



**TOWN OF CHAPEL HILL
FIVE-YEAR BUDGET STRATEGY**

NOVEMBER 2021



Executive Summary

The Town of Chapel Hill is known for delivering high-quality service to the community. Our bi-annual community survey consistently shows high levels of satisfaction with safety, recreation, and unique services such as our municipal library and local transit system. The Council requested an overview of known and anticipated needs to continue aligning resources with the Council's strategic goals. The Five-Year Budget Strategy presents a high-level organizational review of our resources and what it will take to sustain our community's success. This document is the first broad analysis of this type the Town has prepared, and we know it will be a base for ongoing work and discussion and it will evolve with time.

This strategy captures our plans, gathers information, and will help guide decisions. The details will change as conditions evolve, and not everything in this strategy can – or should – be addressed at once. Instead, the Town will make strategic decisions each year in the annual budget process.

As we work with the Council on this year's budget, we will see how we are already addressing some of the priorities in this five-year strategy, such as climate action, affordable housing, maintenance, a pay study for human capital, and efforts to strengthen our tax base. The five-year strategy will be complemented by specific costs, analysis, and recommendations in the annual budget process.

This overview provides a high-level snapshot of our Town today.

As we reviewed our financial picture, it became clear that we've had slow but steady growth in our revenue sources, but it's hasn't been able to keep up with rising costs. As a result, we have prioritized service delivery over maintenance - for buildings, facilities, software, equipment, and infrastructure – over several years. The impact of those decisions is beginning to show. One easy-to-see result is the decline in our road system ratings. Other impacts are less visible to the casual observer, but we know we will soon face difficult choices about how to prioritize deferred-maintenance costs and whether we can continue to sustain certain programs.

There are bright spots on the horizon too. Our Town weathered a global pandemic with strategic budget cuts, strong management of federal funds, and a dedicated work force. As we come out of the pandemic, our location in a growing region is promising and our focus on growing our commercial tax base promises to strengthen future income. We have bond funding coming online to support affordable housing and other key projects, and our community remains strongly engaged. We are well positioned to make important choices about the future. Climate change, emerging technology, and shifting demographics will challenge us to rise to the occasion. We are confident that the Council and the Community will come together to decide how we take the next steps.

Although the five-year strategy contains some large numbers, it is not an invoice that has to be paid immediately. Instead, it is an important guide so we can make informed, strategic decisions about our future.

With so many strengths and this broad understanding of our organization, now is a good time to begin conversations about the next five years, and beyond.



Theme Area Summaries

These summaries of the seven theme areas of the five-year strategy present: opportunities, priorities and high-level funding gap estimates for key Funding Categories. Connections across theme areas for certain programs are noted in the more detailed Theme Area chapters, which also include expanded information and data for the funding categories, below.

ENVIRONMENTAL SUSTAINABILITY

Environmental sustainability and climate change response are high priorities for the Town, as evidenced by the current Climate Action Plan activities. Vehicle fleet changes are a significant opportunity for the Town to reduce emissions. Furthermore, continued investment in our environmental infrastructure (stormwater, open space) can help mitigate the impacts of climate change while meeting other goals for maintaining and improving our facilities. Including the community in our environmental efforts will continue to be key to our ongoing success.

Funding Category	FY23	FY24	FY25	FY26	FY27
Buildings & Energy	\$403,510	\$184,510	\$181,510	\$280,510	\$280,510
Transportation & Land Use	531,420	425,420	429,420	183,420	147,420
Water, Wastewater & Nat'l Resources	377,210	246,705	1,099,980	125,600	425,600
Resiliency	10,618,070	689,970	1,036,270	2,244,370	602,570
Total	\$11,930,210	\$1,546,605	\$2,747,180	\$2,833,900	\$1,456,100

CAPITAL STEWARDSHIP

The Town is responsible for maintaining a significant inventory of capital investments, from streets to technology. Because everything we own requires ongoing operations and maintenance support, we review the cost to purchase or build our inventory as well as the total cost of ownership for the lifetime of the investment. As technology and building systems evolve, we respond. We have begun developing systems to track and prioritize our assets and further development of those systems will help us program our capital investments and the debt required for new investments. Many of the investments in this Theme Area are underway, with funding for some of the highest-priority efforts (stormwater facilities, a Municipal Services Center, parks). Others represent new costs for anticipated programs (fire truck replacements, new stations, bicycle and pedestrian amenities). This Theme Area provides a broad overview of strategic investments in our assets.

Funding Category	FY23	FY24	FY25	FY26	FY27
Capital Projects	\$13,726,804	\$21,002,800	\$24,387,400	\$20,567,372	\$14,469,272
Total	\$13,726,804	\$21,002,800	\$24,387,400	\$20,567,372	\$14,469,272

HUMAN SERVICES

The Town has invested in community-focused programs like affordable housing, recreation programs, and library services. We are responsive to community interests and the Council has allocated resources for engagement and inclusion. The Affordable Housing bond is a significant opportunity to expand an important community service. The Town will continue to identify partnerships and grants for other efforts, and to identify opportunities where the Town’s resources can leverage or increase funding for language access, local history, and youth programs.

Funding Category	FY23	FY24	FY25	FY26	FY27
Affordable Housing	\$2,242,661	\$4,133,317	\$2,235,538	\$3,728,566	\$2,253,069
Human Services	27,325	56,046	86,142	117,774	150,987
Building Integrated Communities	5,000	7,000	10,000	12,000	15,000
Language Access	11,270	14,490	17,710	20,930	24,150
Equitable Engagement	55,000	55,100	67,100	82,100	83,100
Recreation and Leisure	128,000	44,000	46,000	48,000	50,000
Total	\$2,469,257	\$4,309,953	\$2,457,490	\$4,009,370	\$2,576,306

HUMAN CAPITAL

Our employees are the engine of our operations, delivering the Town’s services with expertise and skill. The Town has invested in strong employee training, retention, and compensation programs to ensure that we have a high-quality staff in all departments. The Town recognized the exceptional demands placed on our employees last year and prioritized health, safety, and compensation with creative measures throughout the pandemic. In the FY 2020 budget, the Council authorized a class and compensation study to make sure we continue to attract talent to our organization. Many of the opportunities in other Theme Areas would require staff for implementation. As those decisions are reviewed, we will need to consider the personnel they require. Annual personnel cost increases assume an annual cost of living adjustment of 3% of market and an annual 5% increase in medical insurance.

Funding Category	FY22	FY23	FY24	FY25	FY26	FY27
Projected Personnel Costs	\$51,543,000	\$52,897,000	\$54,582,000	\$56,326,000	\$58,131,000	\$59,999,000
Projected Amount Over Previous Year		\$1,354,000	\$1,685,000	\$1,744,000	\$1,805,000	\$1,868,000

TRANSPORTATION

The Town provides a multi-modal transportation network so our residents can use a bus, bicycle, car, or walk safely to their destination. Chapel Hill Transit is a unique municipal function, and one that helps us meet our other goals for inclusion and environmental sustainability. Combined with our greenways, sidewalks, and bicycle facilities, we continue to demonstrate a commitment to mobility for everyone in the community. The Town leverages significant state and federal funds for these programs, and we may want to pursue additional improvements or matching grants to support our system.

Funding Category	FY23	FY24	FY25	FY26	FY27
Bicycle-Pedestrian	\$3,302,350	\$1,375,824	\$1,566,456	\$690,750	\$3,836,606
Greenways	4,357,480	300,000	-	3,000,000	-
Pedestrian Traffic Signals	420,000	-	-	-	-
Traffic Calming	75,000	75,000	75,000	75,000	75,000
Transit Infrastructure	535,000	2,035,000	2,285,000	535,000	535,000
Transit Operations and Capital	16,698,454	18,545,442	19,815,054	21,070,481	21,585,920
Subtotal	\$25,388,284	\$22,331,266	\$23,741,510	\$25,371,231	\$26,032,526
Bus Rapid Transit	\$36,900,000	\$41,000,000	\$41,500,000	\$17,000,000	\$3,800,000
Total	\$62,288,284	\$63,331,266	\$65,241,510	\$42,371,231	\$29,832,526

*Cost for the Bus Rapid Transit include assumed Federal and State funding gaps. Costs may vary per year based on construction and other factors. Local costs would be shared through the Transit Partners Funding Formula.

OPERATIONAL SUSTAINABILITY

Our core services require funding, and as costs for basic needs have changed or grown, we have absorbed the demands in our existing budgets. This Theme Area identified areas where supplementing our operational budgets could create opportunities to restore or improve service delivery or to innovate in our work. The basic tools and support equipment each department requires are different, but the overall investment in operations is what helps our organization continue to excel.

Funding Category	FY23	FY24	FY25	FY26	FY27
Changes to Service Delivery	\$288,300	\$82,315	\$84,011	\$85,791	\$87,661
Organizational Effectiveness	750,000	525,700	593,286	664,249	738,762
Maintain Service Levels	189,800	389,090	598,344	818,062	1,048,764
Total	\$1,228,100	\$997,105	\$1,275,641	\$1,568,102	\$1,875,187

FISCAL AND ECONOMIC SUSTAINABILITY

This Theme Area was different from the others since it reviewed our income streams – property tax, sales tax, economic growth, and fees. Instead of identifying gaps in funding, we looked for opportunities to recover some costs of services. Our investment in economic development will provide returns in the future. Today, we can reconsider some of our fees (planning, fire, code enforcement) and review areas where new costs (credit card fees) have reduced our fee income.



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Theme 1: Environmental Sustainability

Theme Champions: John Richardson and Rae Buckley

“The Environmental Stewardship theme captures a range of investments that will strengthen operational and community sustainability.”

Background

We can affect our environment, positively or negatively, with everything we do as a local government. We also know that our actions can reach beyond our borders. To us, a healthy environment is the foundation of a thriving community. And just like the other themes of this Strategy, we must continue to invest in our environment for future generations.

In April 2021, the Council adopted a [Climate Action and Response Plan](#) for Chapel Hill. The Plan describes climate goals, challenges, and opportunities, as well as the highest impact actions the Town and community can begin to take over the next five years to lower carbon emissions and address the effects of climate change. In September, the Council received the [FY22 & 23 Climate Action Implementation Plan](#), with detailed information to begin implementing the Council’s adopted plan. We will need financial support for these investments in the next five years and beyond.

Topic Areas

The Environmental Theme is presented in the same topic areas as the Climate Action and Response Plan:

- Buildings & Energy
- Transportation & Land Use
- Water, Wastewater & Natural Resources
- Resiliency

Connections to other Themes

Because the Environmental Stewardship theme addresses infrastructure, buildings, vehicles and other related investments, there is overlap with the Capital Stewardship, Human Capital and Transportation themes.



Public and employee-dedicated electric vehicle charging stations at Town Hall, 2021.

Funding Gap

The table below shows the total funding gap for each topic area over the next five years. The sections that follow include more detail about the investments for each of the funding categories.

Funding Category	FY23	FY24	FY25	FY26	FY27
Buildings & Energy	\$403,510	\$184,510	\$181,510	\$280,510	\$280,510
Transportation & Land Use	531,420	425,420	429,420	183,420	147,420
Water, Wastewater & Nat'l Resources	377,210	246,705	1,099,980	125,600	425,600
Resiliency	10,618,070	689,970	1,036,270	2,244,370	602,570
Total	\$11,930,210	\$1,546,605	\$2,747,180	\$2,833,900	\$1,456,100

I. Buildings & Energy

We have made investments in greening the Town's facilities and investing in community-scale energy savings programs over the last decade, resulting in fewer carbon emissions from electricity and natural gas. Most of our successes have come from investments in greater efficiency or the use of lower carbon fuels. Although Town operations are only 2% of the total carbon emissions in Chapel Hill, from this point forward it will be important for the Town to lead by example and invest in a transition to carbon neutral energy. The figures below were developed by both staff and technical consultants for a five-year program to continue these initiatives.



Chapel Hill Library expansion designed to meet LEED green building standards

Outcomes

If we maintain the current level of funding to sustain our operation, we are likely to see investments that pay for themselves and a continued trend towards a lower overall environmental impact. Because we have addressed a lot of the low-hanging fruit, however, the pace will be too slow, and we are likely to run into limits of efficiency.

Opportunities & Tradeoffs

For the Town to do its part to lower global carbon emissions, we must take accelerated action over the next decade and make deeper investments in community carbon reduction. Duke Energy has committed to being carbon neutral by 2050, which will lower emissions from the grid through renewable energy generation. By continuing to improve building efficiency, maximizing opportunities for new construction, and advocating and investing in utility-scale renewable energy, we can make bigger strides to lower our carbon footprint from Town operations and the community.

This work will require new thinking about the right balance between the depth of investment in energy efficiency upgrades for buildings and the pace at which the electricity gets cleaner. As the grid moves to zero carbon, beneficial and affordable electrification will play an increasingly important role in both existing buildings and new construction. We will also need to unlock the incentives that truly motivate developers to build to a standard that meets our climate goals, while at the same time making meaningful investments in utility-scale renewable energy (e.g., community solar),

battery storage, and microgrids to enhance the resiliency of essential services. This work intersects with the Capital theme, and the costs below describe the sustainable investments or portion thereof.

Funding Gap

The investments in the tables below would enhance the sustainability of our largest Town buildings. These upgrades show the cost to add automated building controls, additional LED lighting, and the engineering-grade energy assessments that are needed to fully develop these projects. The table below also captures solar leasing opportunities for multiple Town facilities including the Library, Community Center and the future Rosemary Parking Deck. Replacing several HVAC units with greener options starting in FY23 is the biggest cost-driver for buildings, as described in the Capital theme (\$1.1M). We are also working with the design team to understand the costs of achieving LEED and AIA 2030 fossil fuel reduction targets with the new Municipal Services Center. Those numbers are not reflected in the table.

The biggest budget drivers for community buildings are part of the work that is underway with the FY22 & FY23 Climate Action Implementation Plan, where staff will scope the additional programs and projects listed below. Once this work is complete, we plan to update the estimated costs in table 1 for the items with asterisks and add additional costs and funding gaps for the other items.

- Investment in Utility-Scale Renewable Energy*
- Green Building Incentives for New Construction
- “Green Rentals” Utility Savings Program*
- “Big Buildings and Parking Lots” Energy Savings Program*
- Home Energy Upgrade Grant Program*
- Remaining LED Retrofits for Town Parking Lots

The “existing funding” listed below represents 69.7% of the \$470k Climate Action Fund, which corresponds to the percentage of community emissions that come from buildings and energy.

Table 1-1: Gaps with Recurring Funding Source

	FY23	FY24	FY25	FY26	FY27
Upgrade Town Buildings	\$57,000	\$33,000	\$30,000	\$29,000	\$29,000
Solar Leasing for Town Buildings	279,100	54,100	54,100	54,100	54,100
Community Scale Renewable Energy*	175,000	175,000	175,000	175,000	175,000
Community Energy Programs*	220,000	250,000	250,000	350,000	350,000
[Minus Existing Funding]	(327,590)	(327,590)	(327,590)	(327,590)	(327,590)
Total	\$403,510	\$184,510	\$181,510	\$280,510	\$280,510

Prioritizations

Buildings are the top source of community emissions (69.7%) and the second leading driver for operational emissions (21.2%) behind transportation. For this reason, our top budget priorities are investments in **utility-scale renewable energy** and **community-level energy savings programs for buildings and homes**. At the same time, we want to continue leading by example by upgrading our existing Town buildings, investing in solar where it is practical, and designing new facilities to meet our climate goals.

II. Transportation & Land Use

How we move around town is a function of our land use patterns and the available infrastructure dedicated to different forms of transportation. Transportation is the second leading source of carbon emissions in Chapel Hill (26.4%) and the top source of emissions within Town operations (52.5%). While most residents travel by car because of the Town’s mostly suburban layout and connection to the Triangle, there *are* investments we can make to support low/no carbon forms of transportation (e.g., biking, walking, transit) and the land use patterns that make them the easiest choice.



Marriott Hotel located downtown within walking distance of Franklin Street and UNC

Outcomes

As renewable energy makes the electricity grid “greener” over time, zero tailpipe emission electric vehicles become even cleaner with increased levels of charging at home and in strategically located areas around town. As Chapel Hill Transit continues to become more sustainable through the

adoption of EV technology and system upgrades like Bus Rapid Transit (BRT), mass transit also becomes a cleaner option. From a land use perspective, no/low carbon options increase with the creation of more walkable, bikeable, transit-served areas and through build-out of the Town’s vision for a community-wide walking and biking network (Mobility and Connectivity Plan).

Funding Gap

Some of the outcomes mentioned are already being advanced by projects with some existing funding (e.g., LUMO Rewrite, EV bus purchases) and are referenced in or also connected to other themes like Transportation and Capital (e.g., vehicle purchases, bike facilities). The areas listed in Table 1 below include funding categories that would enhance the sustainability of our transportation and land use initiatives. There are also projects within the FY22 & 23 Climate Action Implementation Plan that will help us update some of the numbers in Table 1, including those listed below:

- Develop a Wayfinding Strategy for the Town’s Mobility Plan
- Develop accelerated fleet electrification transition plan
- Consider reapplying for EPA DERA funding to purchase 1-2 electric refuse trucks
- Develop next set of priority Mobility Plan projects
- Complete study for solar + battery storage at Transit facilities
- Develop EV station priority location mapping tool for Orange County

Table 1-2: Gaps with Recurring Funding Source

	FY23	FY24	FY25	FY26	FY27
Mobility Plan Wayfinding	\$100,000	\$50,000	\$50,000	\$50,000	\$50,000
Town Fleet Vehicle Electrification	340,000	340,000	340,000	100,000	80,000
Town Fleet Electric Charging	113,000	116,000	119,000	112,000	95,000
Public EV Charging Stations	102,500	43,500	44,500	45,500	46,500
[Minus Existing Funding]	(124,080)	(124,080)	(124,080)	(124,080)	(124,080)
Total	\$531,420	\$425,420	\$429,420	\$183,420	\$147,420

Prioritizations

To support and enhance non-motorized travel, this portion of the five-year budget strategy also includes funding to support the **wayfinding system** that is needed to complement our other investments in the Mobility Plan. The Town’s vehicle fleet is the top source of municipal emissions and the top budget driver for transportation costs, with both **electric vehicles** and the **charging station infrastructure** needed to operate them. Although we expect most EV drivers to charge at home, strategically located public EV charging stations will continue to be a need in the near-term, both in terms of new infrastructure and the resources needed to maintain it.

III. Water, Wastewater & Natural Resources

Chapel Hill is committed to managing the water pollution and flooding from rainfall events through improvements to traditional stormwater infrastructure, and through the protection and restoration of natural infrastructure like streams, trees, and open space. Traditional stormwater infrastructure like street drains and pipes reduce flooding by collecting runoff from impervious surfaces and discharging it directly into streams and other waterbodies. While this system can be effective at managing and moving water, it also allows runoff to pick up and carry pollutants into local waterways.



Stormwater maintenance crews clearing a storm drain

Green infrastructure is the use of land, trees, and other vegetation to slow down stormwater and in some cases treat the runoff before it enters our local waterways. It's the combination of traditional and natural (or "green") infrastructure that helps us manage the quantity and quality of our stormwater. Natural infrastructure like trees and open space have numerous other benefits, such as carbon sequestration, shade, habitat for wildlife, recreation and many more.

The five-year budget strategy items for Environmental Infrastructure are listed below and followed by sections that provide further information about each budget item.

- a. Stormwater capital improvements
- b. Stormwater maintenance on Town-owned stormwater control structures
- c. Water quality improvements

Table 1-3: Gaps with Recurring Funding Source

	FY23	FY24	FY25	FY26	FY27
Stormwater Capital Improvements	TBD	TBD	TBD	TBD	TBD
Stormwater Maintenance	\$86,610	\$81,105	\$109,380	\$85,000	\$85,000
Water Quality Improvements	300,000	175,000	1,000,000	50,000	350,000
[Minus Existing Funding]	(9,400)	(9,400)	(9,400)	(9,400)	(9,400)
Total	\$377,210	\$246,705	\$1,099,980	\$125,600	\$425,600

Stormwater Capital Improvements

The Town Council adopted the Stormwater Management Master Plan in 2014 and instructed staff to develop subwatershed studies about mitigation options for flooding throughout the Town. In 2015, Chapel Hill voters approved a \$5.9M stormwater bond to fund projects that came from the subwatershed studies. The first subwatershed study, Lower Booker Creek, was completed in 2017. The study generated the first priority list of 20 projects. In May 2021, the Town Council received further findings from the Lower Booker Creek subwatershed study that recommended construction of six stormwater basins to reduce peak stormwater flows. After receiving the findings and community feedback, the Council convened a community work group to consider stormwater mitigation options for the Booker Creek subwatershed. Funding information is not included in the five-year budget strategy at this time but will be added in the future to align with the Council’s direction for stormwater capital improvements.

Stormwater Maintenance/Town-owned Stormwater Control Structures

The Town owns 25 stormwater control structures that require ongoing maintenance to operate effectively. Current resources have not allowed the Town to maintain the structures at their most effective level.

Outcomes

If not maintained properly, the stormwater structures will not operate as designed, potentially causing localized flooding and drainage problems and decreases in water quality. Deferred maintenance is more costly, and the current approach is not sustainable.

Opportunities & Tradeoffs

The Town maintains stormwater control structures using staff resources across several departments. By bundling or grouping the inspection, maintenance, and repair of these structures in one contract, we anticipate the Town could obtain better pricing than continuing with individual department contracts.

Funding Gap

The suggested approach is to phase in the inspections, maintenance, and repairs over an initial three-year timeframe. In Year 4, all structures would begin an annual inspection and routine maintenance program.

- Year 1 - Conduct inspection of stormwater control structures, provide report of needed maintenance items, and perform necessary maintenance on first 30% of structures in poorest condition.
- Year 2 - Conduct annual inspection and perform routine maintenance on Year 1 structures and necessary maintenance on second 30% of structures in poorest condition.
- Year 3 - Conduct annual inspection and perform routine maintenance on Year 1 & 2 structures and necessary maintenance on remaining structures.

The maintenance cost estimates do not include reconstruction of structures.

Table 1-4: Gaps with Recurring Funding Source

	FY23	FY24	FY25	FY26	FY27
Inspection	\$41,250	\$20,625	\$30,000	\$40,000	\$40,000
Maintenance and Repair	45,360	60,480	79,380	45,000	45,000
Total	\$86,610	\$81,105	\$109,380	\$85,000	\$85,000

Water Quality Improvements

All waterways in Chapel Hill and its planning jurisdiction flow into the Upper New Hope Arm of Jordan Lake. Most segments of the major streams running through Chapel Hill have been listed by the state as being impaired for support of aquatic life, due to low benthic scores, and may be required to meet **Total Maximum Daily Load (TMDL)** requirements to address waters that are not meeting water quality standards.

Traditional drainage management has typically been designed to reduce flooding by collecting runoff from impervious surfaces and discharging it directly to a stream, causing erosion and deterioration of water quality. Runoff from impervious areas can collect high concentrations of pollutants and nutrients that, if left untreated, can cause negative impacts to water quality in the receiving waters.

The **Lower Booker Creek Subwatershed Study** considered both stream stabilization and Stormwater Control Measure (SCM) retrofit projects as means of improving water quality. Stream stabilization projects can be constructed to reduce instream sediment loads and to protect private property from further erosion. SCMs can be constructed to treat runoff prior to being discharged to the stormwater conveyance system and the receiving waters of the system.

The **Jordan Lake Nutrient Management Strategy** rules, also known as the “Jordan Rules,” for existing development require that local governments implement measures to reduce nitrogen and phosphorus exports from areas of existing development. Session Laws have delayed certain parts of

the Jordan Lake existing development rules, but currently the Town is subject to Stage 1 requirements and identifies a stormwater retrofit project annually to NCDWR.

In the future, the Town will be required, beginning with Stage 2 of the existing development rule, to reduce nitrogen exports by 8% and phosphorus exports by 5%. Stage 3 will increase nitrogen reduction requirements to 35%. While the timeline for full Jordan Rules adoption is unknown, two retrofit projects with measurable impacts on water quality are included in anticipation of the requirements. The stormwater retrofit projects and costs are listed in the table below.

Table 1-5: Stormwater

Projects	FY23	FY24	FY25	FY26	FY27
Glen Lennox Stream Restoration*	-	-	\$500,000	-	-
Stream Stabilization Project 1: Sierra 3	\$300,000	-	-	-	-
Sedgefield 2	-	\$175,000	-	-	-
Booker 1	-	-	\$500,000	-	-
Booker 2	-	-	-	\$50,000	-
Foxwood 3	-	-	-	-	\$350,000
Total	\$300,000	\$175,000	\$1,000,000	\$50,000	\$350,000

* If grant funds are identified, this project will satisfy future requirements of the Jordan Rules which are currently delayed by Session Law.

