

BUDGET MESSAGE

I. Introduction and Overview

Key issues for the upcoming budget for 2004-05 include the following:

- Cost of continuing economic development work focused on downtown Chapel Hill.
- The need for additional staff in several departments to meet service demands.
- Estimated cost increases for new debt service for the Town Operations Center and cost of issuing a portion of the bonds approved by voters in 2003.
- Estimated cost of initiating a Stormwater Management Fund.
- Pay plan adjustments to be competitive with rates already being paid by other employers in the Triangle labor market.
- Increases in employee medical and workers' compensation costs.
- Increases in certain operating costs to maintain current services.
- Current economic conditions, including the slow pace of the economic recovery.

Recommended budgets for the General Fund, the Transportation Fund and the Stormwater Management Fund would require a tax rate increase of 4.3 cents, with one cent on the tax rate providing \$442,000.

The effects of additional debt beginning in the following budget year, 2005-06, will be significant. The combined cost of an increase in debt service for current debt, capital improvements recommended in the Town's 15-year plan, debt service on the new Town Operations Center, and issuance of \$4 million in new General Obligation bonds could add 8.1 cents to the tax rate in 2005-06, not taking into account the effect of property revaluation scheduled for next year.

General Fund

In addressing these key budget issues, the Council requested that budget information for next year be presented in a format that separates the base budget for continuing current operations from optional additions to the base budget that could be considered by the Council on a case by case basis. The charts beginning on p. xxv show the budget in this format for the General Fund and the Transportation Fund.

Base Budget

The General Fund base budget for continuing operations would total about \$40.3 million. The base budget could be balanced with existing revenue sources estimated for next year, with no increase in the current General Fund tax rate of 50.2 cents. A base budget at this level would leave \$197,926 in additional revenues that could be used to consider additions to the base.

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We recommend in this budget presentation that the Council consider priority additions to the base budget totaling about \$3 million. A budget with these additions would total about \$43,268,000 and would require additional revenue of about \$2.7 million.

Revenue Increases

We recommend an increase in fees charged to the University of North Carolina in Chapel Hill for review and evaluation of site development plans and modifications to development plans, based on experience and analysis of cost during the past year. Fees proposed would result in estimated additional revenues of about \$21,000. We also recommend a 10% increase in commercial garbage collection fees (\$25,000) to recover a greater portion of the actual costs of such services. In addition to these revenues, we expect to receive an additional \$66,700 from the North Carolina Department of Transportation to reimburse the Town for the full cost of employing a Traffic Signal Technician to help maintain the Town's traffic signal system.

Stormwater Management Fund

The federal government is requiring municipalities to make basic improvements in stormwater services, through the National Pollution Discharge Elimination System. In addition the Council has been working toward development of a stormwater management improvement program.

The recommended budget proposes establishment of a Stormwater Management Fund that would address the needs identified by federal law and the Council's work on the issue. Funding for services would be provided through assessment of fees to properties in the Town's jurisdiction, in the form of Equivalent Rate Units or ERUs. One Equivalent Rate Unit would be assessed for each 2,000 square feet of impervious surface on a property. The rate recommended for 2004-05 is \$45 annually per ERU.

A detailed description of the Stormwater Management Fund is presented in a separate report. In 2004-05 the General Fund would recover the \$400,000 already spent to obtain the information necessary to establish the Fund. In addition, \$190,000 of costs now paid by the General Fund would be transferred to the Stormwater Management Fund; \$568,000 in costs of stormwater management programs now paid by the General Fund would be paid by the new Stormwater Management Fund; and the new fund would reimburse the General Fund for \$27,000 in general overhead costs. Altogether, the Stormwater Management Fund would benefit the General Fund by a total of \$1,179,000. These revenues would reduce the tax rate needed to balance the recommended budget to 3.5 cents.

If the Council chooses not to improve stormwater management services and decides not to establish the Stormwater Management Fund, then the \$400,000 investment would not

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be repaid to the General Fund and \$779,000 in costs would continue to be borne by the General Fund. In addition, \$67,000 in cost would have to be added to the General Fund to meet the minimum federal regulation requirements. The total result would be the need for an additional 2.9 cents tax rate increase, or a total of 6.4 cents.

Priority Additions

Priority additions to the base budget would include downtown economic development funds, pay plan adjustments effective October 1, 2004, human service contracts and other agency contributions, additional funding for capital improvements, and the addition of a web programmer, an information systems technician and a senior planner for current development. A summary of the base budget costs and a complete listing of the priority additions recommended for the Council's consideration are included in Attachment I to the budget message. The list also includes additional funding requests that could not be accommodated within the total funding recommended for next year. Attachment III includes information on other budget needs, including budget requests with proposed external funding sources. Additional information on the recommended Stormwater Management Fund is included in a separate report being presented tonight.

Fund Balance

The recommended budget would preserve a fund balance of about \$5.1 million or 12% of the budget. We believe this is a minimum amount considering cash flow needs, potential emergencies and the desire to maintain the Town's present bond rating. The bond rating is important, because it affects the interest rate that is charged on Town debt service.

Transportation Fund

The major revenue sources for the Transportation Fund include federal operating assistance, State operating assistance, University contract payments, Town of Carrboro contract payments and Town of Chapel Hill payments, including the Town's property tax levy for transit. For next year, the estimated Transportation base budget that would continue current services would require an increase of .6 cents in the current Transportation tax rate of 5.1 cents. Additional funding is needed to pay for costs associated with higher ridership resulting from the fare-free system.

Priority Level I costs for transit operations recommended for consideration by the Council would require an additional increase in the Transportation tax rate of .2 cents, to about 5.9 cents for 2004-05. With 10% of budget as our minimum fund balance requirement, the Town needs to retain current fund balance in the Transportation Fund.

Priority additions to the Transportation base budget would maintain quality services for a transit fleet that had a 28% increase in ridership from 2001-02 to 2002-03 and anticipates an additional 10-15% increase in ridership through the end of the current year. The

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demand for Shared Ride and EZ Rider service increased by 21% from 2001-02 to 2002-03 and continues to experience demand beyond our current capacity. We cannot charge fees for EZ Rider to try to offset the increased costs because of federal regulations limiting EZ Rider fees to two times the cost of fixed route service, which is free.

A Transportation Fund budget with priority additions would total about \$11.4 million, with the additional costs being shared among the Transportation partners. These additions include potential costs of competitive employee pay adjustments effective October 1, 2004, one part-time EZ rider reservationist and an additional full time EZ rider transit operator. The Town's share of these costs including the base costs of \$349,000 is .9 cents on the tax rate and the other partners would share the remaining \$165,000. There are other department requests shown as Priority II options which we do not recommend in this budget.

Summary of Costs General Fund, Stormwater Management Fund, Transportation Fund

The following table provides a summary of recommendations for the General, Stormwater Management and Transportation Funds.

