

## Memorandum

TO: Mayor Kevin Foy and Members of the Chapel Hill Town Council

FROM: Citizens Budget Subcommittee

DATE: April 11, 2005

RE: 2005-2006 Budget Recommendations

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Thank you for the opportunity to serve our community and to serve with the members of the Chapel Hill Town Council on the Chapel Hill Budget Advisory Committee.

On behalf of the Chair of the Citizens Subcommittee, Gene Pease, and our members Julie Brenman, Joe Capowski, Mac Clarke, Aaron Nelson, Jill Ridky-Blackburn and Alan Rimer we are pleased to present to you with our final report.

We were appointed with the following charge:

- Represent and explain community values and standards to the consultant.
- Raise issues for consideration by the consultant.
- Provide feed-back to the consultant on proposals.
- Prepare a separate report providing feed-back to the Council on the consultant's final report.

The Citizen Budget Subcommittee (CBS) asked a lot of questions and read even more reports as we probed and explored the details of this year's early budget projections and previous year's budget. We would like to express our appreciation to Mayor Kevin Foy for his leadership of the Budget Advisory Committee and to the Town staff for their strong support of the committee efforts and in particular the valuable work of Manager Cal Horton and Finance Director Kay Johnson.

We have worked hard on our task, logging over 200 hours of volunteer service in the execution of our charge through a series of 11 budget advisory, citizen subcommittee and workgroup meetings since February 24.

The CBS divided into a series of workgroups to address in detail the Maximus report, human resource issues, departmental budgets, new revenue opportunities, under utilized assets, commercial trash collection and the bond schedule. Those sub committee each met at least once and then the full CBS met an additional four times including a final 4.5 hour meeting.

In nearly every case the opinion of the CBS was unanimous. In a few instances a minority opinion is noted with the CBS recommendation.

Our report is divided into a series of sections: Background, Maximus Report Analysis and CBS Recommendations including The General Fund, the Transportation Fund, Other Recommendations and Other Citizen Issues.

**Using the base budget forecast from the March 23<sup>rd</sup> public meeting, in total we recommend \$4,022,700 in revenue increases and expense reductions; \$2,300,000 in net one-time revenue; and \$1,322,150 in increased spending.**

## **Background**

### **Current Fiscal Environment**

It is important to note that the Chapel Hill Town Council, Chapel Hill Budget Advisory Committee and its CBS are conducting their analysis and offering their recommendations in a fiscal environment where all taxing authorities are facing potential tax increases and/or service reductions.

It also is important to note that most Chapel Hill taxpayers also pay the Chapel Hill-Carrboro School District tax and the Orange County Tax. Orange County is projecting a very tight budget this year and the Chapel Hill-Carrboro School District has identified a \$5 million funding gap in its projected budgets. North Carolina state government is seeing serious revenue shortfalls and increased spending proposals and will have to increase taxes, reduce services or find other means (lottery) to generate revenue. The federal government is generating record deficits.

We expect individual property owners, private businesses and non-profit organizations to all be impacted with the increasing expense of government and reduction of services.

Everyone is looking at tight budgets and will be turning to many of the same taxpayers with projected tax increases and/or service reductions to balance their budgets. If local and state taxing authorities do not exercise strong fiscal restraint, the taxpayer is going to get clobbered.

### **Goals**

The CBS agreed on six goals to guide them in their analysis and recommendations.

1. Maintain current level of service to citizens
2. Maintain AAA bond rating
3. Increase revenues
4. Decrease costs
5. Minimize the 2005/06 tax increase
6. Maximize under-utilized assets

## **Maximus Report Analysis**

As charged by the Chapel Hill Town Council, the CBS analyzed the consultant Maximus' report and offers the following comments and recommendations. The Maximus report is

divided into 10 areas of analysis. The CBS addressed them one at a time, as follows. We have also summarized the fiscal impact of the Maximus Report and the CBS recommendations drawn from the report in Summary Chart 1 and the conclusion of this section.