Outcomes

The completed stormwater retrofit projects will reduce erosion and nitrogen and phosphorus loading from stormwater runoff, improving water quality in Booker Creek and Jordan Lake.

Opportunities & Tradeoffs

Sierra 3 is located north of Honeysuckle Road with the upstream end connecting to the v-notch weir at the discharge point for the Red Bud Storage Area. The project could be combined with the proposed Red Bud Storage Area and Honeysuckle Road culvert improvements to provide economies of scale of a larger project.

Staff intend to apply for state or federal grant funding for the FY23 Stormwater Retrofit project. The Town may be required to match a certain percentage of the grant funding.

Funding Gap

Table 1-6: Gaps with No Existing Funding

	FY23	FY24	FY25	FY26	FY27
Stormwater Retrofits	\$300,000	\$175,000	\$1,000,000	\$50,000	\$350,000
Total	\$300,000	\$175,000	\$1,000,000	\$50,000	\$350,000

IV. Resiliency

Strengthening community resiliency will require greater investment in a variety of projects and programs, all with the goal of helping us prepare for, adapt to, and bounce back more quickly from climate change and other forms of disruption. The funding categories listed below focus on both natural and technological forms of resiliency. Nature-based solutions include tree planting, land acquisition, and remediation. The categories also identify the need for greater funding to support climate action education and outreach, and to enhance our smart cities technologies for monitoring our changing climate.



Public Works crew managing debris after a major storm

Table 1-7: Gaps with Recurring Funding Source	FY23	FY24	FY25	FY26	FY27
Tree Planting / Maintenance Gap	\$47,000	\$47,000	\$47,000	\$47,000	\$47,000
Green Space / Land Acquisition Gap	392,000	453,900	739,200	1,937,300	239,500
Climate Outreach / Monitoring Gap	14,070	19,070	25,070	30,070	36,070
Sustainability Programs	115,000	120,000	175,000	180,000	230,000
Coal Ash Remediation Gap	10,050,000	50,000	50,000	50,000	50,000
Total	\$10,618,070	\$689,970	\$1,036,270	\$2,244,370	\$602,570

Tree Planting and Maintenance

Trees do many things for us. They remove air pollutants that can trigger respiratory illnesses, reduce stormwater run-off, lower temperatures during the summer, provide shelter and food for birds and

other wildlife, offset climate change by reducing energy used by buildings, and reduce carbon dioxide emissions that pollute our air. Studies have also found that trees increase business traffic and property values, encourage civic pride, bring diverse groups of people together, create economic opportunities, and reduce violence. By increasing our investment in trees, we will be making a commitment to keep and grow the natural beauty that sets us apart from other places.



With an abundance of wooded areas, Chapel Hill is sometimes referred to as a town within a park

Outcomes

The Town's current program has increased planting in the Downtown area and in town parks, but the resources are insufficient to cover the expenses for tree maintenance. As a result, today we only perform minimal tree maintenance using techniques like structural pruning, fertilization, watering and aerification.

Opportunities & Tradeoffs

The tree canopy is in large part what makes Chapel Hill a thriving community where people want to live. The Town needs to invest now in this infrastructure to ensure its long-term success over the next century. The Downtown tree canopy is at a pivotal point as there are many older trees that are aging out at the same time. The Town needs to replace trees and maintain the middle-aged trees to provide them with what they need to actively grow over the next several decades.

Funding Gap

Tree planting and maintenance funding is not sufficient for the long-term health of the Town’s tree canopy.

	FY23	FY24	FY25	FY26	FY27
Tree Planting	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
[Minus Existing Funding]	(3,000)	(3,000)	(3,000)	(3,000)	(3,000)
Total	\$47,000	\$47,000	\$47,000	\$47,000	\$47,000

Prioritizations

As our urban street trees continue to age, and as previously treed properties are used for housing, development, and other infrastructure goals, replanting trees in the next five years is a top priority to protect and enhance our overall tree canopy.

Land Acquisition

The Town has many interests in acquiring land for preserving open space, municipal purposes, and for active recreational uses. Regardless of the purpose, the purchase of land can help to preserve the Town’s tree canopy and to protect water quality, habitat, and natural resources.

Outcomes

Town acquired land can be used for multiple purposes and preserved as green space or developed in a careful manner to increase green infrastructure.

Opportunities & Tradeoffs

Available land for open space and recreational use is decreasing. In order to provide an estimate for the Five-Year Budget Strategy, staff identified property in the areas of Southern Village, Millhouse Road, and the Rosemary/Columbia street intersection.

Location	Size (acres)	Tax Value for Land
Downtown Area	.67	\$392,000
South Area	29.5	\$453,900
Southwest Area	114.2	\$739,200
Northwest Area	100.9	\$1,937,300
Southeast Area	63.4	\$239,500
Total	308.67	\$3,761,900



Merritt's Pasture is a park that was acquired by the Town for public use

Funding Gap

The cost of land acquisition is difficult to estimate as land values fluctuate depending on the market and a landowner's desire to sell. Estimated land values for undeveloped parcels are based on tax values and may not represent the true purchase price.

Table 1-9: Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
Downtown Area	\$392,000	-	-	-	-
South Area	-	453,900	-	-	-
Southwest Area	-	-	739,200	-	-
Northwest Area	-	-	-	1,937,300	-
Southeast Area	-	-	-	-	239,500
Total	\$392,000	\$453,900	\$739,200	\$1,937,300	\$239,500

Prioritizations

These opportunities for land acquisition should be prioritized appropriately as funds become available.

Climate Action Outreach & Monitoring

Enhanced resiliency includes greater community awareness, both in terms of education and tracking the change in local conditions over time.

Outcomes

Over the next five years, the Town will grow climate outreach efforts to include at least two major educational programs that also invite residents and businesses to take action (e.g., Leave the Leaves). Because the latest climate change forecasts predict increasingly wetter future conditions in our area, the Town will also continue investing in smart cities sensor technology to measure rainfall and stream levels during major storm events. This work can enhance our alert systems, increasing our ability to mobilize during emergency weather conditions.

Opportunities & Tradeoffs

Enhanced community awareness and participation will strengthen community resilience. This work will also require continued staff and budgetary support to grow the programs and maintain the equipment over time.

Funding Gap

The table below shows the estimated cost of creating a stronger web presence for climate action updates and community participation. This includes options for interactive online programming, resource sharing, and community level metrics.

Table 1-10: Gaps with No Existing Funding

	FY23	FY24	FY25	FY26	FY27
Climate Action Plan / Updates Online	\$6,000	\$6,000	\$7,000	\$7,000	\$8,000
Build / Promote 2 Outreach Programs	6,000	8,000	10,000	12,000	14,000
Environmental Sensor Network	11,000	14,000	17,000	20,000	23,000
[Minus Existing Funding]	(8,930)	(8,930)	(8,930)	(8,930)	(8,930)
Total	\$14,070	\$19,070	\$25,070	\$30,070	\$36,070

Prioritizations

The priority is to move the Climate Action and Response Plan to the web and create a hub for greater **awareness** and **participation** in community programming.

Sustainable Policies & Programs

Great organizational and community sustainability also includes a focus on best practices, policies and programs. From an operations standpoint, this might look like:

- Updates to the Town’s purchasing policies, from vendor and contract requirements to surplus and disposal procedures.
- Writing new sustainability guidelines and requirements into all Town policy and procedures.
- Developing simple, usable waste/recycling/composting solutions and incentives that encourage sustainable practices at all Town facilities, from office spaces and public meeting rooms, to parks and greenways. (The Town has two pilot programs underway to test composting in Town Hall and a Zero Waste initiative at the Library.)
- Requiring sustainable practices at Town sponsored and permitted events.

From a community-level perspective, this could include:

- Collaborating with stakeholders to create economic incentives for local businesses to reduce their carbon footprint and waste profile.
- Actively pursuing grant funding opportunities, including those with local and regional partnership opportunities.
- Promoting climate action programs that include all sectors of our community.

Outcomes

Addressing the Town’s municipal programs can directly influence 2% of the total community emissions. In order to address the other 98% of carbon emissions in Chapel Hill, the Town needs to build programs to incentivize and influence community management of carbon emissions in multiple sectors. Community partnerships and large, multi-year grant awards are the tools needed to advance this work.

Funding Gap

The Town’s current efforts require additional funding to support sustainable purchasing requirements (e.g. no single use plastics, increased post-consumer recycled content, reusable materials, commercial dishwashing equipment, waste/recycling/compost containers & programs). We estimate that more funding is needed to support operational sustainability, and for the matching funds needed to support partnerships and position the Town for grant funding opportunities.

Table 1-11: Gaps with No Existing Funding

	FY23	FY24	FY25	FY26	FY27
Sustainable Policy Initiative	\$15,000	\$20,000	\$25,000	\$30,000	\$30,000
Matching support for partner programs/grant awards	100,000	100,000	150,000	150,000	200,000
Total	\$115,000	\$120,000	\$175,000	\$180,000	\$230,000

Prioritizations

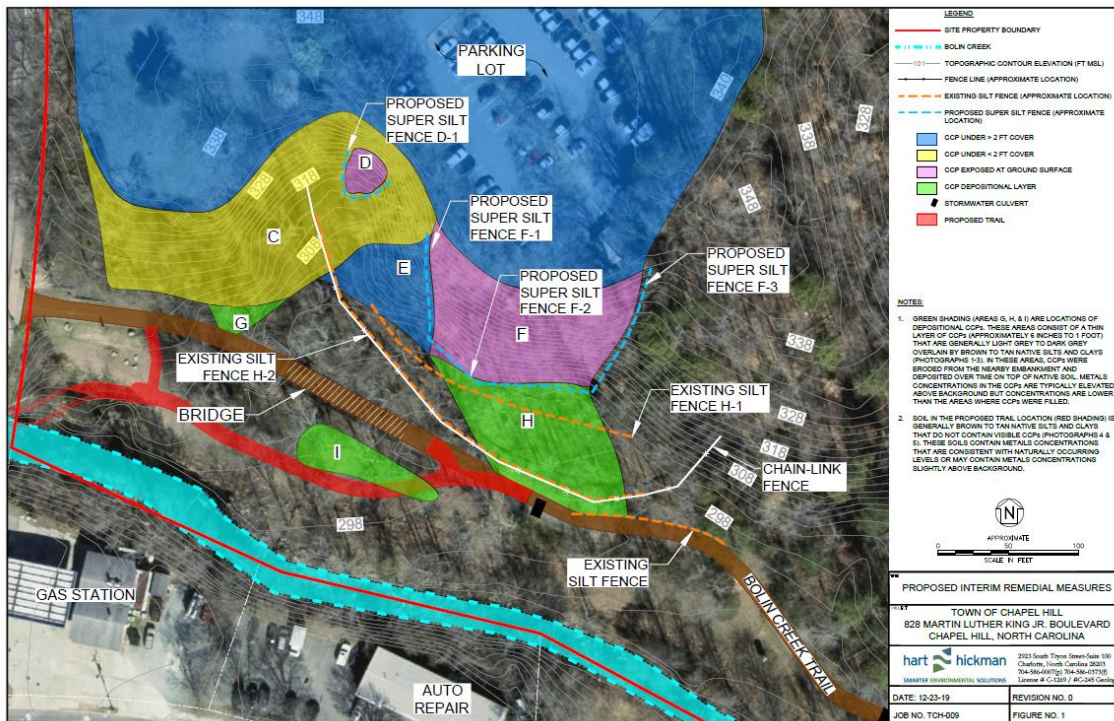
Funding to support the **implementation** of updated Town policies and practices (e.g., green purchasing) and **matching funds** for local and outside funding sources.

Coal Ash Remediation

Our focus for environmental resiliency is the coal ash located at the Police Station property at 828 Martin Luther King Jr. Blvd. We have completed the process of cleaning up the erosional sections of coal ash located within the lower portion of the property near the Bolin Creek trail (see map below). In addition to removing soils mixed with erosional coal ash (green areas), we have added additional fencing (blue dashed lines) and a vegetative cover to control erosion along the embankment (pink areas). Much of the coal ash found on the property is buried on the upper portion of the property near the existing Police Station, driveway, and parking lot areas. Coal ash on site would be safely addressed and contained through a redevelopment scenario in accordance with NC DEQ standards and oversight.

Construction and Remediation Map

Created by the Town's Environmental Engineer, Hart & Hickman



Outcomes

If redevelopment of the site occurs, onsite coal ash would be safely managed and contained in conjunction with construction activities. Any redevelopment scenarios will include a retention wall system to stabilize the embankment on the property and prevent any future risk of erosion to the trail and Bolin Creek.

If no action is taken on the upper portion of the site, the Town will continue to incur ongoing monitoring and maintenance costs. Additionally, the Town may be required to implement and pay for longer term solutions to address risk from exposed coal on site (ex. Retention wall, capping in place).

Opportunities & Tradeoffs

A public/private partnership with RFQ respondent, Belmont Sayre, could allow for the development of mixed-use space and the Municipal Services Center (MSC). The developer and the Town would enter into a brownfields agreement with the NC DEQ to redevelop the property. The Town would incur design and construction costs for the MSC, but the developer would cover, in part, the permanent remedial measures for the site under an environmental management plan as a component of the brownfield's agreement. This scenario would allow for tax base growth from the mixed use(s), a solution to the MSC siting, improved safety of the site, development along the BRT corridor, and trail-oriented development. Temporary relocation of police operations would be needed during construction.

For private development, as an incentive to repurpose impacted sites, property taxes are reduced by approximately 50% on constructed improvements for five years after redevelopment occurs, under a special Brownfields Tax Exclusion

A replacement for Fire Station #4 and space for Orange County EMS at the Fire Station #4 site on Weaver Dairy Road - the previously considered MSC site - would still be needed. These functions cannot be co-located at the Martin Luther King Jr. Blvd location because of the proximity to Fire Station #1. Fire Stations must be spread across Town to meet response times to different parts of Town.

If the Council chooses not to proceed with site redevelopment, the Town will still incur the cost of making the police station site safe in addition to the full cost of the MSC development. The Town could elect to enter into a Brownfields Agreement without a co-developer but would not benefit from the tax incentives offered by the program or the cost sharing of common development costs.

Funding Gap

The table below shows the estimated cost of partial coal ash removal, with capping and a retaining wall system along the embankment, should the Town seek to remediate the site without a co-developer. There is also an ongoing cost to monitor and maintain the interim remediation elements that were installed last year.

If Council elects to proceed with site redevelopment through an Economic Development Agreement (EDA) and co-develop the site with Belmont-Sayre, final costs would be developed during EDA

negotiations. The Town’s costs would include the design and construction of the MSC and a pro rata share of predevelopment and common site costs. This project would be bond funded and would be subject to LGC approval.

Table 1-12: Gaps with No Existing Funding

	FY23	FY24	FY25	FY26	FY27
Coal Ash Remediation	\$10,000,000	-	-	-	-
Ongoing Monitoring/Maintenance	50,000	50,000	50,000	50,000	50,000
Total	\$10,050,000	\$50,000	\$50,000	\$50,000	\$50,000

Prioritizations

The priority is to support the Council in determining the type of redevelopment that is best for the environment, the community, and future onsite workers/residents. The timing of this project is contingent upon other decisions that the Council will make about the Municipal Services Center.

Theme 2: Capital Stewardship

Theme Champions: Scott Clark and Ross Tompkins

“The Capital Stewardship theme captures investments in operational and community capital over time.”

Background

The Town maintains an inventory of capital assets ranging from land to buildings to major equipment and software. These long-term investments are required to provide safe facilities and functional infrastructure supporting the programs, mobility and safety of the community. From construction or purchase through maintenance and replacement, we are responsible for monitoring and refreshing our inventory. The Capital Stewardship Theme looks at the total cost of ownership for capital assets using facility evaluations and maintenance standards to develop costs for maintenance and possible replacement. Most of these capital assets cost more than \$50,000 and have a useful life of at least 10 years. Many cost more and last longer, so we must consider maintenance and total cost of ownership when we evaluate our assets.

There are generally 3 types of capital spending reporting in this document:

- Phased funding increases building up a pay-as-you-go budget over multiple years to fund ongoing maintenance.
- One-time purchases or replacements of capital items, with ongoing maintenance.
- Renovations, repairs, or replacements based on a scheduled maintenance plan.

Topic Areas

- I. Streets
- II. Streetscape
- III. Facilities
- IV. Security and Safety
- V. Facilities expansion and renovation
- VI. Fire Facilities
- VII. Historic Town Hall
- VIII. ADA Transition Plan
- IX. Vehicles
- X. Fire Apparatus
- XI. Solid Waste Options

- XII. Parks Capital Projects
- XIII. Parks Facilities and Landscape Maintenance
- XIV. Technology

Connections to other Themes

Stormwater management and electric vehicle charging systems are included in the Environmental Sustainability Theme. Buses, bike/pedestrian additions, and enhancements to streets and greenways are included in the Transportation Theme.

Monitoring, configuring, upgrading, repairing and management of technology are included in the Human Capital and Operational Sustainability Themes.

Additional maintenance for new roads, buildings, vehicles, and other assets are related to the Human Capital and Operational Sustainability Themes.

The East Rosemary Projects are included in their own section.

Funding Gap

Many buildings, large vehicles, parks, sidewalks and other capital assets need repairs to remain operational at expected or required levels. The Town has a significant gap between maintenance needs and funding, creating a backlog of repairs and potentially more expensive future repairs. We need to maintain our assets to make them safe and available to the community.

Funding Category	FY23	FY24	FY25	FY26	FY27
Capital Projects	\$13,726,804	\$21,002,800	\$24,387,400	\$20,567,372	\$14,469,272
Total	\$13,726,804	\$21,002,800	\$24,387,400	\$20,567,372	\$14,469,272

I. Streets

The Town maintains Town-owned streets, bridges, sidewalk, streetscape, and paved and unpaved parking lots and paths.

Every other year, the Town contracts with a third-party engineering firm to survey the condition of pavement and the general state of all Town-maintained paved streets. The National Bridge Inspection Standards (NBIS) require an inspection of all publicly owned highway bridges longer than twenty feet every other year. Nineteen of the Town’s bridges require the NBIS inspection, which is done by a third-party firm, managed by the NC Department of Transportation. In 2021, the Town hired a third-party engineering firm to evaluate the condition of Town-maintained paved parking lots and paths. Town staff routinely evaluates downtown streetscape and town-wide sidewalk conditions and maintains a list of priority maintenance needs.

The 2020 street pavement condition survey identified a resurfacing backlog of ~\$15.8 million. Council approved 2/3 bond funds to address some of the backlog needs reducing the current backlog estimate to \$14.5 million.

The March 28, 2012 bridge inspection report classified the Bolinwood Drive Bridge as functionally obsolete. The existing bridge is over 50 years old, has a 30 ft. concrete span and no sidewalks (sidewalks stop next to the bridge). The bridge has a load restriction and was not designed with a dedicated section for pedestrian crossing. The new bridge will have a 40 ft. concrete span and will incorporate sidewalks on both sides. The total estimated cost is \$1.1 million (including inflation) and will take about two years to construct.

The most recent 2018 bridge inspection report identified a \$105,000 backlog of other maintenance needs. The next inspection will be in Spring 2022. Staff anticipates it will identify additional deterioration and maintenance costs.

Based on known needs and historical maintenance activities, we need annual maintenance funding of \$50,000 for sidewalks and \$50,000 for streetscape.

Outcomes

Without additional ongoing funding for maintenance, streets and bridges will continue to deteriorate, creating larger problems with potential safety and transportation impacts.

Good stewardship practices address maintenance needs as they are identified. Deterioration accelerates over time, and deferred maintenance is now pushing the Town to reconstruct streets and replace bridges at significantly more cost than standard maintenance and resurfacing. Examples include the recent reconstruction of Country Club Road, and over the past few years the reconstruction of Friday Center Drive, Ridge Road, and a portion of Rosemary Street.

The Town's pavement condition has deteriorated from an overall rating of 93.4 ("Very Good") in 2004 to 73.5 ("Fair") in 2020. The projected average street condition rating will decline based on current funding to a rating of 64.6 ("Poor") by FY26.

Opportunities & Tradeoffs

Street resurfacing and bridge maintenance are important for safety, multi-modal transportation, economic development, and good stewardship of taxpayer dollars.

Current overall street conditions mean that lower cost maintenance activities will be less effective or a corrective option and resurfacing or full reconstruction will be required. Phased annual funding increases would allow the Town to gradually catch up on street maintenance, first slowing the decline and eventually reversing the trend.

At the same time, we need to increase annual funding for bridge maintenance and establish annual funding for sidewalk and streetscape maintenance to proactively prevent further deterioration and future higher cost replacements.

Staff will continue to evaluate changing infrastructure maintenance needs each year to ensure we receive the maximum return on our investment given available funding.

Funding Gap

To maximize our street maintenance investment, the pavement condition survey recommends an annual resurfacing cycle of 15 years, for an annual allocation of \$2.93 million. This would require more than a \$2 million annual increase to the Town’s annual operating budget. The recommended phased funding increases cover the first five years of a ten-year plan. FY23 represents our current baseline (\$623,615) plus the first-year annual increase phased funding (\$229,000). Additional 2015 bond funds (~\$760,000) are set aside for resurfacing, but the bonds must first be issued (planned for spring 2022).

In addition, a third-party engineering firm completed an evaluation of asphalt parking lots, trails, and paths (excluding greenways) in FY22. The evaluation identified \$800,800 in maintenance needs. This cost has been adjusted slightly to account for separate related requests and includes the cost for pavement markings when a lot is resurfaced.

Table 2-1 below also includes recommended annual funding for bridge, sidewalk, and downtown streetscape maintenance.

The Bolinwood Drive Bridge Replacement was prioritized for 2015 Streets and Sidewalks bond funding (issuance in spring 2022). Some funds were set aside from older bonds to begin design. However, due to inflation, costs have increased above the original planned allocation.

Table 2-1: Gaps with Recurring and One-Time Funding Sources	FY23	FY24	FY25	FY26	FY27
Street Maintenance Annual Need	\$952,615	\$1,181,615	\$1,410,615	\$1,639,615	\$1,868,615
Minus Existing Average M&R Streets Operating Budget (Resurfacing)	(623,615)	(623,615)	(623,615)	(623,615)	(623,615)
Funding Gap	\$329,000	\$558,000	\$787,000	\$1,016,000	\$1,245,000
Streets Resurfacing Backlog <i>(needs to be addressed through future bond referendum)</i>	\$760,000	-	-	\$2,900,000	\$2,900,000
Bolinwood Drive Bridge Replacement	200,000	915,000	-	-	-
Minus Allocated Capital Funding	(100,000)	-	-	-	-

Minus Unallocated Planned 2015 Bond Funds	(860,000)	-	-	-	-
Funding Gap	-	\$915,000	-	\$2,900,000	\$2,900,000
Bridge Maintenance and Biennial Inspections					
	\$105,200	\$15,000	\$25,200	\$15,000	\$25,200
Minus Existing Annual Operating Budget	(7,200)	(7,200)	(7,200)	(7,200)	(7,200)
Funding Gap	\$98,000	\$7,800	\$18,000	\$7,800	\$18,000
Parking Lots, Paths, Trails Annual Need					
Parking Lots, Paths, Trails – GF	\$21,800	\$39,500	-	-	-
Other Parking Lots - GF	14,100	93,400	62,000	31,900	-
Public Housing Fund	7,900	69,600	39,500	51,900	-
Transit Fund	47,400	29,100	32,100	106,600	49,100
Parking Fund	3,600	31,600	-	-	-
Minus Existing Annual Capital Funding	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Funding Gap	\$69,800	\$238,200	\$108,600	\$165,400	\$24,100
Total	\$496,800	\$1,719,000	\$913,600	\$4,089,200	\$4,187,100

Table 2-2: Gaps with No Existing Funding

	FY23	FY24	FY25	FY26	FY27
Streetscape Maintenance	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Sidewalk Maintenance	50,000	50,000	50,000	50,000	50,000
Total	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000

Prioritization

Implementing a phased funding plan to address the backlog of street and bridge maintenance needs. Additional funding is needed to replace the Bolinwood Drive Bridge.

II. Streetscape

The Council adopted the “Downtown Streetscape Lighting and Master Plan” in 2009, establishing the Town’s strategy and priorities to improve pedestrian safety, accessibility, amenities, and the aesthetic value of Downtown. A portion of the 2015 Streets and Sidewalks bond funded recent streetscape improvements, including sidewalk replacement, curb and gutter improvements, drainage improvements, and lighting upgrades along Rosemary Street and Varsity and Post Office/Courthouse Alley. Allocated bond funds were used for the Graham Street and Roberson Street Streetscape Improvement Project. Additional funding is needed for the remaining priority streetscape improvements.

Outcomes

The remaining projects require additional funding for design and construction. The unimproved portions of the downtown are gaps in the newer, revitalized streetscape.