Tax Rate Options						
Options	Budget Level	Estimated Budget	Current Tax Rate	Tax Rate Required	Difference	
Base Budget	General Fund Base Budget	40,323,000	50.2	49.8	(0.4)	
	Transportation Fund Base Budget	11,130,000	5.1	5.7	0.6	
	Total	51,453,000	55.3	55.5	0.2	
Proposed Budget	General Fund Base plus Priority Level I	43,335,000	50.2	56.4	6.2	
	Stormwater Management Fund	(1,179,000)	0.0	(2.7)	(2.7)	
	Transportation Fund Base plus Priority Level I	11,384,000	5.1	5.9	0.8	
Total	53,540,000	55.3	59.6	4.3		
Budget with Level I and II Options	General Fund Base plus Priority Levels I and II	43,884,000	50.2	57.6	7.4	
	Stormwater Management Fund	(1,179,000)	0.0	(2.7)	(2.7)	
	Transportation Fund Base plus Priority Levels I and II	11,576,000	5.1	6.0	0.9	
Total	54,281,000	55.3	60.9	5.6		

The budget is balanced for all other funds. Revenue and cost changes are included in the Summary and department sections, with descriptions of major revenue sources and costs by fund. A brief description of each department's services and costs is included in this document.

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Department budget line item detail is available in a separate document distributed with the budget and on the Town web-site. For more information, contact the Town of Chapel Hill Finance Department or go online to our web-site

www.townofchapelhill.org/TownServices/budgeting_and_financial_manageme.htm

to access Adobe documents containing the budget and line item detail.

II. Long-Term and Short-Term Goals and Projections

The Town's primary long-term and short-term goals are stated in the revised Comprehensive Plan adopted by the Town Council in the spring of 2000 and updated on May 12, 2003. The Town's Comprehensive Plan is organized around 12 major themes which together form a strategy for Chapel Hill's future. These themes are:

- Maintain the Urban Services Area/Rural Buffer Boundary
- Participate in the regional planning process
- Conserve and protect existing neighborhoods
- Conserve and protect the natural setting of Chapel Hill
- Identify areas where there are creative development opportunities
- Encourage desirable forms of non-residential development
- Create and preserve affordable housing opportunities
- Cooperatively plan with the University of North Carolina
- Work toward a balanced transportation system
- Complete the bikeway / greenway / sidewalk systems
- Provide quality community facilities and services
- Develop strategies to address fiscal issues

Taken together, the major themes show a pattern of commitment to community involvement in directing government investment in community development and in services.

III. Budget Goals

The Council decided that budget recommendations be presented in a format that separates the base costs of maintaining current services from the cost of various optional additions to the base.

The General Fund base budget for 2004-05 includes base costs for continuing current services and includes revenue available for priority additions to the base of about \$197,000 without a change in the current tax rate.

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Reflected in the Town's Comprehensive Plan is the budget goal that the Town's ability to provide services and manage its development requires financial stability and fiscal planning. In order to maintain financial stability over the long-term, the Town needs to maintain an adequate level of unrestricted fund balance. Unrestricted fund balance represents assets that are immediately available to assure that the Town will have adequate cash to cover payments in periods of slow cash flow and in the case of emergencies or unexpected opportunities.

The North Carolina Local Government Commission requests that all North Carolina municipalities maintain a minimum of 8% of their budget in unrestricted fund balance for cash flow. Additional amounts are necessary for emergencies and opportunities. The Town's General Fund unrestricted fund balance was almost 14%, or \$5.6 million at June 30, 2003. Bonding agencies consider fund balance as a key indicator when assessing the Town's creditworthiness. We estimate that the Town's unrestricted fund balance will be reduced to about \$5.1 million by the end of 2003-04 as intended by Council. The Council also planned for the one-time use of an additional \$491,000 in fund balance for 2004-05. The proposed additional use of fund balance will reduce our remaining fund balance to about 12% of budget by year-end 2004-05. We believe that this is a minimum level required to meet cash flow need, be able to respond to emergencies, and to preserve the Town's favorable bond rating.

For the Capital Improvements Program for next year, the base budget includes the minimum level of spending to meet existing obligations. However, we recommend that the Council consider the recommendations for the Capital Improvements Program in Priority I additions. The Priority I recommendations include major renovations to the Estes Drive Community Center, Bolinwood Drive Bridge replacement, the replacement of the Town Hall heating ventilation and air conditioning system, and major repairs at Fire Station 4.

We believe that the 2004-05 Budget as presented is consistent with the long-term goals adopted by the Council, and consistent with the following short-term objectives and principles:

- Basic Town services should be maintained.
- Tax rate increases should be considered within the context of increased demand for services, the need for downtown economic development, voter-approved capital improvements, the need to conserve investments made in town buildings, and the need for construction of a replacement Town Operations Center.
- Fund Balance should be maintained at no less than 12% of budget.

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- The Town should continue to invest in the maintenance of employee skills, knowledge and abilities as a key community resource.
- Fare-free transportation services should be retained next year.
- Improvements in stormwater management are needed to meet federal regulations and the improvement goals of the Council.

IV. Budget Environment, Assumptions and Resource Changes

Major issues affecting Town revenues for the 2004-05 Budget include the likely stability of the State budget and its affect on local revenues, anticipated continued slow growth in the Orange County economy, and the indirect effect of funding and growth decisions of the University of North Carolina at Chapel Hill. Federal budget decisions also have a major effect on the Chapel Hill budget, particularly in the areas of transportation and housing.

The Recommended Budget incorporates the following assumptions:

- Economic conditions in North Carolina will continue to improve slowly next year.
- The Town will receive full State-shared revenues next year.
- We estimate that the Town's revenue from the local sales taxes will increase by about 3% from estimated receipts in the current year.
- Revenue from the fuels tax (Powell Bill funds) for street maintenance next year will remain about the same as this year, approximately \$1.3 million.
- The property tax base will increase by about \$140 million: the total base is estimated to be about \$4.44 billion next year.
- Interest rates and interest income will increase gradually next year.

General Fund

Overall revenues in the current year are expected to be about \$533,700 higher than budgeted. Revenues in 2003-04 are estimated to be lower than the adopted budget for sales tax, utility franchise tax, motor fuels tax (known as Powell Bill funds), and interest. Offsetting these decreases is the effect of approximately \$600,000 in sales tax revenues that have historically been received after the end of the fiscal year, but, because the State

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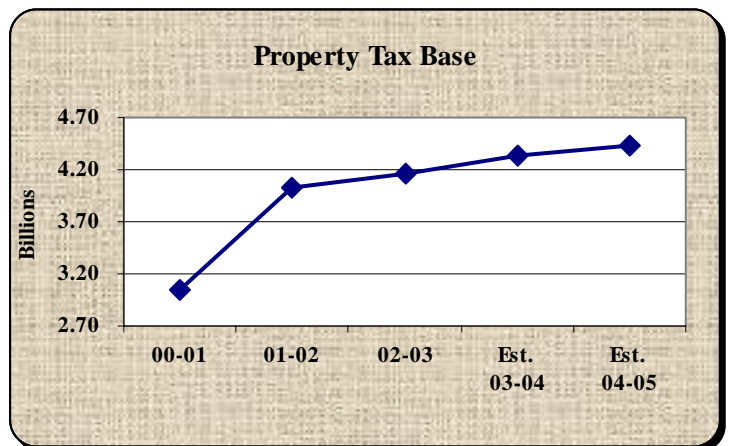
has changed from a quarterly to a monthly sales tax distribution schedule, will be received in this year. Property tax revenues continue to be projected higher than budget by about \$436,000. We also expect approximately \$330,000 in revenues from the Federal Emergency Management Authority (FEMA) to offset current year costs for last fall's Hurricane Isabel.