1. **Solid Waste** – The CBS disagrees with the consultant’s recommendations and was generally dissatisfied with consultant’s solid waste analysis. The financial numbers in the Maximus reports often did not match dollar amounts the Committee was presented with by the Town.

The Maximus analysis was also over simplistic in its assessment of containerized collection (commercial trash collection) by not taking many other important variables into account including community cleanliness, the landfill agreements, loss to the County of tip fee revenue, the Town’s commitment to recycling and the impact on the funding of recycling. Though the final report modified projected savings to take many of these other variables into account, the report never gave a full accounting of the full revenue to be applied against collection expense. While fees collected were clearly noted, the portion of taxes collected from the property owners using “commercial collection” were never quantified and set against expense to determine a true shortfall or overage realized by commercial collection.

The CBS recommends a fee strategy that will generate \$130,000 to \$190,000 in new revenue (estimating \$160,000 for the purposes of the chart below). A complete recommendation with respect to commercial collection will follow in a subsequent section.

2. **Fee Adjustment** – The CBS generally agrees with the Maximus recommendations that fees should cover the cost of services with a few exceptions such as when the service serves a public purpose and a portion of the service expense should be paid for from general fund revenue. This report will address this in detail in a subsequent section. The CBS estimates at least \$240,000 in new revenue can be achieved by adjusting and creating fees for municipal services.
3. **Building Maintenance Merger** – The CBS agrees with the Maximus recommendation and estimates a savings of \$141,000
4. **Fleet Management** – The CBS agrees with the Maximus recommendation and estimates a savings of \$110,000.
5. **Coordinate Across Departments** – The CBS agrees with the Maximus recommendation.
6. **Multiple Payroll Cycles** – The CBS agrees with the Maximus recommendation that there be one payroll system with semi-monthly or bi-weekly pay dates.

7. **Customer Service** – The CBS generally agrees with the Maximus report on customer service and efficiency and would like to see more effective and efficient customer service from the Town.
8. **Information Systems** – The CBS agrees with the Maximus report that additional resource investments need to be made in Town technology.
9. **Police Strength** – The CBS generally agrees with the Maximus recommendation on filling vacant positions and increased the competitiveness of police compensation. The CBS does not support eliminating 2 positions as a strategy for generating revenue for salary enhancements but instead believes those are investments that ought to be made from the general fund.
10. **Fire and EMS Response** – The CBS has no recommendation with respect to Maximus’ comments and recommendations in this area.

## **SUMMARY CHART 1**

<b>Area</b>	<b>Maximus Recommendation</b>	<b>CBS Recommendation</b>
1. Commercial Trash	\$100,000-\$300,000 savings	Disagree with Maximus Recommend \$160,000 in new revenue
2. Fee Adjustment	\$240,000 in new revenue	Generally Agree with Maximus \$240,000 in new revenue
3. Building Maintenance Merger	\$141,000 in savings	Agree with Maximus \$141,000 in savings
4. Fleet Management	\$110,000 in savings	Agree with Maximus \$110,000 in savings
<b>TOTAL</b>	<b>\$591,000-791,000</b>	<b>\$641,000</b>

## **Citizen’s Budget Sub Committee Recommendations**

### **The General Fund**

#### **Dumpster Trash Collection**

The CBS recommends that the Town retain municipal collection of dumpsters for reasons noted above in our comments on the Maximus report including community cleanliness, the landfill agreements, loss to the County of tip fee revenue, the Town’s commitment to recycling and the impact on the funding of recycling. The committee also recommends that all customers pay equally for containerized collection by extending the current commercial fee structure to all containerized collection, including multifamily, non-profits, schools and the Town itself.

There was much discussion at the CBS about whether or not “commercial collection” should pay for itself. While this report stops short of recommending that fees be increased to cover the full expense of collection, some members were interested in the concept. Several members of the committee agreed that if the fees were constructed so that collection service paid for itself then the portion of commercial taxes currently collected for commercial collection be included in any equation that calculated the total income and total expense of the service.

