

MINUTES OF A MEETING OF THE MAYOR AND COUNCIL OF THE TOWN OF CHAPEL HILL,
MUNICIPAL BUILDING, MONDAY, MARCH 22, 1982, 7:30 P.M.

Mayor Nassif called the meeting to order. Present were:

- Marilyn Boulton
- Winston Broadfoot
- Jonathan Howes
- Beverly Kawalec
- David Pasquini
- Joe Straley
- Jim Wallace

Councilmember Smith was absent due to illness. Also present were Town Manager, David R. Taylor; Assistant Town Manager, Sonna Loewenthal; Deputy Town Attorney, Grainger Barrett.

Petitions

Mr. Gabor petitioned the Council to speak on Agenda Item #3. Council granted the request.

Council granted the request of Councilmember Pasquini to remove Agenda item #4 (regarding Piney Mountain Housing Project).

(Mr. Henderson, petitioner, and Ms. Elizabeth Shackelford, petitioner, arrived late and presented petitions to Council upon their arrival. The Deputy Clerk has elected to enter their comments at this point in the Minutes.)

Mr. Henderson petitioned Council on behalf of the Chamber of Commerce and the merchants of Franklin Street to allow a sidewalk sale on Franklin Street (by merchants on Franklin Street) on April 3, 1982. This would be an effort to promote business in Chapel Hill. Mayor Nassif informed Mr. Hendeson that the absence of a Councilmember would preclude Council action at this time. (The petition is on file in the Clerk's office.)

COUNCILMEMBER KAWALEC MOVED, SECONDED BY COUNCILMEMBER STRALEY, TO REFER THE REQUEST TO THE MANAGER FOR RECOMMENDATION. THE MOTION CARRIED UNANIMOUSLY.

Councilmember Howes stated that referral would prohibit action by Council before the April 3 proposed sale. Councilmembers considered the possibility of discussing this item before April 3. Councilmember Wallace, however, informed Council that an amendment to the ordinance for sidewalk sales would be necessary to grant this request. The time involved in this process would extend any Council action beyond the April 3 date. Councilmember Broadfoot did not feel that the petition provided sufficient information regarding the request.

Ms. Elizabeth Shackelford petitioned the Council for the "First Annual Franklin Street Road Race" (for the benefit of Special Olympics in Chapel Hill) during the fall of 1982. (The petition is on file in the Clerk's office.)

COUNCILMEMBER BOULTON MOVED, SECONDED BY COUNCILMEMBER HOWES, TO RECEIVE THE PETITION AND TO REFER IT TO THE MANAGER. THE MOTION CARRIED UNANIMOUSLY.

Minutes

March 8, 1982. COUNCILMEMBER WALLACE MOVED, SECONDED BY COUNCILMEMBER STRALEY, TO APPROVE THE MINUTES AS CIRCULATED. THE MOTION CARRIED UNANIMOUSLY.

March 15, 1982 (excerpt). COUNCILMEMBER BOULTON MOVED, SECONDED BY COUNCILMEMBER WALLACE, TO APPROVE THE PORTION OF MINUTES OF MARCH 15, 1982 AS SUBMITTED. THE MOTION CARRIED UNANIMOUSLY.

Resolution Granting a Planned Development-Housing Special Use Permit to Community Housing Alternatives, Inc., for the Adelaide Walters Housing Development

Mr. Jennings reviewed this request which had been presented to Council during the March 15, 1982, public hearing (see March 15 Minutes, Clerk's office). The Community Appearance Committee, Planning Board, and staff recommended adoption of the proposed resolution.

A question had been raised during the March 15 public hearing regarding the grade of the driveway. As such grades would meet Town standards, no recommendation was made for further reduction.

Council had raised a second question regarding possible confusion with the name of an area street (Adelaide Walters Street) and the proposed name of this apartment. Staff recommended a stipulation in the proposed resolution that would require a name change of the proposed apartments to avoid confusion.

Councilmember Straley, however, did not feel that this stipulation conveyed Council's intent to prevent confusion. Council expressed their desire to have the proposed apartments named after Ms. Walters. Councilmember Straley suggested that the proposed stipulation be removed.

Mr. Keith Aldridge, representing the Inter-Faith Council, stated that he and various members of the Housing Authority supported changing the name of the street even though it would cause a temporary inconvenience for residents of the street.

COUNCILMEMBER STRALEY MOVED, SECONDED BY COUNCILMEMBER HOWES, TO ADOPT THE FOLLOWING RESOLUTION, DELETING THE STIPULATION:

A RESOLUTION GRANTING A PLANNED DEVELOPMENT-HOUSING SPECIAL USE PERMIT TO COMMUNITY HOUSING ALTERNATIVES, INC., FOR THE ADELAIDE WALTERS HOUSING DEVELOPMENT (82-R-51)

BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council hereby finds that the Planned Development-Housing Special Use Permit proposed by Community Housing Alternatives, Inc., if developed in accordance with the plans submitted March 4, 1982, and the stipulations and conditions set forth below:

1. That the development is located, designed, and proposed to be operated so as to maintain or promote the public health, safety, and general welfare;
2. That the development complies with all required regulations and standards of the Zoning Ordinance, including all applicable provisions of Articles 4, 5 and 6 and the applicable specific standards contained in Sections 8.7 and 8.8, and with all other applicable regulations;
3. That the development is located, designed, and proposed to be operated so as to maintain or enhance the value of contiguous property, and that the development is a public necessity; and
4. That the development conforms with the general plans for the physical development of the Town as embodied in the Zoning Ordinance and in the Comprehensive Plan.

The stipulations upon which the above findings are based are as follows:

1. That a detailed drainage plan with hydrologic calculations be approved by the Town Manager prior to issuance of a Zoning Compliance Permit.
2. That a lighting plan be approved by the Appearance commission prior to issuance of a Zoning Compliance Permit.
3. That the project be revised to meet the requirements of subsections 6.5.4 provision of sight triangle easements, 6.6.6c concerning parking lot screening, 6.6.6d concerning parking lot shading, and 6.12.3 concerning bufferyards and that revised plans be approved by the Town Manager prior to issuance of a Zoning Compliance Permit.
4. That a sprinkler system be installed in accordance with the requirements of Section 7-6 of the Town of Chapel Hill Code of Ordinances. Plans for the sprinkler system shall be approved by the Town Manager prior to issuance of a Building Permit.

5. That if the Council does not make the requisite findings for the requested reduction in parking, that the parking lot be redesigned to provide the minimum required number of spaces. Plans for the revised parking shall not constitute a modification of the Special Use Permit and shall be approved by the Town Manager prior to issuance of a Zoning Compliance Permit.
6. That detailed elevations be approved by the Appearance Commission prior to issuance of a Zoning Compliance Permit.
7. That a detailed landscape plan showing bufferyards, buffers and alternative buffers, if any, be approved by the Appearance Commission prior to issuance of a Zoning Compliance Permit.
8. That any required planting which dies during the life of the Special Use Permit be replaced with plantings of a similar species and approximately the same size by the end of the next planting season.
9. That construction begin by April 30, 1984, and be completed by April 30, 1987.

