

**DRAFT SUMMARY MINUTES OF A BUDGET PUBLIC HEARING & FORUM
OF THE CHAPEL HILL TOWN COUNCIL
WEDNESDAY, FEBRUARY 4, 2009, AT 7:00 P.M.**

Present were Mayor Kevin Foy, Mayor pro tem Jim Ward, Council Member Matt Czajkowski, Council Member Laurin Easthom, Council Member Ed Harrison, Council Member Mark Kleinschmidt, and Council Member Jim Merritt.

Staff members present were Town Manager Roger Stancil, Deputy Town Manager Florentine Miller, Town Attorney Ralph Karpinos, Public Information Officer Catherine Lazorko, Business Management Director Ken Pennoyer, Housing Director Tina Vaughn, Housing & Neighborhood Services Manager Loryn Clark, Parks & Recreation Director Butch Kisiah, CIO/Deputy Director of Business Management Bob Avery, and Communications & Public Affairs Director/Town Clerk Sabrina Oliver.

Council Members Sally Green and Bill Strom were absent.

1. Initial Public Forum on the Annual Budget and Related Items.

Mayor Foy opened the public forum and announced that the Council and staff were in the early stages of forming the 2010 budget. He added that the 2010 budget would be adopted sometime in June and become effective on July 1, 2009. He said the Manager would give background information on where the Town stands right now.

a. 2009-2010 Annual Budget.

Mr. Stancil presented a PowerPoint presentation outlining budget issues. Those issues included:

- Sales Tax distribution for October 2008 has been received
- There is more bad economic news
- Employment continues to worsen
- Consumer confidence at low point
- Instability in housing markets

Mr. Stancil said the Town continues to make progress on its budget savings plan. He noted that sales tax receipts were down 1.24 percent, and while that didn't sound like a lot, sales tax receipts aren't supposed to go down.

Mr. Stancil said some of the decrease could be attributed to a decrease in population, and the timing of the annual refund to UNC and adjustments related to the hold harmless provisions of Medicaid reform legislation. He added that sales tax has been decreasing since 2006. He said the November 2008 receipts should provide the Town with a clearer picture.

Mr. Stancil said the state economy reflected the following:

- Sales tax down 8 percent
- Employment down 154,000 jobs
- State's budget gap is \$2 billion and \$2.1 billion for the upcoming year
- State reductions will impact local governments

Mr. Stancil said predictions were for a prolonged recession, with conditions existing most of

2009, with a slow recovery in 2010, with employment still lagging behind the recovery, and the revenue picture continues to deteriorate.

Mr. Stancil said the budget outlook was the February sales tax payment will provide a picture of the impact of crisis, no real change in the debt markets, and Triple A rated issuers (like Chapel Hill) were doing better than those with lower ratings.

Mr. Stancil outlined the major budget initiatives:

- Reducing Workers Compensation costs by improving safety measures, as Chapel Hill's cost is much higher than similar towns in the state, and by changing the benefit to conform with statutory benefits for claims after July 1, 2009
- Begin addressing \$45 million unfunded liability for retiree healthcare costs (if steps not taken to fund the approximate \$5 million per year cost, it will overwhelm the budget, and cap future costs for new employees only)

Mr. Stancil said the Budget Savings Plan would capture 5 percent of the current budget and create a reserve for the next fiscal year budget.

Mr. Stancil said budget development for 2010 included a revenue neutral tax rate, with departments developing a maintenance of effort budget with the same funding level as FY 2009. He said departments had also been requested to prepare a 3 percent reduction of the maintenance budget, and information regarding how services would be impacted with that reduction.

Mr. Stancil said the Town would be cautious, and good stewards of tax dollars, while maintaining the same level of services. He emphasized the importance of not panicking. He said the next steps would include the Council Planning Retreat on February 20 and 21. He said Boards and Commissions priorities would be submitted to the Council by March 15, and he would continue to provide monthly updates on the budget to the Council. Mr. Stancil said the budget would be submitted to the Council on May 6.

Council Member Czajkowski asked about OPEB. Mr. Stancil said that was other post employment benefits and that would amount to \$400,000 this year and would be held at that amount for next year.

1. Public Comment.

Martha Diefendorf, Chapel Hill Public Library, asked that the Council protect and enhance what the library currently has. She said the library needs an increase in its budget, and in consideration of the expanded library, she asked Council members to reassess the bond market every three months. She emphasized that it is a "shovel ready" project.

