

**DRAFT SUMMARY MINUTES OF A BUDGET WORK SESSION
OF THE CHAPEL HILL TOWN COUNCIL
WEDNESDAY, MAY 21, 2008, AT 4:00 P.M.**

Present were Mayor Kevin Foy, Mayor pro tem Jim Ward, Council Member Matt Czajkowski, Council Member Laurin Easthom, Council Member Sally Greene, Council Member Ed Harrison, Council Member Bill Strom, and Council Member Bill Thorpe.

Staff members present were Town Manager Roger Stancil, Deputy Town Manager Flo Miller, Assistant Town Manager Bruce Heflin, Town Attorney Ralph Karpinos, Public Information Officer Catherine Lazorko, Fire Chief Dan Jones, Business Management Director Ken Pennoyer, Public Works Director Lanace Norris, Sustainability & Facilities Management Supervisor John Newark, Mayoral Aide Carlo Robustelli, Parks & Recreation Director Butch Kisiah, Engineering Inspector Scott Newton, Information Tecnology Director Bob Avery, Library Director Kathy Thompson, Financial Reporting Manager Jeanne Tate, Budget Analyst Rick Shreve, Transit Director Steve Spade, Police Chief Brian Curran, Town Manager's Intern Jason Damweber, Housing Director Tina Vaughn, Planning Director J.B Culpepper, Administrative Analyst Marcia Margotta, Human Resource Development Director Valerie Meicher, Engineering Director George Small, Senior Code Enforcement Officer Maggie Bowers, Network & Telecommunication Analyst Arek Kempinski, Urban Forester Curtis Brooks, and Landscape Superintendent Robert Minick.

1. Discussion regarding the Manager's Recommended 2008-2009 Annual Budget.

Mayor Foy opened the meeting and complimented Mr. Stancil on the format for responses to questions the Council had asked regarding the budget.

1. Can we roll all debt into the debt service fund, including that carried in the CIP?

Mr. Pennoyer presented a PowerPoint presentation addressing each of 15 questions the Council had asked about budget issues.

Mr. Pennoyer gave the total of outstanding and authorized debt comparisons to appraised property value/per capita.

Mr. Pennoyer explained that the proposed Debt Management Plan was to dedicate a portion of the property tax for General Fund Debt Service. He said the Debt Service for 2009 was \$6,373,100. He explained that of the recommended tax rate of 58.1 cents, 42.3 cents would go to the General Fund, 11 cents to the Debt Service Fund, and 4.8 cents would go to the Transit Fund. Of the current 52.2 cents tax rate, 47.4 cents goes to the General Fund, and 4.8 cents goes to the Transit Fund, he said.

Mr. Pennoyer said the Council could roll debt into the debt service fund, including that carried in the Capital Improvement Project.

2. Where is more detail on the Parking Fund Budget?

Mr. Pennoyer reported that the 2009 recommended budget for the Off-Street Parking operations will generate \$206,724 more in revenue than expenditures. He said that would be available to pay debt service for the Lot 5 project. He added that the On-Street Parking operations recommended budget transfers \$103,16 to the General Fund.

3. Please provide more information on the Durham Tax Settlement.

Regarding the Durham County tax settlement, Mr. Pennoyer said the collections included a multiple-year settlement for The Cedars development. He said the Town's portion of that settlement was \$1.3 million. He added that about two-thirds of the settlement is prior years taxes and is a one-time revenue. He added that the additional annual taxes generated from The Cedars will be about \$470,000.

4. Who uses the buses? Who shares the cost with Chapel Hill? How does our local share compare with our peers?

Mr. Pennoyer presented information regarding transit usage. He noted that Chapel Hill Transit carries an average of 26,000 daily riders on 25 routes. He said 17 percent of those were express routes, 19 percent were on campus routes and 64 percent were community routes. He said the cost of operation is shared by Chapel Hill, UNC and Carrboro.

Council Member Czajkowski asked what percentage of transit utilization is non-student ridership. He asked if allocations were based on population. Mr. Stancil said the University pays for routes used solely by the University. He added that population was a major factor for community routes and that all three entities share the cost of transit.

Council Member Harrison said the numbers used were 53,000 for Chapel Hill, 17,000 for Carrboro, and 46,000 for the University, noting that included not only students but also employees of UNC.

Mr. Spade said the cost of the routes that serve the University are paid by the University, and the balance is divided among the other partners. If the Town is 46 percent of participation then they are paying 46 percent of the deficit after the University's allocation, he added.