BE IT FURTHER RESOLVED that the Council hereby grants a Planned Development--Housing Special Use Permit in accordance with the plans as submitted and approved and the stipulations above.

This the 22nd day of March, 1982.

THE MOTION CARRIED UNANIMOUSLY.

Mr. Gabor had been granted permission to speak on this item, but declined to speak.

Resolution Adopting a Sidewalk Plan for the Town of Chapel Hill

Mr. Jennings stated that the Sidewalk Plan would be used as a practical guide to help determine needed improvements and priorities. Sidewalk locations would be determined according to priority, purpose, functional classification of street, origin and designation of sidewalks, pedestrian generators (i.e., schools, commercial areas, etc.), traffic volume, speed limits, and topographic characteristics. Standards would be flexible. Construction would be implemented through the Capital Improvement Program.

Transportation Board, Planning Board, and staff recommended adoption of the Sidewalk Plan.

Mr. Jennings informed Councilmember Boulton that Council would be approving the general concept of the plan and the policies for priorities.

Mayor Nassif disagreed with Mr. Jennings' term "general concept" due to a previous misconception by staff and citizens regarding words that had been left in the budget document after Council had deleted the item. He stated that even though these plans were "general," it would not be taken as "general" by the public once it was approved. Council should be certain of their intentions before approving a document.

Councilmember Howes felt that the public and the Council were perceptive enough to realize that this was not a formal fiscal commitment; such commitment would be implemented through the Budget and the CIP.

Mayor Nassif suggested that if the resolution were to be used as a guide the following words (in the resolution) should be deleted: "...and for preparation of 5-year capital programs and annual capital budgets."

Councilmember Broadfoot opposed any consideration of budget aspects of the Sidewalk Plan at this time. He opposed the concept of sidewalks as a means of encouraging direction or methods of traffic, asserting that sidewalks should be used to protect pedestrians. He concurred with Mayor Nassif's comments.

Councilmember Kawalec felt that the document was timely and needed. She asked that staff provide alternate methods for financing for Council's consideration.

Management agreed to delete the words as proposed by Mayor Nassif.

Councilmember Boulton felt that the Elliott Road area should be changed from second priority to first priority due to pedestrian needs for access to community facilities. Councilmember Kawalec felt that more priority should be placed on the campus area.

Mr. Jennings anticipated that the first priorities would be realized in about five years, depending on available funding.

COUNCILMEMBER HOWES MOVED, SECONDED BY COUNCILMEMBER BOULTON, TO ADOPT THE FOLLOWING RESOLUTION, DELETING THE WORDS "...and for preparation of 5-year capital programs and annual capital budgets." (The motion would carry with it the understanding that the Elliott Road priority designation would be changed from second to first.):

A RESOLUTION ADOPTING A SIDEWALK PLAN FOR THE TOWN OF CHAPEL HILL (82-R-53)

WHEREAS, the Council of the Town of Chapel Hill recognizes the need to provide adequate transportation facilities for pedestrian traffic; and

WHEREAS, sidewalks are a means of providing for pedestrian traffic which citizens have requested in various areas; and

BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council hereby adopts the sidewalk plan as submitted to the Council on March 22, 1982, as a guide for the establishment of improvement standards for new development.

This the 22nd day of March, 1982.

THE MOTION CARRIED 7 TO 1 WITH COUNCILMEMBERS BOULTON, HOWES, KAWALEC, PASQUINI, STRALEY, WALLACE AND MAYOR NASSIF SUPPORTING, AND COUNCILMEMBER BROADFOOT OPPOSING.

Resolution Directing the Town Manager to Advertise for Bids for the Lease of the Building and Lots Located at 100 West Rosemary Street

Mr. Taylor presented the resolution to Council. COUNCILMEMBER BOULTON MOVED, SECONDED BY COUNCILMEMBER WALLACE, TO ADOPT THE FOLLOWING RESOLUTION:

A RESOLUTION DIRECTING THE TOWN MANAGER TO ADVERTISE FOR BIDS FOR THE LEASE OF THE BUILDING AND LOTS LOCATED AT 100 WEST ROSEMARY STREET (82-R-54)

BE IT RESOLVED by the Council of the Town of Chapel Hill that the Town Manager be authorized to advertise for bids for the lease of the building and lots located at 100 West Rosemary Street (commonly known as the former Police Building). Such advertisement would include the following conditions:

- 1) That bids be submitted for both 3 year and 5 year terms.
- 2) That no changes be made on the Rosemary Street and Columbia Street facades of the building.
- 3) That all renovation work undertaken by the lessee be approved in advance by the Town Manager.
- 4) That all routine maintenance and repair be the responsibility of the lessee.

This the 22nd day of March, 1982.

Councilmember Straley asked if the Town could pursue other options when the 5-year lease had expired.

Mr. Taylor responded that staff would advise Council as to the length of the lease when the successful bidder had been named. At the conclusion of the lease, the building would be available for further determination by Council.

THE MOTION CARRIED UNANIMOUSLY.

Resolution to Authorize the Town Manager to Take Administrative Actions Regarding Bridges on Town Streets

Ms. Loewenthal, Assistant Town Manager, presented the Engineer's Report. Bridges on Town streets were inspected in 1981 by the North Carolina Department of

Transportation. Five timber bridges would require posting of weight limits. Continued use by heavier vehicles, however, would accelerate structural deterioration; staff recommended adoption of the proposed resolution that outlined plans to update structural needs of the bridges.

Ms. Loewenthal informed Councilmember Boulton that work on the bridge on North Lakeshore would be implemented during the spring, possibly mid-May.

Councilmember Howes expressed concern about changing the traffic patterns on the Hillsborough Road bridge over Bolin Creek before the end of the University session. Ms. Loewenthal stated that staff hoped Council would approve the contract by the July 6 meeting in order to expedite necessary adjustments.

Councilmember Howes expressed concerns for altered bus routes and inconvenience to passengers during adjustments. Mr. Taylor assured Councilmember Howes that the Transportation Department was aware that there would be a brief period of time that bridges would not be passable during the beginning of the 1982-83 University fall session. The Transportation Department proposed to reroute buses with minimal affect on passengers.

Councilmember Broadfoot expressed concerns that funds were being considered for the Hillsborough Street bridge at this time. Mayor Nassif informed Councilmember Broadfoot that no monies would be allocated until the budget had been approved. Mr. Taylor stated that this bridge presented sufficient problems to warrant notification to Council at this time in order for Council to be able to make an informed decision in July.

Mayor Nassif asked Mr. Taylor to provide Councilmembers Broadfoot and Pasquini with prior information regarding the origin of this consideration.