Costs are anticipated to be lower than budget by approximately \$392,000. When added to the revenue-generated addition to undesignated fund balance, the total would allow the Council to carry forward an estimated total of \$800,000 for use in next year's budget without affecting fund balance. This amount is about \$126,000 lower than earlier estimated primarily because of emergency replacement of a garbage compactor serving a part of the downtown, additional costs for police service at Apple Chill, higher tonnage and disposal costs for garbage collections, and lower salary savings than earlier projected.

If the Town prevails in its appeal to the Federal Emergency Management Administration about disputed reimbursement of landfill tipping fees related to last fall's Hurricane Isabel and the ice storm of December 2002, there may also be an addition to fund balance of about \$200,000.

Tax Base and Tax Levy

The estimated tax base for the current budget year is expected to be about \$4.3 billion, an increase of \$100 million, or 3% over the final tax base last year of about \$4.2 billion. As shown at right, based on preliminary information for 2004-05 provided by Orange County, we expect the total tax base to increase about \$140 million next year to about \$4.44 billion, about the same as the average growth in recent years.



At a tax base level of \$4.44 billion next year, each 1 cent of the tax rate would generate about \$442,000. The current General Fund tax rate of 50.2 cents on this base would generate about \$21.4 million in property tax revenue.

Sales Taxes

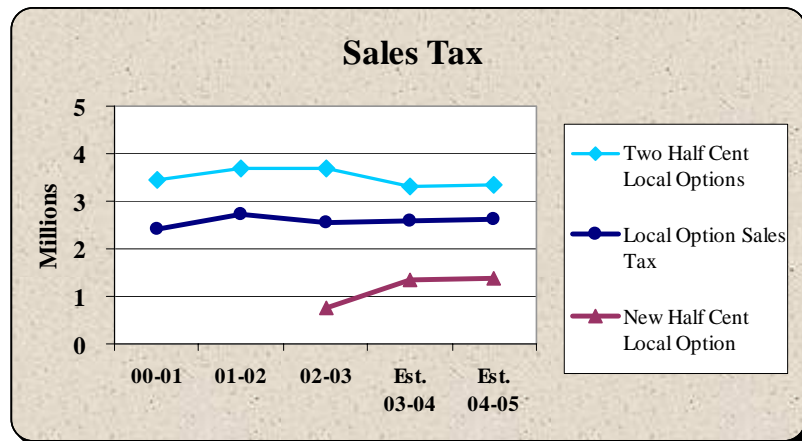
Sales tax revenue from both the 1% sales tax based on Orange County receipts and the two ½ % sales taxes based on State-wide collections were slightly higher than budgeted last year. The current year's budget for both taxes was based on growth of about 3.5% over last year's lower base. Because of the Town's lowered census estimate and slower than anticipated growth, we estimate that sales tax revenues will be approximately \$7.27 million, about \$255,000 less than budgeted. We estimate that sales tax revenues will

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increase approximately 3.25% next year over the lower estimated base in the current year to approximately \$7.3 million.

- For the two ½% taxes based on State-wide tax collections, we estimate \$3,320,000 in 2003-04 and \$3,340,000 for next year.

- For the 1% tax based on receipts in Orange County, we estimate about \$2,597,000 in the current year and about \$2,625,000 for next year.



- For the new ½ % tax authorized by the County effective December, 2002, we expect receipts of about \$1,353,000 in the current year, and about \$1,380,000 for next year.

Revenue from other sources in the General Fund is expected to remain at about the same level as in the current year, with no significant variations in any major source. As in past years, we continue to recommend use of \$800,000 in normal carryover fund balance for the 2004-05 budget. In addition to the normal use of fund balance, we anticipate the one-time use of \$491,000 that the Council reserved in fund balance for 2004-05. In summary, we estimate total revenues available for use next year would be about \$40,521,000. Additional information about General Fund revenues for 2004-05 can be found in the budget section on General Fund Revenue Sources and Descriptions.

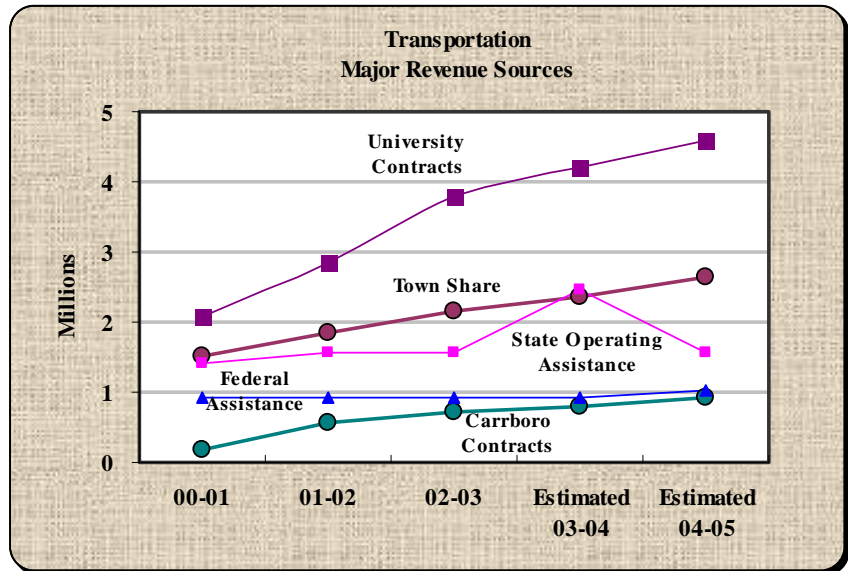
Transportation Fund

The major revenue sources for the Transportation Fund include federal operating assistance, State operating assistance, University contract payments, Town of Carrboro contract payments and Town of Chapel Hill payments, including the Town's property tax levy for transit. For next year, the estimated Transportation base budget that would continue current services would require an increase of .6 cents in the current Transportation tax rate of 5.1 cents because of increase resulting from increased ridership under fare-free service. The resulting tax rate of 5.7 cents would generate about \$2,496,000 in property tax revenue for the transit system. Additional Priority Level I costs for transit operations recommended for consideration by the Council would require

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an additional increase in the Transportation tax rate of .2 cents, to about 5.9 cents for 2004-05. The Priority Level I additions are needed because of increased demand for EZ-Rider and Shared Ride services.

