$XXX,XXX	\$X	\$X	\$X	\$X
[Topic 2] Funding Gap	X	X	X	X	X
[Topic 3] Funding Gap	X	X	X	X	X
Total	\$X	\$X	\$X	\$X	\$X

Next Steps in Budget Process

March 18th Work Session

- Share the 5-Year Budget Strategy results with Council
- Provide FY 2021 preliminary revenue and expenditure projections

Early Considerations for FY 2021 Budget

April-June

- Incorporate 5-Year Budget Strategy into FY 2021 budget development
- Climate Action Plan
- Maintenance Needs
 - Streets
 - Buildings
 - Parks
 - Vehicles
 - Pay Go Capital
- Classification & Compensation Study Implementation
- Efficiency/Effectiveness Study
- Asset Management

Council Priorities for FY 2021 Budget?