COUNCILMEMBER WALLACE MOVED, SECONDED BY COUNCILMEMBER HOWES, TO ADOPT THE FOLLOWING RESOLUTION:

A RESOLUTION TO AUTHORIZE THE TOWN MANAGER TO TAKE ADMINISTRATIVE ACTIONS REGARDING BRIDGES ON TOWN STREETS (82-R-55)

BE IT RESOLVED by the Council of the Town of Chapel Hill that the Town Manager be authorized to take the following actions:

1. Continue monthly visual inspection of the bridges on North Lake Shore Drive (over Booker Creek) and on Hillsborough Street.
2. Publicize the imminent posting of all 5 bridges, including the temporary re-routing of buses from North Lake Shore Drive and Hillsborough Street.
3. Post weight limits on all 5 bridges within 60 days.
4. Replace the Hillsborough Street bridge with a concrete structure during the summer of 1982.
5. Request bids for upgrading the North Lake Shore Drive bridge (over Booker Creek) with wooden members during the summer of 1982.

This the 22nd day of March, 1982.

THE MOTION CARRIED 7 TO 1 WITH COUNCILMEMBERS BOULTON, HOWES, KAWALEC, PASQUINI, STRALEY, WALLACE AND MAYOR NASSIF SUPPORTING, AND COUNCILMEMBER BROADFOOT OPPOSING.

Resolution Approving the Community Development Homeownership Opportunities Program

Ms. Loewenthal stated that one of the purposes of the Community Development program was to increase homeownership opportunities for low to moderate income people. As Federal requirements prohibited use of CD funds for new houses, Ms. Loewenthal outlined the CD program to rehabilitate existing houses and listed the order of priority for use of these funds. In addition, she outlined provisions for financing, terms, method of sale, and condition of resale. A budget amendment to implement this expenditure would be presented to Council after firm estimates were obtained.

The Manager recommended approval of the request.

Councilmember Pasquini asked how much money was available for financing. Ms. Loewenthal responded that there was a considerable amount of rehabilitation money left in the budget, and that money was available from other categories.

Councilmember Broadfoot asked if rental of these houses had been considered. Ms. Loewenthal stated that the specific intention of the CD program was to provide homeownership opportunities.

COUNCILMEMBER STRALEY MOVED, SECONDED BY COUNCILMEMBER BROADFOOT, TO ADOPT THE FOLLOWING RESOLUTION:

A RESOLUTION APPROVING THE COMMUNITY DEVELOPMENT HOMEOWNERSHIP OPPORTUNITIES PROGRAM (82-R-56)

BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council hereby approves the Community Development Homeownership Opportunities Program and authorizes the Manager, David R. Taylor, to take the administrative actions necessary on the part of the Town to establish this program in accordance with the general plan described in the Manager's report to Council dated March 22, 1982.

This the 22nd day of March, 1982.

THE MOTION CARRIED UNANIMOUSLY.

Interim Report on 1982-83 Budget

Mr. Taylor presented the Interim Report for Preliminary Expenditure Estimates for the 1982-83 Budget. The report contained two sections:

A. General Fund

Mr. Taylor asserted to Council that all figures were preliminary estimates. He stated that, using the current tax rate, based on normal growth of tax valuation and other revenues, the anticipated total revenue would be approximately \$8.9 million.

In an effort to hold the expenditures at the level of the 1981-82 appropriations, staff compiled preliminary expenditure estimates for 1982-83 for a total of approximately \$9.379 million; coupled with position classification, salary adjustments, insurance costs, etc., the total expenditures would come to \$9.8 million.

These two figures created a "GAP" of \$900,000. This "GAP" represented only 4% over the 1981-82 appropriations, and an approximate 8% increase over the final expenditures of 1981 through 1983. This would underexpend the 1981-82 budget by \$400,000. This money would be available to add to fund balance.

Management had been asked to reduce dependency on revenue sharing by 25% per year for the next four years. A 1982-83 reduction would amount to \$100,000, to be placed in the Capital Improvement Fund. Added to the \$900,000 "GAP," the new total would create a \$1 million "GAP."

Management proposed the following alternatives to close the "GAP."

1. Use of Fund Balance. An aggregate fund balance at the end of 1981-82 would be slightly less than \$700,000. Mr. Taylor stated that he did not encourage Council to appropriate the full amount in the current Budget.
2. Increase Revenues through Fees and Charges and/or Taxes. Mr. Taylor informed Council that a 1¢ tax levy would equal approximately \$75,000 of additional revenue. He felt that increase in user fees could not significantly affect the "GAP." Supporting information for fees and charges would be distributed to the Council later.
3. Decrease Expenditures. The "GAP" could be significantly altered or closed entirely by decreasing expenditures and reducing service levels. Such methods, however, would significantly affect service that Townpersons were accustomed to. Mr. Taylor did not propose that these reductions be implemented at one time.

Further recommendations would be submitted to Council in the Manager's preliminary Budget. Staff requested guidance from Council regarding how budget expectations could be met. Mr. Taylor informed Council that the majority of the proposed \$9.8 million budget was due to additional personnel costs.

Mr. Taylor outlined various types of expenditure reductions that could be effected and the effect of such reductions on service levels:

1. Reductions with Least Effect on Services to Citizens: Reducing or eliminating the Town's appropriation to the Law Enforcement Officer's Retirement Fund on a percentage basis would not reduce service to the public, but could cause internal moral problems if the entire contribution were eliminated in one year. Currently, the contribution from the Town was 6%. Each 1% reduction could save approximately \$11,000.
2. Reductions with Moderate Effect on Services to the Public, Managerial Effectiveness, or Support for Town Boards and Commissions. The elimination of positions within the city's organizations and elimination of programs could be considered for reduction.
3. Expenditures Which Could Be Deterred with Limited Short-Term Effect, but with the Probability of Higher Costs in Future Years: Most items were capital improvement items of the Public Works Department.
4. Reductions Which Would Significantly Affect Services, Managerial Effectiveness, and Support to the Town Council, and Advisory Boards and Commissions. Personnel and positions within the Town's organization would be affected.

The above items would eliminate approximately \$500,000 in services or costs to the Town.

B. Transportation Fund

Mr. Taylor stated that the 1982-83 Transit Budget maintained the same level of service as the 1981-82 level. Neither the University nor Carrboro had been included in the figures and the figures did not include any provision for a Capital Reserve Fund for equipment replacement.

Mr. Taylor stated that the same level of service could be provided with current fares and current tax rate. Other alternatives (changes in service levels, and fare increases, etc.) would affect the relative distribution of cost among the University, Carrboro, and the Town.

Councilmember Wallace asked what the revenue rate would be if the same level of service were maintained. Mr. Taylor responded that if the entire "GAP" were closed by a tax increase, a 13¢ increase would be needed. Mr. Taylor felt that some, but not all, of the fund balance could be used to help lower that. Minimum expenditure reductions could be requested that would not adversely affect service levels.

Councilmember Pasquini asked that Council plan a time to discuss the Mayor's and Council's budget, as the proposed budget had increased some \$40,000. Mr. Taylor stated that he had not received figures from the Mayor and Council and had, therefore, submitted an arbitrary round figure that included sufficient funds to have a management deficiency and productivity study prepared, if Council requested it.