Estimated Increased Revenue: \$130,000 - \$190,000 (this report estimates \$160,000 for the purposed calculations)

### **Yard Waste Collection**

The CBS recommends reducing yard waste collection to 20 weeks of weekly service (October – December 15 and February 15 – April) and scheduling the service bi-weekly for the remaining periods of the year. Collection is currently conducted throughout town on a weekly basis on a known (scheduled) day. The CBS further recommends increasing the per pick-up charge on special collections and that the Town enforce collection rules and impose fines for abuse. To support this new system the committee recommends a public relations campaign to stress program rules and benefits and that information be provided to all town residents once every two years, to each new resident in upon arrival and to violators on the spot.

Estimated Expense Reductions and Revenue Generation: Up to \$230,000 (from 29% reduction in service and increases in fees)

### **Police Department**

The CBS considers the police and fire services to be among the most important that the town provides. We also recognize the unique safety hazards that the employees of these two departments face on a daily basis. We also note that growing our Police force is important to keeping up with our community’s growth.

The CBS recommends filling the open positions with all deliberate speed and opposes eliminating any open positions as a strategy for generating additional revenue to increase compensation.

The CBS agrees with the Manager’s recommendation to focus on retention with new educational opportunities (\$61,700) and competitive pay. The CBS also agrees with the Manager’s recommendation to add four additional officers dedicated to downtown (\$271,600). The CBS also recommends a salary increase of \$200,000 for Police Officers, (approximately 3%).

Estimated Expense Increase: \$532,700

## **Fire Department**

The CBS recommends that the Town of Chapel Hill request the legislature increase the state contribution to the Town for fire protection of state buildings to a level that will cover the full cost of protecting them.

The CBS supports the Manager's recommendations for six additional positions in the fire department. The CBS further recommends that the Town analyze charging for false alarms.

Estimated Expense Increase: \$289,450

## **Employee Base Salaries**

The CBS recommends increasing the budget by \$250,000 (approximately 1.5%) for base salary increases for town employees (excludes Police Officers addresses in previous section). The CBS would also like to express its bias for greater increases in the salaries of the employees at the lowest pay levels.

The Town of Chapel Hill has a history of consistent pay increases in both good and bad economic times. It is difficult to make an appreciable impact on the size of the town budget without addressing salary issues. For that reason, members had discussions about recommending no salary increase this year. Because of changes we will propose in the area of medical insurance that increases the employee contribution, we are recommending a salary increase.

Other ideas were discussed at the subcommittee and we offer them for your consideration. They included:

- A one-time bonus rather than a base salary increase to give the employees money to spend rather than a small increase in each paycheck and to keep the current base salary level the same.
- Base pay increases could be delayed to mid-fiscal year or some other time to reduce the budget impact of these increases was another idea.

The CBS has a very strong interest in creating a merit-based pay system for management and non-management level employees and will explore that in greater detail later in this report.

Estimated Expense Increase: \$250,000 (\$450,000 in total salary increases include Police as highlighted above)

## **Employee Benefits**

The CBS recommends maintaining the current cost of employee benefits, including medical insurance paid by the Town, at amount equal to previous fiscal year. We understand that the Town is currently projecting a 15% increase in the cost of these premiums and that to maintain last year's levels will require changing the Town's current medical insurance plan. The CBS believes that medical insurance program cost savings can be found in the following ways.

- Requiring employees to pay a portion of their medical insurance premium (100% employer payment of premiums is not a standard public or private practice)
- Increasing employee co-pays on prescriptions and doctor visits
- Increasing employee deductibles
- Reducing the portion of dependant premiums that the Town pays

Estimated Expense Reductions Over Projections: \$440,000

### **Lapsed Salaries**

The CBS recommends budgeting for lapsed salaries by department. Lapsed salaries are unspent budgeted salary amounts during the period when a position is vacant. The Town always has unfilled positions that generate lapsed salaries and those unspent funds have been used as a cushion in the general budget.