State assistance will return from a one-year increased amount of \$2,463,000 in 2003-04 to about \$1,566,000. Federal assistance is expected to increase by about \$93,000 to \$1,025,000. University and Carrboro contract payments would total about \$5.5 million based on cost sharing agreements. All other revenue sources, including the vehicle license fee generating about \$144,000, are expected to remain about the same as in the current year in the Transportation Fund.



The graph above shows major revenues for the transit system over the last four years and for the 2004-05 base budget. With revenues as discussed above, fare free service would continue for all current routes.

Housing Fund

Because of the budget schedule required by the Department of Housing and Urban Development (HUD), the Council adopted a budget on March 1 for the Town's public housing program for 2004-05.

Federal operating assistance is proposed to decrease and only provide 91% of the subsidy that is actually necessary for operations. Rents paid by public housing residents are expected to be lower in next year's budget than in 2003-04. While there is a possibility that the subsidy amount may increase, we reduced the budget recommendation for operations so that the federally recommended fund balance can be retained.

Parking

On-street parking meter and parking enforcement revenues are expected to be about \$624,000, only about \$5,000 more than estimated for 2003-04. Revenues for the off-street parking lots are estimated to be about \$14,000 less than the original budget for the

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current year. We believe the decline could be attributed to a combination of the fare free bus system and slower economic activity in the downtown area. For next year, we estimate total revenues of about \$1,264,000, adequate to meet operating costs and debt service payments.

The Town's parking facilities and programs are expected to experience changes over the next few years. The Council has requested and received the report on the first phase of a program to evaluate the development opportunities for the Chapel Hill Downtown business area. The potential development includes considerations of alternative uses for Parking Lots 2 and 5. Development of either lot would produce economic benefits; however, the development would also pose challenges for parking alternatives during redevelopment of the properties. As part of any development proposal, we will need to consider that revenues from Lots 2 and 5 subsidize the repayment of the twenty-year debt on the James Wallace Parking Deck.

Other Funds

Revenues are expected to remain approximately the same this year and next in most of the Town's remaining funds including Vehicle Maintenance, the Library Gift Fund, Cable Public Access Fund and the Downtown Service District Fund.

The Downtown Service District Fund tax rate is recommended to remain at 6.2 cents. Consistent with action recently authorized by the Council, \$70,000 of revenues generated in this fund would be allocated to the new downtown economic development organization.

The Vehicle Replacement Fund will increase its charges for Town vehicle replacement by about \$150,000 in accordance with the Town's multi-year plan for fleet maintenance. The Computer Replacement Fund also reflects increased charges, from \$200,000 in 2003-04 to \$222,000 in 2004-05, to ensure that we have the necessary computers and software for efficient staff use.

The Transit Capital Reserve Fund holds the local matching funds for the future Transit Operations Center building and future bus and equipment purchases. Because of a one-time transfer of about \$889,000 in additional funds in 2003-04 for the Transit Operations Center, the transfer recommended for 2004-05 is held at \$470,000, approximately equal to the amount transferred in 2002-03.

The Housing Loan Trust Fund provides funds to help subsidize low-income housing in Chapel Hill. The recommended budget shows reduced amounts for the 2004-05 budget, because we do not currently expect additional revenues next year other than a small amount of interest earnings.

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Major Service Levels and Costs

General Fund

Base Budget and Recommended Priority Additions Total \$43,268,000

As requested by the Council at the initiation of this year's budget process, the preliminary estimate of General Fund costs for next year's budget is shown in a format separating the base budget costs from optional additions to the base budget that could be considered by the Council. The table below is provided to compare the preliminary base budget for next year to the current year's base budget. Attachment I on page xxv is provided to show estimated costs for the base budget next year, priority additions recommended for the Council's consideration, and other requests which could be included with adjustments either in costs or revenues.

Base Budget

The estimated base budget that would continue basic services totals about \$40,323,000, or about 3% more than the original current year's operating budget. Most of the additional cost is to pay for full-year cost of pay increases authorized for nine months this year, increased cost of employee medical and workers' compensation coverages and increase in the cost of vehicle replacement in accord with the multi-year fleet replacement plan.

The base budget includes costs necessary to continue current operations but does not include the costs for competitive employee compensation adjustments, economic inflation in operating costs or funding for contributions to other agencies beyond the 10% legal requirement of the local occupancy tax law.

The table below shows a comparison between the current year's original base budget and estimated costs for General Fund base service levels next year. Major elements of the net change of about \$1.1 million for the 2004-05 base budget include the following:

- Full-year costs of pay increases authorized for 9 months in the current year (about \$160,000).
- An expected increase of 12% in employee medical costs next year (\$294,000).
- A projected increase of 23% in worker's compensation costs next year (\$160,000).

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- Increased cost of employee medical insurance resulting from withdrawal of coverage by Doctor's Health Plan and required shift of coverage to Cigna Healthcare of N.C. (\$147,000).
- Increased allocation for vehicle replacement costs consistent with financial plan (\$150,000).
- Cost increase for property and liability insurance, estimated at 11% (\$60,000).

General Fund Expenditures			
Department	03-04 Budget	04-05 Base Budget	% Change
Mayor	89,089	93,185	4.6%
Council	217,655	203,272	-6.6%
Manager	656,509	682,347	3.9%
Clerk	333,536	342,936	2.8%
Human Resources	594,406	601,362	1.2%
Finance	931,404	950,757	2.1%
Information Technology	582,698	657,706	12.9%
Legal	235,943	241,435	2.3%
Planning	990,128	1,052,270	6.3%
Inspections	707,597	744,206	5.2%
Engineering	975,565	1,080,292	10.7%
Public Works	10,116,076	10,572,199	4.5%
Police	9,650,604	9,862,551	2.2%
Fire	5,321,401	5,454,874	2.5%
Parks and Recreation	2,197,961	2,249,239	2.3%
Library	1,959,490	1,980,931	1.1%
Non-Departmental	538,238*	562,566	4.5%
Debt Service	2,552,000	2,485,000	-2.6%
Capital Improvements			
Transfer	521,000	506,000	-3.0%
Total Base Budget	39,171,300	40,323,128	3.0%

* Excludes Contributions to Agencies of \$513,700 because similar contributions are considered an option in 2004-05 and are not included in the Base Budget.

Funding for human service agencies and other agencies is shown for next year as an option to the base budget for the Council's consideration. We have included the minimum amount of 10% of estimated hotel/motel tax revenue (\$58,000) in the base budget as required by law, with the balance of about \$518,000 listed as priority I option.