Mayor Nassif stated that Councilmembers had not responded to a memorandum to submit estimate budget figures. The Town Manager was, therefore, not able to do more than make an estimate.

Councilmember Pasquini did not object to a written statement, but felt that a verbal discussion would be more appropriate. Councilmember Kawalec concurred.

Councilmembers agreed to submit paper work figures to the Manager by March 26 for his review prior to the March 30 public forum. Council agreed to hold a worksession on March 30, after the public forum.

Councilmember Broadfoot enumerated, in his opinion, ways the Town could recover a substantial sum in users' fees. He stressed that the one thing that he did not wish to see was an increase in taxes.

Councilmember Broadfoot asked Mr. Taylor to explain "fund balance." Mr. Taylor stated that fund balance was the source of working funds. Revenues should be sufficient to equal appropriations of each budget year. Fund balance came primarily because of personnel turnover (causing lapsed salaries), underspending appropriated line items and revenues exceeding estimates.

Mr. Taylor, responding to another question from Councilmember Broadfoot, stated that for good Town Management approximately one month's cash flow should be on hand in the form of fund balance. Councilmember Broadfoot stated that he would like to see that amount on hand permanently.

Councilmember Kawalec felt that there was a distinct difference between "fund balance" and "contingency." Mr. Taylor explained that currently the fund balance was used as another way of having a contingency fund in event of catastrophic conditions.

Councilmember Kawalec felt that fund balance should be avoided, as it was an admission that something was wrong with the way the tax rate was set. A contingency fund was a legitimate amount to keep in the budget and should not be confused with fund balance.

Councilmember Howes asked Mr. Taylor to explain the "Safe Harbor Leasing Proposal," as referred to in the Transit Budget. Mr. Taylor explained that some of the financing institutions would buy buses and lease them to municipalities, bearing the depreciation and the tax write-offs. There was a question as to whether the IRS would allow this, as there was an 80% federal grant involved--the answer would appear to be "no."

Councilmember Howes stated that he agreed with the Manager that it might be more economical for the Town to finance future purchases of that sort through the issuance of bonds. He questioned the seeming uncertainty about the amount of anticipated revenue funds in Transit--\$769,000. Mr. Taylor stated that Chapel Hill was in the process of filing applications for Section 5 funds for a portion of the current year and would probably file again next year. Management felt confident that funding for 1982-83 would be available, but had not addressed the issue in this report.

Mr. Taylor responded to a question from Councilmember Boulton that the front end of next year's fund balance--the "cushion"--was cut out of this proposal initially. Service levels were cut secondly.

Councilmember Straley had compiled a history of revenues that had been received from sources other than property tax from 1975 through 1979, showing a growth in revenues (from sources other than property taxes) at almost the same percentage rate as expenditures. During 1980-81, however, there was apparently a sudden change. Mr. Taylor explained that State-shared revenues had declined. (Please see Attachment A to these Minutes, submitted by Councilmember Straley for the record.)

Councilmember Pasquini asked if Council could project on 8% of the fund balance. Mr. Taylor disagreed with the concept of holding back 8% of the fund balance and stated that he could not recommend spending \$650,000 of the fund balance, or appropriate that much. He asserted to Councilmember Pasquini that he felt that Councilmember Broadfoot was referring to 8% of the Budget, not 8% of the fund balance figure.

Councilmember Kawalec asked what percentage for increase had been figured for salary adjustments. Mr. Taylor responded that money had been appropriated for reclassification, and insurance increase, leaving approximately 2% for cost-of--living.

Mr. Taylor further stated that if Council wanted to make long-term, significant changes in the Budget and Budget trends, they would have to do it in the personnel area--which constituted approximately 65% of the total budget.

Councilmember Broadfoot questioned why (under expenditures in the Transportation Department) operating and non-operating expenditures were not separated, feeling it would be helpful to have that separation. He questioned if the Town received Univesity bus pass money as operating revenue.

Ms. Janet D'Ignazio, Assistant to the Transportation Director, stated that the Town contracted with the University to sell passes. The University recovered and kept about \$305,000. This amount showed up as operating revenue to the Town because it was offsetting the operating assistance shown under the non-operating expenditures. The net cost of service for operating assistance was counted as operating revenue to the system.

Mayor Nassif requested that Council give explicit directions to the general approach to the Budget rather than to consider one Budget item at a time, as the item-by-item approach had not been productive in the past.

Councilmember Wallace felt that Council should adopt a standard vocabulary of budget terms such as fund balance, contingency fund, cash reserve, capital flow, etc.

Consent Agenda

- Councilmember Broadfoot asked to remove item "c" (budget amendment for senior citizens' trip to World's Fair).
- Mayor Nassif requested that item "e" (resolution regarding cable security and fire alarm services) and item "h" (public hearing on a new house numbering system) be removed.
- Councilmember Pasquini asked to remove Consent Agenda item "f" (bids for backhoe).

COUNCILMEMBER WALLACE MOVED, SECONDED BY COUNCILMEMBER STRALEY, TO ADOPT THE FOLLOWING RESOLUTION, AS AMENDED:

A RESOLUTION APPROVING VARIOUS RESOLUTIONS AND ORDINANCES (82-R-57)

BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council hereby approves the attached ordinances and resolutions in regard to the following:

- a. Stop signs near Glenwood School (as recommended by Manager in 82-O-21a)
- b. Certificates of Just Compensation (offers to be made for property to be acquired in Community Development Program) (82-R-58)
- d. Closing part of Ridge Road April 12 (82-R-59)
- g. Authorization to apply to Governor's Highway Safety Program for additional grant (82-R-62)

This the 22nd day of March, 1982.

THE MOTION CARRIED UNANIMOUSLY.

Ordinances/Resolutions Adopted by the Consent Agenda

The following ordinances/resolutions were adopted by the Consent Agenda:

AN ORDINANCE AMENDING CHAPTER 21 (82-O-21a)

BE IT ORDAINED by the Council of the Town of Chapel Hill that the Council hereby amends Chapter 21 of the Code of Ordinances as follows:

SECTION I

ADD the following lines to Section 21-13

(under Through Street column)

(under Stop Street column)

Prestwick Road

Hamilton Road

Exit from Glenwood School bus parking lot

Prestwick Road - eastbound lane at exit from Glenwood School parking lot

ADD the following paragraph to Section 21-15 (vehicular traffic at marked crosswalks)

- b) The Town Manager shall cause a crosswalk for pedestrian traffic to be marked at the location designated below and shall cause stop signs to be erected at such marked crosswalk. Drivers shall stop before proceeding past the crosswalk, and shall not proceed until the crosswalk is clear of pedestrians.

<u>Street</u>	<u>Location of Crosswalk</u>
Prestwick Road	In front of Glenwood School approximately 70 feet west of the entrance to bus parking lot

SECTION II

All ordinances and portions of ordinances in conflict herewith are hereby repealed.

This the 22nd day of March, 1982.

