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**BUDGET WORK SESSION OF THE CHAPEL HILL TOWN COUNCIL
WEDNESDAY, APRIL 29, 1998 AT 6:00 P.M.**

The Mayor called the meeting to order at 6:00 p.m.

Council Members present were Julie Andresen (arrived at 6:36 p.m.), Flicka Bateman, Joyce Brown, Joe Capowski, Pat Evans, Kevin Foy (arrived at 6:30 p.m.), Edith Wiggins, and Lee Pavão. Staff members present were Town Manager Cal Horton, Assistant Town Managers Sonna Loewenthal and Florentine Miller, Assistant to the Manager Ruffin Hall, Interim Parks and Recreation Director Bill Webster, Finance Director Jim Baker, Personnel Director Pat Thomas, Assistant Fire Chief Robert Bosworth, Inspections Director John Davis, Planning Director Roger Waldon, Public Works Director Bruce Heflin, Transportation Director Bob Godding, Acting Library Director Mark Bayliss, Public Works Administrative Analyst Randy Ballard, and Deputy Town Clerk Joyce Smith.

Mayor Waldorf proposed that the Council discuss the first three items on the agenda only. Council Member Pavão suggested ending the meeting by 8:30 p.m.

Item #1 - Manager's 1998-99 Recommended Budget

Council Member Bateman stated her interest in discussing the Sewer Assistance Fund.

Council Member Evans asked about the Community Development Fund. Mr. Horton stated those funds were for specific purposes, and could possibly be used to augment other issues.

Council Member Wiggins asked if Community Development funds could be used to supplant funds. Mr. Horton answered no.

Council Member Bateman asked if Community Development funds could be used for new positions. Mr. Horton said yes, if you could show the funds were being used for the benefit of low income persons. He added that Community Development funds were not intended for continuing projects.

Mayor Waldorf noted she believed the Town had been given authorization by the Legislature to raise the vehicle tax from \$15 to \$20 or \$25. Mr. Horton said that was correct, but the Council had not done so. Mayor Waldorf asked if it was too late to do that for the coming budget year. Mr. Horton said it would be possible to do so if the Council wished. Mr. Baker noted it would generate about \$110,000 in additional revenue. Mayor Waldorf added that the revenue would have to be used for the Transportation Fund, which would potentially allow the Transportation tax to be lowered and the General Fund tax to be raised, with the total left at the Manager's recommended level.

Mayor Waldorf asked how much revenue was received for fire protection from the State. Mr. Horton answered \$850,000. Mayor Waldorf asked what was that money used for? Mr. Horton replied it would stay in General Fund balance if unused, but could be used to offset any unexpected expenses. Mayor Waldorf said she would like to see \$15,000 of that unspent money used to support the YMCA's capital request.

Mayor pro tem Capowski asked about next year's fund. Mr. Horton replied it would remain the same.

Mayor pro tem Capowski said regarding Powell Bill funds, what is the probability of going to the Legislature and having that amount increased? Mr. Horton replied about 0 to 5%, adding he believed it would be incredibly difficult. Mayor pro tem Capowski asked if there was any sort of heavy vehicle tax which could be levied to help offset damage to roads. Mr. Horton said no, that the State maintains most of the roadways that large vehicles drive on, so any funds of that nature would go to the State.

Council Member Evans said it was projected that current transit routes would be continued at present levels in 1998-99. Mr. Horton said any revenue would have to be shared by the partners, and would not just be used for Chapel Hill.

Council Member Evans asked about the potential tax rate or fare changes. Mr. Baker answered that on page 49 of the Recommended Budget there was a table of assumptions of the revenues and costs for the Transit system, which shows that the tax increase in specific years is about 3 tenths of one percent on the tax rate. He pointed out that a part of that assumption on page 47 on the revenues is that we would continue to receive federal and State funds at the current level. Mr. Horton added that these were conservative assumptions, and it would only take a small change in the funding levels in order for these assumptions to change. Council Member Evans asked where does the money that we collect for parking. Mr. Horton said into the General Fund, and that a transfer is done each year after deducting expenses. Council Member Evans asked about funds from speeding tickets issued on a neighborhood street? Mr. Horton answered those funds go to the State.