The CBS recommends budgeting for an amount of lapsed salaries, creating an incentive for management to control salary costs in each department and to slow hiring modestly. To further reduce salary expenses, the Town could budget for a percent of lapsed salary higher than the historic average to force a slowing down of the hiring of staff and generate more lapsed salaries. The CBS believes this is a less onerous and arbitrary salary control method than a moratorium on non-critical hiring, which the committee considered.

The committee's estimated the Town's annual average unfilled position rate at 3-5% and used the conservative number of 3% for this calculation. A more accurate target lapsed salary amount may be discovered by averaging the last three years of average position vacancy or averaging the annual percentage of lapsed salary against total salary budget.

Estimated Budgeted Expense Reduction: \$700,000.

### **Fund Balance**

The CBS recommends reducing the fund balance to 11% of the total budget from the current year budgeted amount of 12%. The CBS supports this reduction unless the Council discovers that such a reduction would jeopardize our AAA Bond rating, something the CBS felt it was important to keep in place.

On this recommendation, Ms. Julie Brenman would like to express her opposition to the CBS recommendation and her support for keeping the fund balance at 12%.

Estimated Expense Reduction: \$549,000

### **Town Departments**

The CBS believes that each department can increase revenue by creating new and/or increasing existing fees and grants and/or by finding efficiencies to reduce expenses. The CBS recommends base budget savings be found in each department with a combination of revenue enhancements and expense reductions. We expect the percentages achieved through revenue versus expense reductions to be different in each department.

The CBS studied departmental budget, fees and grant income, number of employees, and services provided in developing our recommendations below.

The CBS also strongly recommends that the Town's management actively involve departmental employees and users of the Town services in working to achieve these objectives as the employee doing the job or the person consuming the service will often have some of the best ideas.

**Parks and Recreation** –\$232,000

**Public Library** –\$140,000

**Planning Department** –\$145,000

**Inspections Department** –\$50,000

**Engineering Department** –\$45,000

**Public Works Department** –\$360,000 (excluding Solid Waste, which was addressed earlier)

**Parking** – The CBS recommends appointing a Blue Ribbon Taskforce of users, enforcers and other invested individuals to take a comprehensive look at on and off-street parking including fees, rates, penalties and services.

Estimated Expense Reductions: \$972,000

On this recommendation, Mr. Alan Rimer would like to advocate for revised fee schedules for the noted departments that would be developed by employing a consultant with professional experience in such work. The work should be complete so that the Council can consider such changes in fees in the September-October time frame and put them in place at that time (after adequate public hearings).

### **Contributions to Agencies**

The Town of Chapel Hill makes annual cash contributions to approximately 48 private and 4 public organizations for a total of \$715,704 in 2004/2005. This does not include the non-cash contributions to those and other agencies including use of town facilities.

The CBS recommends that all agencies except for the Chapel Hill Public Arts Commission and Economic Development Agencies be evaluated by and recommended for funding by the Human Services Advisory Board, which currently reviews many of these agencies for Town funding. The CBS recommends that the budget for the Human Services Advisory Board be set at \$250,000, reducing allocations by \$167,700. The CBS recommends reducing the budget of the Public Arts Commission by 10% to \$112,500. The CBS would like to express its strong support for Town economic development activities and recommends no reduction in the current economic development investments at \$173,000. It should be noted that some members of the committee felt that economic development investments should be increased.

Estimated Expense Reductions: \$180,200

## Vehicle Replacement

No recommendation

The CBS recommendations are summarized in Summary Chart 2 and Summary Chart 3. Summary Chart 2 summarizes General Fund reductions or revenue enhancements and highlights \$2,260,050 in net reduced expenses and increased fees.