A RESOLUTION CERTIFYING VALUATION AS REQUIRED BY HUD HANDBOOK 1376.1 (24 CFR 42.111) (82-R-58)

BE IT RESOLVED by the Council of the Town of Chapel Hill that it has determined, on the basis of a minimum of one appraisal and a review appraisal, that the fair market value of certain property, intended for purchase by the Chapel Hill Housing Authority, and use in the Town's Community Development Program, is at least as follows:

<u>Parcel Number</u>	<u>Area (sq.ft.)</u>	<u>Owner</u>	<u>Interest to be Acquired</u>	<u>Just Compensation</u>
84-J-4C	12,064	Luther Edwards	Land	\$4,300.00
84-J-7A	7,765	Less Massey	Land	\$4,200.00
84-B-24 (East End of Mason St.)	1.55 acres	George Tate	Land	\$10,500.00
84-B-24B (West End of McMasters St.)	16,087	Charles L. James	Land	\$ 6,000.00
84-I-2	5,382	Brooks and Sons Builders, Inc.	Land	\$4,800.00
84-I-9A (302 McMasters St.)	N/A	Ruth Farmer	Structure	\$16,300.00
84-J-28 (705 Old School Lane)	N/A	Mary P. Falls	Structure	\$ 9,500.00

BE IT FURTHER RESOLVED that the Council, on the basis of information supplied by Alvin E. Stevenson, Executive Director of the Chapel Hill Housing Authority, hereby certifies that the work of the appraisers and the review appraiser, with respect to the above property, has been performed in a competent manner in accordance with applicable state and federal law and the policies and requirements of the U. S. Department of Housing and Urban Development.

This the 22nd day of March, 1982.

A RESOLUTION TEMPORARILY CLOSING PART OF RIDGE ROAD (82-R-59)

BE IT ORDAINED by the Council of the Town of Chapel Hill that the Council hereby approves the closing of the part of Ridge Road between Country Club Road and Stadium Drive between noon and 6 P.M. on Monday, April 12, 1982, subject to the following conditions:

1. The barrier on Ridge Road near Stadium Drive shall be placed so that Town buses can turn right from Stadium Drive to Ridge Road in accord with the normal "U" and "S" bus routes.
2. University personnel shall be stationed at the barriers near both Stadium Drive and Country Club Road so that emergency vehicles may be allowed to enter and exit from the closed portion of the street.

This the 22nd day of March, 1982.

A RESOLUTION AUTHORIZING SUBMISSION OF A GRANT APPLICATION TO THE GOVERNOR'S HIGHWAY SAFETY PROGRAM FOR DUI ENFORCEMENT (82-R-62)

BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council hereby authorizes the Town Manager to submit an application to the Governor's Highway Safety Program for a grant to increase Town enforcement of laws against driving under the influence and to improve the Police Department's computer software capability to analyze traffic problems. Final acceptance of such a grant by the Town shall be contingent upon availability of sufficient Town matching funds.

This the 22nd day of March, 1982.

Ordinance to Amend the "Ordinance Concerning Appropriations and the Raising of Revenue for the Fiscal Year Beginning July 1, 1981"

Councilmember Broadfoot asked if the Town was recovering the salary for two Town employees from the Recreation Department to go to the World's Fair. He felt that to consider this to be a recovery cost was absurd. The answer was affirmative.

COUNCILMEMBER BROADFOOT MOVED, SECONDED BY COUNCILMEMBER HOWES, TO ADOPT THE FOLLOWING ORDINANCE:

AN ORDINANCE TO AMEND THE "ORDINANCE CONCERNING APPROPRIATIONS AND THE RAISING OF REVENUE FOR THE FISCAL YEAR BEGINNING JULY 1, 1981" (82-O-22)

BE IT ORDAINED by the Council of the Town of Chapel Hill that the Budget Ordinance entitled an "Ordinance Concerning Appropriations and the Raising of Revenue for the Fiscal Year Beginning July 1, 1981" as duly adopted on June 29, 1981, be and the same is hereby amended as follows:

ARTICLE I

<u>Appropriation</u>	<u>Current Budget</u>	<u>Increase</u>	<u>Decrease</u>	<u>Revised Budget</u>
General Fund - Recreation	216,607	11,880		228,487
General Programs				

ARTICLE II

<u>Revenue</u>	<u>Current Budget</u>	<u>Increase</u>	<u>Decrease</u>	<u>Revised Budget</u>
General Fund - Service Charges	376,880	11,880		388,760

All ordinances and portions of ordinances in conflict herewith are hereby repealed.

This the 22nd day of March, 1982.

Councilmember Kawalec asked what costs would be recovered. Mr. Taylor explained that the costs included the tour package plus two full-time staff persons to go on the trip. Bids were not taken for the tour package.

THE MOTION CARRIED UNANIMOUSLY.

Resolution Regarding Cable Security and Fire Alarm Services

Mayor Nassif asked for a more definitive date for Town review of Village Cable's request to defer the deadline for making home monitoring services available to subscribers.

Mr. Taylor suggested the first meeting of the Council in December 1982. Council concurred with the addition of this wording to establish this deadline.

COUNCILMEMBER HOWES MOVED, SECONDED BY COUNCILMEMBER WALLACE, TO ADOPT THE FOLLOWING RESOLUTION, AS AMENDED:

A RESOLUTION REGARDING CABLE SECURITY AND FIRE ALARM SERVICES (82-R-60)

WHEREAS, Village Cable has requested that the deadline for making home monitoring services available to subscribers be deferred until said services are both technically reliable and economically feasible; and

WHEREAS, it is desirable that the Town independently determine whether and how the present franchise requirements for said services should be deferred;

BE IT RESOLVED by the Council of the Town of Chapel Hill that the Council hereby temporarily suspends the requirement that Village Cable provide cable security and fire alarm services by May 1, 1982, until the administration and Council conclude their review of Village Cable's request, or no later than the first meeting in December 1982.

This the 22nd day of March, 1982.

THE MOTION CARRIED UNANIMOUSLY.

Resolution Accepting Bids and Awarding a Contract for One (1) Diesel Powered, Pneumatic Tired Tractor with Fully Integral Backhoe and Loader Unit

Councilmember Pasquini felt that it would be better to repair the backhoe at this time and delay purchase of a new backhoe.

Mr. Taylor stated that the collective judgment of the Manager and the Public Works Director was that money would be saved by going this route as opposed to repairing the present piece of equipment.