Priority Level I recommended additions include increases to last year's base for the following agencies: a \$10,000 increase for Orange Community Housing and Land Trust (from \$100,000 to \$110,000), a \$5,000 increase for the support of the Public Art program (from \$70,000 to \$75,000), and a \$20,000 increase for support of the North Carolina High School Athletic Association (from \$10,000 to \$30,000).

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Contributions to Agencies	Budget 2003-04	Priority I Recommendation for 2004-05
Human Service Agencies		
Human Services Advisory Board Recommendation	206,000	206,000
Special Council allocation to Interfaith Council	30,000	0
Cultural Arts Dinner	500	500
JOCCA	18,900	18,900
Affordable Rentals	10,000	0
Friends of the Chapel Hill Senior Center	30,000	30,000
Civic Index Community Forum	500	0
Hotel/Motel Tax Allocation		
Chapel Hill/Orange Visitors Bureau	94,300	87,000 *
Arts Center	20,000	0
Chapel Hill Public Arts Commission	70,000	75,000
NC High School Athletics Association	10,000	30,000
Fiesta del Pueblo	1,000	0
Familias del Pueblo Road Race	1,000	0
Memorial Hall	10,000	0
Orange County		
Retired Senior Volunteer Program	12,300	12,300
Economic Development Commission	6,000	6,000
Housing		
Orange Community Housing and Land Trust	100,000	110,000
Total Contributions	620,500	575,700
* Law requires that we contribute at least 10% of Hotel/Motel Occupancy Tax to visitor and cultural services, so \$58,000 of this \$87,000 is included in the base budget.		

The preliminary base budget does not include a reserve for pay adjustments needed to be competitive in the Triangle labor market, economic inflation in operating costs, contributions to other agencies beyond the 10% legal requirement of the occupancy tax law, downtown economic development services, repayment amounts for any possible new borrowings or other service and program additions that the Council may wish to consider. Funding for the additional programs and services are presented in Attachment III.

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Priority Additions to the Base Budget

Recommended priority additions to the base budget total about \$3.0 million. (The additions are also shown in Attachment I to the budget message, p. xxv.) We recommend that the Council consider funding these priority additions to the base budget.

The priority additions would include the following:

Personnel

- Potential pay adjustments to be competitive in the Triangle Labor market, with pay adjustments effective on October 1, 2004 (\$690,000).
- Web Programmer/Analyst (9 months) to improve citizen, vendor and visitor information on the Town's web-site (\$53,500).
- Information Systems Technician (9 months) to allow current Information Technology employees to perform higher level tasks consistent with their skills and improve the operations of the Town's network (\$45,600).
- Senior Planner for Current Development (9 months) to help meet the demand for current development review (\$49,200).
- Reallocation of Fire positions: reclassify the Assistant Chief of Logistics to an Administrative Captain and hire a part-time receptionist (net reduction of \$4,600).
- 3 High School Interns for the summer for Human Resources, the Town Clerk's office and Planning, (\$3,000).
- Traffic Signal Technician (\$66,700) to improve traffic signal efficiency in the Town. The cost would be entirely offset by an increase in traffic maintenance fees from the North Carolina Department of Transportation.

Operations

- The sum of line-item increases resulting from the effects of inflation on current basic town services (\$186,000).
- Increase in Police Department ammunition budget to meet State-mandated training and qualification requirements (\$26,000)
- First year of a four-year Police handgun replacement program in the Police Department (\$10,000).
- Update of aerial photography topographic coverage for geographic information system (\$45,000).
- Equipment purchase cost and processing fees for establishing a Town program to accept credit card payments (\$17,000).
- Additional cost of road resurfacing materials to maintain the current level of service with an expected increase in materials costs (\$27,000).
- Cost of annual maintenance of soccer fields (\$20,000).

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Other

- Downtown economic development, including the second phase of the economic feasibility study for development of Parking Lots 2 and 5 (\$266,000) and the contract with the new economic development organization (\$70,000).
- Funding for human service contracts (\$206,000) and contributions to other agencies at the same level as in 2003-04. Priority Level I includes increases to last year's base for the following agencies: a \$10,000 increase for Orange Community Housing and Land Trust (from \$100,000 to \$110,000), a \$5,000 increase for the support of the Public Art program (from \$70,000 to \$75,000), and a \$20,000 increase for support of the North Carolina High School Athletic Association (from \$10,000 to \$30,000).
- Estimated debt service payment for the Town Operations Center design and site work (\$150,000).
- Estimated half-year payment for debt service on \$4 million issuance of new General Obligation debt (\$202,500).
- Additional funding for the Capital Improvements Program in keeping with the 15 year plan (\$610,000). If \$4 million of the new General Obligation debt is issued, \$50,000 for sidewalk improvements could be eliminated because it would be offset by the bond-financed capital improvements. The Capital Improvements Program Priority I additions are detailed in the Capital Program section of the Manager's Recommended Budget.
- Replacement of Fire Department power rescue equipment (\$7,300).
- Replacement of Fire Department automatic defibrillator (\$3,000).

These additions to the base budget total approximately \$3 million and would bring the total budget for next year to about \$43,268,000.

We recommend an increase in fees charged to the University of North Carolina in Chapel Hill for review and evaluation of site development plans and modifications to development plans, based on experience and analysis of cost during the past year. Fees proposed would result in estimated additional revenues of about \$21,000. We also recommend a 10% increase in commercial garbage collection fees (\$25,000) to recover a greater portion of the actual costs of such services. In addition to these revenues, we expect to receive an additional \$66,700 from the North Carolina Department of Transportation to reimburse the Town for the full cost of employing a Traffic Signal Technician to help maintain the Town's traffic signal system.

The revenues described above, together with base revenues of \$39,230,000, fund balance of \$1,291,000 and a tax rate increase of 6.2 cents could balance the budget, exclusive of stormwater management services.

BUDGET MESSAGE

General Fund revenues would be increased by the recommended establishment of a Stormwater Management Fund. The Fund would finance the implementation of stormwater management activities necessary for compliance with existing and new federal regulations; the development of a master plan to identify and schedule stormwater management improvements in future years; a comprehensive public education and participation plan; and continuation and enhancement of stormwater management services currently being provided by the Town.

In 2004-05 the General Fund would recover the \$400,000 already spent to obtain the information necessary to establish the Fund. In addition, \$190,000 of costs now paid by the General Fund would be transferred to the Stormwater Management Fund; \$568,000 in costs of stormwater management programs now paid by the General Fund would be paid by the new Stormwater Management Fund; and the new fund would reimburse the General Fund for \$27,000 in general overhead costs. Altogether, the Stormwater Management Fund would benefit the General Fund by a total of \$1,179,000. These revenues would reduce the tax rate needed to balance the recommended budget to 3.5 cents.

If the Council chooses not to improve stormwater management services and decides not to establish the Stormwater Management Fund, then the \$400,000 investment would not be repaid to the General Fund and \$779,000 in costs would continue to be borne by the General Fund. In addition, \$67,000 in cost would have to be added to the General Fund to meet the minimum federal regulation requirements. The total result would be the need for an additional 2.9 cents tax rate increase, or a total of 6.4 cents.