Opportunities & Tradeoffs

Streetscape connects to other five-year budget strategy themes, including Transportation and Economic & Financial Sustainability. Consistent streetscape improves visibility and safety, pedestrian mobility, accessibility, and placemaking. This helps attract residents, businesses, and visitors downtown and stimulates the local economy.

Funding Gap

The projects below have been delayed pending the issuance of the remaining 2015 Streets and Sidewalks bond (\$1,687,000 remaining set aside for Downtown Streetscape Improvements). The next bond issuance, currently planned for spring 2022, is anticipated to be less than the amount required (\$1,875,000) to complete the projects below by \$188,000. The estimates are few years old and actual costs may be higher at the time of construction.

Table 2-3: Gaps with One-Time Funding Source	FY23	FY24	FY25	FY26	FY27
Franklin Street Lighting Upgrade	-	\$150,000	-	-	-
Streetscape Improvements on W Franklin St. at S. Columbia St. Intersection SW Corner and 100 Block (North side)	-	50,000	350,000	-	-
Mast Arms/ Pedestrian Lights at East Franklin (3 Locations)	-	40,000	360,000	-	-
Streetscape Improvements on North Side of W. Franklin St. from Roberson St. to 440 W. Franklin St.	150,000	-	-	-	-
Remaining Streetscape Improvements (W Franklin St., Henderson St., Parking Lot #5)	-	-	50,000	400,000	325,000
Minus Unallocated Planned 2015 Bond Funds	(150,000)	(240,000)	(760,000)	(400,000)	(325,000)
Total	\$0	\$0	\$0	\$0	\$0

Prioritization

The table shows projects in priority order, with the lighting upgrade on Franklin Street being the top priority.

III. Facilities

The Public Works Facilities Management Division manages 19 major and 27 supporting public facilities totaling approximately 420,000 square feet.

In 2016, the Town hired a third-party firm to complete a Facility Condition Assessment (buildings). According to the assessment, the Town's facility maintenance needs and associated costs far outweigh the current annual budget. Based on the report and vetting the needs, approximately \$10.1 million of unfunded building maintenance and capital repairs was identified over the next ten years (excluding major building renovations and replacements – see Facilities Expansion section).

The Council approved annual capital funding of \$472,214 beginning with the FY19 budget to help address the backlog of capital needs. Before the annual capital funding allocation, there was an estimated \$11.4 million backlog over the next ten years. The increased funding of \$472,214 in FY19 and FY20 allowed the Town to address some long-standing issues. In FY21, no funding was allocated due to the financial impacts related to COVID. In FY22, funding was partially restored to \$330,000. To protect our investment in our facilities, it is important that additional funding be allocated to meet outstanding needs.

Outcomes

Without additional funding, maintenance needs for aging facilities and costs of doing business will continue to rise. As maintenance is deferred, there is an increased likelihood of major repairs or costly renovations.

Opportunities & Tradeoffs

The number one priority of the Facilities Management Division is maintaining buildings and their systems to provide a safe and healthy environment for Town employees and citizens. This includes roof replacements, HVAC replacements, and facility upgrades on a regular schedule to ensure that our facilities can continue to operate for the public and employees.

Staff regularly reviews opportunities and tradeoffs to ensure we are completing the highest needed maintenance activities at the right time. Staff regularly:

- Reviews the data and priorities from the 2016 Facilities Condition Assessment.
- Develops an annual work plan for major facilities maintenance with departments and adjusts as facility conditions and Town needs change.
- Assesses aging buildings with the CIP Leadership Team to identify appropriate levels of maintenance.

The Town may avoid future unexpected costs by carefully planning for building replacements by:

- Thoroughly evaluating facility condition and maintenance or renovation needs before acquisition.
- Thoroughly assessing operational requirements and ongoing costs of new buildings including higher maintenance costs for new and/or LEED certified facilities and staffing requirements for building maintenance.

Funding Gap

Table 2-4 includes the recommended funding increases that will help us protect our investments and be good stewards of public funds. It’s important to be timely in performing preventive and capital maintenance to avoid more costly repairs and to maintain the facilities in good condition for our employees and the public.

We anticipate additional needs in the next five years that are not included in the work plan because we don’t have enough staff to manage a larger volume of projects. In addition, the future use of some facilities is uncertain such as the Post Office/Courthouse Basement Renovation, and Fire Station #3 Roof Replacement.

Table 2-4: Gaps with Recurring Funding Source	FY23	FY24	FY25	FY26	FY27
Franklin Street Lighting Upgrade	-	\$150,000	-	-	-
Roof Replacement Needs	570,000	-	587,000	-	181,000
HVAC Replacement Needs	-	689,000	387,500	1,450,400	-
Professional/Design Services Needs	-	160,000	113,000	100,000	196,900
Misc. Capital Maintenance Needs	325,000	55,000	-	-	488,000
Facility Condition Assessment Need	-	58,000	-	-	-
Minus Existing Capital Outlay Funding	(330,000)	(330,000)	(330,000)	(330,000)	(330,000)
Total	\$565,000	\$782,000	\$757,500	\$1,220,400	\$535,900

Table 2-5: Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
Small Capital Improvements	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000

Prioritization

Facilities Management priorities are based on the Facility Condition Assessment and recent bids (which are higher than the estimates originally listed in the Facility Condition Assessment). These amounts are refined with departments each year in the annual work plan.

The table shows projects in priority order, with more information about specific projects below.

- FY23: Post Office/ Courthouse Roof Replacement and Cupola Refurbishment; Post Office Courthouse Exterior Repairs/Painting; Fire Station #3 Roof Refurbishment; As-Built Drawings Needed for Alarm Panel – Town Hall; Public Works Building III Fleet Bay Concrete Floor Refinishing; and Town Hall Parking Deck Repairs.
- FY24: Hargraves HVAC Design and Replacement; Community Center HVAC Design and Replacement; Fire Station #4 Roof Replacement Design; Community Center Roof Replacement Design; Town Hall Fire Alarm Panel Replacement; and Facility Condition Assessment.
- FY25: Fire Station #4 Roof Replacement; Community Center Roof Replacement; Transit HVAC Replacement Design; and Public Works HVAC Design and Replacement.
- FY26: Transit HVAC Replacement; and Homestead Aquatic Center HVAC (Desert Aire Unit) Design and Replacement.
- FY27: Library Carpet Replacement and Interior Painting; Community Center Fiber Glass Rigid Pool Deck Roof Design and Replacement; Public Works Roof Replacement Design; and Transit Roof Replacement Design.

IV. Security and Safety

The Town is committed to providing safe and secure work environments for employees and to the public. Our organization is public-facing and we balance openness with security for employees and the public at all Town facilities.

The Town conducted safety and security risk assessments to identify operational and facility safety improvements. Without a centralized planning process and budget, the systems and equipment are not coordinated and compatibility and maintenance issues make our systems less efficient and more costly.

Outcomes

Some Town Departments have reallocated funds in their budgets for security systems and improvements (Town Hall, Public Works), but we have many outstanding needs.

Opportunities & Tradeoffs

Decentralized security planning and design is inefficient and leads to increased costs for systems, equipment, and maintenance contracts. Improvement of the systems requires a dedicated budget.

Funding Gap

We spent \$32,100 in FY20 for initial Town Hall security improvements, and \$11,390 in FY21. The projected funding gaps are estimates based on department or facility security need assessments and requests. There may be additional department requests and needs we are unaware of.

Table 2-6: Gaps with Existing Funding Source	FY23	FY24	FY25	FY26	FY27
Town Hall – Security Improvements	\$20,100	\$41,000	\$22,000	\$16,000	-
Town Hall Fire Alarm Systems/Security Panel Related Required Upgrade	45,000	60,000	12,000	8,000	-
Total	\$65,100	\$101,000	\$34,000	\$24,000	-

Table 2-7: Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
Fire Stations (5) and Training Facility	\$25,000	\$25,000	-	-	-
Library	-	15,000	15,000	-	-
Parks and Recreation (Multiple Facilities)	35,000	80,000	55,000	-	-
Public Works Upgrades	10,000	10,000	12,500	2,500	-
Housing Operations and Wellness Center	15,000	-	-	-	-
Transit	25,000	10,000	10,000	-	-
Design/Planning	60,000	23,000	17,000	-	-
Total	\$170,000	\$163,000	\$109,500	\$2,500	-

Prioritization

Additional security recommendations at Town Hall should be implemented in FY23 and FY24. For FY23, priority should also be given to Parks and Recreation, Fire Department locations, and Transit Operation Center.

V. Facilities Expansion and Renovation

Many Town facilities need expansion or significant renovations for continued use and future planned needs.

Public Works Administration Building (#1) Expansion: This expansion adds a wing on the South side of the building, approximately the same size as the existing facility (6,000 square feet). The addition was part of the original plan and provides office space for current operations and eliminates the need for the leased space currently housing our Stormwater staff.

Municipal Services Center: The Police Department and other Town departments are currently housed in older spaces that don't meet the needs of their work or the community. The Police building has inadequate space for staff and storage and requires major repairs (roof and HVAC replacements). Parks and Recreation and Fire administration are in similar circumstances and our Technology staff are distributed in inadequate space across the Town. The Municipal Services Center will provide a collaborative environment for staff while enhancing service delivery to our customers once a final location is chosen.

American Legion Property: The Town purchased the 36.2-acre parcel located along Legion Road from American Legion Post 6 in March 2017. The property includes the 8,400 square-foot Post building, a small dance studio, and a 3.1-acre pond. The 8.6 acres include a stream running north to south through the property, and its associated buffer. As a condition of the sale, the Town agreed to lease a portion of the property (including both buildings) back to the Post for three years. The Town took full possession of the building when the lease ended in summer 2020. The Town has not allocated funding to the future use of this property in the five-year budget strategy. Revenue from selling a portion of the property is unlikely to offset the full purchase cost and construction costs for future uses. The existing pond and dam need significant investment and are probably not compatible with future uses on the property.

Other facilities such as the Historic Town Hall, Fire Facilities and Parks are outlined in their own topic areas.

Outcomes

Even with strategies to address long-term infrastructure needs, significant challenges remain. Building conditions and usefulness will continue to deteriorate and maintenance costs will continue to rise until key facilities are replaced.

Opportunities & Tradeoffs

Facilities staff, working with the CIP Leadership team, coordinate maintenance for facilities while planning for the future. Until we have clear replacement plans, the Town will continue maintaining older facilities (including roof replacements, HVAC replacements, etc.) to ensure they are comfortable and safe for the public and employees. Timelines and funding strategies for replacements helps staff plan strategic maintenance activities given the remaining life of our facilities.

Funding Gap

Table 2-8: Gaps with Recurring Funding Source	FY23	FY24	FY25	FY26	FY27
Municipal Services Center**	\$1,695,000	\$38,280,000	-	-	-
[Minus Existing Funding]	(875,000)	(34,000,000)	-	-	-

Total	\$820,000	\$4,280,000	-	-	-
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** Timeframe and cost are dependent on the location of the MSC and terms negotiated prior to construction. All estimates are conservative. \$34 million has been identified in the Town’s 5-year debt service funding plan – general obligation bonds (\$2.7 million) and limited obligation bonds (\$31.3 million) as available debt capacity.

Table 2-9: Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
PW Administration Building #1	-	\$216,000	\$2,997,000	-	-
American Legion Property Pond Removal (<i>additional cost 2017-2019 \$7.9 million for purchase</i>)	-	500,000	-	-	-
Total	-	\$716,000	\$2,997,000	-	-

Prioritization

Related considerations are Fire facilities, Town parks, and Historic Town Hall.

VI. Fire Facilities

The Town’s fire stations were built for a much smaller service area, different shift staffing, and different storage needs for fire apparatus. As the Town grows apparatus technology changes, we struggle to house our staff and vehicles and ensure optimal response times.

The Fire Department currently operates five stations, one classroom facility, one drill tower, and one burn building. We use the County’s modular burn building facility since the Town’s burn building was closed due to major structure issues. The Town’s drill tower also has a limited remaining life.

Given the age of three of the five stations as well as population, density changes, and need to have appropriate infrastructure and facilities to accommodate staffing needs, the Fire Department is finalizing a Station Location and Deployment Study that will provide critical information about the location of present and future fire stations and space needs. The study will identify strategic options and costs for renovations, replacements, locations, and public/private partnerships.

Outcomes

Aging fire facilities require more maintenance which leads to limited use of the facility and limited response coverage in sections of town. Inadequate facilities can impact the recruitment and retention of firefighters and staff in addition to health and safety issues created by the living conditions of the fire stations.

Opportunities & Tradeoffs

The Town has an opportunity to develop a replacement schedule and funding plan to optimize return on investment on our facilities.

Aging buildings have a higher carbon footprint. The Town has an opportunity to reduce our carbon footprint by replacing the facilities and considering opportunities for “green” design.

There are also possible opportunities for future public/private partnerships to reduce the cost of land and construction.

Funding Gap

Funding needs to be identified to replace some of the existing facilities including Fire Stations #1, #3, and #4 in addition to the Fire Training Center. The preliminary estimate for station replacement without a public/private partnership is ~\$6 million for each fire station (assuming a 10,000 sq. ft. station), and an estimated cost of \$6 million for the Fire Training Center. The operating budgets will also need to be increased to cover maintenance and operation costs.

The Station Location and Deployment Study will clarify our funding needs. Our current cost estimates show a phased approach to meet our needs for design services, land acquisition and/or renovations, and approved facility replacements.

Table 2-10: Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
Design Services and Construction Management related to Replacement of Facilities	\$300,000	\$300,000	\$300,000	-	-
Land Acquisition	2,000,000*	2,000,000*	2,000,000*	2,000,000*	-
Replacement of Fire Stations # 3, Training Center, 4, and 1	-	4,000,000**	4,000,000**	4,000,000**	4,000,000**
Capital Maintenance Needs****	315,000****	65,000	-	180,000	180,000
Total	\$2,615,000	\$6,365,000	\$6,300,000	\$6,180,000	\$4,180,000

*Funds need to be identified for land acquisition.

**A future borrowing will be needed to fund replacements and begin construction of the four facilities.

*** If funding isn’t realized as programmed for facilities replacement as requested, then additional capital maintenance funding is needed to maintain the usability of the facilities. For instance, if the replacement of Fire Station #3 is delayed by two years, then we can proceed with a roof refurbishment at an estimated cost of \$125,000. However, if the replacement is delayed more than three years, then we should proceed with a roof replacement at an estimated cost of \$250,000.

****Capital maintenance needs line reflects funding for Fire Station #1 bay door replacement (\$125,000), Fire Station #3 roof refurbishment (\$125,000), and installment of Self-Contained Breathing Apparatus Air Bottle (SCBA) fill station (\$65,000) in FY23. In FY24, an additional SCBA fill station will be purchased for Fire Station #5. In FY26 and FY27, design and construction of generators will be purchased if the replacement of Fire Stations #1 and 4 are delayed.

Prioritization

The top priority is the Fire Station Location and Deployment Study, and then a phased approach to fund the study recommendations.

VII. Historic Town Hall

Built in 1938 and located at the corner of Rosemary and Columbia streets, Historic Town Hall originally housed a courtroom, jail, police, fire, and other municipal services and is on the National Register of Historic Places. Transforming this prominent, aging, downtown building will advance Council's strategic goals, respond to growing community interest in local history, and create an anchor destination downtown.

Town Council has twice affirmed the building's future use as a Community History Center, operated by Chapel Hill Public Library, based on the work of a Council-appointed, community-led committee. That committee recommended as a next step "an inclusive community input process to better understand their interests, build community ownership of the space, and identify opportunities to collaborate and partner with other organizations and the university."

Repairs to the facility are prioritized in the Facilities Management Division Five-Year Maintenance Plan and the Public Works Departmental Business Plan – *"Implement and continue to plan for major renovations/ repair needs and enhance maintenance service levels at Town facilities"* (p. 10).

Staff recommended a two-phased approach to converting the facility into a Community History & Culture Center.

- Phase One: community visioning process and preliminary design work to produce a concept plan and preliminary 25% design drawings.
- Phase Two: remaining design, permitting, contracting, and construction.

Outcomes

If this project is not implemented, project costs will rise, we will miss opportunities for partnership or collaboration, and the community interest in a local history museum will not be met.

The building needs significant renovation to reach sustainable maintenance levels and costs. Even with current funding levels, the building condition and usefulness will continue to deteriorate, and maintenance costs will continue to rise.

If this three-story, 9,195 square foot historic building remains vacant or underutilized by the Town, we miss an opportunity to develop a major cultural attraction of economic and social benefit to local businesses, residents, and visitors.

The upcoming elevator replacement in FY23 (shown in table below) could restrict future design possibilities. Without a clear vision, grant funds for phase two will be difficult to secure.

Opportunities & Tradeoffs

Phase One of this project is a collaboration with residents, historians, history makers, and local government to develop the vision for an innovative, participatory public history and culture center.

Phase Two creates space and opportunity for diverse community engagement around our shared history and culture. It will support Economic & Financial Sustainability by bringing residents and visitors Downtown.

There is high potential for cost sharing for Phases One and Two. External funding requires the Town to prioritize this project. Phase One demonstrates that priority commitment. As development proposals come forward for the surrounding properties, there may be opportunities to leverage this project with future development. Pending the outcome of the community visioning process, Phase Two costs may shift.

Funding Gap

Funding is needed to complete needed exterior repairs and renovate the interior of this old historic building to be used as a Community History Center. Table 2-11 includes recommended funding to meet this interest.

Table 2-11: Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
Phase One: Community Visioning/Preliminary Design	\$210,000	-	-	-	-
Phase Two: Final Design/Construction*	-	630,000	5,560,000	-	-
Personnel/Programming	-	-	90,000	90,000	175,000
Total	\$210,000	\$630,000	\$5,650,000	\$90,000	\$175,000

*If this facility isn't renovated per the above schedule, then \$250,000 needs to be budgeted for repairs to gutters, roof, cupola, and trim in FY25. In addition, if the facility isn't renovated and use is still permitted by others, then \$257,000 needs to be budgeted for the design and replacement of the elevator in FY27.

Prioritization

The number one priority is completing the Community Visioning Process and preliminary design work.

VIII. ADA Transition Plan

To be compliant with Title II of the Americans with Disabilities Act (ADA), enacted in 1990 and Section 504 of the 1973 Rehabilitation Act the Town is in the process of developing a Transition Plan that is tentatively scheduled to be completed in the 2nd Quarter of FY 23. The plan will identify and help prioritize various needs for which funding will be required over time in order to comply with the adopted Transition Plan. The plan will become a living document and can be revised, and changes adopted, as long as it complies with the requirement of Title II of the Americans with Disabilities Act. The below cost is based on current known needs and as place holders pending the completion of the Transition Plan.

Outcomes

The Town will strive for compliance with Title II and Section 504 of the ADA. An effective and thoughtful ADA Transition plan will outline the steps necessary to make Town facilities accessible to persons with a disability. The Plan will:

- Identify all Physical obstacles or barriers to access
- Describe improvements and to make these facilities accessible
- Specify a timeline or schedule complying with ADA and Section 504
- Identify steps to be taken during each year of the transition period

Opportunities & Tradeoffs

The Town will seek funding from federal and state sources as well as public/private partnerships. The Town will also review development plans to ensure ADA compliance and look for opportunities to include public ADA needs in development.

The Town also needs to consider the legal requirements and the potential costs for noncompliance. ADA improvements connect to other 5-year budget strategy themes of Transportation and Human Services.

Funding Gap

Some of the Town's street maintenance and repair needs receive annual funding but it does not cover the cost of bringing the Town into full compliance. Deferred improvements will continue to cost more and raise the risk of noncompliance.

*Estimates below are pending additional ADA master planning efforts and assessments.

Table 2-12: Gaps with Recurring Funding Sources	FY23	FY24	FY25	FY26	FY27
Street Resurfacing and Sidewalk Related ADA Improvements	\$50,000	\$50,000	\$50,000	\$100,000	\$100,000
[Minus Existing Funding]	(36,000)	(36,000)	(36,000)	(36,000)	(36,000)
Total	14,000	14,000	14,000	\$64,000	\$64,000

Table 2-13: Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
Town Maintained Buildings ADA Improvements	-	\$100,000	\$100,000	\$100,000	\$100,000
Parking Lot ADA Improvements at Town-Maintained Facilities	-	50,000	50,000	50,000	50,000
Paid Public Parking Lots ADA Improvements	-	50,000	-	-	-
Mobility Plan Recommendations (MPR) –Pedestrian Mobility Improvements	58,000	35,000	65,000	50,000	35,000
MPR – ADA Requests	15,000	25,000	25,000	25,000	25,000
MPR – Rosemary Street Pedestrian Mobility Design and Improvements	25,000	115,000	-	-	-
MPR – Merritt Mill Road Mobility Design and Improvements	5,000	35,000	-	-	-
MPR – Cameron Avenue Pedestrian Mobility Design and Improvements	25,000	-	150,000	-	-
MPR – Fraternity Street Design and Improvements	-	-	-	-	30,000
ADA Improvements	-	50,000	50,000	100,000	100,000
Greenways, Parks, Playground Equipment, and Related Parking Areas ADA Improvements	25,000	75,000	75,000	75,000	75,000
Transit Facility ADA Improvements	-	30,000	20,000	-	-
Bus Stops	25,000	100,000	100,000	100,000	100,000
Park and Ride Lots	-	50,000	-	-	-
Total	\$178,000	\$715,000	\$635,000	\$500,000	\$515,000

Prioritization

The top priorities are as sequenced in the table:

1. Fund the High Priority Interest identified in the Master ADA Transition Plan.
2. Fund the FY 21 Mobility Plan Recommendations (MPR) related to Downtown Pedestrian ADA Mobility Improvements.
3. Continue funding annual Street Resurfacing and Sidewalk-related ADA Improvements, which are required any time street resurfacing or major sidewalk maintenance is completed.

IX. Vehicles *

**The Vehicle Replacement Fund budget has never included Transit and Public Housing. The Fleet Division maintains vehicles for all departments except Transit. In FY15, large fire apparatuses were removed from the Vehicle Replacement Fund budget and have since been funded from other sources, including CIP Pay-Go and two-thirds bonds.*

In 1998, the Town hired a consultant to develop a fleet replacement plan that would eliminate the backlog of deferred replacements, replace vehicles at the optimal time, minimize year-to-year volatility of replacement funding requirements, and improve overall fleet availability. The consultant's analysis revealed that "a number of units were past due for replacement and that the amount of funding made available annually to renew the fleet had not been sufficient to meet even conservative vehicle replacement."¹

In FY99, the Town changed from a pay-as-you-go funding approach to a hybrid approach using debt financing and building a reserve fund. The goal was to help equalize annual funding requirements. Implementing this plan improved fleet availability, reduced maintenance costs and identified optimal times to sell vehicles for the greatest return. From 2001 to 2009, funding varied.

In FY09, no vehicle replacements were funded, and funding has been inconsistent since then. The average age of the fleet increased from 4.75 years to 7.8 years between 2001 and 2018. The fleet is now older than it was in 1998 when we first recognized the need for a sustainable fleet replacement plan.

In FY15, the Town returned to pay-as-you-go funding. A portion of the funds were allocated to current year vehicle replacement purchases and the remaining portion was for debt payments for the vehicles purchased under the debt financing model before FY15. The final debt payment for vehicle purchases was in FY21. The goal was to re-establish sustainable funding for annual vehicle replacement by budgeting \$1.2 million a year for current year replacement purchases (excluding lease purchase payments).

The Town sustained this commitment from FY15-FY17; but did not reach this funding level in FY18-FY22. Based on a recent review of the fleet, notable cost increases including for cleaner air technology, and recommended replacement cycles, the annual need is \$2.2 million. Once we reach a sustainable funding level, the return for vehicles being sold will be far greater and help offset the cost.

¹ 2001 Post Implementation Review by DMG Maximus.

Total Vehicle Budgets

	Total Budget, including Current Year Vehicle Replacements and Lease Purchase Payments	Current Year Vehicle Replacements Portion of Total Budget
FY17	\$2.29 million	\$1.37 million
FY18	\$1.45 million	\$786,000
FY19	\$1.12 million	\$713,500
FY20	\$859,100	\$587,500
FY21	\$66,600	\$0
FY22	\$344,660	\$344,660

Outcomes

As the fleet gets older, repairs become more difficult, time-consuming, and costly. Deferred maintenance takes vehicles out of service longer, impacting direct services and sometimes requiring a rental to maintain operations. It also decreases the return on the vehicle when it is sold.

Opportunities & Tradeoffs

The Town has an opportunity to reduce emissions and our carbon footprint by purchasing green vehicles. “Green” includes any type of vehicle that runs on an alternative energy (Electric, Hybrid, E85, Biodiesel, etc.). See the Environmental Sustainability Theme for information about the benefits and challenges of this opportunity.