COUNCILMEMBER PASQUINI MOVED, SECONDED BY COUNCILMEMBER BROADFOOT, TO ADOPT THE FOLLOWING RESOLUTION:

A RESOLUTION ACCEPTING BIDS AND AWARDING A CONTRACT FOR ONE (1) DIESEL POWERED, PNEUMATIC TIRED TRACTOR WITH FULLY INTEGRAL BACKHOE AND LOADER UNIT (82-R-61)

WHEREAS, the Town of Chapel Hill has solicited formal bids for a backhoe with loader unit on February 28, 1982, and the following bids have been received:

<u>Bidder</u>	<u>Manufacturer Model/Year</u>	<u>Base Bid With Trade</u>	<u>Alternate Bid Without Trade</u>
Case Power and Equipment Co. Raleigh, N.C.	I.J. Case Co. 580-D 1982	29,194.00	34,694.00
Senter-Sander Tractor Corp. Raleigh, N.C.	Ford Motor Co. 555-Special 1982	27,113.00	29,113.00

Gregory Poole Equipment Co. Raleigh, N.C.	J.C.B. 1400 1981	33,994.25	35,494.25
North Carolina Equipment Co. Raleigh, N.C.	International Harvester 260-A 1981	*24,928.00	*26,228.00

*The Bidder offers an additional two percent discount from this bid price if the Town makes payment upon delivery and acceptance of the equipment.

NOW, THEREFORE, BE IT RESOLVED by the Council of the Town of Chapel Hill that the Town accepts the bid of The North Carolina Equipment Company in the amount of \$24,928.00, subject to an additional 2% discount offered by the bidder for payment by the Town at the time the equipment is delivered and accepted by the Town.

This the 22nd day of March, 1982.

Resolution Calling a Public Hearing on a New House Numbering System

Mayor Nassif did not feel that Council's information was sufficient to approve the setting of a public hearing at this time. The public also needed to be sufficiently informed.

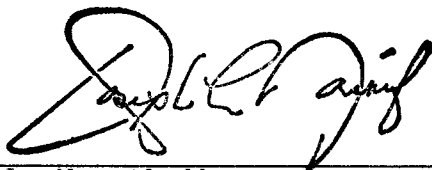
Mr. Taylor stated that sufficient information would be given to both Council and the public before the public hearing.

Councilmember Wallace felt that a more appropriate time for scheduling this hearing would be in the fall of 1982, when Townpersons affiliated with the Univesity would more likely be back in Town.

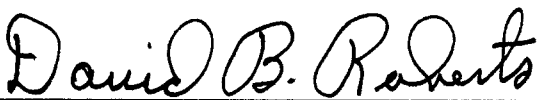
COUNCILMEMBER WALLACE MOVED, SECONDED BY COUNCILMEMBER HOWES, MOVED TO DELETE CONSENT AGENDA ITEM #10h, AND TO DELAY CONSIDERATION OF THE ITEM.

THE MOTION CARRIED UNANIMOUSLY.

There being no further business to come before the Council, the meeting was adjourned at approximately 10:07 P.M.



Joseph L. Nassif, Mayor



David B. Roberts, Clerk



FROM: Joe W. Straley

RE: The Chapel Hill Town Budget

CHAPEL HILL PROPERTY TAXES ALMOST CERTAIN TO INCREASE

Readers of Newsletters of a year ago will recall that the reevaluation of property was cited as the immediate cause of a seeming contradiction between two facts:

FACT # 1

Most residential property owners paid more tax after reevaluation than before reevaluation. Typically taxbook values of residential property increased threefold while the tax rate dropped only by half.

FACT # 2

The identical Chapel Hill property which yielded \$4,995,214 in 1980-81 yielded \$4,926,593 in 1981-82, a decrease of \$68,621 and approximately equal to a 1¢/\$100 decrease in the tax rate.

If one is to reconcile these two assertions it becomes clear that for each person whose taxes increased there was a counter-part person whose taxes decreased. For the most part the "winners" were those with non-residential property; many of these people had legitimate basis for declaring that reevaluation had corrected a prior inequity. However they were not very vocal about their good fortune.

Fact # 2 is back to haunt us as we approach the job of preparing the 1982-83 Town Budget. The de facto decrease in property tax is at the basis of Fact # 3:

FACT # 3

In order to get through the year (1981-82) at the lower tax rate (Fact 2) we have been forced to use a significant amount of Fund Balance (approximately \$450,000); that is, we have dipped into savings from past years.

We can't keep going back to the bank; local government cannot legally operate at a deficit.

REVENUE FROM SOURCES OTHER THAN PROPERTY TAX

A look at the record will show that nearly half of the receipts to the General Fund have been secured from sources other than property tax. To give you an idea of the magnitude and variety of these other sources I list the larger of these receipts for FY 1981 - 82.

Licenses and Permits	\$144,881	Utility Franchise Taxes	\$579,405
Fines and Forfeitures	80,000	Intangible Personal Property	273,974
Grants	65,000	Beer and Wine Taxes	149,910
Service Charges	376,880	Local Option Sales Tax	897,252
Interest on Investments	225,000	State Tax Refunds	97,228
Revenue Sharing	474,855	Powell Bill (Street Maintenance)	342,355
Miscellaneous	209,000	TOTAL	\$3,915,952

XXXXXXXXXXXXXXXXXXXX

The record of our year-by-year income from sources other than property tax is shown by the lower curve of Figure 2. As you will see the combined yield from these sources increased at about the same rate as our total expenditures from FY 1975-76 until FY 1980-81. Since FY 1980-81 the total of these "other funds" have remained nearly constant. This has contributed to a gap between projected expenditures and projected revenues.

A PRIMER REGARDING "FUND BALANCE"

When the Town Council sits down each May to decide next year's tax rate it doesn't know precisely next year's costs (fuel, for example) or next year's income (amount of property and interest rates on investments). In order to stay out of the courts we are almost certain to want to err on the side of putting taxes "too high" if the cash reserve is low; on the other hand if we have a large cash reserve (a large Fund Balance), as a result of having put the tax rate "too high" in the previous year, we may deliberately set the tax rate "too low." We do this because taxpayers rightfully criticize the Council if we collect big taxes in advance of need and let a large Fund Balance sit in the Town's account drawing interest on their money year after year.

We must not let the Fund Balance get too low, however, for the following reasons:

1. I have already noted that we cannot legally operate at a deficit but its worse than that: we cannot legally appropriate all of our Fund Balance toward next year's projected expenditures.
2. We must meet payrolls during months before taxes are paid. To maintain cash flow we must keep the cash reserve rather high; this means that at the end of a fiscal year we must carry forward a Fund Balance above that which would be adequate to satisfy requirements mentioned above.

The Fund Balance is a cushion. It increases some years (when we collect too much tax); it decreases when we set the tax rate too low. The 5th column of Table I shows that it decreases (and is added to tax income) some years and increases (and is deducted from income) in other years.

The tax rate is 1980-81 (\$1.215 per \$100) was "too high." During the year the price of fuel did not increase as much as projected while interest rates on our invested Fund Balance went up more than anticipated. As a result we accumulated \$289,332. The tax rate in 1981-82 was "too low" (Fact # 2 again) and it looks as if we may use \$450,018 from Fund Balance to get through the year. (This figure is not final; my guess is that we will not use that much.)

Anyone knows that we can't make ends meet by taking \$'s from Fund Balance repeatedly. However I am projecting the use of an additional \$230,000 next year from remaining Fund Balance.