Attachment III on page xxix shows Other Budget Needs with possible funding sources. These two issues involve personnel needs with possible external funding sources.

- *Fire Department.* Eighteen additional firefighters are needed to provide an appropriate level of service and protection for the community. The Council is seeking additional funding from the State which could be used to pay the associated costs. We recommend adding at least the first six firefighter positions in 2004-05 at a cost of \$289,700 if State funds become available.
- *Police Department.* Four additional police foot patrol officers to serve in the downtown. We are seeking grant funding of \$128,000 with a local match of \$32,000 to cover the first year costs of the officers.

Additional budget requests from Departments and other agencies that could not be included in the budget within total revenues available next year are listed in the last column in Attachment I. The listing contains items that we believe would have high priority for consideration if additional funds were available. The listing does not include all requests made to the Council.

BUDGET MESSAGE

Capital Improvement Fund Base Budget Totals \$561,000

For 2004-05, we propose a capital improvements program in keeping with the Council's fifteen year plan. The base budget of \$561,000 would require a \$506,000 transfer from the General Fund, supplemented by \$55,000 in annual cell tower rental fees from communication companies. This level of funding would provide for current installment debt payments and contractual obligations. This base level would include the following:

- \$122,000 Annual installment payment on Town Operations Center land
- \$163,000 Annual installment payment on renovations at Hargraves Center and A. D. Clark Pool
- \$238,000 Meadowmont School Gym payment
- \$ 38,000 Annual payment on roof repairs at the Town Hall and Fire Stations #2 and #3

Several other on-going projects in the base budget are planned to be funded through reappropriations. These include:

- \$ 58,000 Estimated annual payment on proposed installment contract for repairs at the Inter-Faith Council shelter
- \$ 9,000 Estimated annual payment on roof repairs at the Chapel Hill museum
- \$ 32,000 Estimated annual payment on repairs to various tennis and basketball courts

We also recommend additional funding for the Capital Improvements Program (\$610,000), consistent with long-term maintenance needs. Funding would come from the General Fund. If \$4 million of the new General Obligation debt is issued, \$50,000 in sidewalk improvements could be eliminated since it could be included in the bond-financed capital improvements. The Capital Improvements Program Priority I additions include:

Projects proposed for cash financing

- \$ 25,000 Picnic shelter at Meadowmont Park, required by Special Use Permit
- \$ 78,000 Extraordinary maintenance, emergency repairs
- \$ 19,000 Parks and Recreation, capital repairs for Plant Road facility
- \$ 15,000 Weaver Dairy Road and Sedgefield Road improvements
- \$ 25,000 Curb and gutter replacement
- \$ 25,000 Curb repairs, Americans with Disabilities Act compliance
- \$ 50,000 Capital repairs to bike paths, paved trails and public parking areas
- \$ 50,000 Small park improvements

BUDGET MESSAGE

- \$100,000 Town Hall telephone system replacement
- \$ 56,000 Design work for Community Center Capital Maintenance
- \$ 21,000 Homestead Park
- \$ 10,000 Cemetery beautification
- \$ 50,000 Sidewalk improvements
- \$ 60,000 Greenways

Projects proposed for installment contract financing

Two projects are recommended for installment contract financing that would have costs in 2004-05:

- \$ 51,000 Installation of new Town Hall generator (Estimated cost \$340,000, includes \$30,000 in reappropriated funds)
- \$ 28,000 Installation of a new Police Department generator (Estimated cost \$185,000, includes \$23,000 in reappropriated funds)

The three projects listed below are recommended to be started in the second half of fiscal year 2004-05 and also are recommended for installment financing. As a result, there would not be any financing cost in 2004-05, because the first payment would begin in 2005-06.

- Fire Station #4: major repairs to eliminate leakage and mold problems (Total cost \$435,000)
- Bolinwood Drive Bridge replacement (Total cost \$620,000)
- Community Center capital repairs (Total cost \$1.6 million, site work included as a cash-financed project)
- Replacement of the Town Hall heating ventilation and air conditioning system (Total cost \$300,000)

Transportation Fund Base Budget Expenditures Total \$11,131,000

The base budget cost of continuing current Transportation services next year is estimated to be about \$11,131,000 or about 4.4% lower than the current year's amended budget. The reduction is largely due to the one-time State assistance of \$889,000 in 2003-04 that offset local operating contributions. The additional State assistance allowed an equal amount of local funding to be transferred to the Transportation Capital Reserve Fund.

The Transportation Capital Reserve Fund holds the local matching funds for the \$19 million Transportation Operations Center. The Transportation Operations Center will need to be completed by the time the Town's lease runs out on the University of North

BUDGET MESSAGE

Carolina at Chapel Hill property in December 2006 where the current Transportation facilities are located. The new facility will cost the Town and its partners approximately \$2 million with the balance of the cost covered by federal and State grants. The timing of the receipt of the various grant funds is uncertain, so we are projecting that debt service payments on an estimated \$7 million borrowing should begin in 2005-06. We anticipate that we will receive all federal and State grants within seven years.

The base budget includes increases for the following:

- Funding the full-year costs of pay increases authorized for 9 months in the current year (\$49,700).
- Funding rate increases of 12% in employee medical costs and 23% in workers' compensation costs (\$152,000).
- Funding an anticipated increase in fuel costs (\$188,000).
- Funding expected increases of 11% in liability insurance (\$20,000).

The transportation budget estimates costs of about \$11,130,000 to continue current services and estimated revenues of about \$10,870,000. Additional revenue of \$261,000 would be needed to balance the Transportation Fund base budget. Raising the additional revenue would require an increase of .6 cents in the current Transportation tax rate, from 5.1 cents to 5.7 cents.

Potential Additions to the Transportation Base Budget

Below is list of optional additions to the Transportation base budget that we recommend for consideration by the Council.

- \$190,000 Potential cost of competitive employee pay adjustments effective October 1, 2004.
- \$ 24,000 Addition of one part-time EZ Rider/Shared Ride Reservationist.
- \$ 40,000 Addition of one full-time EZ Rider Transit Operator III.

The increase in ridership from implementation of the fare free system has created additional needs for the system. Fixed-route ridership increased 28% from 2001-02 to 2002-03. We currently estimate another 10-15% increase in ridership through the end of this year. There was a 21% increase in demand-response ridership from 2001-02 to

BUDGET MESSAGE

2003-03 and demand continues to increase. This year we modified the EZ Rider and Shared Ride reservation system in an effort to increase efficiency.

Proposed additions to the Transit system would require additional revenue from our transit partners (about \$171,000). The Town's share of the additional cost would be about \$83,000, which would require an additional increase in the Transportation tax rate of .2 cents above the .6 cents needed to fund the Transportation base budget, for a total of a .8 cent increase in the tax rate.