Funding Gap

To continue maintaining an efficient fleet program, we must replace vehicles at the end of useful life. A phased funding increase, shown below, would reach the recommended \$2.2 million allocation in five years. Based on our fleet management software and replacement criteria, the current identified need for replacement is \$5.6 million.

Phased Vehicle Funding Increase

Vehicle Replacement Backlog	-	-	-	-	\$3,900,000
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Table 2-14: Gaps with Recurring Funding Source

	FY23	FY24	FY25	FY26	FY27
Phased Funding to Reach Target Funding Level	\$1,250,000	\$1,500,000	\$1,750,000	\$2,000,000	\$2,250,000
Current Funding Level	(344,660)	(344,660)	(344,660)	(344,660)	(344,660)
Total	\$905,340	\$1,155,340	\$1,405,340	\$1,655,340	\$1,905,340

The Town also needs to purchase new vehicles to sustain current operations. Due to operational needs and lack of funding to add vehicles to the fleet, the Town has retained approximately 19 vehicles or pieces of equipment instead of selling them when they were replaced.

Of these, 7 are used as back-ups and 12 are used as front-line vehicles as previously approved by the directors and the Town Manager. There is no funding to replace the retained vehicles and they are no longer on the fleet replacement schedule. These 12 front-line vehicles should be sold, and new vehicles should be purchased, which would cost \$487,000. The gaps table includes funding recommendations based on priorities to meet this interest over the next five years.

The Police Department needs additional front-line vehicles to meet current operational interest. The number of vehicles being requested have been reduced because of a recent reduction in the number of positions in the department. The current interest is to replace 3 vehicles that were retained (the oldest was purchased in 2001) and purchase 3 new vehicles.

In addition, the following vehicle add requests were made during the FY 2022 budget process:

- Automated Leaf Loader (1) - \$220,400
- Automated Side Loader Solid Waste Truck (1) - \$339,000
- Second Bucket Truck Requested by Parks and Recreation - \$152,300
- Vehicle for New Position Requests (4) - \$130,400
- Other Vehicles for Current Staff (2) - \$68,800

Table 2-15: Vehicle Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
Purchase New Vehicles to Replace Retained Vehicles (9)	\$68,000	\$54,000	\$56,000	\$54,000	\$75,000
Purchase New Patrol Vehicles to Replace Retained Vehicles (3)	-	180,000	-	-	-
CHPD 3 Additional New Patrol Vehicles	180,000	-	-	-	-
FY22 – 9 New Vehicle/Equipment Requests	910,900	-	-	-	-
Total	\$1,158,900	\$234,000	\$56,000	\$54,000	\$75,000

* Above amounts are based on current costs.

Prioritization

The top priority is to use a funding plan to restore and sustain vehicle replacement funding levels to:

1. Improve fleet availability and reduce down-time.
2. Avoid unexpected, costly repairs or future replacements.
3. Replace vehicles at the optimal time, minimizing maintenance cost and maximizing our return on sales.

X. Fire Apparatus

A predictable fire truck replacement schedule allows us to maintain a serviceable fleet for that delivers safe, effective operations, meets community expectations, supports good environmental

stewardship and fiscal responsibility and supports the Fire Department's mission and vision to provide for a safe community.

The current frontline fire apparatus fleet consists of four fire engines, two ladder trucks, and one rescue truck. The Town has a backlog of three frontline fire apparatus replacements. The Town issued 2/3 bond funds to replace one of the fire engines in FY22, and the vehicle is tentatively scheduled to be delivered in FY23.

Retaining back-up trucks is critical to response readiness when a frontline truck is out of service for repairs. The department should retain one backup vehicle for every two frontline trucks. Therefore, the Town should retain two fire engines and one ladder truck. However, the Town currently only has two back-up fire engines. One is 25 years old and has needed approximately \$471,000 in maintenance since it was placed in service. The other engine is 18 years old with and needed approximately \$333,000 in maintenance since it was placed in service. The backup ladder truck was sold last fiscal year as surplus because we could no longer get repair parts due to its age.

Staff vehicles (Command Staff, Battalion, Life Safety, Emergency Management, Training, and Logistics) are budgeted in the Vehicle Replacement Program.

Outcomes

Failure to maintain a functional fleet of frontline and reserve vehicles increases community risk. Aging fire vehicles are more likely to have maintenance issues, leading to extended or unexpected down time, increased reliance on reserve apparatus, and higher maintenance costs.

If fire trucks are down, some fire stations need to be closed and operations are reallocated to a station with a truck. This shift negatively impacts a portion of the community by increasing wait times for emergency response due to longer travel times and fewer trucks. Negative impacts to safety and reduced coverage would be exacerbated during special events (such as Halloween, NCAA, street fairs, etc.), which require fire apparatus.

Longer response times will negatively impact public perception of community safety and could result in increased home insurance rates for homeowners, renters, and business owners.

Opportunities & Tradeoffs

The Town can anticipate and fund regular fire apparatus replacements based on life expectancy of the trucks and industry standards.

One option is to add personnel and add smaller vehicles to respond to smaller medical calls instead of using a fire engine. This would also require increased funding for the personnel and vehicles, the fleet maintenance budget, and space to house the additional vehicles.

The specialty blue painted fire trucks are more difficult because the buyer has to repaint the truck. We could purchase red or white trucks at a lower cost with a higher return upon sale. We could also collaborate with external partners to wrap fire trucks, like Transit buses.

The Town has not chosen to lease trucks in the past because the lease would affect the Town’s debt capacity and is ultimately a higher cost option.

Funding Gap

The National Fire Protection Association and the North Carolina State Fire Marshal’s Office provide standards and best practices for replacing fire trucks. Researchers at the National Fire Academy recommend replacing apparatus when they have been in service for 15 years. We also considered Town apparatus use, maintenance issues and costs, and environmental impacts. Staff recommends replacing apparatus after being used for 10 years as frontline and 5 years as a backup. Several of our apparatus are aging and exceed the recommended replacement cycle, and parts are becoming difficult to source.

The phased funding approach below replaces one truck each year over the next five years. This catches up on the unfunded backlog of replacements and establishes a replacement schedule by FY28.

Table 2-16: Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
Replace Engine 32 (2009)	\$650,000	-	-	-	-
Replace Engine 35 (2013)	-	662,000	-	-	-
Replace Ladder Truck 74 (2014)	-	-	1,370,000	-	-
Replace Rescue/Squad Truck 61 (2002)	-	-	-	825,000	-
Replace Engine 31 (2016)	-	-	-	-	766,000
Total	\$650,000	\$662,000	\$1,370,000	\$825,000	\$766,000

Prioritizations

The replacements are in priority order with Engine 32 at the top. The costs include a 5% inflation factor.

XI. Solid Waste Options

The Town is committed to responsible, environmentally sustainable management of our solid waste. In 2012, the Council adopted a resolution to proceed with the recommendations of The Comprehensive Review of Solid Waste Collection and Disposal Options Study, including a disposal facility. The Town is partnering with other jurisdictions (e.g., Orange County, Carrboro, Hillsborough, UNC-Chapel Hill, and UNC Health) for future management of solid waste through the Solid Waste Advisory Group. A key initiative that is underway is the development of a Solid Waste Master Plan for

the community, which is being led by Orange County in conjunction with SWAG and its partner jurisdictions.

Outcomes

When the Orange County Landfill closed in 2013, the Town began transporting solid waste to facilities in Durham and Morrisville. This arrangement costs more and increased our fuel consumption and greenhouse gas emissions.

If a local solid waste facility is deferred, maintenance and operating costs will remain high because we do not control disposal fees, increased fuel consumption, increased maintenance costs for equipment, the higher risk of vehicle accidents and associated costs, and increased towing costs.

Opportunities & Tradeoffs

A local solid waste facility provides benefits:

- reduced operational fuel consumption and greenhouse gas emissions
- increased safety
- reduced wear and tear on collection vehicles
- reduced truck traffic
- self-sufficiency
- flexibility to respond to market changes
- flexibility to respond to technological changes
- jobs (construction and operation)

Funding Gap

The 2015 Bond Referendum included a voter approved bond order of \$5.2 million for Solid Waste Options to fund this project. These bonds have not yet been issued.

Table 2-17: Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
Solid Waste Options	\$75,000	\$200,000	\$925,000	\$4,000,000	-
Total	\$75,000	\$200,000	\$925,000	\$4,000,000	-

Prioritization

Developing a local solid waste facility. A joint facility may be larger than these cost estimates, requiring additional funding from our partners.

XII. Parks Capital Projects

The Town has 13 parks and about 1,200 acres of park and open space property. Parks range from larger community parks such as the 74-acre Southern Community Park to our smallest facility, Westwood Park, which is less than 2 acres in size. The Town also maintains park facilities including pools, tennis courts, picnic facilities, playgrounds, dog parks, and more.

Outcomes

Existing Facilities: We have been operating for decades with insufficient capital maintenance funding. As a result, many of our facilities are in poor condition and outdated. Some facilities, such as tennis and pickleball courts at Ephesus Park and synthetic turf multi-purpose fields at Cedar Falls Park, will have to be closed eventually for safety reasons. Other facilities may continue to be used, but at operational levels not generally acceptable to the community. As older facilities continue to be used without major repairs, costs will for emergency repairs and day-to-day maintenance will keep rising.

We are especially concerned about funding for major facilities that we know will wear out soon or will likely fail at some unknown time and date with little warning. Five examples of special concern include:

- The synthetic turf soccer fields at Cedar Falls Park and Homestead Park, have useful lives of 10 years or less. The Cedar Falls Park fields needed to be replaced in FY22.
- In 2021, a geotechnical engineer produced a report of subsurface conditions at the tennis and pickleball courts at Ephesus Park. In order to address ongoing drainage and court cracking issues, complete reconstruction is recommended. Tennis and pickleball advocates and players question why Chapel Hill cannot properly maintain facilities such as the one at Ephesus.
- The skate park at Homestead Park is the area's only skateboard facility, and one of the oldest in the state having been constructed 20+ years ago. Given the wood materials that it is constructed from, it continues to deteriorate, and we continue to have to make temporary repairs in order to keep it usable. For the space remain viable and usable into the future, it needs to be redesigned and rebuilt. **The dam at Meadowmont Park, which will likely fail without repairs.**
- The on-site sewage system facility (OSSF), also known as a septic system that serves the Cedar Falls Park restrooms will eventually fail. The system was constructed in the '70s and was not designed for the current use. We make frequent plumbing repairs due to backups in the sinks and water closets. The tank for the system is cleaned out (sludge removal) twice a year to avoid failure. A properly sized OSSF need sludge removal every three to five years. We need to find the funds to tie the park into OWASA's sewer system. We can't predict the date of failure, but the consequences would be severe for one of our most used parks.

New Facilities: The park system is mostly built out, but there are several facilities proposed in the current comprehensive master plan. The 5-year budget strategy includes two high priority new items, the Inclusive Playground at Cedar Falls Park and a community splash pad.

Opportunities & Tradeoffs

Depending on the facility and its condition the Town could take the following actions if funding is not available for capital level maintenance:

- Close and remove certain facilities that are in such poor condition that they are deemed to be dangerous.
- Convert facilities into other uses that require less maintenance.
- Convert active recreation facilities into open space areas.
- Delay new facility development until the Town has adequate funding for operational level maintenance.

Funding Gap

The Parks & Recreation Department has had three primary sources of funding for larger maintenance projects: payments in lieu, annual CIP funding (Pay Go), and bonds. In 2015 voters approved a Parks bond that has been partially programmed for maintenance purposes.

Payments in Lieu

Payments in lieu of recreation space and recreation area come through development ordinance requirements. These funds are sporadic and can only be legally used in areas that are geographically close to the associated development. These funds have been very valuable over the decades but are unpredictable and unevenly distributed in the community.

Annual CIP (Pay Go)

The Council occasionally provides annual CIP funds for: Small Parks, Greenways, Playgrounds, and Cemeteries. Small Parks funds are usually spent on repairs such as plastering pool shells, fixing drainage problems, replacing signs, and other repairs outside the routine operating budget. Greenways funds have provided boardwalk repairs, asphalt repairs, and material costs for Eagle Scout projects. Playground CIP funds have replaced equipment and fall surfaces and fixed drainage problems. Cemetery funds have been used for repairs to historic cemetery elements, new paths, and most recently a columbarium. Pay Go funds are very useful because they can be used anywhere in Town, but they are sporadic. Occasionally, we receive some funding in one category, most often Small Parks. From FY 2016 through FY 2018 we received an annual allocation of funds that allowed us to make real progress in solving some very serious deferred maintenance needs. In FY 2019 and 2020 only the Playground CIP was funded. In FY 2021 no funds were allocated, and in the current fiscal year, \$170,000 has been allocated across small parks, playgrounds, greenways, and cemeteries.

2015 Parks Bond and 2021 Two-Thirds Bond

The Department received \$1 million from the 2015 Parks bond for capital level maintenance. Projects completed with this funding include: conversion of the two Homestead Park soccer fields to synthetic turf, repair of Ephesus Park pickleball courts (a repair which has not held), and playground and drainage improvements at Southern Community Park. The bond fund still contains \$363,000 for the Cedar Falls Park tennis court renovation project. The balance of the tennis court renovation is planned through the 2021 Two-Thirds bonds.

In 2021, Council authorized Two-Thirds bonds and allocated \$1.155 million to fund park facility needs. This funding will enable the department to address many backlogged maintenance needs, for example, the Cedar Falls Tennis Complex reconstruction (fund remaining balance), a geotechnical study and temporary repairs at Ephesus Park, pool shell replastering at AD Clark and Homestead, and improvements at Hargraves Park and Umstead Park.

Table 2-18 shows proposed levels of annual (Pay Go) capital funding for key areas.

Table 2-19 shows projects that may be funded through the Town CIP process, have no current recurring funding source, or may have a single but inadequate funding source. This proposal is consistent with the funding levels received from FY 2016 through FY 2018, plus funding for two bond related projects.

Table 2-20 shows two high priority projects for the community which could be funded during any fiscal year.

Table 2-18: Gaps with Recurring Funding Source	FY23	FY24	FY25	FY26	FY27
Small Parks (Pay-Go)	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000
[Minus Existing Funding]	(50,000)	-	-	-	-
Funding Gap	\$100,000	\$150,000	\$150,000	\$150,000	\$150,000
Playgrounds (Pay-Go)	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
[Minus Existing Funding]	(50,000)				
Funding Gap	\$50,000	\$100,000	\$100,000	\$100,000	\$100,000
Greenways (Pay-Go)	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
[Minus Existing Funding]	(50,000)	-	-	-	-
Funding Gap	\$50,000	\$100,000	\$100,000	\$100,000	\$100,000
Cemeteries (Pay-Go)	\$20,000	\$20,000	\$20,000	\$20,000	\$20,000
[Minus Existing Funding]	(20,000)	-	-	-	-
Funding Gap	\$0	\$20,000	\$20,000	\$20,000	\$20,000
Total	\$200,000	\$370,000	\$370,000	\$370,000	\$370,000

Table 2-19: Gaps for Existing Facilities / Needs with No Existing Funding	FY23	FY24	FY25	FY26	FY27
Cedar Falls Parking Lot *	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Needs Assessments	100,000	-	-	-	-
New Comprehensive Master Plan	200,000	-	-	-	-
Ephesus Tennis and Pickleball Court Renovation	1,000,000	-	-	-	-
Pool Repairs (all 4 pools)	100,000	100,000	100,000	100,000	\$100,000
Community Center Pool Plastering	-	84,000	-	-	-
Cedar Falls Synthetic Turf Replacement	1,100,000	-	-	-	-
Cedar Falls Sewer Line	-	-	250,000	-	-
Skate Park Ramp Replacement	-	-	500,000	-	-
Meadowmont Park Dam Replacement	-	1,000,000	-	-	-
Tennis Court resurfacing	-	200,000	200,000	200,000	200,000
Total	\$2,575,000	\$1,459,000	\$1,125,000	\$375,000	\$375,000

* Any amount above \$25,000 would be useful. We propose to pave the parking lot in phases until the entire parking lot is complete. We do not have an estimate for paving the entire lot at once.

Table 2-20: High Priority New Project Needs	FY23	FY24	FY25	FY26	FY27
Community Splash Pad	\$1,000,000	-	-	-	-
[Minus Existing Funding]	-	-	-	-	-
Funding Gap	\$1,000,000	-	-	-	-
Inclusive Playground (phase 1)	\$400,000	-	-	-	-
[Minus Existing Funding]	-	-	-	-	-
Funding Gap	\$400,000	-	-	-	-
Total	\$1,400,000	-	-	-	-

Prioritization

The Parks and Recreation Department’s number one priority is a facilities assessment to get a better handle on the department’s capital maintenance needs and to understand the challenges related to complying with the Americans with Disabilities Act (ADA). An assessment would give us better cost estimates and a more accurate schedule for renovation and replacement needs. Ideally, we would study all facilities, but specific areas of concentration could include asphalt and concrete surfaces, pedestrian bridges, structures, pools, athletic fields, playgrounds, and courts.

Fully funding the annual CIP (Pay Go) categories would be the single best way to manage critical repairs. This would include: Small Parks (\$150,000), Greenways (\$100,000), Playgrounds (\$100,000), and Cemeteries (\$20,000). We would be able to address our greatest needs that exceed our maintenance operating budget but do not meet the borrowing threshold. A park facilities bond referendum is also necessary in order to address larger scale needs such as the Homestead Park skate park reconstruction, Ephesus Park tennis and pickleball complex reconstruction, community splash

pad and inclusive playground development, and Meadowmont dam replacement, in addition to many other needs.

The AD Clark pool and wading pool are well past their useful lives. The other three pools require major maintenance. In FY19, the Town spent approximately \$45,000 for critical pool maintenance needs. This funding kept the pools open but didn't address any preventative or scheduled maintenance needs. We know all the pool shells must be replastered (typically every 5 years for an outdoor pool and every 8-10 years for an indoor pool). We also have a backlog of pool equipment replacements.

The Town's Parks comprehensive master plan is out of date. It does not reflect current needs such as the future of the American Legion property and pickleball. Open space is barely covered and there is no mention of programming needs. Master plans provide direction to the staff and Council. They are also required for some funding sources and for national accreditation.

The department's Parks, Recreation, and Greenways Commission recently sent Capital recommendations to Council that included:

- Develop a new comprehensive parks and recreation master plan to guide department operations and spending for the next ten year.
- Address capital level repairs, renovations, and replacements for aging amenities and infrastructure with a particular emphasis on Cedar Falls Park.
- Fund annual CIP (Pay-Go) for Small Parks, Greenways, Playgrounds, and Cemeteries.
- Limit new park development to the Inclusive Playground project until the Town has repaired or replaced its aging amenities.
- Build and design new greenways. (This recommendation is addressed in the Transportation Theme).

Additionally, on November 20, 2019, the Commission petitioned the Town Council to fully fund tennis court renovations at Cedar Falls Park and Ephesus Park, addressing a funding gap of approximately \$662,000. The Commission also requested restoration of the department's annual CIP (Pay-Go) funding to \$370,000 annually.

XIII. Technology

The Town uses several technologies to provide direct and indirect service to the community. Technology includes combination of infrastructure, hardware and software. Basic uses include:

- Communication: Phones, 2-way radios, email, websites, social media, video, printed documentation
- Information management: the collection, storage, security, dissemination, utilization and records retention of electronic and physical data.

Each technology needs regular evaluation, improvement, maintenance, repair and replacement and security.

Outcomes

The Town purchases personal computers and phones for most employees; servers, switches, uninterruptible Power Supply (UPS) systems and datacenter equipment; fiber between buildings, radio systems and other infrastructure equipment; large software systems; and video production equipment. Several of our systems are operating beyond their expected life and could fail, delaying public services.

Technology is also part of the purchase and maintenance of equipment, buildings, and transportation features and is included in other budget themes. Maintaining and upgrading “included technology” may add to the operation and human resource costs for departments.

Opportunities & Tradeoffs

We can use the lifecycle of equipment to plan for expensive equipment replacement, so it doesn’t fall in a single year. This stabilizes our budget, supports a resilient technology environment, and creates a stable project load for staff. Grant money from the state and federal government may become available for projects. Some computer equipment and software can be replaced with cloud services which can shift capital costs to operating costs.

Funding Gap

Some of the Town’s Technology needs are addressed by annual Pay-Go capital. Current funding is insufficient for datacenter servers (\$150,000), Public Safety firewall (\$55,000), Public Safety network switches (\$32,000), Town Council video production (\$75,204), Public Safety radios (\$1,786,585) and software for planning, records management, public safety, and cybersecurity (\$557,000).

Table 2-21: Gaps with Recurring Funding Source	FY23	FY24	FY25	FY26	FY27
Hardware Infrastructure (Datacenter)	-	\$50,000	-	-	\$175,000
[Minus Existing Funding]	-	-	-	-	(25,000)
Total	-	\$50,000	-	-	\$150,000

Table 2-22: Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
Council Video Streaming	\$75,204	-	-	-	-
Hardware Infrastructure (network)	55,000	-	32,000	-	-
Public Safety Radios*	595,528	595,528	595,528	-	-
Cybersecurity Software	-	150,000	-	-	-
Software Replacement	-	257,000	150,000	-	-
Total	\$ 725,732	\$ 1,002,528	\$777,528	-	-

*Note: The State will upgrade the Viper radio system in 2025 which will trigger an upgrade to our Police and Fire Department radios. The option here sets aside \$595,528 per year for 3 years for the upgrade.

Prioritization

The number one priority is public safety. In addition to the radios being at the end of useful life, the current models are no longer sold so replacements are refurbished units. The Town and the County use the State's Viper radio system which will be upgraded to frequencies and technology not supported by our current radios.

Additional funding should focus on constantly improving cybersecurity, high-definition video in the Council Chamber, and public facing software to improve community services.

Theme 3: Human Services

Theme Champions: Loryn Clark and Rae Buckley



“Programs, services, and initiatives that support residents of our community with a goal of achieving economic and social well-being and opportunities for all residents to thrive.”

Background

The Town of Chapel Hill has a long history of delivering vital services to the community. Our internal and external partnerships have helped the Town support hundreds of community programs and services to improve our residents’ quality of life.

Human Services initiatives include affordable housing programs, implementation of the Town’s Human Services Program, community outreach and engagement, and leisure and recreation activities. The programs were responsive to needs identified by the community. As directed by the Council, we have absorbed much of the implementation costs in existing departmental budgets. However, this is not a sustainable model for effective implementation. Historical data tells us that costs will increase over the next five years.

Human Services Response to COVID-19

COVID-19 hit the world hard in March 2020 and the Town of Chapel Hill was no exception. We quickly mobilized with a goal of working with our internal and external partners to stabilize families and help respond to their most basic needs. The Council recognized that Town assistance was needed and responded by swiftly allocating over \$2 million for immediate use and allocating additional funding to support the Town’s Human Services program. We were able to use existing staff resources and a variety of funding sources available to the Town to focus our response on:

- Food insecurity
- Housing crisis
- Personal Protective Equipment

- Childcare and scholastic support
- Technology tools
- Communication and Coordination

The Council will soon begin to discuss allocation of funding awarded through the American Rescue Plan Act that could potentially be used to continue programs and services. Other than this source, there are limited General Fund dollars to support relief efforts. As we plan for FY 23 and beyond, we will continue to evaluate the community's needs, and determine staff and resources needed to respond.

Topic Areas

- I. Affordable Housing
- II. Management of Town-Owned Housing
- III. Human Services Program
- IV. Building Integrated Communities (BIC)
- V. Language Access Plan
- VI. Equitable Engagement
- VII. Recreation and Leisure

We recognize that there are other excellent programs and services that could be included in this report. For this effort, we highlight the key initiatives with significant funding gaps.

Connections to Other Themes

Human Capital – maintaining existing services and/or expanding or adding new services included in this theme area will require additional staff positions. In particular, response services that were added to address the impacts of COVID-19 were managed with existing staff. Continuing to provide them or expanding them will require additional staff capacity.

Capital – as the owner of 336 public housing units and 16 transitional housing units, the Town must provide adequate resources to maintain these properties.