BY HOW MUCH WILL TAXES INCREASE IN 1982 - 1983?

I am projecting that the property tax rate for General Government (excluding Transportation Tax) will increase from \$0.635 to \$0.690 per \$100 of property. This is an increase of 8.7%, roughly the same as inflation rate. In that limited sense we will not increase taxes.

Let us examine the process by which I arrive at my projection of a 5.5¢ increase in the tax rate.

The recent history of Chapel Hill taxes is displayed in Table I. Data for FY 1975-76 through FY 1980-81 is "fact"; that for FY 1981-82 is "almost fact" because we are rather certain about costs and revenues for this year; data for 1982-83 is my projection.

The bottom line is this:

1. We can keep the tax rate at 63.5¢ per \$100 if we use \$659,000 from Fund Balance; however this is impossible because we don't have that much Fund Balance!
2. We can avoid dipping into Fund Balance by setting the tax rate at 72¢ per \$100. This would be an increase of 8.5¢/\$100 or a 13.4% increase. This is too much increase in 1 year.
3. We can use a reasonable amount of our remaining Fund Balance (approximately \$230,000) and get by with a 5.5¢/\$100 increase to 69¢/\$100.

Table 1

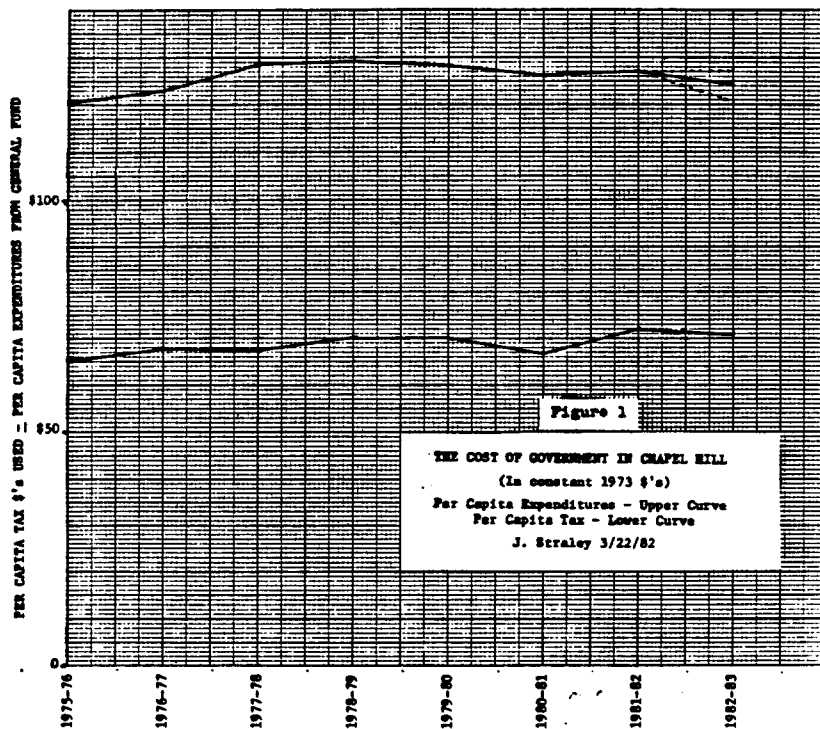
BASIC CHAPEL HILL TAX DATA AND EXTRAPOLATIONS INTO 1982-83

FISCAL YEAR	TAX RATE	ASSESSED VALUE OF PROPERTY	TAX COLLECTED DURING FY	CONTRIBUTIONS FROM FUND BAL	TOTAL TAX \$'s USED	DEFLATION* FACTOR (1973 \$'s)	POPULATION	PER CAPITA TAX (1973 \$'s)	GENERAL FUND EXPENDITURES	PER CAPITA EXPENDITURES (1973 \$'s)
1975 - 76	0.89	\$278,524,999	\$2,530,860	- \$72,557	\$2,458,303	1.284	29,144	65.69	\$4,522,876	120.86
1976 - 77	0.96	\$293,455,353	\$2,753,212	+ \$ 3,427	\$2,756,639	1.362	29,771	67.98	\$4,991,029	123.09
1977 - 78	1.02	\$307,924,271	\$3,164,881	-\$165,932	\$2,998,949	1.459	30,413	67.59	\$5,698,936	128.43
1978 - 79	1.02	\$335,097,201	\$3,463,423	- \$ 962	\$3,462,461	1.585	31,068	70.31	\$6,370,577	129.37
1979 - 80	1.09	\$338,701,346	\$3,740,700	+\$226,959	\$3,967,659	1.780	31,736	70.23	\$7,268,011	128.66
1980 - 81	1.215	\$368,991,961	\$4,652,800	-\$289,332	\$4,363,468	2.012	32,420	66.89	\$8,267,618	126.75
1981 - 82	0.635	\$741,595,343	\$4,704,837	+\$451,137	\$5,155,974	2.152	33,118	72.34	\$9,071,926	127.29
1982 - 83	0.635		\$4,817,307	+\$659,255 ⁺					\$9,287,835 [†]	
	0.69	\$762,737,465	\$5,246,000	+\$230,000 [‡]	\$5,476,562	2.28	33,831	71.0	\$9,570,000	124.44
	0.72		\$5,476,562	0 [‡]					\$9,829,835	

* The "Deflation Factor" equals the number of dollars in the year in question needed to purchase a dollar's worth of goods and services at 1973 prices.