Proposed Changes in Authorized Positions in Base Budget

The base budget for 2004-05 proposes minor changes in positions that do not require additional funds. These changes in hours have been shown in the staffing charts by department and include the following:

- Deletion of a Library Assistant II position incorrectly listed as a contract position
- 2 part-time Human Resource Specialists changed to 1 full-time Senior Human Resource Specialist

We recommend the elimination of the Assistant Director of Maintenance position (\$75,708) in the Transportation Department and replacement with the following positions at the same total cost: ‘

- | | |
|---|--------|
| • One full-time bus service technician for preventative maintenance | 37,117 |
| • Change an administrative clerk from part-time to full-time | 18,960 |
| • One half-time bus service technician | 19,631 |

These positions are needed to provide adequate maintenance of buses in accordance with applicable federal standards. We have made internal adjustments to provide adequate management of the Maintenance Division without the Assistant Director position.

VI. Issues, Trends Projections

The General Fund and Transportation Fund base budgets and the priority additions recommended for the Council's consideration would require use of all the available revenue next year, including about \$491,000 from one-time reserves and \$800,000 in usual fund balance as previously noted. Use of the \$491,000 to help balance next year's operating budget is a one-time use of revenue equivalent to revenue that would be generated by about 1.1 cents of the tax rate. This one time use of revenue to balance the General and Transportation Fund operating budgets will have an impact on the operating budgets for 2005-06. Such revenue would need to be replaced from some other source, from a tax rate increase, or by equivalent reductions in costs.

BUDGET MESSAGE

In addition to the impact of using reserve revenues this year, we believe that key issues in the next several years will pose additional fiscal challenges that will require further tax rate increases:

- Our projections include significant needs for capital repair and maintenance of the Town's assets that would require funding of between \$1.7 million and \$2 million in the next five years.
- The costs of the Public Works portion of the new Town Operations Center needed by December 31, 2006 and now being planned is likely to be about \$25 million. The debt service cost of financing this construction is estimated to be about \$2 million in 2005-06 increasing to about \$2.6 million in 2006-07, then decreasing by about \$69,000 annually. The current tax rate equivalent of this cost is about 4.5 cents.
- The new Transportation Maintenance and Operations Facility needed by 2006-07 is likely to cost about \$19 million. The local cost of the Transportation Operations Center is about \$2 million. We believe that State and federal funding will cover the balance of the cost of the facilities. There is some uncertainty about the timing of the receipt of the full amount of federal and State funding. We are projecting that we will need to borrow about \$7 million for up to seven years in anticipation of the full receipt of federal and State funds. Although we believe that 90% of the costs will be paid by grants, there still is the possibility that grants will cover only some lower amount.
- Repayment of the first issuance (\$4 million) of General Obligation bonds (\$29 million) approved by voters in November 2003 as currently proposed will cause a \$192,000 increase in costs in 2005-06. The Council adopted a schedule with subsequent bond issuances in 2006-07, 2008-09 and 2009-10. Debt financing will go up in each of the years following a bond issuance when debt repayment begins. The first year payment on the second bond issuance is expected to be about \$814,000 in 2007-08; the first year payment on the third bond issuance is expected to be about \$925,000 in 2009-10.

VII. Summary

The recommended base budget for 2004-05 would maintain basic General Fund services at a level similar to the current year. Priority additions to the budget recommended for consideration by the Council could be funded with a tax increase.

BUDGET MESSAGE

Both the Transportation Fund base budget and the budget with recommended priority additions would require an increase in the Transportation tax rate.

We look forward to discussing the issues presented in the budget and will furnish any additional information needed by the Council in its budget deliberations.

Respectfully submitted,

W. Calvin Horton
Town Manager

**GENERAL FUND BASE BUDGET AND POTENTIAL ADDITIONS
2004-2005**

Category	2004-2005 Base Budget	Potential Options Priority Level I	
Personnel Costs - Base salaries and benefits	27,734,076	<ul style="list-style-type: none"> • Potential costs of competitive employee pay adjustments effective October 1, 2004 • Web Programmer/Analyst (9 months) • Information Systems Technician (9 months) • Senior Planner for Current Development (9 months) • Reallocation of Fire positions • 3 High School Interns for summer • Add Traffic Signal Technician, to be offset by increase in traffic signal fees from NC Dept. of Transportation 	690,000 53,500 45,600 49,200 (4,600) 3,000 66,700
Base Personnel Costs	27,734,076	Personnel Base Plus Priority I Options	28,637,476
Operating Costs - Base operating costs excluding grants to other agencies	9,448,352	<ul style="list-style-type: none"> • Aggregate increase in departmental operating costs • Increase police ammunition budget to meet state-mandated training and qualification requirements • Handgun replacement for police • Update aerial photography topographic GIS coverage • Credit card processing fees • Increased cost of road resurfacing materials • Athletic field maintenance 	187,000 26,000 10,000 45,000 17,000 27,000 20,000
Mid-year increase authorized for Apple Chill	13,000		
Base Operating Cost	9,461,352	Operating Base Plus Priority I Options	9,793,352
Capital Equipment -	78,700	<ul style="list-style-type: none"> • Fire Department power rescue equipment • Replacement of one automatic defibrillator 	7,300 3,000
Base Capital Equipment	78,700	Capital Equipment Plus Priority I Options	89,000
Debt Service - Payments on current bonds	2,485,000	<ul style="list-style-type: none"> • Estimated payment on Town Operation Center design and site work • Estimated payment on \$4 million issuance of new General Obligation debt - half year payment 	150,000 202,500
Base Debt Service	2,485,000	Debt Service Plus Priority I Options	2,837,500
Transfer for Capital Improvements - Based on 15-year Capital Improvement Plan	506,000	<ul style="list-style-type: none"> • Estimated sidewalk and bicycle Capital Improvements allocation that could be applied to debt service • Proposed additions for Capital Improvement 	(50,000) 610,000
Base CIP Transfer	506,000	Transfer for CIP Plus Priority I Options	1,066,000
Total Base Costs	40,265,128	Total Base Plus Priority I Options	42,423,328
Special Programs and Service Contracts - <ul style="list-style-type: none"> • Hotel/Motel Allocations - 10% mandatory contribution to tourism and cultural agencies 	58,000	<ul style="list-style-type: none"> • Human service contracts, hotel/motel allocations and grants to other agencies • Downtown Chapel Hill economic development consultant - next phase for lots 2 and 5 • Contract with new Economic Development entity • Support of Public Art program 	442,700 266,000 70,000 75,000
Total Special Programs and Service Contracts	58,000	Total Special Programs and Service Contracts	911,700
Base Plus Priority I Options and Special Programs	40,323,128	Base Plus Priority I Options and Special Programs	43,335,028
Estimated Total Revenue Available	39,230,054	Estimated Total Revenue Available	39,230,054
Council Reserve for 1-time Use	491,000	Council Reserve for 1-time Use	491,000
Normal Use of Fund Balance	800,000	Normal Use of Fund Balance	800,000
		<ul style="list-style-type: none"> • Stormwater Management Utility - First year impact • Increase in traffic signal maintenance fees from NC Dept. of Transportation to offset cost of new position if added • Increase UNC Development Application Fees • 10% Increase in Commercial Garbage Rates 	1,179,000 66,700 21,000 25,000
Difference	197,926	Difference	(1,522,274)