## SUMMARY CHART 2

<b>General Fund Item</b>	<b>Savings/ New Revenue/(New Expense)</b>
Solid Waste	
Dumpster Collection Fees	\$160,000 revenue
Yard Waste Collection	\$230,000 revenue
Police Department	
Fill Open Positions	\$0 – in base budget
Focus on Retention	(\$61,700) expense
Increase base salaries 3%	(\$200,000) expense
Add four officers downtown	(\$271,600) expense
Fire Department	
Recommended new positions	(\$289,450) expense
Base Salary increase by 1.5%	(\$250,000) expense
Employee Benefits Cost Freeze	\$440,000 savings
Budget for Lapsed Salaries	\$700,000 savings
Reduce Fund Balance to 11%	\$549,000 savings
Parks and Recreation	\$232,000 savings/revenue
Public Library	\$140,000 savings/revenue
Planning Department	\$145,000 savings/revenue
Inspections Department	\$50,000 savings/revenue
Engineering Department	\$45,000 savings/revenue
Public Works (excluding solid waste)	\$360,000 savings/revenue
Human Service Advisory Board	\$167,700 savings
Public Arts Commission	\$12,500 savings
Consultant on Employee Benefits and Incentive Plans	(\$150,000) expense
<b>TOTAL</b>	<b>\$2,260,050 in reduced expense and/or increased revenue</b>

Summary Chart 3 summarizes information presented in the March 23, 2005 report from staff entitled “Preliminary Report on Development of the 2005-06 Proposed Budget” and notes the total expense reductions proposed by the CBS.

### SUMMARY CHART 3

<b>Estimated Revenue*</b>			
+ Fund Balances	\$43,918,000		
<b>Base Budget*</b>	\$44,200,500		
+ Priority Options		\$47,153,100	
+ Other Options			\$47,949,100
<b>Difference*</b>	(\$282,000)	(\$2,945,850)	(\$3,741,850)
<b>CBS recommends savings/new revenue up to \$2,260,050</b> <b>No Tax Increase Needed</b>			
<i>*From "Preliminary Report on Development of the 2005-06 Proposed Budget" Dated March 23, 2005</i>			

## The Transportation Fund

### Base Salaries

The CBS recommends increasing the budget by \$100,000 (approximately 1.5%) for base salary increases for employees paid out of the Transportation Fund. The CBS would also like to express its bias for greater increases in the salaries of the employees at the lowest pay levels.

This is a very difficult budget year and employee compensation makes up a super majority of the Transportation Fund Budget. It is difficult to make an appreciable impact on its size without addressing salary issues. For that reason, members had discussions about recommending no salary increase this year. Because of changes we will propose in the area of medical insurance and increase the employee contribution, we are recommending a salary increase.

Other ideas were discussed at the subcommittee and we offer them for your consideration. They included:

- A one-time bonus rather than a base salary increase to give the employees money to spend rather than a small increase in each paycheck and to keep the current base salary level the same.
- Base pay increases could be delayed to mid-fiscal year or some other time to reduce the budget impact of these increases was another idea.

The CBS has a very strong interest in creating a merit-based pay system for management and non-management level employees and will explore that in greater detail later in this report.

Estimated Expense Increase: \$100,000

### Benefits

The CBS recommends maintaining the current cost of employee benefits including medical insurance paid by the Town at amount equal to previous fiscal year. We

understand that the Town is currently projecting a 15% increase in the cost of these premiums and that to maintain last year's levels will require changing the Town's current medical insurance plan. The CBS believes that medical insurance program cost savings can be found in the following ways.

- Requiring employees to pay a portion of their medical insurance premium (100% employer payment of premiums is not the standard public or private practice)
- Increasing employee co-pays on prescriptions and doctor visits
- Increasing employee deductibles
- Reducing the portion of dependant premiums that the Town pays

Estimated Expense Reductions Over Projections: \$140,500

### **Lapsed Salaries**

The CBS recommends budgeting for lapsed salaries in the Transportation Fund. Lapsed salaries are unspent budgeted salary amounts during the period when a position is vacant. The Town always has unfilled positions that generate lapsed salaries and those unspent funds have been used as a cushion in the general budget.

The CBS recommends budgeting for an amount of lapsed salaries, creating an incentive for management to control salary costs in each department and to slow hiring modestly. To further reduce salary expenses, the Town could budget for a percent of lapsed salary higher than the historic average to force a slowing down of the hiring of staff and generate more lapsed salaries. The CBS believes this is a less onerous and arbitrary salary control method than a moratorium on non-critical hiring, which the committee considered.