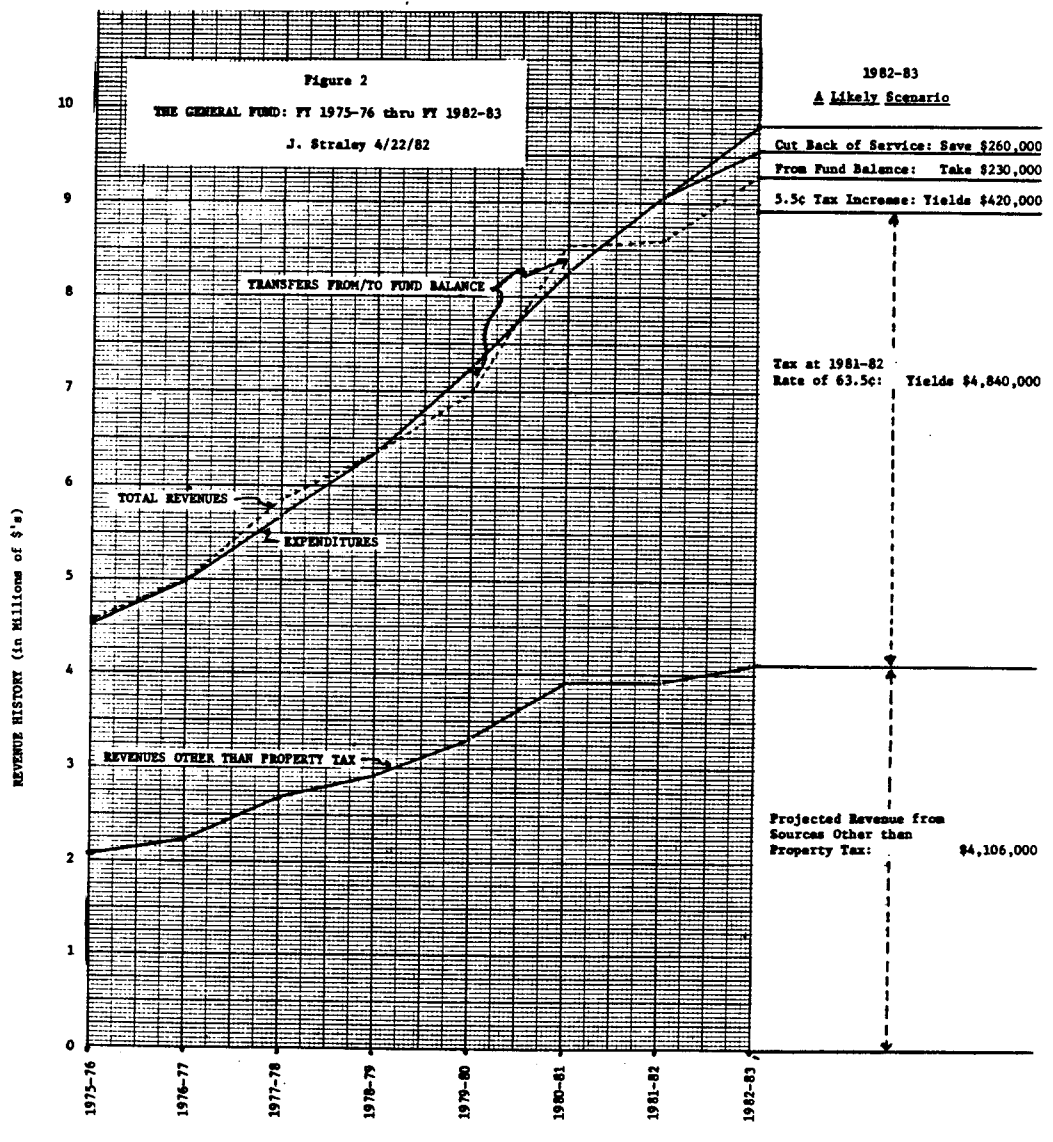
+ The three amounts listed here represent amounts of funds taken from Fund Balance if we (1) Keep tax rate at the present 63.5 c/\$100, (2) Increase tax rate to 69c/\$100, or (3) Increase the tax rate to 72 /\$100. This study favors something in the range of Option 2.

‡ The higher of these three amounts is the cost of maintaining present service levels; if one decreases costs by \$260,000 one secures the intermediate figure; if one decreases costs, by deleting and/or deferring until later all of the items listed in the Manager's Memorandum of March 19 (\$542,000), one secures the lowest number. It will be very difficult to maintain Chapel Hill at the intermediate figure of \$9,570,000, impossible at \$9,287,835.



Readers may or may not attempt to follow my logic in arriving at this conclusion. Basically it amounts to noting that the per capita tax used (the tax collected in the stated year enhanced or diminished by moving \$'s out of or into Fund Balance) has stayed very close to \$71 per person per year if the tax is expressed in constant (1973) dollars. (See column 9 and Figure 1 - lower curve.) I am assuming that the per capita tax used in 1982-83 will equal \$71 in 1973 dollars; multiplying by the inflation factor of 2.28 and the projected population of 33,831 we find that we will need \$5,476,562 (in current \$'s). Diminishing this by amounts taken from Fund Balance and assuming that the total taxable property reaches \$762.7 million we secure a tax rate of 63.5¢, 69¢, or 72¢ depending on how much we take from Fund Balance.

At this point the 69¢/\$100 tax rate seems to be the most likely of the three alternatives. However to keep the rate this low the total expenditures must be decreased by \$260,000 and, in addition, \$230,000 must be taken from Fund Balance.



ARE THERE REMEDIES? IS THE INCREASE AVOIDABLE?

There is a tendency for reports in the media to exaggerate the differences between members of the Council with regard to the Town Budget and the choice of a tax rate for the coming year. I believe that every member of the Council is a property owner so we are all determined to keep property taxes as low as possible; every member of the Council endorses "User Fees" to defray costs through property taxes; no member of the Council will vote for a tax rate that significantly diminishes the quality of life in Chapel Hill. Things would be dull indeed, however, if we were to instantly agree on how much we can enhance productivity through improved management; how much we can enhance revenue through increased user fees, auto tag fees, and other subtle and not-so-subtle indirect taxes; and how much of a decrease in service levels the citizens of Chapel Hill will accept.

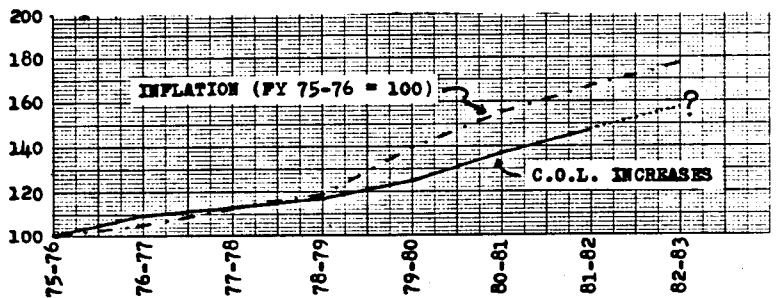
All these areas (productivity, revenue enhancement, and service levels) are open for discussion as we approach the June 30 deadline for voting on the 1982-83 property tax rate. I hope that readers of the Newsletter will help me by sending in suggestions.

There are some clouds on the horizon that do not bode well for local government; none of these clouds point to easier times with local budgets. I'll not discuss them in detail at this point; perhaps I can elaborate in another Newsletter.

1. Revenue sharing may be in jeopardy. If it goes we may lose the equivalent of 5¢/\$100 in local property tax.
2. Support for local transportation systems is threatened. This could cost us another 5¢/\$100 or more in local taxes.
3. There is a more immediate problem: adequate pay for town employees which has not kept up with the rising cost of living. Here is the record of Cost of Living increases that have been granted during the past six years. The graph shows how our Cost of Living increases have lagged behind inflation.

Table II
Cost of Living Increases

1976 - 77	10%
1977 - 78	2.5%
1978 - 79	5.5%
1979 - 80	5% + \$200
1980 - 81	10%
1981 - 82	7.5%



It is possible that the situation represented by the "gap" has been ameliorated in specific instances by "merit" increases that may have been granted just to keep the team together. However the meaning of Merit Increases is destroyed if it does no more than keep the purchasing power of employees constant. Readers of this Newsletter will not require that I elaborate on the injustice that is being wrought by inflation; your Council will have to deal with that injustice.

Note: Anyone confused by references to a "Newsletter" should know that I send out a statement on town issues when the spirit moves me. Tell me if you wish to be on the mailing list. JWS