Council Member Foy asked if the Capital Equipment Replacement is new. Mr. Horton stated yes, adding it would establish a special fund that would allow us to even out the expenditures for capital equipment. He said on May 20th the consultant will make a presentation to the Council. Council Member Foy asked if this \$850,000 was new money. Cal said no, it was a consolidation of the \$650,000 already a part of the continuing operating budget, with an addition of about \$200,000 this year in order to do a better job of replacing equipment as it wears out.

Council Member Foy asked about projections of the tax base in future years and how do we account for revaluation. Mr. Horton said we did not account for it. Council Member Foy asked if that mattered. Mr. Horton said we operate on the assumption that the Council has the option of decreasing the tax rate to offset revaluation.

Mayor pro tem Capowski asked why do we need such a large equipment account. Mr. Horton answered that fire trucks cost about \$300,000, and that the purchase of multiple police cars would also be a large expenditure. He said it was important that funds be earmarked to cover these significant purchases. Mayor pro tem Capowski asked if accumulating these funds is the best way to do this? Mr. Horton said our system is a hybrid system, where a significant portion of the cost of replacing equipment would be on a cash basis, with the remainder financed. Mr. Horton commented that you may have a severe loss of revenues in a particular year, and budgets would have to be cut in order to make up the shortfall. He noted this large equipment replacement balance would allow us some leeway.

Council Member Foy asked about the \$100,000 for on-call pay. He said there was two numbers discussed, which is this? Mr. Horton said this is the 90 cent figure.

Council Member Wiggins asked if this 90 cents was before or after taxes. Ms. Thomas said this figure was based on an employee earning about \$110.00 in a week before taxes.

Item #2 - Manager's Recommended Capital Improvements Program

Council Member Evans noted the Planning Board had recommended that the Council make an annual allocation to the Streetscape program, that the bond funds are not enough to be effective.

Mayor Waldorf asked if other Council members agreed with this suggestion?

Council Member Andresen asked how much bond fund is available? Mr. Horton said \$100,000 in 1998-99, and \$400,000 in 1999-2000.

Council Member Andresen said since \$100,000 is available in 1998-99, she would not support additional funds.

Council Member Foy asked about the cost of the Streetscape program. Mr. Horton said the estimate is around \$4 million total.

Mayor pro tem Capowski asked what would the Town receive for those funds. Mr. Horton answered improved sidewalks, additional trees, conduit for underground wiring, and other items. Mr. Horton said recommendations would be made at the appropriate time.

Council Member Pavão asked what would be the cost to improve just the 100 block of East Franklin Street? Mr. Horton said we could bring the Council a rough estimate on those improvements.

Council Member Brown asked if Public Works crews were used for the Streetscape improvements done so far. Mr. Horton answered yes, with a few exceptions. Council Member Brown asked when the schedule was set up, was it assumed that Public Works would do the work? Mr. Horton said the schedule was set up with the intention of contracting it out. He said in recent years more projects have been taken on by construction crews, and in order to get the Streetscape work done, the work would be contracted out.

Mayor Waldorf said we should keep a list of additional expenditures the Council may wish to make, starting with Council Member Evans' suggestion that funds be allocated for Streetscape.

Council Member Andresen said two of the needs of the Streetscape plan is lighting improvements and underground wiring, and she would be interested in the cost estimated for these two improvements. Mr. Horton said you could not do just the underground wiring without doing the other improvements as well, adding that the lighting improvements would include new lighting fixtures and poles.

Council Member Evans said she would like the Council to make a commitment to allocate funds over the \$100,000 of bond money.