The committee's estimated the Town's annual average vacancy rate at 3-5% and used the conservative number of 3% for this calculation. A more accurate target lapsed salary amount may be discovered by averaging the last three years of average position vacancy or averaging the annual percentage of lapsed salary against total salary budget.

Estimated Budgeted Expense Reduction: \$195,000.

### **Federal Fund Rebate**

The CBS understands that because of increased ridership, Chapel Hill Transit will receive additional federal funds this fiscal year. The Town of Chapel Hill's share of that additional revenue is approximately \$130,000. Rather than invest those dollars this year in upgrades in transit system amenities, the CBS recommends that those be delayed and that the funds to added to the general revenues of the Transportation Fund, if that is permitted by law or administrative rules associated with the additional funds.

Estimated Revenue Increase: \$130,000

**Revenue Opportunities**

Though the CBS recommends the Town explore additional ways to generate funds for the Transportation Fund. The CBS had no formal recommendation on the specifics of how to generate those revenues, but individual members expressed ideas including selling advertising that would wrap the Town’s busses and/or an Adopt-A-Shelter program where individuals or organizations would pay to adopt a shelter and be give exclusive space at the shelter to advertise or express themselves and share in the expense of maintenance of that shelter.

The CBS did not have access to previous projections on the potential revenue from bus wrapping advertising (though members recalled it was several hundred thousand dollars) and “Adopt-A-Shelter,” so estimated the total program revenue at \$75,000.

Estimated Revenue Increase: \$75,000

Summary Chart 4 and details of the impact of these proposed changes on the Transportation Fund.

**SUMMARY CHART 4**

<b>Transportation Fund</b>	
Base Salary increase of 1.5%	(\$100,000) expense
Employee Benefits Cost Freeze	\$140,500 savings
Budget for Lapsed Salaries	\$195,000 savings
Federal Funds Rebate	\$130,000 revenue
Advertising	\$75,000 revenue
<b>TOTAL</b>	<b>\$440,500 in savings/revenue</b>

Summary Chart 3 summarizes information presented in the March 23, 2005 report from staff entitled “Preliminary Report on Development of the 2005-06 Proposed Budget” and notes the total expense reductions proposed by the CBS.

**SUMMARY CHART 5**

<b>Estimated Total Revenue*</b>	\$12,076,880	
<b>Base Budget*</b>	\$12,076,880	
+ Priority Options		\$12,471,910
<b>Difference*</b>	\$0	(\$395,030)
<b>CBS recommendations equal total savings of up to \$440,500 No Tax Increase Needed</b>		
<i>*From “Preliminary Report on Development of the 2005-06 Proposed Budget” Dated March 23, 2005</i>		

## **Other Recommendations**

### **Under-Utilized Town Assets**

The CBS identified three financially underperforming assets, the Old Public Library (Chapel Hill Museum), the Old Municipal Building (IFC Shelter and Kitchen), the Old Court House (US Post Office, Traffic Court, Teen Center).

The CBS recommends selling one of these buildings and securing market rate rent for the other two. The CBS recommends selling the Old Public Library building as it has the least historical significance of the three.

The Old Public Library building is estimated to be worth \$2,700,000 and is currently being leased to the Chapel Hill Museum for a nominal fee and certain payments for previously completed capital projects (primarily HVAC upgrades). The CBS believes that the Chapel Hill Museum can be effectively relocated to the main floor of the Old Court House and that existing services on that floor can be consolidated in a renovated basement of the building.

The CBS wants to note that these funds should not be used or treated as one-time money to reduce the tax rate, but that they are placed in the fund reserve, or lower debt service, or other appropriate fund from which Town can realize annual revenue.

Estimated Net One Time Revenue (after relocation and renovation): \$2,300,000

### **Public Art**

The CBS recommends that the Chapel Hill Town Council revisit and review its percent for public art policy on public projects. The CBS believes that a \$420,000 expenditure at the Town Operations Center is excessive. A minority group of members felt strongly that the amount of money spent on public art at that facility not exceed \$100,000.