Mayor Foy said it was also helpful to understand that the more riders we have the more federal dollars we get. If we had half as many riders, he explained, then we would still have the same ratios, but the actual dollars would be more because we wouldn't be getting as much in subsidies.

Council Member Czajkowski said there was a point of view out there that the increase in ridership was due to students and if that was so then the proportion of usage is higher for UNC. Mayor Foy said except that the dedicated routes are paid at 100 percent, actual dollars and percentages, and we benefit by the increase in ridership. Mayor Foy added that we benefit by increased ridership because it means we don't have to make as big of an investment in local road improvements such as widening, etc.

Council Member Czajkowski said it would be nice if we could justify the University paying more and the Town paying less.

Council Member Harrison said the operating cost is slightly above \$6 million, less than 20 percent of total for the system in comparison with Raleigh and Durham systems, indicating that we have more riders for less of an investment.

Mayor Foy said it shows our system is far more efficient than other systems. He added that Chapel Hill couldn't have the land use planning it has without the transit system, and that UNC couldn't function without the system.

Council Member Czajkowski said his narrow point is that as we look for ways to mitigate the tax impact on citizens it would be nice to know what the proportional use is.

Mayor Foy said a complicating factor is that students who live in Chapel Hill are residents, and you could count them both as residents and students.

Council Member Easthom asked what the results were from a ridership survey taken last year. Mr. Spade said a year and a half ago they did a customer satisfaction survey. He said there was some breakdown of use on some routes. Council Member Easthom concluded that the only way they could obtain this information would be through a survey. Mr. Spade said yes.

Mr. Stancil said in Durham there is no relationship with Duke University regarding transit. He added he didn't believe there was a relationship in Raleigh with the universities there either, and if you look at the numbers there is a significant difference in the taxes people pay in Chapel Hill and Raleigh, and the advantages of the partnership that Chapel Hill, Carrboro, and the University have.

Council Member Harrison said he was asked all the time in Durham how Chapel Hill pulled off a fare free system. He said he tells them that the Town and UNC wanted it and that's how we did it.

5. Provide information on the transit grants received.

Mr. Pennoyer presented a listing of transit grants received. He said many were multiple year grants and could not be added up for a total figure.

6. What is the status of the Camelot Village Project?

Mr. Pennoyer said this item involves the buyout of condominium properties subject to flooding from Bolin Creek. The project is being funded by a Hazard Mitigation Grant in the amount of \$2.3 million with a December 2008 completion date, he added. Surveys have been sent to all condo unit owners included in the scope of the project, he said. Mr. Pennoyer said that based on survey results, buyout viability will be determined.

Mayor Foy asked if this was voluntary. He said during one of our floods this was a bad area and we can ensure that people don't get flooded out again. He said he did not want that to happen again. He added that he knew others had bought units there since the flood. He said the units shouldn't have been built in the flood plain to begin with.

7. What is the status of the park and ride lot funding and project?

Mr. Pennoyer said this item had to do with the status of a Park and Ride Lot. He said Chapel Hill has received \$912,536 in federal earmarks allocated over a three-year period (2006-2008) with a three-year obligation window for each earmark. He said efforts are currently underway to identify sites in the following corridors: US 15-501, NC 54, and Martin Luther King Jr. Blvd.

Mayor Foy asked if it was possible to buy land and land bank it with these funds. He said that land was not going to magically appear there and the only way there would be a park and ride lot on US 15-501 was a parking deck. He said if they could keep this money somewhere for a deck or swap it for land for a deck. Mr. Stancil said that he, Mr. Spade, Mr. Bassett, and Mr. Bonk had met regarding the long range needs of Transit for the park and ride lot. He said Mr. Bassett has helped identify parcels for this lot and we just need to get back together and propose a plan for doing that and bring it back to Council.

Council Member Harrison said there had been a lot of discussion regarding this at a transit partners meeting yesterday. We are restricted by the earmarks to keep the location within Chapel Hill limits, which is a pricey proposition, he added. He said it would be really hard to pull it off in any useful way for any less than hundreds of thousands of dollars. He added that this was a really challenging project.

8. What is the status of the funding for the Weaver Dairy Road improvements?

Mr. Pennoyer said this item has to do with the status of Weaver Dairy Road Improvements. He said this project is currently funded in the State Transportation Improvement Program with a project cost, including right of way, of \$15.9 million; right of way acquisition is in progress; estimated contract let date is December 2009; with an estimated construction start date of spring 2010; and an estimated project duration of 18 to 24 months.