Tax rate equivalent of 3.5 cents

Potential Options Priority Level II	
<ul style="list-style-type: none"> • Permanent full-time Geographic Information System (GIS) Enterprise Manager - 6 months • Temporary part-time Administrative Clerk for Manager's office • Two additional full-time traffic officers & vehicles • Full-time secretary for Project TurnAround • Restore Police Officer position held vacant • Police Administrative Technician • Additional Groundskeeper II position for snow removal and increase in landscaped acreage • Change Special Olympics Recreation Specialist II from part-time to full-time • Change Parks Marketing Recreation Specialist I from part-time to full-time • Temporary library employees for extended computer lab 	<p>57,990</p> <p>5,000</p> <p>111,000</p> <p>38,900</p> <p>40,200</p> <p>38,900</p> <p>41,000</p> <p>14,400</p> <p>7,600</p> <p>3,100</p>
Personnel Base Plus Priority I and II Options	28,995,566
<ul style="list-style-type: none"> • ¾ ton pick-up truck for Public Works (financed) - cost of first year • Supplemental funding for building maintenance & repairs • Increase contract snow removal • Reel Mower (financed) - cost of first year • Mower trailer (financed) - cost of first year • Supplemental funding for small building improvements • Spanish language instruction for employees 	<p>4,950</p> <p>7,000</p> <p>8,000</p> <p>2,600</p> <p>1,500</p> <p>10,000</p> <p>5,000</p>
Operating Base Plus Priority I and II Options	9,832,402
<ul style="list-style-type: none"> • Snow Plow • Leaf collection box • Pickup truck for Fire Department 	<p>8,000</p> <p>6,500</p> <p>7,170</p>
Capital Equipment Plus Priority I and II Additions	110,670
Total Debt Service	2,837,500
Transfer for CIP Plus Priority I and II Options	1,066,000
Total Base Plus Priority I and II Options	42,842,138
<ul style="list-style-type: none"> • Addition requested by Human Services Advisory Board over prior year funding level • 4 automatic defibrillators for Town meeting spaces • Additional support of Public Art program • Additional contribution to Inter-Faith Council 	<p>19,000</p> <p>8,000</p> <p>73,000</p> <p>30,000</p>
Total Special Programs and Service Contracts	1,041,700
Base Plus Priority I and II Options and Special Programs	43,883,838
Estimated Total Revenue Available	39,230,054
Council Reserve for 1-time Use	491,000
Normal Use of Fund Balance	800,000
<ul style="list-style-type: none"> • Stormwater Management Utility - First year impact • Increase in traffic signal maintenance fees from NC Dept. of Transportation to offset cost of new position if added • Increase UNC Development Application Fees • 10% Increase in Commercial Garbage Rates 	<p>1,179,000</p> <p>66,700</p> <p>21,000</p> <p>25,000</p>
Difference	(2,071,084)

Tax rate equivalent of 4.7 cents

**TRANSPORTATION BASE BUDGET AND POTENTIAL ADDITIONS
FY 2004-2005**

Category	2004-2005 Base Budget	Potential Options Priority Level I	
Personnel Costs - Base salaries and benefits	7,906,687	<ul style="list-style-type: none"> • Potential costs of competitive employee pay adjustments effective October 1, 2004 190,000 • Part-time EZ Rider/Shared-Ride Reservation 23,757 • Full-time EZ Rider Transit Operator III 39,981 	
Base Personnel Costs	7,906,687	Personnel Base Plus Priority I Options	8,160,425
Operating Costs - Base operating costs adjusted for projected changes in utilities	3,223,769		
Base Operating Cost	3,223,769	Operating Base Plus Priority I Options	3,223,769
Total Base Costs	11,130,456	Total Base Plus Priority I Options	11,384,194
Available Revenue at Current Tax Rate	5,374,531	Available Revenue at Current Tax Rate	5,374,531
Revenue from Transportation Partners	5,495,695	Revenue from Transportation Partners	5,666,911
Difference	(260,230)	Difference	(342,752)
	Tax Rate Equivalent of .6 Cents		Tax Rate Equivalent of .8 Cents ¹

(1) This amount would be shared by the three partners. The Town's share would be approximately \$83,000 requiring an additional increase in the Transportation tax rate of .2 cents over the .6 cents increase required to fund the Transportation base budget.

(2) This amount would be shared by the three partners. The Town's share would be approximately \$145,000 requiring an additional increase in the Transportation tax rate of .3 cents over the .6 cents increase required to fund the Transportation base budget.

ATTACHMENT II

Potential Options Priority Level II	
<ul style="list-style-type: none"> ● Part-time Shared Ride Driver - Transit Operator I ● 5 Part-time Transit Operator II's ● Change Part-time Bus Service Technician (Cleaning, Fueling, Tires) to Full-Time 	<p>22,313</p> <p>122,241</p> <p>14,518</p>
Personnel Base Plus Priority I and II Options	8,319,497
<ul style="list-style-type: none"> ● Bus interior cleaning ● Bus shelter cleaning ● Snow removal from park & ride lots 	<p>16,000</p> <p>6,990</p> <p>9,600</p>
Operating Base Plus Priority I and II Options	3,256,359
Total Base Plus Priority I and II Options	11,575,856
Available Revenue at Current Tax Rate	5,374,531
Revenue from Transportation Partners	5,796,200
Difference	(405,125)

Tax Rate Equivalent of .9 Cents²

Potential Options Other Budgetary Needs	
<ul style="list-style-type: none"> ● 6 additional full-time Fire Personnel ● Potential revenue increase in State Fire Protection Fees 	<p>289,700 (289,700)</p>
<ul style="list-style-type: none"> ● Four full-time Police Officers for downtown foot patrol ● Potential revenue from grant funds 	<p>160,700 (128,136)</p>

Fire Department. We recommend adding 18 firefighters in order to provide an appropriate level of service and protection for the community. The Council is seeking additional funding from the State to cover the associated costs. We recommend adding at least the first six firefighters in 2004-05 at a cost of \$289,700 if additional State funds are appropriated. The 6 additional firefighters would represent the first group of a proposed 3-year phased installment of 18 new operational personnel.

Police Department. Four additional police foot patrol officers are needed to serve in the downtown. Four additional police officers would increase the number of officers on duty during critical evening hours by positions. We are seeking grant funding of \$128,000 with a local match of \$32,000 to cover the first year costs of the officers.