Council Member Foy said there was over \$800,000 in unspent funds which could be reappropriated in some instances. Mr. Horton said yes, in some instances. He said the \$75,000 in curb and gutter was committed, as well as the funds for ADA improvements. Mr. Horton said we could report to the Council the funds which could be reallocated of this unspent amount. Council Member Foy asked how much flexibility did we have. Mr. Baker stated that in the budget document on page 212 there was a listing of current capital projects with some detailed information.

Mayor Waldorf suggested the Council use the list on page 212 and have the Manager comment on each. Mr. Horton stated he would report back to the Council on each of these items.

Council Member Andresen said she understands that money is appropriated for projects which is carried over from year to year, and asked just how much money is carried over. She asked do we spend most of our funds each year. Mr. Horton answered that for capital programs some funds are carried over for various reasons. He said some projects are multi-year projects, an example being a fire truck bought on a lease purchase agreement may take five years to pay for.

Mayor pro tem Capowski asked would we spend \$50,000 this year on sidewalks? Mr. Horton stated a report would be brought to the Council on this issue.

Council Member Evans asked if in our agreement for the use of fire training facilities to allow others to use this facility, does the agreement include the cost of wear and tear and the need for the facility to be renovated? She asked do we charge other communities enough to cover these costs? Mr. Horton responded that we do receive contributions from others from time to time to help support training facilities. Council Member Evans asked if we had requested any funds from the County for the use of fire training facilities. Mr. Horton stated that Orange County does not have a fire department, but we could request that the County make a contribution on behalf of the volunteer departments in the County. Council Member Evans said she believed the substantial cost of renovations indicates we should ask for the costs to be shared.

Council Member Foy stated that regarding Streetscape, we have \$20,000 recommended for appropriation, with a new appropriation of \$5,000. He asked why this was not listed in the Capital Improvements Program budget. Mr. Horton said he believed this list contained some typing errors which would be corrected.

Council Member Pavão asked much was expected to be needed for cemetery maintenance and improvements. Mr. Horton said that information would be summarized and reported to the Council.

Council Member Brown asked about the cost estimate for renovation of the fire station. Mr. Horton replied the design work and rough estimate would be about \$200,000. He said some funds have already been expended in architect's fees.

Mayor pro tem Capowski asked if we needed to buy only one fire truck in the next five years. Mr. Horton stated that was correct.

Mayor Waldorf stated that she, along with Council Members Bateman and Pavão, had produced a memo on how to finance the Northern Community Park pool, which is Agenda item 2b in tonight's materials. She said they believe the pool could be financed using the options noted in the memorandum. Mayor Waldorf stated one option was the two-thirds rule, which is a provision in State law that allows municipalities and counties to reissue two-thirds of the value of debt retired in a given year. She noted that a full public process and public hearing are required, but a referendum is not required. Mayor Waldorf said the second option is leased installment purchase financing, where local governments have the authority under State law to acquire capital equipment and buildings or make capital improvements using installment purchase contracts with repayment of principal and interest over specified periods, similar to other forms of debt repayments. Mayor Waldorf asked that the Council direct the staff to consider, analyze and report back to the Council on the financing methods described in the memorandum, or suggest any other feasible methods of financing. She asked that the Council reaffirm its intent to provide an indoor pool at the Northern Community Park site. Mayor Waldorf said if the Council does not agree with the first suggestion, then second and third items were moot points.

Council Member Andresen asked what the total cost would be? Mayor Waldorf answered the cost would be based on whatever the Council eventually decides to build, which is an unknown at this time.

Council Member Foy said he would like to be reassured that as we work towards building a pool, he would like some documentation showing that a pool is wanted and needed.

Council Member Pavão said the use of the indoor pool at the Community Center has increased dramatically over the last few years, and there has been increasing difficulty scheduling for all the uses it is needed for. He noted that a second pool is in demand.

Council Member Bateman agreed, stating that there is a real need, and the public must agree since the bond was approved. She added that the YMCA had been forced to send their swim team to another facility for practices because of the demand on their pool.