Susan Levy, Habitat for Humanity, said 2009 marks their 25th anniversary. She said Habitat had built over 180 homes in the county. She requested \$450,000 funding for Phoenix Place in 2009-2010 for infrastructure costs. She said the total budget for the project was \$1.8 million. She noted that the development would be built to 100 percent green standards, and provide for mixed income housing. She said there was an interest list of over 600 families.

Delores Bailey, Empowerment, thanked the Council for supporting the property manager position, and requested \$200,000 for the purchase of affordable rental units.

Terry Blalock, Parks and Recreation, said he wanted to remind folks that as the economy continues to erode, recreation programs are even more important. He requested that they need the Council's support to maintain programs.

Will Raymond, Chapel Hill citizen, said he wanted an honest appraisal of where the Town stands. He suggested a citizens' advisory board for the budget. He said he would like to see detailed information regarding utilities, consultants, and Lot #5. He asked that there be no tax increase in 2010.

George Snowden, Sr., said he was a very unhappy Chapel Hill resident, and was 75 years old and legally blind. He said he had received no new services over the past 45 years. He asked why the Town didn't have district representation. He said living in Chapel Hill had been nothing but a hardship on him, and he asked the Council to use street sense when formulating the budget.

Robert Gross, resident of The Cedars, commented favorably on Mr. Raymond's comments. He commended the Manager for the budget plan and review. He asked if department heads had been requested to review all activities, and could they be changed, eliminated, and the effect an emergency budget reduction of 5 to 10 would have on personnel and services.

Robert Dowling, Orange County Chapel Hill Land Trust (OCCHLT), said many homeowners were on the brink of delinquency. He said he would be recommending to the Board next week that OCCHLT make homes more affordable. He said they were going to have to bring down the prices of homes. He requested \$100,000 for each of the following – CDBG funds, HOME monies, and operating costs.

Martin Feinstein, Coolidge Street resident, said the street remained unpaved, as it had for years. He asked if paving for Coolidge Street had been allocated. Mayor Foy said the money was allocated in the Capital Improvement Projects.

Mr. Karpinos called the Council's attention to the list of legislative items. He said they were having the Legislative Breakfast on February 23. He said Duke Energy had sent a letter responding that they could not make a fee waiver. He said the SEE Committee had noted that it should be a potential legislative item.

Council Member Harrison requested that the budget PowerPoint presentations be posted to the website. He also asked about meetings with the 2005 budget review committee. Mr. Stancil said he had proposed meeting with the chair of that committee, Gene Pease, and some other committee members and their recommendations and technical advisory conversation. He said he would follow up next week.

Council Member Harrison said thousands of dollars from the 2003 bond issues had gone to traffic calming streets and he questioned how they could have forgotten about the unpaved streets.

Mayor pro tem Ward questioned loss of services, further budget cuts and a surgical application for the budget. Mr. Stancil said that was what the whole budget strategy is about. He said he did not believe in percentage across the board cuts. He said you have to look at services, and make decisions about things we stop doing, and different fee structures.

Mayor pro tem Ward asked about landscape additions near the greenway. Mr. Stancil said he would report back on that.

Council Member Czajkowski said he would like the following to be added to that list - legislative authority to adjust the tax rate for those people living in Durham County who pay Chapel Hill taxes. He said last year's beneficial windfall to the Town was unfair to those living there. He also asked that the rights of cyclists be added to the license exam section.

Council Member Harrison said as a Chapel Hill resident who lives in Durham County, there were several dozen towns in the state where this happens. He requested that bicycle use on public highways be added to license exam. Mr. Karpinos said he believed that request should go to DOT, and would seek information on that.

Council Member Kleinschmidt requested legislation to permit giving the Council ability to create, graduate and adjust tax rates for newly annexed areas. He also added that they should find other sources of revenue for extending water and sewer, and explore possible solutions.

Mayor pro tem Ward said there should be an annexation test to see if the Town is in a position to provide all services upon annexation.

Council Member Easthom said she could not imagine raising taxes on citizens this year. She asked how they could keep it where they would not have to do that.

Mayor pro tem Ward moved, seconded by Council Member Kleinschmidt to refer comments to the Manager.

The meeting adjourned at 8:25 p.m.