9. What is the status of the Parks Maintenance Assessment?

Mr. Pennoyer said this item has to do with the status of the parks maintenance assessment. He said the Parks and Recreation Department is under contract with Susan Hatchell Landscape Architecture for development of a Parks and Maintenance Needs Study. He said an evaluation report should be completed in late summer of 2008. The report will provide cost estimates, recommendations for improvement, and outline a basic routine and remedial maintenance plan for the Town, he added.

Mayor Foy asked if this would go into next year's capital budget. Mr. Pennoyer said it would.

Mayor pro tem Ward asked how he or Council could be a part of this process. He said he had experience doing this. Mr. Stancil said they could find a way to get input from Council on the assessment and get back to Council.

10. What are the fund balances for all the Town's funds?

Mr. Pennoyer said this item addresses the fund balance for all funds. He said the schedule shows the estimated net assets (note that these are unaudited estimates and subject to change); the budgeted revenues, budgeted expenditures, and estimated net assets as of June 30, 2009 (the fund balance). He said the General Fund went down about 10 percent; the Downtown Service District has a residual amount of \$64,056; the Library Gift fund had \$308,995; \$641,042 in the Debt Service Fund that will be needed to smooth out the cost of debt for 2010. He said under capital improvement funds there is \$241,245 in funds; and capital reserve has \$209,286. Under Enterprise Funds, he said there is \$1,959,881 in transportation; transportation capital reserve projected at \$18,132; Public Housing has \$862,168 considered minimal by HUD); Off-Street Parking has \$2,090,606 (to pay portion of Lot 5); and Stormwater Management has \$418,941 (for future projects). He said in Internal Service Funds there is \$333,921 in vehicle replacement (pay for future loans); vehicle maintenance there is \$70,295; \$235,410 in computer replacement (change in frequency in replacement that delayed purchases).

Council Member Czajkowski said they were taking \$1.8 million out of the fund balance to cover operating expenses and CIP in the 2008-09 budget. Mr. Pennoyer said yes, the General Fund. He said it would not leave a designated fund balance. Council Member Czajkowski said that meant this was their last chance to use the fund balance. Mr. Pennoyer said yes.

Mayor Foy said his experience had been that these things fluctuate. He said he took this seriously but these are snapshots. But bad things can happen, he added.

Council Member Strom said if there are other funds, that may be earmarked, that aren't annually budgeted funds, it would be helpful for him to see those. Mr. Pennoyer said he could provide that. Council Member Strom said the Housing Fund wasn't annually funded and more information there would be helpful.

11. Is the vehicle replacement program realistic?

Mr. Pennoyer said this item is a response to the question "is the Vehicle Replacement Program realistic?" He said the current plan is based on the work of a consultant nine years ago. He said in accordance with the plan, we have increased replacement frequency using debt financing in order to improve reliability and reduce maintenance costs. He said based on maintenance costs and residual vehicle values, the program has been a success. He added after nine year, the plan should be updated.

Mayor Foy asked if they were contemplating an update. Mr. Stancil said in light of the fact that the plan is nine years old and the Council's emphasis on green fleets, that the plan needed to be evaluated and what the results have been. Mayor Foy asked if policies prevented them from getting hybrids. Mr. Stancil said no, that he was saying it effects the outlay for a vehicle and its uses and that needed to be evaluated.

Council Member Strom said he believed the plan should be updated.

Mr. Stancil said there are three major factors: the purchase price, cost of vehicle when you dispose of it, and maintenance costs (when is it cheaper to buy a new vehicle).

Council Member Easthom said they used to get these reports in their SEE Committee meetings and she hadn't seen one lately. Council Member Strom said they see that once a year.

Mayor pro tem Ward asked if with more frequent replacement and reduced maintenance did they find they needed less maintenance staff. Mr. Stancil said part of the maintenance cost was the time spent maintaining vehicles.

12. How does the Transfer Station decision by the County affect our Solid Waste truck purchases?

Mr. Pennoyer said this question addresses how the Transfer Station decision effects vehicle purchases. He said this had to do with wear and tear associated with trips to the station. He said we are currently in the process of converting all of our residential garbage collection fleet to dual axle to bring us into compliance with DOT weight guidelines. He said this conversion will also support our transportation needs related to a new transfer station.

Mayor Foy said the question was has the decision effected truck purchases. He said it looks like we have to do this anyway to meet DOT requirements, but the other aspect is would you do something else that meets requirements and travel an extra 15 or 30 miles.