Mayor pro tem Capowski said he believes the demands for swimming facilities is concrete, but would like to have a contemporary estimate of the cost. Mr. Horton stated staff would search for areas where similar pools had been built to answer this question. Mayor pro tem Capowski said in 1996 when the amount of the bonds were being decided, he did not believe anyone had anticipated the growth in the economy. Mr. Horton said contractors in the Triangle community are very busy, which drive costs up.

Council Member Andresen said she agreed that the demand for a pool is present. She said she is concerned about the associated debt service costs, and believes we need to have an estimate before we proceed. Council Member Andresen added she has a concern about the cost of upkeep on the current pool, that it seems every year complaints are received on the condition of the locker rooms. She said we should pay attention to the upkeep on what we have.

Council Member Brown asked for the wording of the bond for recreation facilities. Mr. Horton said he did not recall the exact wording, but the swimming pool was discussed.

Council Member Bateman said examples were given in the bond ads, and a pool was listed in that information. She said all the promotional information included a pool.

Mayor Waldorf asked if the bond itself specifically listed a pool. She said it may be possible to make the pool a County-wide facility, and ask for funding from other jurisdictions. Mayor Waldorf said are we asking the staff to provide an estimate for a pool, with dressing rooms and an office, and should a gym be added? She said we may need to look at the bond order to see what was specifically listed. Mr. Horton commented that he believed both items were listed.

Council Member Bateman said she believed the demand for a pool was greater than the need for another gym.

Council Member Pavão agreed with Council Member Bateman.

Council Member Foy asked why this was being discussed now if we could not issue these bonds until next year? Mayor Waldorf responded that planning takes quite some time, so decisions need to be made now.

Council Member Brown asked when do we need to begin this process? Mr. Horton responded he believed there was about a year of flexibility to work on this, so the Mayor's advice that the Council proceed with this now is good advice.

Council Member Evans said we do have a growing retirement community in Chapel Hill, and low impact swimming is a growing demand among this segment of the population.

Council Member Foy asked is it appropriate to address the issues Council Member Andresen mentioned regarding the current pool. Council Member Pavão said those issues are already being addressed.

Council Member Evans said if the staff was going to research cost issues, maybe improvements to the current pool could be looked at as well.

Mayor asked if the Council wished to refer these suggestions to staff. Council concurred by consensus.

Council Member Bateman asked for some clarification from OWASA regarding funding for the Morgan Creek sewer. Mr. Horton stated that OWASA staff would be making a presentation to the Council on this issue. Council Member Bateman said she would like to know if there is enough interest by the Council to form a committee to make recommendations for allocation.

Mayor Waldorf asked if the Council wished to set up such a committee.

Council Member Foy asked if we were talking about a fund to help subsidize water and sewer for neighborhoods.

Council Member Bateman said she believed the Council should have a policy in place to address this issue.

Council Member Evans said she is concerned about the number of places in the Town, even adjacent to the campus, that are still on wells and septic tanks.

Mayor Waldorf asked who wanted to be on the committee. Council Members Andresen, Bateman Capowski indicated interest. Mayor Waldorf asked if this issue could be addressed in time to be included in the proposed budget. Council Member Bateman said she would prefer not to be rushed. The Council agreed by consensus.

Council Member Andresen asked that traffic calming be addressed using unexpended funds. She said she believed the current \$20,000 budgeted was not enough to make a difference. Mr. Horton said more funds could be expended if the Council wishes. He said some traffic calming methods are inexpensive, yet others are quite expensive.

Council Member Evans said she believed it was difficult to decide exactly what types of traffic calming methods should be used. She said she did not believe it was an immediate need at this time.

Item #3 - Employee Compensation and Related Issues

Personnel Director Pat Thomas gave a brief summary of the issues before the Council. She said staff has continued to follow the resolution adopted by the Council to set the salaries of the lowest paid employees based on the federal poverty wage and Chapel Hill's cost of living. Ms. Thomas noted key additional objectives addressed regarding compensation are: (1) providing a competitive level of salary increase for current employees, an average of 4.75%; (2) maintaining competitive hiring rates and ranges through a 3.5% increase to the rates in the current salary schedule; and (3) continuing to deal with some compression of employees' salaries, especially compression created because of new base salaries for the lowest paid positions.