Funding Gap

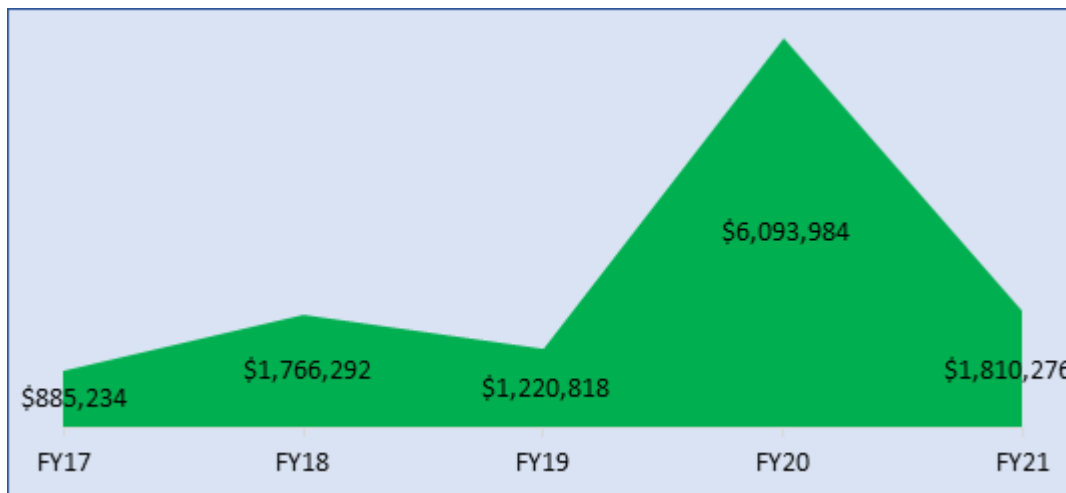
Funding Category	FY23	FY24	FY25	FY26	FY27
Affordable Housing	\$2,242,661	\$4,133,317	\$2,235,538	\$3,728,566	\$2,253,069
Human Services	27,325	56,046	86,142	117,774	150,987
Building Integrated Communities	5,000	7,000	10,000	12,000	15,000
Language Access	11,270	14,490	17,710	20,930	24,150
Equitable Engagement	55,000	55,100	67,100	82,100	83,100
Recreation and Leisure	128,000	44,000	46,000	48,000	50,000
Total	\$2,469,257	\$4,309,953	\$2,457,490	\$4,009,370	\$2,576,306

I. Affordable Housing

The Town Council’s FY20-22 Affordable Housing Objectives are to increase availability of affordable housing for all incomes and preserve the existing affordable housing stock. Over the last several years, the Town has invested in affordable housing preservation and development, establishing new local funding sources and creating a performance measurement system to track our progress. We also own and maintain a portfolio of approximately 350 public and affordable rental housing units in the community, many of which are aging and need substantial renovation or redevelopment.

The Town has increased its support for affordable housing over the last several years:

Affordable Housing Funding Allocated to Projects



The Town’s increasing investment in affordable housing has increased the number of affordable units in the community.

Increase in Units Developed and Preserved

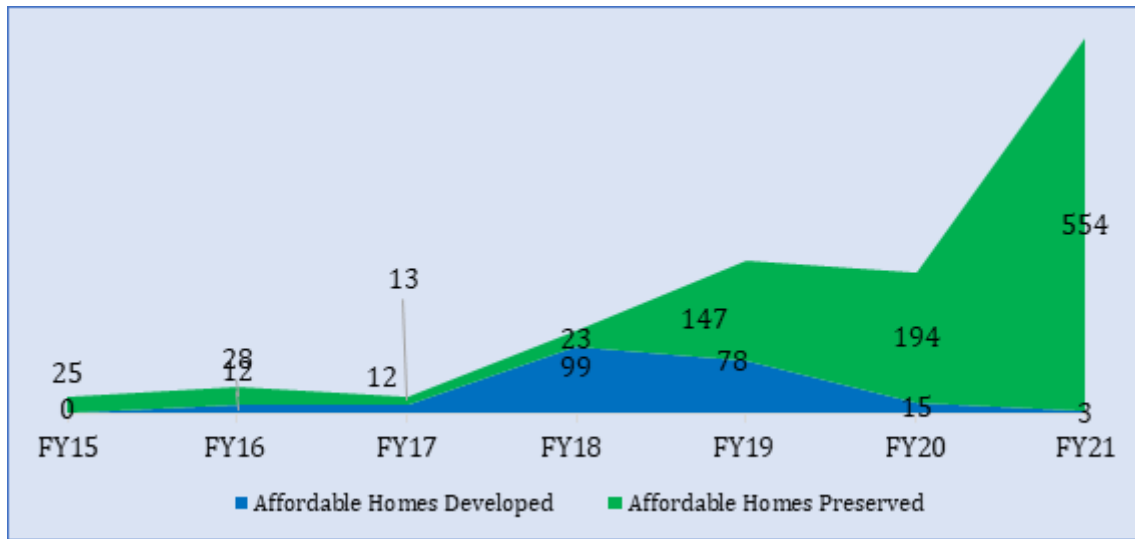


Table 3-1: Increase in Projected Units Developed and Preserved

	FY23	FY24	FY25	FY26	FY27	Total
Development	30	121	122	80	180	533
Preservation	53	50	90	90	75	358
Total	83	171	212	170	255	891

A gap remains, even with the increased support:

Table 3-2: Current Gap in Affordable Units Household Gap

Households with Income Below \$50,000	7,456
Currently Available Affordable Housing Units	(3,807)
Total Need (in Units)	3,649

Staff calculated the need for affordable housing units by comparing the number of Chapel Hill households with incomes that fall under \$50,000, or about 60% AMI for a family of four, to the number of affordable units available to households at those income levels.

Table 3-3: Projected Local Funding Gap for Projects

	FY23	FY24	FY25	FY26	FY27	Total
Development Funding Need	3,373,000	2,840,000	3,373,000	3,373,000	3,373,000	16,332,000
Preservation Funding Need	415,000	350,000	415,000	415,000	415,000	2,010,000
[Minus Town Funding]	(1,390,906)	(1,419,814)	(1,408,684)	(1,409,289)	(1,403,979)	(7,032,672)
[Minus County Funding] *	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)	(1,750,000)
Total	\$2,047,094	\$1,420,186	\$2,029,316	\$2,028,711	\$2,034,021	\$9,559,328
Estimated Number of Units Funded	125	120	138	123	124	721

*Chapel Hill projects will compete with projects throughout the County for this funding; currently the County only has HOME funding available to support development projects.

Table 3-4: Projected Preservation Strategy Implementation Funding Needs

	FY23	FY24	FY25	FY26	FY27	Total
Preservation Loan Fund	-	\$2,500,000	-	\$1,500,000	-	\$4,000,000
Increased Rental Assistance Program	53,045	54,636	56,275	57,964	59,703	281,623
Increased Master Leasing	63,654	65,564	67,531	69,556	71,643	337,948
Total	\$116,699	\$2,620,200	\$123,806	\$1,627,520	\$131,346	\$4,619,571

Table 3-5: Projected Funding Gap for Ongoing Initiatives

	FY23	FY24	FY25	FY26	FY27	Total
Community Home Trust	\$369,573	\$380,660	\$392,080	\$403,843	\$415,958	\$1,962,114
Orange County Partnership to End Homelessness	99,189	102,165	105,230	108,386	111,638	526,608
Northside Neighborhood Initiative	150,000	150,000	125,000	100,000	100,000	625,000
HOME Consortium	34,939	34,939	34,939	34,939	34,939	174,695
[Minus current Commitment]	(574,833)	(574,833)	(574,833)	(574,833)	(574,833)	(2,874,165)
Total	\$78,868	\$92,931	\$82,416	\$72,335	\$87,702	\$414,252

Outcomes

- Maintaining the same level of funding for affordable housing as FY22, minus the \$5 million of affordable housing bond funds that will be allocated and depleted, we anticipate a \$9.5 million shortfall in funding to support development and preservation projects in the pipeline, a \$4.6 million shortfall in funding for preservation strategy implementation, and a \$310,000 shortfall in funding for ongoing initiatives over the next five years.
- According to the latest data we need over 3,500 units of affordable housing to address the estimated need. The Town’s increased investment will fill some of the gap, but a significant gap will remain.

Opportunities & Tradeoffs

- If we identify funding to fill the development and preservation project gap, we anticipate completing about 530 new development units and preserving over 350 more. We anticipate providing funding support to over 600 units of affordable housing over the next five years.
- We will continue to explore opportunities for leveraging resources to support Council’s affordable housing goals, including partnerships with nonprofit and for-profit developers, private foundation funding, and resources from financial institutions.

Funding Gap

Table 3-6: Gaps with Recurring Funding	FY23	FY24	FY25	FY26	FY27
Affordable Housing Development	\$3,373,000	\$2,840,000	\$3,373,000	\$3,373,000	\$3,373,000
Affordable Housing Preservation	415,000	350,000	415,000	415,000	415,000
[Minus existing funding]	(1,740,906)	(1,769,814)	(1,758,684)	(1,759,289)	(1,753,979)
Development and Preservation Funding Gap	\$2,047,094	\$1,420,186	\$2,029,316	\$2,028,711	\$2,034,021
Preservation Strategy	\$116,699	\$2,620,200	\$123,806	\$1,627,520	\$131,346
[Minus existing funding]	-	-	-	-	-
Preservation Strategy Gap	\$116,699	\$2,620,200	\$123,806	\$1,627,520	\$131,346
Affordable Housing Ongoing Initiatives	653,701	667,764	657,249	647,168	662,535
[Minus Existing Funding]	(574,833)	(574,833)	(574,833)	(574,833)	(574,833)
Ongoing Initiatives Gap	\$78,868	\$92,931	\$82,416	\$72,335	\$87,702
Total	\$2,242,661	\$4,133,317	\$2,235,538	\$3,728,566	\$2,253,069

Prioritization

1. Affordable housing development on Town-owned land
2. Public housing repositioning (redevelopment, capital needs)
3. Implementation of affordable housing preservation strategies

II. Managing Town Owned Housing

a. Public Housing

Background

The Town of Chapel Hill owns and operates 336 public housing units in 12 separate public housing communities in Chapel Hill and one in Carrboro, built between 1967 and 1994. The public housing communities range from 9 to 44 apartments, with many of our sites offering duplex units.

In 2016, the Trinity Court neighborhood, located off Pritchard Park Extension in the Northside neighborhood, sustained severe structural damage. In response, we developed a plan in 2017 to relocate all residents from the neighborhood to allow time for review and assessment. Using attrition and planned moves, we were able to house all previous Trinity Court residents into other existing Public Housing communities. We relocated the last Trinity Court family in March 2018.

After completing a competitive process, we selected a development team, Community Housing Partners (CHP), to work with us to re-imagine Trinity Court as a mixed-income affordable housing community. Our current plans increase the density from 40 to possibly 55 apartments.

Re-imagining Trinity Court is consistent with our Public Housing Master Plan presented to Council in April 2019. The Master Plan also assists our efforts to track the maintenance costs associated with all of our properties and allows staff to plan for upcoming developments and major revitalization costs. This data will assist in our efforts to prepare for fluctuations in future federal subsidies and tenant rent payments.

Using data gathered for the Public Housing Master Plan, we propose to next re-imagine the Craig-Gomains public housing community. The 40-unit community, also located in the Northside neighborhood, is also envisioned to be redeveloped as a mixed income community.

Outcomes

The funding sources we are most dependent upon today, U.S. Department of Housing & Urban Development (HUD) subsidies (Operating & Capital Grants), tenant rents, and tenant reimbursement for damages, are insufficient for the total preservation of our aging units.

The operating subsidy we receive from HUD will decrease with the completion of the Re-imagine Trinity Court project because it will be removed from the Public Housing portfolio.

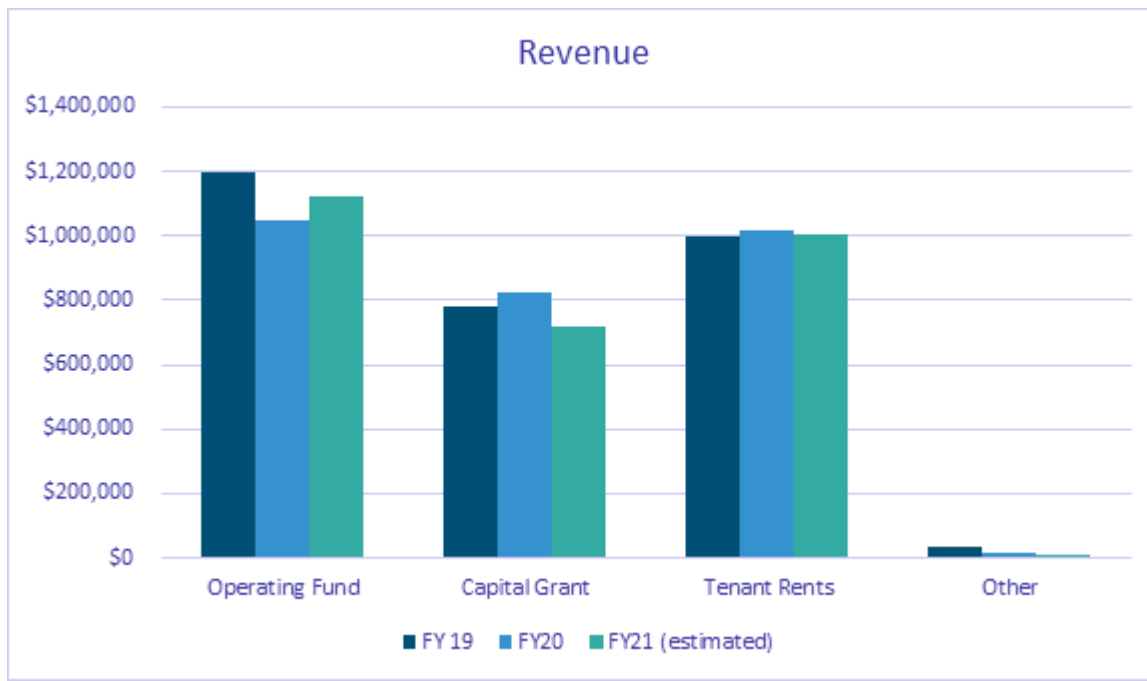


Table 3-7: Projected Preservation Strategy Implementation Funding Needs

	2018-19	2019-20	2020-21	2021-22	**Projected 2022-23	Projected 2023-24
Operating Subsidy	\$1,200,989	\$1,198,691	\$1,045,453	\$1,262,322	\$1,000,000	\$850,000
Capital Grants	782,242	821,793	886,583	935,260	***856,470	850,000
Tenant Rents	997,740	1,017,155	1,007,447	922,023	1,000,000	1,000,000
Other*	32,259	14,456	11,235	15,000	18,237	18,237
Total	\$3,013,230	\$3,052,095	\$2,783,386	\$3,134,605	\$2,874,707	\$2,718,237

* Insurance recovery proceeds, sale of equipment, interest income, and other small misc. revenues

** Trinity Court will be removed from portfolio decreasing operating subsidies

*** Average of previous four years of subsidies

Opportunities & Tradeoffs

Pursuing redevelopment of Trinity Court and Craig-Gomains would increase the number and quality of affordable rental units available in the community. Another opportunity is that the units would be owned and managed by a property management company, allowing the Town to focus our limited resources on the operation and maintenance of our remaining communities.

As stated in the section above, we will continue to pursue opportunities to leverage the Town’s resources to support our public housing initiatives, such as 9% and 4% Low Income Housing Tax Credits. We are currently evaluating whether to pursue Low Income Housing Tax Credits to fund the redevelopment of Trinity Court and Craig-Gomains.

If the properties are not redeveloped, we would have concerns about the cost of long-term maintenance of the properties and our ability to provide safe and sanitary housing for our residents.

Funding Gap

The Preservation and Development section above includes preliminary funding needs for the renovation or redevelopment of two public housing neighborhoods: Trinity Court and Craig-Gomains. We are still determining funding needs for the redevelopment of our other neighborhoods, which is likely several years out.

b. Transitional and Affordable Housing Program

The Transitional Housing program serves low-income families transitioning from the Town’s public housing to private market rental housing or homeownership. The program began in 2002 with one single family home and has grown to eight homes. Since inception, 100% of program participants (7 households) have successfully completed the Transitional Housing Program. Three of those households have purchased a home, three are renting on the private market, one moved into senior housing, and no one has returned to public housing. In addition to our 11 transitional units, the Town also owns/manages 10 affordable rental units for families with incomes less than 80 percent of Area Median Income (AMI).

The Town has acquired 16 units of affordable housing since 2002, when we launched the Transitional Housing Program. Additionally, the Town has a master lease agreement for 5 additional units at the Union.

Town Portfolio of Transitional and Affordable Units Acquired by Year

Property	Year Acquired/Agreement Established
Merritt Mill Road	2002
Sykes Street (1 unit)	2002
Mill House Road	2004
St. Andrews Lane	2005
Weatherstone	2005
Umstead Road	2008
Zeigler Lane (2 units)	2015
Sykes Street (4 units)	2018
Ashley Forest (4 units)	2018
Union Chapel Hill (5 units)	2020*

***master lease agreement**

Outcomes

If we continue acquiring property, the Town will maintain our small portfolio of transitional and affordable housing units without adding units over the next five years. If we do not identify additional funding sources in the coming years, we will need additional funding for capital repairs to some of our aging units.

Opportunities and Trade Offs

- To meet basic repair and renovation needs of our existing inventory of units over the next several years, we will use existing funding sources, such as the Affordable Housing Fund, Affordable Housing Development Reserve, and Community Development Block Grant funding.
- If we add additional units to our inventory over the next five years, we could use existing affordable housing funding sources for acquisition costs. Growing our inventory would increase the overall supply of affordable units in the community, and free up public housing units as families move into transitional units.
- We would need additional staff support to manage the Program, particularly if we add units, which connects to a need identified in the Human Capital goal area.

Funding Gap

See the Development and Preservation section above, which includes cost estimates for the acquisition of two units per year for next 5 years, for a total increase of 10 units by FY25.

Prioritization

Our top priority is additional staff to manage the Program, provide robust case management and support services to residents, and manage maintenance requests for additional units.

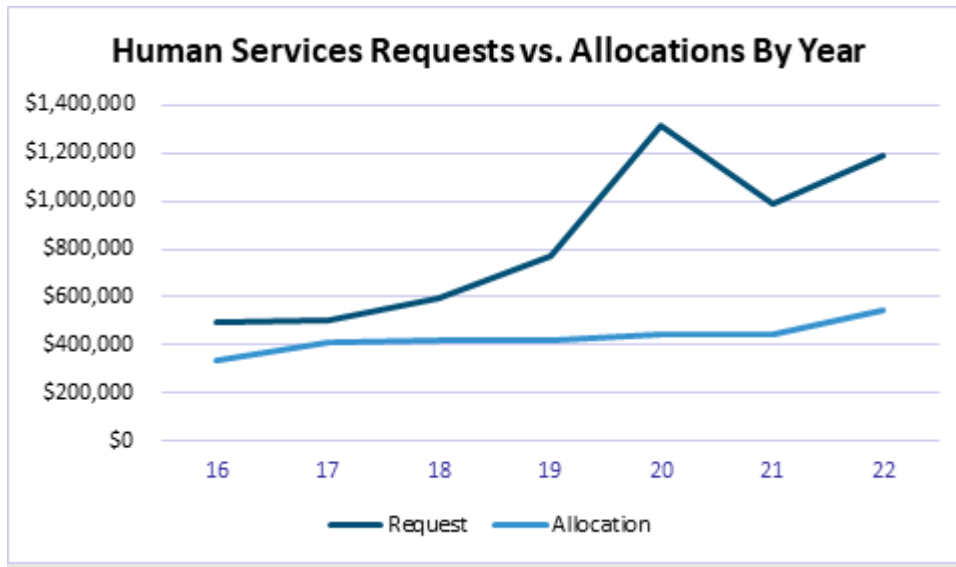
III. Human Services Funding Program

The Human Service Program provides funding to outside agencies that provide vital community services that improve education, livelihood security, and health outcomes for Chapel Hill residents. The program's overarching goal is to achieve economic and social wellbeing and to provide opportunities all residents particularly those who are low-income or otherwise disenfranchised, to thrive. The Program began in the 1970s with a couple thousand dollars and has grown to a General Fund allocation of \$546,500.

Human Services Program Funding Over Time

Year	Request	Allocation	Funding Gap	% of Total Requests Funded
FY 16	\$497,993	\$337,100	\$160,893	68%
FY 17	\$504,363	\$411,500	\$92,863	82%
FY 18	\$591,971	\$419,500	\$172,471	71%
FY 19	\$772,944	\$419,500	\$353,444	54%
FY 20	\$1,320,018	\$446,500	\$873,518	34%
FY21	\$,988,463	\$446,500	\$541,963	45%
FY22	\$1,186,005	\$546,500	\$639,505	46%

Funding Requests Are Increasing and the Town’s Annual Allocation Is Slightly Increasing



Outcomes

If we maintain existing funding levels for the Human Services Program, the Town will continue to partially fund programs and services of nonprofit organizations. We expect to continue receiving requests that substantially exceed the funding available for the program.

Opportunities & Tradeoffs

The Town could consider making larger awards to a smaller number of agencies. This would reduce the administrative burden associated with managing the program and deepen the program’s impact by fully funding initiatives that align with the Town’s Human Services Results Framework.

Funding Gap

Consistent with the Human Services Advisory Board’s recommendation, the table below reflects increasing Program funding by 5% over the next five years. Following this plan, by FY27, the Program budget would be \$697,487.

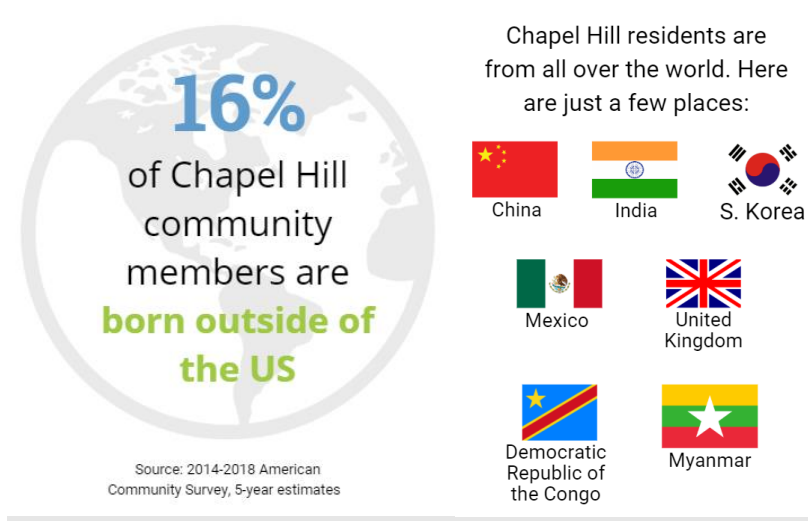
Table 3-8: Gaps with Recurring Funding Source	FY23	FY24	FY25	FY26	FY27
Human Services Existing Funding	\$573,825	\$602,516	\$632,642	\$664,274	\$697,487
[Minus Existing Funding]	(546,500)	(546,500)	(546,500)	(546,500)	(546,500)
Total	\$27,325	\$56,016	\$86,142	\$117,774	\$150,987

IV. Building Integrated Communities (BIC)

BIC is a community planning project. Since 2017, the Town and community have worked together to develop and implement strategies to make the Town more welcoming and inclusive of our immigrant and refugee residents.

The goals of BIC are to raise awareness about Chapel Hill’s immigrant and refugee communities, improve relationships with immigrant and refugee residents, and support their participation in Town government.

Many Chapel Hill residents are born outside of the United States.



BIC addresses key issues identified by immigrant and refugee residents.

	Key Issues	Key Findings
	Public Transit	Chapel Hill Transit (CHT) is the only form of transportation for many immigrant and refugee residents
	Housing	Many immigrants and refugee residents face challenges in finding affording housing in Chapel Hill.
	Public Safety	Some residents are enthusiastic about local law enforcement efforts to build relationships, while others have a lack of trust with local law enforcement.
	Leadership	Residents have a strong interest in civic engagement and leadership opportunities.
	Communication*	The Town and other key community institutions do not offer adequate language access.

*See related Language Access section below, which details the budgetary needs of the Council approved Language Access Plan.

Outcomes

We can continue implementing the BIC Action Plan with existing resources in the Housing and Community budget, as they are available. These efforts will include, but are not limited to:

- Offering multilingual housing education and outreach opportunities.
- Expanding police outreach among immigrant and refugee populations.
- Creating multilingual Peoples Academy opportunities.
- Making boards and commissions accessible to immigrant and refugee residents.

Opportunities & Tradeoffs

- BIC is a well-established initiative supported by community partners primarily through in-kind contributions of time. We will continue leveraging partnerships to develop solutions, which may be adapted to our needs and resources.
- There is potential for grant funding and in-kind technical assistance.
- BIC connects to Human Capital theme. We anticipate needing additional staff to help carry out this work within the next 5 years.

Funding Gap

There are limited resources within Housing and Community’s general fund budget to support BIC implementation. To more fully implement the BIC Action Plan, we anticipate additional resource needs as outlined below over the next five years for DACA Renewal Assistance, communications materials, and outreach and engagement activities.