Mr. Stancil said he believed the new vehicle standards help them do that. He said depending on where that site is located, you have to take crews off the street and put them on trucks on the highway, and at some point service is effected.

13. What is an appropriate formula for sharing costs with the County?

Mr. Pennoyer said this question asks what the appropriate formula for sharing costs with the County for the Chapel Hill library. He said cost distribution methodology should be specific to the cost being shared. He added that common cost sharing methods include proportional value of benefits to residents; and percentage distribution based on population or assessed value. He said often there are subjective judgments that need to be made leading to a negotiated cost sharing basis.

Mayor Foy commissioned Council members to approach County Commissioners with cost information and to ask their manager to put that cost sharing in the budget. He said they would be asking for equitable treatment of Chapel Hill citizens. He also noted that the Council would have to take into consideration charging patrons of the library who are not Chapel Hill residents. He said they also needed to talk to the school board about this. Mayor Foy pointed out that 40 percent of the usage of the library is from non-Chapel Hill residents and Chapel Hill residents pay for 90 percent of its operation. He told Council members they would be receiving his information later this week.

Mayor pro tem Ward said the same message needed to be given to candidates for the upcoming commissioners' election.

14. Please provide a projection of the budgetary impact of the library renovation project expenditures to date.

Mr. Pennoyer said this question addressed the budget impact of the library expansion and project expenditures to date. He said a total of \$16.23 million of General Obligation bonds were

authorized for the library expansion project. To date, he said, \$2 million in bonds have been issued. The remaining library bonds will be issued in Fiscal Year 2008-09 and Fiscal year 2009-10, he added. He said the impact on the library's operating budget for the expanded facility is estimated at \$1 million.

Council Member Czajkowski asked if the \$1 million impact on the operating budget was in the 2008-09 budget or would it kick in later. Mr. Pennoyer said it would show up in the 2011 fiscal year budget.

Mayor Foy asked if ammortization of the debt would show up in the 2008-09 budget year. Mr. Pennoyer said the larger amount would show up in the fall of 2008. Mayor Foy said they would have to make some payment on that this year. Mr. Pennoyer said yes.

15. Does the recommended budget affect EZ Rider service?

Mr. Pennoyer said this question had to do with the impact of the budget on EZ Rider Service. He said the Manager's recommended budget projects the same level of service that is currently being operated. He said the budget also anticipates a grant that will fund a collaborative project with Chapel Hill Transit and Orange County Public Transit to design and operate improved service to the Seymour Center by designing a Senior Center route.

Council Member Czajkowski asked the cost of adding another EZ rider driver. Mr. Spade said he would get that information and come back to Council.

Mayor Foy congratulated Mr. Spade for the grant application - first for thinking of it and for the good job he did with it.

Mr. Pennoyer presented a graph on total outstanding and authorized debt per appraised property value. He said it was a comparison with municipal units of 50,000 to 100,000 populations. He said another comparison was with Triple A Peer group, which are larger populations, and Chapel Hill was on the lower end of the spectrum with 1.30 per capita, with Cary being on the high end at 2.46%. He said this wouldn't include outstanding debt like the Wallace Deck. The other benchmark, he said was the Triple A Peer group population comparison, and Chapel Hill came in at 1,329 - right in the middle.

Mayor Foy said he believed this session had helped them understand the proposed budget more clearly. He thanked Mr. Pennoyer.

Mayor pro tem Ward said regarding federal earmarks for the park and ride lot, could those funds be used on property they don't own, like helping the University build a lot on their property. Mr. Stancil said it was an option they had considered internally and mentioned to the University. Mr. Spade said the federal government will maintain some control on the property by lease or the Town would have to own the property.

Mayor Foy said there was another session scheduled for June 4, and he didn't believe they needed to have it. He suggested the Council use that time to discuss another matter. It was the consensus of the Council to cancel the budget work session and instead use the time to discuss the strategic plan.

Mr. Stancil said staff had been taking the model for the strategic plan and the work they did at the Planning Retreat, and information the senior management team prepared and themes of the comprehensive plan and merged that into the format. He said what he would like to do is send that to the Council.

Council Member Greene said after their last evaluation with Mr. Stancil they were asked to email a list of things they want to accomplish this year. She said she was under the impression the Council was to get together and discuss this list. Mr. Stancil said in the strategic plan only things that were the consensus of the Council were included.

The meeting was adjourned at 5:11 p.m.