Council Member Wiggins asked for a definition of compression, and exactly where relief was aimed. Ms. Thomas stated with the previous two budgets we have only dealt with compression below the 10% range. Council Member Wiggins said when raises are given, persons below the mid point receive a higher rate than persons above the mid point, which adds to the compression. She said even though we are attempting to relieve compression, we are creating compression through other methods. Mr. Horton said that was correct. He added there were methods to break this cycle, such as allocating more funding for merit increases.

Council Member Wiggins asked what is the cost of living? Mr. Horton said the Council had set a policy of setting the hiring rate for the lowest paid full-time Town positions at the federal poverty wage for a family of four. He noted the policy could be changed so that everyone received the same

increase. Council Member Wiggins said she was less concerned about what happens within the salary ranges.

Council Member Brown said if we change our system now, a lot of these problems could be addressed through a new pay system. Cal said they could be addressed to the extent the Council wishes to have them addressed.

Council Member Foy asked do we identify a percentage that we call the increased cost of living? Mr. Horton said no, we look at the market and get data from other employers. He said we then make reasonable inferences from that.

Council Member Wiggins asked why we use the October 1 date for implementation. Mr. Horton said it provides time to complete the necessary work, as well as saving one quarter's worth of funds.

Council Member Evans said she believed some nearby jurisdictions were looking at 2 to 3 percent for pay increases, and she was looking forward to having a consultant look at these issues.

Mayor pro tem Capowski asked how many new positions would be added this year. Mr. Horton responded about 15. Mayor pro tem Capowski said one of his goals has always been to grant the highest salary increases to the lowest paid employees. Ms. Thomas said this system would accomplish that.

Mayor pro tem Capowski said he would like to see a graph on what each employee is now making, and what they would be making one year from now. Ms. Thomas said what you would see would be of the 550 employees, about 100 would get about 5 to 8%, with the remainder receiving an average of 4.75%. Mr. Horton said he hoped the Council would provide some guidance on having a consultant conduct an independent objective review of our current system. He noted the consultant's report would not be used for the 1998-99 budget year, but for the 1999-2000 budget year. Mr. Horton added that he hoped that recommendations would be available in the fall, to be used the next spring during budget deliberations. He said he believed it would be of benefit for the consultant chosen to meet with the Council and receive first hand information on what the Council wishes the consultant to accomplish.

Council Member Brown said she believed the goals the Council expected a consultant to accomplish should be specifically spelled out so that we could move forward. Mr. Horton said he would encourage the Council to hold a work session with the consultant to achieve this objective.

Council Member Pavão said it might be beneficial for the Council to discuss it among themselves before meeting with a consultant.

Council Member Andresen said the Council should make sure that the Council's objectives were reached and that the correct process was used.

Mayor pro tem Capowski proposed that we put on a future Council agenda a discussion by the Council of its goals for the consultant.

Council Member Foy noted that some firms refused to respond to the Request for Proposals because of the time frame involved.

Council Member Brown asked for a suggestion on dates for a work session to address this issue. Mr. Horton stated proposed dates would be provided at the May 4th meeting.

Council Member Foy asked how much time it would take for a consultant to complete the Council's objectives. Mr. Horton stated the current estimate is approximately six months. He added that a portion of the May 4th meeting could be set aside to address this, or a portion of the May 20th meeting.

Council Member Wiggins said the more she learns about the Town's compensation system, the more she believes the Council may not have understood all of the ramifications of what they had decided, or that there may have been several ways to achieve the same goal. She said she was looking forward to the consultant's report.

COUNCIL MEMBER PAVAO MOVED, SECONDED BY COUNCIL MEMBER EVANS, TO ADJOURN THE WORK SESSION. THE MOTION WAS ADOPTED UNANIMOUSLY.

The meeting was adjourned at 8:43 p.m.