Table 3-9: Gaps with Recurring Funding

Source	FY23	FY24	FY25	FY26	FY27
BIC Implementation Existing Funding	\$23,000	\$25,000	\$28,000	\$30,000	\$33,000
[Minus Existing Funding]	(18,000)	(18,000)	(18,000)	(18,000)	(18,000)
Total	\$5,000	\$7,000	\$10,000	\$12,000	\$15,000

Prioritization

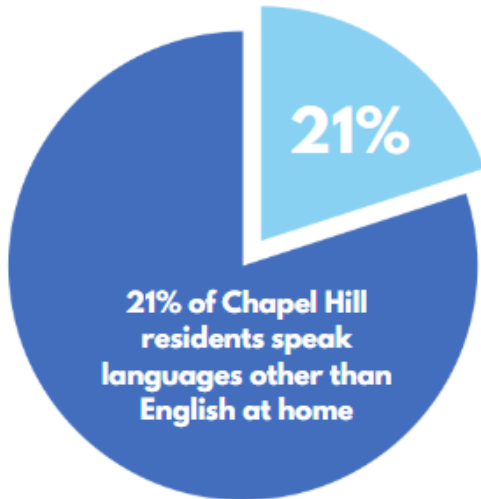
1. Develop a cohort of multi-lingual and multi-cultural Town employees.
2. Develop and launch multilingual outreach and education opportunities on issues related to housing, public safety, and transit.

V. Language Access

To more effectively engage our increasingly diverse community, the Town is taking steps to make programs, services, and communications language accessible. Language access allows community

members with limited ability to understand English to use Town services. The Council unanimously approved a Town-wide Language Access Plan in November 2019.

Many Chapel Hill residents speak languages other than English at home.



Source: 2014-2018 American Community Survey, 5-Year Estimates

Outcomes

Without additional funding to support the Language Access Plan, we will be:

- Limited in our ability to efficiently respond to resident requests for language assistance.
- Unable to implement the Employee Pay Incentive proposed in the Language Access Plan and remain reliant on outside firms to assist with interpretation and translation services, a less cost effective and effective option.

Opportunities & Tradeoffs

- By prioritizing internal capacity (employee training and pay incentive), we anticipate achieving cost savings over time through reduced use of outside firms for interpretation and translation services.
- There is potential to pursue grant funding to support language access and to leverage community partnerships to meet our language access needs.

Funding Gap

The preliminary budget for the Language Access Plan was based on historical data for language assistance services and employee pay incentives, as well as anticipated future needs consistent with the approved Plan.

Table 3-10: Gaps with Recurring Funding Source	FY23	FY24	FY25	FY26	FY27
Language Access Existing Funding	\$30,370	\$33,590	\$36,810	\$40,030	\$43,250
[Minus Existing Funding]	(19,100)	(19,100)	(19,100)	(19,100)	(19,100)
Total	\$11,270	\$14,490	\$17,710	\$20,930	\$24,150

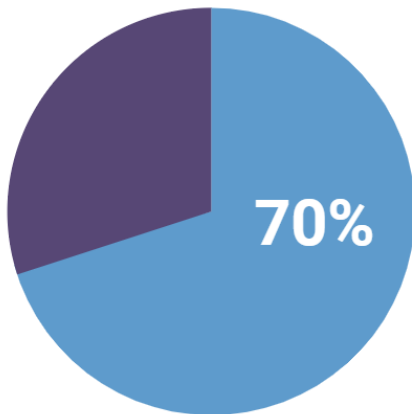
Prioritization

Our top priority is the pay incentive for Town employees to use their language skills on the job because of the resulting cost savings and more effective service delivery.

VI. Equitable Engagement

Equitable engagement is the commitment to include people who are most impacted and who have been historically marginalized in the decisions that affect their lives.

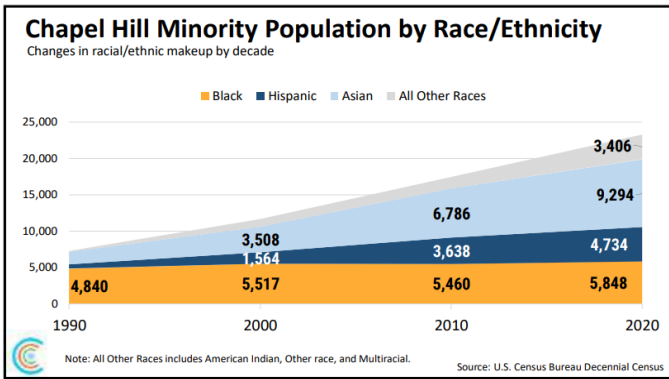
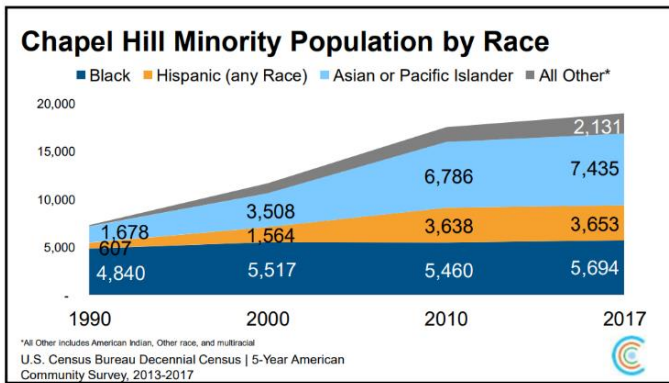
As of 2018, 70% of Chapel Hill residents felt their voice does not influence change in Chapel Hill.



70% of Chapel Hill residents feel their voice does not influence change in Chapel Hill

Source: 2018 Town of Chapel Hill Community Survey

Chapel Hill’s racial and ethnic diversity is increasing.



The Town has limited data on who we engage with. As part of this initiative, Town staff will gather more data to inform our engagement strategies.

Outcomes

Our current approach will:

- Not be fully responsive to Council’s interest in reducing barriers to community participation and increasing participation by historically marginalized populations.
- Limit equitable engagement efforts to a few Town projects.
- Continue the trend of most residents feeling that their voice does not influence change in Chapel Hill.

Opportunities & Tradeoffs

Funding creates the opportunity to:

- Support innovative community engagement such as paid community engagement and grants for community-led projects.
- Reconsider the Town’s approach to staffing community engagement. We could dedicate experienced staff to oversee all Town engagement, rather than rely on staff who do not necessarily have the time or expertise. This approach could improve community engagement and free up staff who currently “add on” engagement so they can fully focus on their primary responsibilities.

- Gather more data on who is engaging with the Town, barriers to participation, and solutions to better serving our residents.

This topic area connects to the Human Capital theme area, since we anticipate needing staff to carry out this work within the next 5 years.

Funding Gap

There are very limited resources in Housing and Community’s general fund budget to support equitable engagement strategies.

Table 3-11: Gaps with Recurring Funding Source	FY23	FY24	FY25	FY26	FY27
Equitable Engagement Services	\$14,900	\$15,000	\$15,000	\$15,000	\$15,000
[Minus Existing Funding]	(14,900)	(14,900)	(14,900)	(14,900)	(14,900)
Neighborhood Matching Grants	\$25,000	\$25,000	\$25,000	\$30,000	\$30,000
[Minus Existing Funding]	-	-	-	-	-
Racial Equity Initiatives	\$30,000	\$30,000	\$40,000	\$50,000	\$50,000
[Minus Existing Funding]	-	-	-	-	-
Peoples Academy	\$6,000	\$6,000	\$8,000	\$8,000	\$9,000
[Minus Existing Funding]	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
Total	\$55,000	\$55,100	\$67,100	\$82,100	\$83,100

Prioritization

- Piloting new approaches to community engagement, including but not limited to: paid engagement opportunities for residents who face barriers to participation, neighborhood matching grants, and racial equity pilot projects.
- Overseeing continued expansion of the Peoples Academy program.
- Training Town staff on racial equity and equitable community engagement practices.

VII. Recreation and Leisure

Parks and Recreation

Parks and Recreation provides summer camp services to 800-1,000 children for the three traditional camp sites: Chapel Hill Community Center, Hargraves Community Center and the Teen Center. Our average waiting list exceeds 150 participants. Camp is one of the largest sources of revenue for the

department. In 2019, the three traditional camps generated about \$85,000 in revenue over nine weeks.

Parks and Recreation uses an end-of-camp evaluation to receive feedback about our camp services from the public. We regularly hear concerns about the long waiting list and the number of children who cannot attend summer camp.

Typically, summer programs are staffed by temporary, part-time employees. During the final week of the summer, the part-time camp staff return to their regular responsibilities such as higher education, which limits our camp participant numbers. Full-time Parks and Recreation staff often staff the program, increasing overtime costs while working long days (7:00 am -6:00 pm).

Outcomes

The waiting list reflects a lack of space and staffing. The Community Center accommodates up to 75 children, Hargraves accommodates up to 100 children, and the Teen Center accommodates up to 50 teens. In 2019, the Community Center had a waiting list of 92 children and the waiting list at Hargraves was 51 children.

Camps also require adequate staffing. We currently operate with a 1:10 ratio (one camp counselor per 10 campers) on average for our traditional camps (9 weeks). We hire between 46-50 temporary part-time staff during the summer for our traditional camps.

Parks and Recreation provided summer camp services to Frank Porter Graham and Read to Achieve that served 269 children. Both were half day camps 12:30 pm - 5:30 pm with the school system provided instruction for the first part of the day.

Opportunities & Tradeoffs

We are currently growing our relationship with Chapel Hill Carrboro School System (CHCCS) to provide additional programming space in the summer. Our goal is to obtain a workable agreement with the school system to use existing school facilities.

For 2022, CHCCS plans to oversee and provide staffing for the Read to Achieve Camp and asks the Town to oversee the 7 camps listed below.

School	Children	Type	
• Frank Porter Graham	100	Spanish immersion	EXISTING
• Frank Porter Graham	20	Jump into K	NEW
• Carrboro Elementary	100	Spanish immersion	NEW
• Carrboro Elementary	20	Jump into K	NEW

• Estes Hills	100	Talent Identification	NEW
• Estes Hills	20	Jump into K	NEW
• Newcomers	100	New to the community	NEW

This opportunity would allow the Town to serve an additional 460 children during a five-week program at the schools listed above. However, we do not have the funding for staff. Operating the additional camps would cost an additional \$260,000-\$348,000 over the next five years.

If funding is not identified to support additional camp programs, more children in the community will not be able to experience the Town’s summer camp experience.

Funding Gap

Table 3-12: Gaps with Recurring Funding	FY23	FY24	FY25	FY26	FY27
Source					
Additional Staffing (Temp Staff)	\$260,000	\$282,000	\$304,000	\$326,000	\$348,000
[Minus Existing Funding]	(152,000)	(260,000)	(282,000)	(304,000)	(326,000)
Total	\$108,000	\$22,000	\$22,000	\$22,000	\$22,000

Prioritization

The top priority is to find space at no cost so additional funding can be used for staffing.

The Chapel Hill Public Library

The Library’s collections, services, and programs should serve all residents of Chapel Hill, so we have a strategic focus on serving traditionally marginalized populations, both in the building and out in the community. This is aligned with our organizational commitment to equity, diversity, and inclusion and truly being “A Place for Everyone.” Many of the Library’s strategic initiatives intersect with the Human Services theme and will need additional funding in the next five years to fully realize their outcomes.

Library staff have an ongoing, data-driven diversity audit of library collections. This audit analyzes our collections and purchases, with an eye toward full representation of diverse voices – from African American children’s books to LGBTQ+ YA novels to books in foreign languages. We have been able to make some strides towards more diverse collections with our annual budget and the Friends of the Library recently raised \$16,000 for this effort. However, like the audit, creating and maintaining diverse collections is ongoing work and needs ongoing funding. Diverse materials often cost more, due to specialty presses, foreign suppliers, and other factors. Our collections budgets are already strained and below the State Library’s benchmark for collections as percentage of overall budget. An annual addition of \$10,000 for the next five years would maintain our collection and begin to fill the gap.

The Library leads the Town’s community history work, using a framework of “history from the bottom up and the inside out.” This work uncovers stories and highlight voices traditionally missing from history books. It builds on the Mayor’s Historic Civil Rights Taskforce and community history projects centered on women of the Civil Rights Movement. Other areas of focus are local music and local food cultures, including immigrant food traditions in Chapel Hill. These programs, and the Community History Lab, will be the foundation for the future History and Culture Center at Historic Town Hall (See Capital and Human Capital). This work is currently managed by one full-time staff member and relies on outside grant funding for programs and services. This is not a sustainable approach, nor is it adequate for the long-term vision of a History & Culture Center. An additional, full-time staff member is needed immediately and within the next five years, an additional staff member may be needed (or part-time support). For programs and services, as additional \$10,000 is needed annually. Staff will continue to seek grants, but there must be some annual budget in order to sustain the program.

Outcomes

A more diverse collection makes residents feel valued at the Library. Specifically, speakers of Burmese and Karen will be able to use their library to read materials in their native languages, one of the largest deficits in our Foreign Language Collections. Increasing the percentage of new purchases representing non-white protagonists and books written in “own voices,” or books written by authors who share a marginalized identity with the protagonist. Members of under-represented communities in Chapel Hill will see their voices and perspectives boosted and the Chapel Hill community will feel encouraged and empowered to celebrate and value diversity. Without funding, we will be challenged to balance and diversify our collections.

As the Library as increased its focus on community history programs, programs regularly draw standing room only audiences and post-program comment cards that routinely ask for more. Attendees also comment that they have increased and improved understanding about our shared past, present, and future. The high level of interest in the Library’s forthcoming Community History Lab also reflects the interest in and need for collaborative, community-driven spaces and services. We know from the Visitor’s Bureau that history programming – from history centers to walking tours to digital exhibits – is a driver of tourism, especially in college towns where alumni frequently return to the campus and community. High quality programs and a permanent home for a History & Culture Center will support the local tourism mix.

Without additional funding, we may not be able to continue some popular projects, including Re/Collecting Chapel Hill podcast and others. We may not be able to create new exhibits and projects such as the Community History Lab and may lose momentum in executing Council’s vision for the future of Historic Town Hall as a History and Culture Center.

Funding Gap

Table 3-12: Gaps with No Existing Funding **FY23** **FY24** **FY25** **FY26** **FY27**

Continue to diversify collections	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Create and sustain community History Programs	10,000	12,000	14,000	16,000	18,000
Total	\$20,000	\$22,000	\$24,000	\$26,000	\$28,000



Theme 4: Human Capital

Theme Champions: Susan Brown and Steve Stewart

“Human capital is a form of wealth available to organizations to accomplish their goals.”

Human capital is the *“knowledge, talents, skills, abilities, experience, intelligence, training, judgment, and wisdom possessed individually and collectively, the cumulative total of which represents a form of wealth available to organizations to accomplish their goals.”* In practical terms, human capital is people.

Background

Chapel Hill residents expect and enjoy excellent Town services, as shown in the bi-annual Community Survey and in everyday compliments. What drives those high marks and engenders those warm words is our people – also known as our human capital. The Transit driver who gets people across town safely. The Public Works crew that picks up the trash and waves to the neighborhood kids. The Library staff member that reads aloud to a roomful of wiggling toddlers. And the 700+ other Town employees serving our community every day.

“Human capital,” while useful as a technical term, does not do service to those 700+ employees who are our most valued and valuable assets. Collectively, they have deep knowledge of their jobs, highly sought-after skills, and tangible, valuable abilities acquired from years of service and development. And they have something less tangible and perhaps even more valuable – a passion for serving people, working together, and helping our community thrive.

For this five-year forecast, we have created three trajectories to understand the landscape of this theme and the associated challenges and costs. We have also outlined three key factors to consider – COVID, Competitive Labor Market, and Classification & Compensation. Below are the “bottom lines” for each trajectory, with more detailed information following in each section:

- **Continuing the Status Quo** – This assumes that we make no changes to our current personnel levels or to our compensation plan. Even if we take this approach, we will continue to have some known annual cost increases, such as insurance rates, cost of living adjustments, etc. If we only maintain the status quo, our personnel costs will grow by an average of \$1.7 million per year for the next five years.

- **Implementing Classification & Compensation Recommendations** – This assumes that we will implement the recommendations of the Classification & Compensation study. While the full findings are forthcoming, we expect that over the next five years there will be a phased implementation of the study. In order to remain competitive with pay and retain our excellent employees, we expect the cost of implementation will be \$3.1 million over the next five years.
- **Creating the Workforce We Need** – We asked Senior Leadership across all Town departments to consider their personnel needs for the next five years – with a focus on both maintaining core business functions and accomplishing Council’s strategic goals. Based on their input, we anticipate that approximately 85 new positions will be needed over the next five years, with an estimated total cost of approximately \$7 million.

Topic Areas

- I. **Connections to Other Themes**
- II. **Key Factors and Considerations**
- III. **Continuing the Status Quo**
- IV. **Implementing the Class & Comp Study**
- V. **Creating the Workforce We Need**

I. Connections to Other Themes

Information related to human capital is found in two areas of the annual budget. The *personnel budget* includes salaries, FICA, retirement, insurance, and similar costs. The *operational budget* includes training, travel, and similar costs.

Our employees are at the heart of all our core business and strategic initiatives, so this theme connects to all others. However, there are clear and specific ties to a few themes:

- **Economic and Financial Sustainability.** In all three trajectories, we project increases to personnel costs. Any increase in personnel costs means either revenues must grow to match the increase or other expenses must be reduced.
- **Operational Sustainability.** Increasing the number of employees increases operational expenses, from office furniture to computers to vehicles. Should we increase the number of employees in the next five years, we will need to increase the operational budget accordingly.

II. Key Factors and Considerations

As we drafted this section during the closing months of 2021, we recognized three factors that will continue to have an impact on our personnel and our organization in the months and years to come:

- **COVID** – We know that the world is forever changed and COVID will continue to have an impact on all aspects of our personal and professional lives. From the Great Resignation to remote work options to mental health crises, COVID will affect our people and our personnel budgets for the next five years.
- **Competitive Labor Market** – The Triangle-area job market was already competitive, and the pandemic has made it even more so. All Town departments have experienced great candidates turning down jobs due to better salary offers and well-trained employees leaving after a few years to take higher-paying jobs. As one department head put it, “It feels like we are serving as a training academy for other local governments.”
- **Classification and Compensation** – A thoughtful and intentional classification and compensation system is one of the ways that an organization can recruit and retain excellent employees – and stay competitive in a hot labor market. In 2019, we began a classification and compensation study to compare our salary schedules to peers and make recommendations to adjust our pay ranges and implement best practices. We expect to share the results of that study with Council in the very near future, but we can give a few “spoiler alerts” now:
 - Our classification and compensation system needs a significant update in order to retain our current employees and recruit the employees we need.
 - This update will have several phases, including getting employees to new minimums, addressing pay compression, and longer-term adjustments.
 - The overall estimated impact for an organization of our size and scope is an increase of 5%-10%, however due to COVID’s impact on both the project timeline and the economy, we expect that increase could be 15%-20%.
 - The consultant indicates that best practice is to implement the updated system within three years of completing the study.

III. Continuing the Status Quo

Bottom Line

The next section, *Implementing Class & Comp*, stipulates that our current compensation plan is not adequate to attract and retain the very best talent over the next five years. The following section, *Creating the Workforce We Need*, stipulates that our current staffing levels are not adequate to meet the needs and demands of the community we serve for the next five years. Before exploring those two areas, we thought it would be helpful to understand the forecast if we do not respond to either of those stipulations and make no changes to our compensation or to our staffing levels.

The bottom line is that, even if we take this approach and make no changes to our compensation plan or our staffing levels, we will have some known annual cost increases, such as insurance rates, cost of

living adjustments, etc. If we only maintain the status quo, our personnel costs will grow by an average of \$1.7 million per year for the next five years.

The Numbers

Based on the FY22 Adopted Budget, we project the personnel lines of the General Fund budget to increase by an average of \$1.7 million annually for the next five years:

Funding Category	FY22	FY23	FY24	FY25	FY26	FY27
Projected Personnel Costs	\$51,543,000	\$52,897,000	\$54,582,000	\$56,326,000	\$58,131,000	\$59,999,000
Projected Amount Over Previous Year		\$1,354,000	\$1,685,000	\$1,744,000	\$1,805,000	\$1,868,000

This projection assumes:

- Annual cost of living adjustment of 3% of market
- 5% increase in medical insurance each year

While this theme is primarily focused on cost projections in the personnel budget, a high-level overview of the associated operational costs found that they have remained flat in recent years and should see minimal increases should we continue the status quo.

Outcomes

If we maintain our current personnel levels, we may see the following outcomes:

- *Reduced quality of core services.* As our community grows and requires more services, there is a direct impact on Town employees, their workload, and the quality-of-service provision. We are a very lean organization and staff are often asked to do more without additional resources. Maintaining our current personnel levels as demand for services grows may decrease the quality of our service.
- *Reduced capacity for new strategic initiatives.* All Town departments are challenged to balance core business and strategic initiatives. Buses need to run their routes, fire fighters need to work their shifts, lifeguards need to be on duty – and Transit needs to plan for the new BRT routes, Fire needs to create a strategy for emergency services, and Parks & Recreation needs to plan for connected greenways of the future. Simply maintaining our current personnel levels may limit our ability to execute strategic initiatives to advance Council and community goals.
- *Heightened work/life balance issues.* Our employees are hard-working, dedicated, and passionate about serving. That often translates into long hours, extra shifts, and taking work home on evenings and weekends. A 2018 survey asked employees what situations make it difficult to maintain a positive work/life balance. 36% of respondents said workload is too

heavy, 34% said too many departmental vacancies, and 29% said the expectation to monitor and answer emails and phone calls after hours. Maintaining the status quo, especially in the COVID era, may result in more work/life balance concerns across the organization.

If we maintain our current approach to pay and benefits, we may see the following outcomes:

- *Loss of existing talent.* The regional market for local government employees, from sworn police officers to certified inspectors to project managers, is competitive. Most of our employees drive from elsewhere to work here, in part due to the high cost of living in Chapel Hill. If we do not remain competitive with salary and benefits, we may see our team members choosing to work elsewhere.
- *Difficulty recruiting new talent.* If we do not remain competitive with salary and benefits, we may not be able to hire the talent we need. We may see lower quality candidates applying for positions and positions may remain vacant longer as a result.

Opportunities & Tradeoffs

To reduce the funding gap in this area without implementing class and comp recommendations, there are several opportunities, all of which come with significant tradeoffs:

- *Reduce services.* Cutting services could reduce personnel costs if we no longer had to hire personnel to provide these services. Depending on the nature of the service reduction – outsourcing, program elimination, etc. – reductions could have significant negative impacts on quality of life for residents and their overall satisfaction with the Town. Depending on the nature of the services – public safety, inspections, etc. – reductions could have significant negative impact on public health and safety.
- *Reduce benefits.* Reducing our employee benefits could result in cost savings, with those benefits either being eliminated or cost-shared with employees. Reducing benefits would make us less competitive in the regional market for talent and could negatively impact our ability to attract and retain high performing employees, an issue we are already experiencing with key recruitments. For current employees, a reduction in benefits without a significant increase in salary will put us at a high risk of losing good employees and not attracting comparable ones to replace those who have left.
- *Reduce annual salary adjustments.* For cost projections, we estimate an annual 3% Cost of Living Adjustment (COLA) for all Town employees. Eliminating or reducing this adjustment would reduce costs and could result in loss of talent. As with reducing benefits, reducing annual salary adjustments would make us less competitive in the region and could negatively impact our ability to attract and retain high performing employees.

Prioritization

Known increases to our personnel budget are one of the highest priorities to address. Our ability to attract and retain the very best employees is directly related to the quality of life our residents expect and enjoy.

IV. Implementing Class & Comp

Bottom Line

A classification and compensation study examines two questions – Do our job classifications accurately reflect the knowledge, skills, and abilities required to do the job? Is the compensation range for each position fair, equitable, and competitive?

A class & comp study may find that a position that has long been considered “entry level” now requires a higher skill level and amount of experience. This may lead to the position being reclassified to a different level and may result in an associated pay increase. This is just one example of the numerous aspects of a class & comp study and illustrates the type of findings that our consultant has identified within the Town of Chapel Hill.

While the full findings and study results are forthcoming, we expect that over the next five years there will be a phased implementation of the study. In order to remain competitive with pay and retain our excellent employees, we expect the cost of implementation will be \$3.1 million over the next five years.

The Numbers

Until the study is completed, it is difficult to estimate the dollar amount needed over the next five years to assure that the Town retains a competitive position in the marketplace. We do expect a phased approach, with at least two phases identified. Furthermore, we know that any “one time” increase to our personnel budget results in higher associated long-term costs.

In advance of the full study being presented to Council, we do have some estimates:

- The estimate to fully fund an initial phase - which would bring current employees to the new recommended minimum pay for their job classification - is approximately \$1.2 million.
- The next phase would adjust salaries for employees who did not get increases in the initial phase in order to begin addressing any salary compressions created by Phase I. In addition, other adjustments may be made to employees who received Phase I increases if there is still a significant compression issue. This would contribute to our recruitment and retention goals and cost an estimated \$1.9 million annually.
- While both phases are important, neither of them addresses pay compression, which happens when the salaries for new and longstanding employees are closer together than they should

be within the pay range for any given job. Addressing pay compression is an important, and often expensive, step for an organization to take.