The CBS believes that when the percent for public art policy was adopted that the Town did not contemplate that a single facility would cost over \$40,000,000. Individual members of the CBS thought that a sliding scale in which the percentage was reduced as the cost of a building increased or a cap on expenditures should be explored.

### **Commercial Tax Generation**

The CBS recommends that the Chapel Hill Town Council develop a plan for increasing commercial property tax revenue and sales tax revenue as a means of offsetting the growing tax burden on residential property. Developing an affirmative strategy with respect to economic development should be a very high priority.

### **Bond Schedules**

The CBS recommends that no new voter-approved bonds be sold in the remainder of this year and none be sold in the 2005-2006 year.

### **Employee Compensation Review Study**

Periodically the town staff conducts a survey comparing Chapel Hill Town employee wages and benefits to other municipalities in the region. In any study of this kind, there are many interpretations and assumptions such as job titles, grade levels, amount of responsibility, in comparisons to other towns. It is human nature to interpret the data in a favorable light and with some degree of bias if the study is undertaken internally. With employee salaries and benefits being the single largest expense of the town, it seems appropriate that an independent study be undertaken, as a second opinion to the Town's internal study.

### **Incentive Based Management System**

We only have to look to the Chapel Hill–Carrboro City School System to see an incentive based management system that works. The District Superintendent has part of his annual compensation in a bonus plan that is based upon achieving both program and outcome goals established by the School Board. In turn, the Superintendent establishes similar goals for Administrators, Principals and Assistant Principals, and all have part of their compensation based upon achieving these goals. This incentive system helps to insure that school system administrators are focused upon achieving the major goals that the School Board establishes each year. The CBS recommends the Town implement an incentive based management system similar to that of the Chapel Hill-Carrboro City School System.

## **Process Recommendations**

### **Budget Process**

Town management is very familiar and comfortable with the budget and it's complexities. Because of that, the budget information may not always be clear to its audience:

1. Council with various backgrounds, time constraints and tenure, and
2. Town citizens

From the perspective of the CBS, information is presented in overly complex detail, without enough overview information. Information is also presented in inconsistent formats.

Council goals and priorities should be discussed and agreed upon at the beginning of the process, rather than what appears to be towards the end. A budget process should be developed from the "Top-down", and the Chapel Hill process appears to be driven from the "Bottom-up."

The Council and our CBS is overwhelmed with detailed information, making it difficult for the Council and citizens to understand, and for the Council and citizens to make informed decisions. The time may have come for the Council to consider sub-dividing the budget into sectors and appoint Council and/or citizen budget review committees for each section.

### **Consultant Recommended**

The committee recommendations that a consultant is hired to:

1. Review and compare to other comparable towns in the region, the town's employee salaries, benefits, and grade levels and the overall employee review process.
2. Analyze and recommend an incentive based compensation plan for the Town Manager and senior management, such as the Chapel Hill-Carrboro City School System's plan.
3. Review the annual budget process and recommend a methodology to streamline the process and simplify the presentation materials.

The work should begin this June and be completed in August, so the Council could adopt any new methodologies and procedures in September, for implementation beginning in October.

Estimated Increase in Expense: \$150,000.

### **Other Citizen Concerns**

The CBS did not have sufficient time to discuss and generate and formal recommendations on the items below. They are included as a few issues that individual members of the CBS would like to encourage the Council to consider.

#### **Capital Improvements**

At least one member of the CBS would like for the Town Council to consider the priority and importance of scheduled capital improvements and consider which can and/or should be delayed.

#### **Human Services Advisory Board**

At least one member of the CBS would like increased public scrutiny of the criteria and review process for the Human Services Advisory Board.

#### **Social Responsibility**

At least one member of the CBS would like the Town Council to have additional discussion and make a decision with respect to Orange County v. Chapel Hill social responsibilities (examples include the Public Library, Senior Funding, Homeless Shelter, Community Kitchen, Non-profit funding)