We expect Council to receive the full study and associated recommendations for consideration in early 2022. Once those are in hand, we will be able to make more refined projections for the associated costs.

Outcomes

If we implement the recommendations and best practices of the Class & Comp study, we may see the following outcomes:

- *Improved ability to recruit talented employees.* We expect the Triangle-area labor market to continue to be competitive, well-beyond the COVID era. The ability to offer more competitive pay, along with our excellent benefits package, should make the Town of Chapel Hill more attractive to potential employees and allow us to recruit top-notch employees to both conduct our core business and advance our strategic goals.
- *Improved ability to retain talented employees.* A robust, up-to-date compensation plan is one of the best ways to ensure that we can retain top talent and deliver consistent service to our community, especially in a competitive regional labor market. With an improved compensation plan, we could be less of a training academy for other local government and more of a regional leader in employee excellence.
- *Improved quality of life for employees.* Simply put, a better salary means a better quality of life, especially for our “front line” employees who are the face of our services and are generally at the lower end of our classification system and our compensation plan.

Opportunities & Tradeoffs

Below are some opportunities to address what will most likely be significant costs for implementation, all of which come with significant tradeoffs:

- *Delay implementation.* If more time is needed to identify funding sources, implementation could be delayed. However, doing so may ultimately result in higher costs for that implementation. The study has already been delayed due to COVID, resulting in higher costs across the board, as annual inflationary costs are factored in. Delayed implementation may also lead to continued loss of talented
- *Develop a phased approach within each phase.* For the first phase, bringing employees to the new minimum, Council could prioritize certain job classes over others. Employees in the priority group would have their pay adjusted first and employees in non-priority job classes would have theirs adjusted later. This would most likely result in significant issues with staff morale, as it positions the work of some employees to be more valuable than others.

Prioritization

Our ability to attract and retain the very best employees is directly related to the quality of life our residents expect and enjoy. Funding the recommendations from the class & comp study is among the highest priorities for both department directors and employees. We will continue to provide information and cost estimates and recognize that the “price tag” of this study will be significant. However, we believe that the price will be well worth the cost, as it is directly tied to the high-quality services that our residents expect and that our employees deliver.

V. Creating the Workforce We Need

Bottom Line

To forecast human capital needs to meet the community’s changing needs and growing demands, we asked the Town’s senior leaders and managers to consider their personnel needs for the next five years and to identify which types of positions are needed and why. We asked department leaders to consider the following:

- Does the position advance Council goals, departmental core business, and strategic initiatives currently underway or coming down the pike?
- Could an existing or vacant position be reallocated or revamped to meet current or future needs?
- Will the same skills, knowledge, and abilities be needed in the next five years? Different ones?
- Is there a program or service your department could stop doing and redeploy those staff to meet a need?
- Could some needs be better met by outsourcing or contracting?

The bottom line is that, based on this input, we anticipate that approximately 85 new positions will be needed over the next five years, with an estimated total cost of approximately \$7 million.

The Numbers

Based on the information we received, we estimate that in the next five years, our organization may need to add 85 employees in a variety of positions across all departments, at an estimated total cost of approximately \$7 million.

	Number of Positions	Estimated Cost
General Fund	50	\$4,125,000
Transit	25	2,055,500
Public Housing	5	412,500
Stormwater	5	412,500
TOTAL	85	\$7,005,500

A few things to note about this estimate:

- We did not take a granular approach to this cost projection, meaning that we did not calculate exact salaries, benefits, etc. for each position. This was because of the pending Classification & Compensation Study and because more detailed information would be developed in the annual budget if these positions were requested.
- We used an average salary for a mid-level position that might be found in a variety of departments and multiplied it by the total number of positions. Some positions will be well above that mid-level and some below, and healthcare and other benefits costs fluctuate from year to year. However, this estimate, based on averages, gives an overall look into future personnel needs.
- Implementation of the Classification and Compensation Study will have an impact on this estimate.

Outcomes

If we create and sustain these positions, we may see the following outcomes:

- *Increased and improved service delivery for core business functions.* Many of these positions provide direct service, from firefighters to bus drivers to construction workers to landscapers. Creating new positions allows our services to respond to needs and demands in a sustainable way.
- *Improved coordination of new and existing programs of service.* A number of these positions focus on coordinating new and existing programs of service, from youth programs to community connections to housing assistance. This is where collaboration and innovation occur, increasing efficiencies and improving outcomes. Creating and sustaining these positions allows for more cross-departmental coordination, and more coordination with other agencies and community organizations.
- *Increased capacity for developing and executing strategic initiatives.* Some of these positions directly support Council strategic goals or departmental strategic initiatives, including community history, information security, and urban forestry.

- *Improved work/life balance across the organization.* Creating these positions across the organization, at a variety of levels, will allocate workloads across the organization and should have a positive impact on work/life balance.

Opportunities & Tradeoffs

- *Eliminate current programs to execute new programs.* In other words, stop doing some things in order to do new things. Based on Council direction, staff could be reallocated and retrained to focus on new programs of service.
- *Allow outside agencies and businesses to provide some services the Town offers.* The Town could step back from areas where non-profit and private sector could step in. Examples of this might include summer camps, youth employment, arts programs, festivals, leaf collection, and waste management.
- *Cross-departmental collaboration and organizational innovation.* These are evergreen opportunities in all local governments. Considering duplicate programs of service and shared goals could result in shared positions and more efficient service delivery across departments. Likewise, doubling down on innovation - process improvement, leveraging technology, design thinking, etc. – could meet future needs without creating new positions.
- *Prioritize and phase-in positions.* We could prioritize the positions using a variety of rubrics and phase them in over five years.

Prioritization

We did not rank or prioritize specific positions because that happens in the annual budget development process. The three broad categories of positions - service delivery, program coordination, and strategic management –are all key organizational functions. If specific new positions are recommended by departmental leadership, the Manager and Council will consider and prioritize them as part of the annual budget process.



Theme 5: Transportation

Theme Champions: Brian Litchfield and Loryn Clark

“Transportation is connected mobility systems that provide residents and visitors convenient choices to safely move around our community, support regional connectivity, and promote environmental stewardship.”

Background

The Transportation Theme builds on the Council’s strategic goal of “Connected Community – to create a highly connected community where bicycling, walking and transit are convenient, everyday choices for our neighborhoods, businesses and public spaces.

This Theme identifies current, planned, and proposed projects that will improve, expand and integrate multimodal networks that help people safely move around our community, these projects also support the Town’s Environmental Stewardship goals. The priorities established in this Theme include:

- Mobility and Connectivity Plan
- Orange County Transit Plan
- Greenways Master Plan
- Traffic Calming Policy
- Short Range Transit Plan
- Vision Zero Resolution

While the Theme focuses on the growth of our multimodal system it also includes information on mobility projects that are currently in progress and repair needs for our transit system so it will be safe and reliable in the future. The priorities in this Theme will increase access and connectivity and support walking, bicycling and transit while reducing greenhouse gas emissions.

Topic Areas

Bicycle-Pedestrian - Continued development of safe and convenient facilities that makes bicycling and walking easier in our community, consistent with the Town's Vision Zero Resolution.

- Priorities include: West Franklin Street, Ephesus Church Road Sidewalk, Fordham Multiuse Paths and Estes Drive Extension.

Bus Rapid Transit (BRT) – Development and implementation of the Town's first rapid transit project along Martin Luther King Jr. Boulevard and South Columbia (NSBRT), including dedicated busways, vehicles and multiuse path.

- Priorities include: Construction and implementation of NSBRT.

Greenways – Continued development of our greenway system.

- Priorities include: Funding to complete Morgan Creek Trail (West and East sections) and design for the next phase of the Bolin Creek Trail.

Pedestrian Traffic Signals – Implementation of signals to improve pedestrian safety in high-pedestrian areas.

- Priorities include: Local funding to match awarded state funds for projects on Martin Luther King Jr. Boulevard (Shadowood Apartments), East Franklin at Couch Street and Fordham Boulevard at Otey's Road.

Traffic Calming – Identify a funding source to provide for the installation of traffic calming devices on residential streets to reduce vehicular speed.

- Priorities include: Development of a dedicated local funding source that would provide annual allocations for projects approved through the Town's Traffic Calming Policy.

Transit Infrastructure – Investments to maintain and expand transit customer facilities and the Transit Administration and Operations Facility.

- Priorities include: Funding to bring 75 existing stops to Americans with Disabilities Act (ADA) standards, replace/upgrade NextBus (real-time bus information system for customers) and replace the communication system used on Chapel Hill Transit vehicles.

Transit Operations and Capital – Investments to maintain and expand the Chapel Hill Transit system in coordination with our funding partners (Town of Carrboro and University of North Carolina at Chapel Hill).

- Priorities include: Annual investments to replace transit vehicles and identification of funding sources for service improvements identified in Short Range Transit Plan.

Connections to other Themes

The Transportation Theme is linked to several other themes in this Plan, including:

- Environmental Sustainability: Land Use, Environmental Stewardship and Wayfinding Signage
- Capital and Infrastructure: Street Maintenance and Parking
- Human Capital: Staffing Needs

Areas for Future Focus

The Transportation Theme identified some areas that may require further study and evaluation over the life of this plan, including:

- Micromobility options (e.g. bike share, electric scooters, etc.).
- Autonomous vehicles
- Electric bikes
- Regional transportation alternatives

Funding Gap

The following table identifies the current unfunded needs for the Transportation Theme. The Town will continue to pursue non-local funding sources to assist with these projects where possible.

Funding Category	FY23	FY24	FY25	FY26	FY27
Bicycle-Pedestrian	\$3,302,350	\$1,375,824	\$1,566,456	\$690,750	\$3,836,606
Greenways	4,357,480	300,000	-	3,000,000	-
Pedestrian Traffic Signals	420,000	-	-	-	-
Traffic Calming	75,000	75,000	75,000	75,000	75,000
Transit Infrastructure	535,000	2,035,000	2,285,000	535,000	535,000
Transit Operations and Capital	16,698,454	18,545,442	19,815,054	21,070,481	21,585,920
Subtotal	\$25,388,284	\$22,331,266	\$23,741,510	\$25,371,231	\$26,032,526
Bus Rapid Transit	\$36,900,000	\$41,000,000	\$41,500,000	\$17,000,000	\$3,800,000
Total	\$62,288,284	\$63,331,266	\$65,241,510	\$42,371,231	\$29,832,526

¹ These costs would be shared through the Transit Partners Funding Formula; Chapel Hill's current share is 34%. Some transit capital costs could be offset with Federal and State grants. These costs do not assume purchasing electric vehicles and may be adjusted with future updates to the Chapel Hill Transit Capital Plan.

² Cost for the Bus Rapid Transit include assumed Federal and State funding gaps. Costs may vary per year based on construction and other factors. Local costs would be shared through the Transit Partners Funding Formula.

I. Bicycle-Pedestrian

Connected Communities is one of the Council's adopted strategic goals, and envisions a community where walking, biking, and taking transit are safe, convenient, and attractive everyday choices. Originally adopted by Council in October 2017 and updated in October 2020, the [Mobility and Connectivity Plan](#) outlines a network of on- and off-road facilities to get people where they want to go without needing a vehicle. The Town's [Vision Zero Resolution](#) was adopted by Council in October 2021 and documents the Town's goal of eliminating deaths and serious injuries on its roadways by 2031 through prioritizing the safety of vulnerable road users in policy and planning decisions. Town staff will create a Bicycle and Pedestrian Wayfinding Strategy and

update the Pedestrian Safety Action Plan in the next year; there will likely be additional priority projects that emerge from these plans to be added to this five-year budget strategy.

The Town does not have a recurring dedicated funding stream for bicycle and pedestrian projects; projects are funded through bonds or with federal funds allocated through NCDOT and the Durham Chapel Hill Carrboro Metropolitan Planning Organization (DCHC MPO).

The projects included in this five-year budget strategy come from several adopted plans:

- The sidewalk projects are those that were identified for construction with the 2015 Streets and Sidewalk Bonds but were not completed due to higher than anticipated project costs.
- The bicycle facilities and greenway projects are primarily those that were submitted in the CIP Prioritization process in the last two cycles. A few of the projects were from the 2014 Bike Plan and the rest are from the Mobility and Connectivity Plan's top 20 list.
- The Bike-Pedestrian Safety Measures is intended to be used as an operating budget for the bike-pedestrian staff team to implement small safety improvements as requested by residents or staff/Council.
- The Vision Zero funds are intended to implement projects that will be included in the [Pedestrian Safety Action Plan](#) when it is updated based on the Vision Zero Resolution.

Projects Underway

There are two fully funded bicycle-pedestrian projects nearing construction: Homestead/Seawell School Road sidewalks and the Estes Drive Bike-Pedestrian project. Homestead/Seawell construction is estimated at \$1.3 million and includes a combination of federal and local funds. The Estes Drive project is estimated at \$4.8 million and uses both federal and local funds. The West Franklin St. Lane Reallocation is fully designed but still requires funding for median design/reconstruction, signal plans, and additional safety measures like green paint and bollards¹. The final design will also need to incorporate transit stops and depending on the design, funding may be needed to ensure that bus stops are safe and accessible for customers and buses. To meet NCDOT's resurfacing timeline, funding (\$250,000) would need to be provided in FY22. Costs and timelines could also vary if Council determined taking over maintenance of some portion of Franklin Street from NCDOT was a preferred option.

Outcomes

If we do not dedicate additional funding to bicycle and pedestrian projects, then we will be totally reliant on external funds to build our non-motorized transportation network. Many of our priority projects will not score well in the NCDOT prioritization process (there is very limited funding for non-highway projects, and much of the score is based on number/severity of crashes) and, due to NCDOT cash flow issues, the prioritization process has been cancelled for the foreseeable future, further reducing external funding opportunities for bicycle and pedestrian projects.

Opportunities & Tradeoffs

If we had a dedicated, recurring funding stream it would allow us to be opportunistic and leverage projects from other departments/agencies/developers to build our bike- pedestrian network. When we are reliant solely on external funding we are tied to specific projects and cannot be flexible to take advantage of opportunities like street resurfacing, developments, water/sewer projects, etc. Further, with hopes of federal stimulus or recovery funding becoming available for road safety projects, the Town’s lack of funding to design projects hinders our ability to qualify for funding because our projects are not ‘shovel ready’. If the Town wants to address climate change, keep vehicular traffic at bay, and be responsive to the public’s demands for safe bike and pedestrian facilities, then funding these projects should be a priority.

Funding Gap

There is no recurring funding source for bicycle and pedestrian facilities. The following list summarizes identified projects that could be implemented with funding from FY23-27 (priority projects in bold):

<u>Projects</u>	<u>Cost</u>	<u>FY</u>
West Franklin St. Lane Reallocation^[2]	\$250,000	22
Cameron Ave. protected bike lanes+ Merritt Mill intersection improvements	\$618,000	23
Local match for Estes Dr. Extension bike-ped	\$901,000	23
Ephesus Church Rd. Sidewalk (East of Pinehurst, Sharon to Pope)	\$973,350	23
Barclay Trail	\$463,500	25
Barclay Rd. Crossing	\$103,000	24
N. Elliott Rd. Complete Street	\$386,250	25
Dobbins Drive Sidewalk gaps (Foxcroft Drive west to existing sidewalk, Cosgrove to Erwin)	\$195,824	24
Local match for Fordham Blvd. Multiuse Paths from Willow to Old Durham Road	\$450,000	23
Estes Drive South Sidewalk (Caswell to Burlage)	\$566,706	25
Raleigh Rd. multiuse path, underpass lighting	\$927,000	24
Bennett Road Sidewalk (Roundabout to Edgewater)	\$540,750	26
Weaver Dairy Road East Sidewalk (Erwin to Sage)	\$494,606	27
Timberlyne Trail	\$3,192,000	27
Martin Luther King Jr. Sidewalk Gap (Ashley Forest to Crow Branch)	\$210,000	23

¹ Most cost estimates include a 3% annual inflation rate, except the local matches for federal funding since the amounts are set in the State Transportation Improvement Plan.

² The information in this document related to the West Franklin St. Lane Reallocation is current as of October 2021, pending further guidance from Council about future ownership of Franklin St. in downtown and final design. The cost estimate is based on the lane reallocation design with bike lanes.

Table 5-1: Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
Sidewalks	\$1,183,350	\$195,824	\$566,706	\$540,750	\$494,606
Bike Facilities & Greenways	1,969,000	1,030,000	849,750	-	3,192,000
Bike-Ped Safety Measures	150,000	150,000	150,000	150,000	150,000
Total	\$3,302,350	\$1,375,824	\$1,556,456	\$690,750	\$3,836,606

Prioritization

The Ephesus Church Road sidewalk project is a top priority because it is shovel ready; it is designed and we own the right-of-way. It is also an important connection to the bike-pedestrian network on the northeastern side of Town. The Fordham Blvd. Multiuse Paths and Estes Drive Extension are the top two priorities for bike facilities because, while we have the federal funds already awarded (\$2,245,000 and \$3,601,000, respectively), we have not identified the local matches. The West Franklin St. Lane Reallocation has been a priority for the Town for the last few years and, whatever the final design ends up being, is a project that will define the downtown. Bike-pedestrian safety measures funding is integral to getting smaller ad-hoc projects implemented throughout the year that will allow us to be responsive to the needs of the community. The Vision Zero funding will enable the Town to firmly establish itself as a leader in pedestrian safety and show the community that eliminating deaths and serious injuries is a priority.

II. Bus Rapid Transit (BRT)

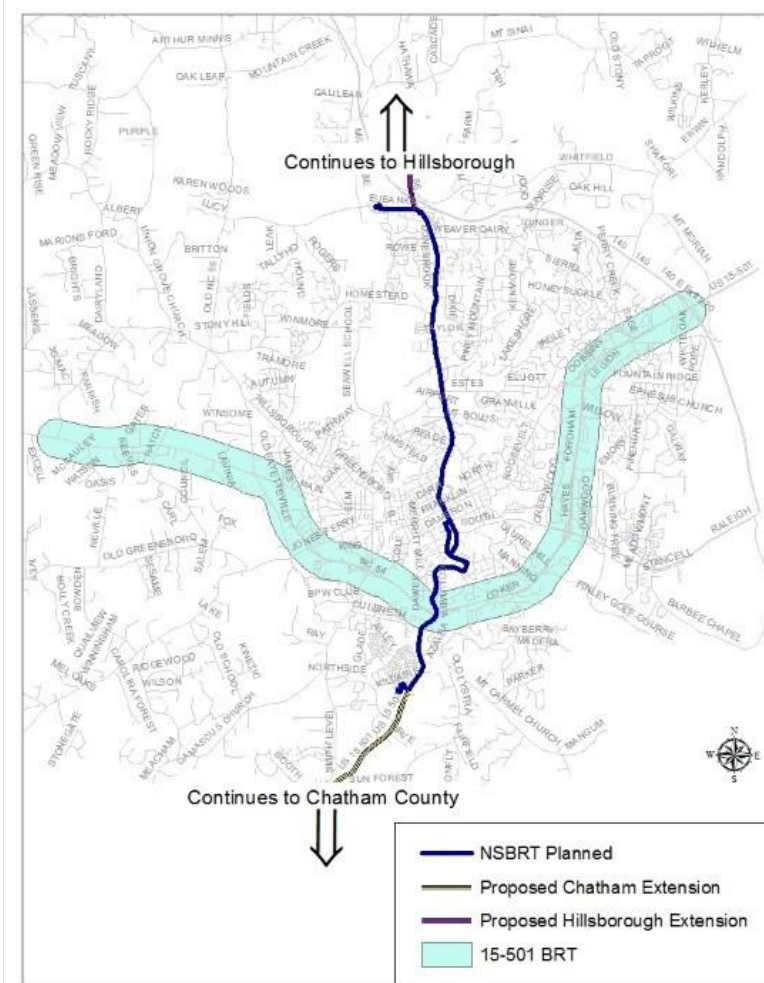
The Town of Chapel Hill’s North-South Bus Rapid Transit (NSBRT) is the planned 8.2-mile line along one of the town’s busiest and most vital thoroughfares stretching from Eubanks Road in the north to the popular Southern Village in the south. As one of the region’s first BRT systems, NSBRT will connect employees, students, residents and visitors to their regional connections and local destinations. The project includes dedicated bus lanes and bicycle/pedestrian improvements that will be separated from travel lanes. The timeline for project has been adjusted due to delays in the State of North Carolina’s funding process from transportation projects and is expected to start construction in FY25 (pending funding and necessary federal and state approvals).

NSBRT is part of the Federal Small Starts Program, which may provide up to \$100M (federal maximum) of the \$150M (cost based on the year of expense) total cost to build the project. Currently NSBRT has \$14M committed non-Federal funding (Orange County Transit Plan) allocated for the project, leaving us with a need for an additional \$136M. The Town will apply for \$45M through the North Carolina Department of Transportation as part of the Strategic Prioritization Office of Transportation (SPOT) funding process. The project cost allocation will be adjusted as funds are committed.

Additionally, the annual cost of operating and maintenance (O&M) for Chapel Hill Transit will be adjusted as NSBRT is implemented. The current estimated O&M cost increase for NSBRT, less the cost

savings from services replaced by NSBRT, is \$3.8M/year. These costs would be shared through the Transit Partners Funding Formula, Chapel Hill's current share is 34%.

NSBRT is envisioned as the start of a rapid transit network that could also include an East-West corridor, as shown in the picture below. Staff would also recommend that we begin work on determining the feasibility of an East-West BRT corridor prior to FY25.



Project information is also available at nsbrt.org and in previous [Council Presentations](#).

Outcomes

Without additional funding to support the planned NSBRT, Chapel Hill residents and visitors will continue to see overloaded buses, delayed buses and current and future transit demand will not be met throughout one of Chapel Hill's busiest and fastest growing corridors.

Opportunities & Tradeoffs

- There may be opportunities to assist with funding NSBRT that would require further exploration:
- Additional Orange County Transit Plan funds
- State and/or regional funds to assist with pedestrian and bicycle components of the project.

- Naming rights for stations and/or the service.

Funding Gap

The current anticipated cost to implement the project is \$150M. While \$100M is currently assumed for federal sources and \$50M from non-federal sources, only \$14.1M of the total cost is funded (Orange County Transit Plan). When the service begins in FY27 (planned), an additional \$3.8M/year will be needed to operate the service. This estimate will be reviewed as updates are made to the Orange County Transit Plan. These costs would be shared through the Transit Partners Funding Formula: Chapel Hill’s current share is 34%. The schedule and funding amounts may vary based on federal approvals, funding and construction.

Table 5-2: Gaps with Recurring Funding Source	FY23	FY24	FY25	FY26	FY27
Cost of Implementation	\$51,000,000	\$41,000,000	\$41,000,000	\$17,000,000	-
[Minus Existing Funding]	(14,100,000)	-	-	-	-
Funding Gap	\$36,900,000	\$41,000,000	\$41,000,000	\$17,000,000	-
Total	\$36,900,000	\$41,000,000	\$41,000,000	\$17,000,000	\$0

*Costs may vary per year based on construction and other factors.

Table 5-3: Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
Operating and Maintenance costs	-	-	-	-	\$3,800,000*
East-West BRT Corridor Feasibility Study	-	-	500,000	-	-
Total	\$0	\$0	\$500,000	\$0	\$3,800,000

*Operating and maintenance cost would be shared among funding partners. This estimate will be updated as the project development moves forward and as updates are made to the Orange County Transit Plan.

Prioritization

The priority is to secure funding to fully construct and implement the NSBRT project.

III. Greenways

The Town has been developing its greenways system since the mid-1980s. This is one of the highest rated requests by the public in each of the citizen surveys, which are produced every two years. The greenways system is intended to serve both transportation and park needs.

We have historically funded the development of the greenway system through general obligation bonds and occasional NCDOT grants. Other funding sources have been generally incidental.

2015 Greenways Bonds Overview

In 2015 voters approved the sale of \$5,000,000 in Greenways bonds for greenways purposes. All Greenways bond funds have been spent or committed to projects and there is no other source of funding for greenway development.

After the Greenways bond were approved by the voters the Town decided to allocate funding to complete the following projects:

- Bolin Creek Trail from Martin Luther King Jr. Blvd. to Umstead Park.
- Tanyard Branch Trail from Umstead Park to the existing trail near McMasters Street.
- A bridge over Morgan Creek south of the Manning Drive/Fordham Boulevard intersection.
- Extensions of the Morgan Creek Trail west to Carrboro and east to Otey’s Road.

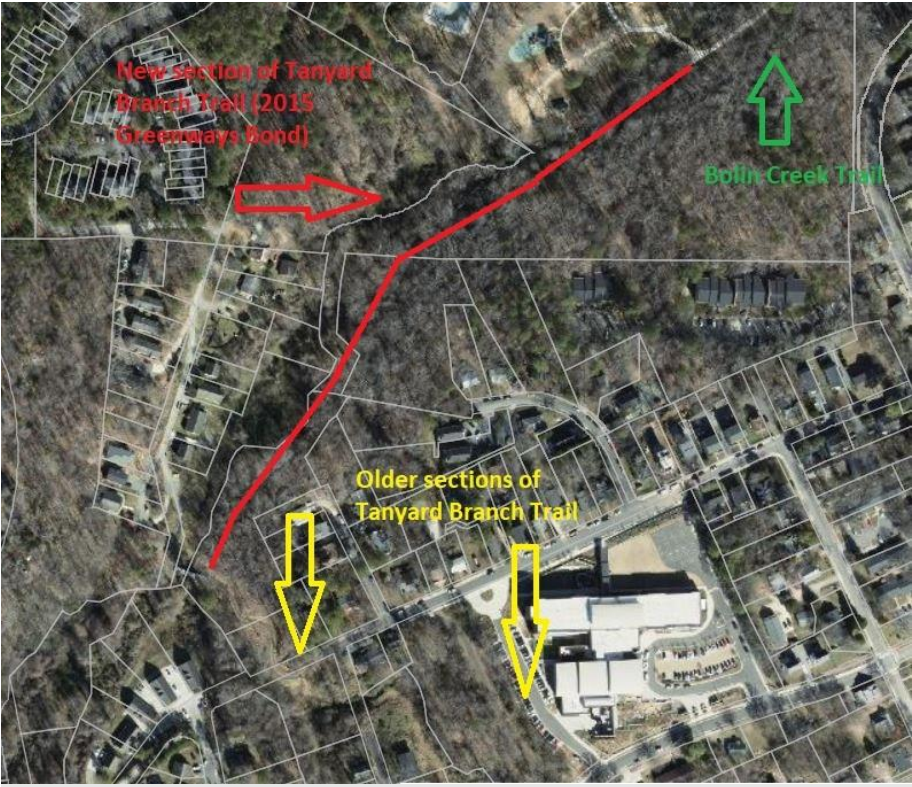
It is important to note that the 2015 Greenways bond amount was not sized to meet anticipated costs associated with these projects. Rather, these projects were selected after the fact with the goal of pursuing each in priority order until funds are spent.

Completed Projects

2015 Greenways Bond funds were used to complete the following projects:

Tanyard Branch Trail

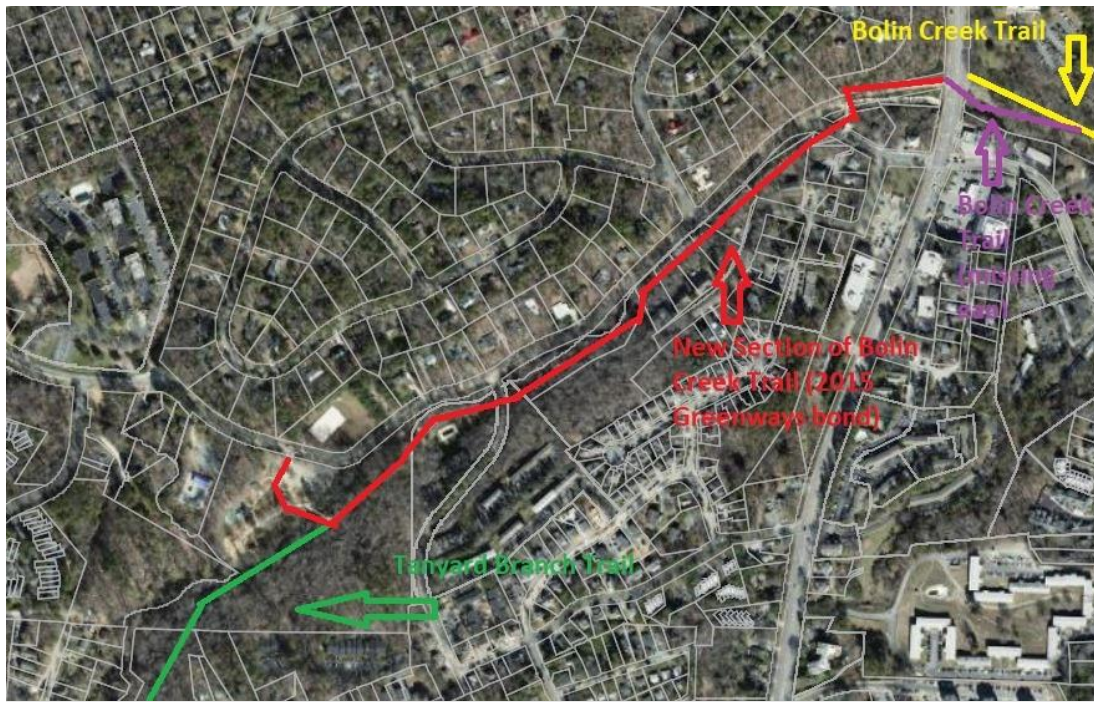
Design, permitting, and construction of the last phase of the Tanyard Branch Trail from Umstead Park to near Jay Street (shown in red). Construction was completed in 2019.





Bolin Creek Trail

Construction of the Bolin Creek Trail between Umstead Park and Bolinwood Drive was completed in 2021, this includes the 550-foot-long section east of Martin Luther King Jr. Blvd.



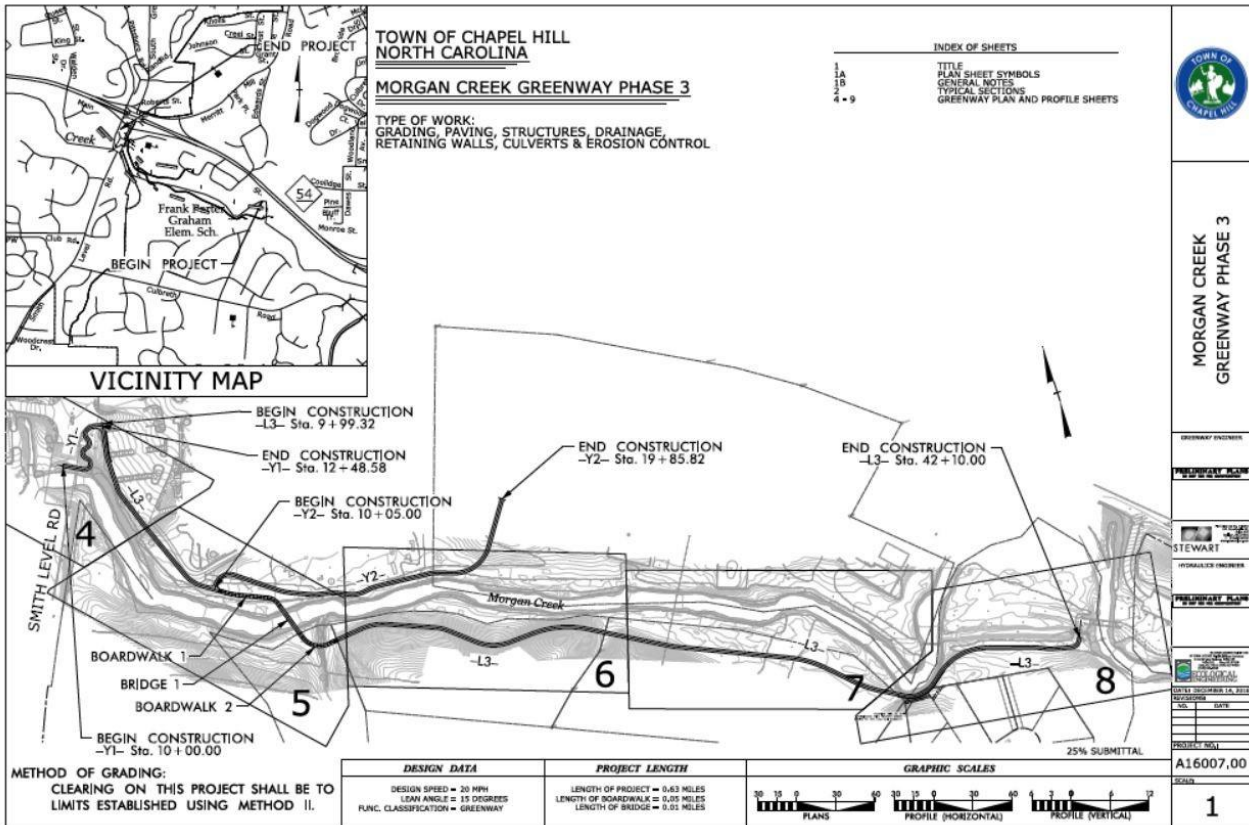


On-Going Projects

2015 Greenways Bond funds have been used for preliminary design of the following projects:

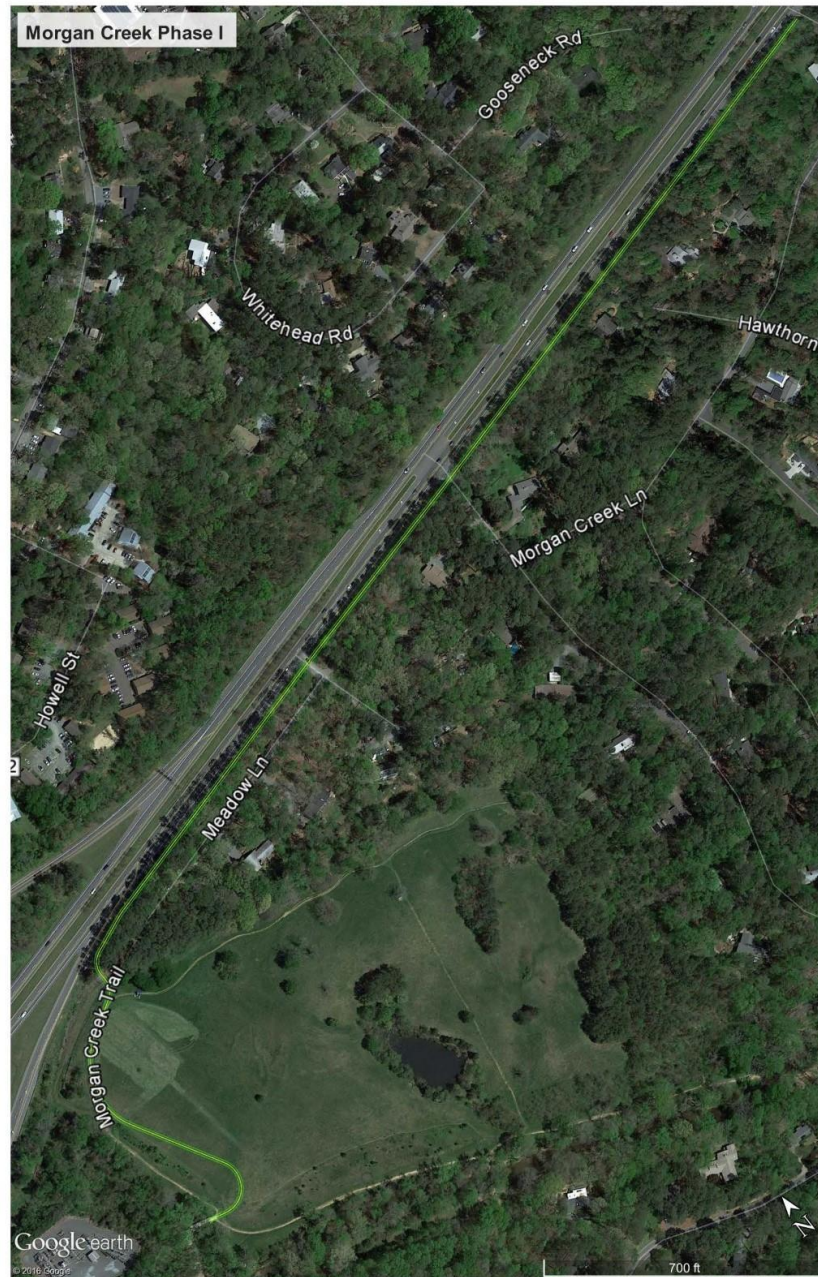
Morgan Creek Trail Extension Westward to Carrboro

We have accomplished 60% of the design documents. This segment would include an extension of the Morgan Creek Trail from the existing parking lot to Smith Level Road. This section would likely include a major retaining wall, two boardwalks or bridges, and as much paved trail as the budget would allow. The main goal of this segment would be to connect to Kingswood Apartments. A future phase would expand the parking lot and pave the unpaved sections of phase one. This project has adequate funding to complete the design phase, however, the plans are not being completed until we have secured additional resources for construction. This approach leaves the existing dollars unencumbered and would allow the Town to use those resources as a match if a grant or federal funding was to come available. There are no identified construction funds.



Morgan Creek Trail Extension Eastward to Otey's Road

This project would extend the Morgan Creek Trail from Merritt's Pasture to Fordham Boulevard and then as a side path to Otey's Road. The design will include a proposed at-grade crossing of Fordham Boulevard at Otey's Road. We have enough funding to complete design, however, the plans are not being completed until we have secured a funding commitment for construction. This approach allows us to leave the existing dollars unencumbered and would allow the Town to use those resources as a match if a grant or federal funding was to come available. The main goal of this segment would be to provide legal access from neighborhoods east of Merritt's Pasture to Merritt's Pasture and the Morgan Creek and Fan Branch trails. There are no identified construction funds.



Outcomes

The 2015 Greenways bonds greatly contributed to the expansion of the Town's greenway system and will continue to do so over the next 2-3 years. We completed the Tanyard Branch Trail in 2018 and Phase III of the Bolin Creek Trail in FY 21.

Morgan Creek Trail Westward to Carrboro and Eastward to Otey's Road: These projects would extend the existing trail to Carrboro. By splitting this project into two or more phases overall construction costs will be higher.

Future Trail Design: We have no other funds for design and permitting of any future projects. Because of the complex nature of greenway development, this would add years to the development of any future greenway projects. We believe that the extension of the Bolin Creek Trail to Estes Drive

Extension should be the Town’s next major greenway section project. If design funds can be found soon, we could shave years off any effort to extend the trail once construction funds are secured.

Opportunities & Tradeoffs

It would be possible to use the remaining bond funds for design, permitting and construction of the Morgan Creek Trail Bartram Bridge section, or design of Bolin Creek Trail Phase IV section. This could put Phase IV section closer to completion once construction funds are made available.

Funding Gap

The following table assumes that the Town decides to complete all the Morgan Creek Trail segments and start design of the next phase of the Bolin Creek Trail.

Table 5-4: Gaps with Existing Funding Source	FY23	FY24	FY25	FY26	FY27
Morgan Creek Trail (West and East)	\$5,557,480	-	-	-	-
[Minus Existing Funding]	(1,200,000)	-	-	-	-
Total	\$4,357,480	-	-	-	-

Table 5-5: Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
Bolin Creek Trail, Phase 4 Design/Permitting	-	300,000	-	-	-
Bolin Creek Trail, Phase 4 Construction	-	-	-	3,000,000	-
Total	-	\$300,000	-	\$3,000,000	-

Prioritization

Our number one priority for any new funding is to complete the Morgan Creek Trail (West and East section) projects. We have enough funding from the 2015 Greenway bond to finish the design phase. In order to have a multi-modal facility that links to Carrboro, additional funding will be required.

Next priority would be starting to design of the 4th phase of the Bolin Creek Trail. Design and permitting can take several years. Early funding for design efforts puts the Town in a good position when construction funding becomes available.

IV. Pedestrian Traffic Signals

Installation of mid-block pedestrian signal heads with mast arm poles to replace Rapid Flashing Beacons at the following locations: Two (2) Locations on Martin Luther King Jr. Boulevard (Near Shadowood Apt) – one (1) location on East Franklin Street near Couch Street – one (1) location on Fordham Blvd. at Otey’s Rd. This improvement will require drivers to fully stop at a traffic light for pedestrians at the above four locations, where they are currently required to yield. This will improve safety for pedestrians.

Outcomes

Pedestrian safety will be improved. NCDOT has approved this project. The project was delayed pending the Town's funding availability. This project was planned to be part of a recent bond issuance, but sufficient funds could not be issued due to debt capacity. The project is ready to start whenever funding becomes available. The project could be completed in one (1) fiscal year if funding is ready, or funding across fiscal years could be phased for design and construction.

Opportunities & Tradeoffs

If we had a dedicated, recurring funding stream it would allow increased pedestrian safety and improved driver compliance to walking pedestrians at this location. If the Town wants to keep vehicular traffic at bay and be responsive to the public's demands for safe bike and pedestrian facilities, there is not an alternative to funding these projects.

Funding Gap

There is no recurring funding source for pedestrian traffic signals.

Table 5-6: Gaps with No Existing Funding

	FY23	FY24	FY25	FY26	FY27
Design	\$60,000	-	-	-	-
Construction	360,000	-	-	-	-
Total	\$420,000	-	-	-	-

Prioritization

NCDOT has approved these pedestrian signal improvements and they can be implemented with funding.

V. Traffic Calming

Connected Communities is one of the Council's adopted strategic goals and envisions a community where walking and pedestrian safety is a high priority in residential neighborhoods. Council adopted the Traffic Calming Policy in 2004, which outlines process for installation of traffic calming measures on residential streets. The goal of traffic calming measures is to reduce vehicular speeds and cut-through traffic on residential streets.

Town Policy on Traffic Calming can be found at the following link:

<https://www.townofchapelhill.org/home/showdocument?id=31470>

Per Policy, staff is required to provide annual traffic calming report and recommendations each year and the Council approves them using CIP and sidewalk funding. The Town does not have a recurring dedicated funding stream. Initially, Traffic Calming was funded each year using CIP Funds. Streets and Sidewalk Bond Funds were allocated in the last five years, but they are not available for future traffic calming measures. Traffic calming on town streets does not qualify for Federal funds.

Outcomes

If we do not dedicate funding to traffic calming projects, we are unable to reduce vehicular speeds and cut-through traffic on residential streets.

Opportunities & Tradeoffs

If we had a dedicated, recurring funding stream it could increase safety on residential streets by reducing speeding and cut-through traffic problems. If the Town wants to keep vehicular traffic at bay and be responsive to the public's demands for safe bike and pedestrian facilities, there is not an alternative to funding these projects.

Funding Gap

There is no recurring funding source for traffic calming.

Table 5-7: Gaps with No Existing Funding

	FY23	FY24	FY25	FY26	FY27
Traffic Calming	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000
Total	\$75,000	\$75,000	\$75,000	\$75,000	\$75,000

Prioritization

Traffic calming projects will be prioritized using the ranking system outlined in the Traffic Calming Policy and will be presented to the Town Transportation and Connectivity Advisory Board for consideration. The Transportation and Connectivity Advisory Board will review the proposed projects, including the associated traffic data compiled for each project. Based on its review, the Board will provide recommendations to be included with the Town Manager's annual report to the Town Council regarding proposed traffic calming projects.

VI. Transit Infrastructure

Chapel Hill Transit is responsible for over 600 bus stops and three (3) Park and Ride lots. Many of these stops include transit amenities such as benches, shelters, lighting, bike racks and trash receptacles.

In addition, Chapel Hill Transit's Millhouse Road Administration and Maintenance facility is nearing 14 years old. Maintenance and repair cost related to this facility continue to rise and will soon include roof replacement, camera replacement and other major system updates (e.g. HVAC, Geothermal, etc.).

The 2019 Capital Plan Update for Chapel Hill Transit recommends the following investments:

Bus Stop Amenities and Passenger Information - \$195,000 per year for bus stop amenities and passenger information. The initial focus area is on existing stops with shelters/benches that need to meet Americans with Disabilities Act (ADA) requirements. Transit staff will also continue to

pursue grant funds to supplement these needs and where reasonable ask development projects to assist with improvements at/near project locations. Examples:

- The Town of Chapel Hill, Town of Carrboro and NCDOT recently partnered to secure grant funding of \$1.4M to improve six (6) bus stops on NC-54 between Carolina Apartments and Laurel Ridge/Kingswood.
- Transit staff secured around \$1M in Orange County Transit Plan and other grant funds to begin design and construction on 60 initial stops.

Additional funding would need to be identified for the West Franklin Street bus stops, depending on the final design. At this time staff would estimate the cost to be around \$500,000, however, this would need to be addressed in engineering and final design. The cost for West Franklin Street stops would need to be covered by the Town of Chapel Hill, as all the stops are within Town limits.

Ongoing Non-Vehicle Maintenance - \$90,000 each year for ongoing passenger facilities and park-and-ride maintenance.

Administration and Operations Facility Repairs and Upgrades - as the existing administration and operations facility has continued to age, costly repairs have become more commonplace. The updated Capital Plan assumes \$150,000 annually for capital needs for this facility, including roof replacement, camera installation, and other miscellaneous needs that are anticipated to arise. Transit is also evaluating solar charging options and facility needs to allow further expansion into electric vehicles. While grant funding is being used to conduct the analysis, we need to identify funding for implementation.

Future Operations and Administration Base Local Match - in addition to anticipating revenue needed for repairs, Chapel Hill Transit also needs to begin planning for replacement of the existing base as it nears the end of its useful life. The 2019 Capital Plan Update assumes revenue for 20% local match of a \$10 million facility to be constructed in 20 years (approximately \$100,000 annually).

Note: Annual facilities and passenger amenities cost assumptions (not including inflation) with a total annual assumed cost of \$535,000. These costs would be shared through the Transit Partners Funding Formula, Chapel Hill's current share is 34%.

Upgrade/Replacement of NextBus System – over 80% of Chapel Hill Transit customers rely on the NextBus (real-time bus information system), however, the system is now more than 15 years old, and an upgrade or replacement of the system would benefit our customers and make it easier for new customers to use the system. A new system could also assist staff to better understand route performance data and develop service improvements, transit plans and community engagement. The estimated replacement cost is \$1.75 million and final cost would be refined through a procurement process.

Upgrade/Replacement of Communication System (Radio/ITS) on Transit Vehicles – the Chapel Hill Transit radio/ITS system that all our vehicles use to communicate with dispatch and between

vehicles is more than 20 years old. The age of the technology creates communication and safety challenges, and the system is not able to communicate directly with Chapel Hill Police and Fire or other emergency operators (interoperability). It has no emergency backup system and is not able to support data or support real-time monitoring or information archiving. Transit secured a grant to conduct a feasibility study (which will be conducted in coordination with Public Works), but funding is required to implement the findings. The estimated cost is \$1.5 million and final cost would be refined through the feasibility study and procurement. Transit is not able to directly use the state maintained and operated VIPER system used by Police and Fire.

Outcomes

Failure to account for Transit Infrastructure replacement and upgrade will lead to poor conditions at customer stops and higher repair cost at the Millhouse Road facility. Accessible bus stops are critical to providing safe, comfortable, and convenient transit services for the communities we serve and essential for customers with mobility challenges. Replacing NextBus and radio/ITS technologies will allow Transit to increase the overall quality of service delivery while minimizing operating cost and increasing safety.

Opportunities & Tradeoffs

Chapel Hill Transit will continue to seek funding from new development and redevelopment projects to upgrade stop amenities. Chapel Hill Transit will also explore grant funding where available to provide stop and facilities improvements.

Funding Gap

Table 5-8: Gaps with No Existing Funding

	FY23	FY24	FY25	FY26	FY27
Transit Infrastructure	\$535,000	\$2,035,000	\$2,285,000	\$535,000	\$535,000
Total	\$535,000	\$2,035,000	\$2,285,000	\$535,000	\$535,000

These costs would be shared through the Transit Partners Funding Formula, Chapel Hill’s current share is 34% and, in some cases, could be supported by grants.

Prioritization

- Bus stop improvements are a top priority for Chapel Hill Transit. Current funding will provide for ADA improvements and new shelters at 15-25 existing bus stops, depending on costs associated with improvements. Chapel Hill Transit has 75 additional existing stops with shelters and/or benches that need to be brought up to ADA standards.
- The NextBus system is critical to customers and transit operations. A replacement/upgrade to the system would benefit customers and provide operational and planning data that could help make the system more efficient and effective.

- The Radio/ITS system is critical to operations and will help improve the overall quality of service while minimizing operating cost and increasing safety.

VII. Transit Operations and Capital

Chapel Hill Transit is a department of the Town of Chapel Hill and the second largest transit system in North Carolina. We are the public transportation provider for Chapel Hill, Carrboro, the University of North Carolina at Chapel Hill (University) and UNC Health Care. Chapel Hill Transit provides fixed-route bus services and EZ Rider (ADA Paratransit for persons with disabilities) services. Chapel Hill Transit has a fleet of 118 vehicles (98 fixed-route and 20 demand response).

Chapel Hill Transit is an enterprise fund of the Town of Chapel Hill with financial participation by Carrboro and the University in annual operating and capital costs associated with the operation of Chapel Hill Transit on a contractual basis. The University pays 100% of the costs for their direct routes and shares in the costs associated with all local routes and EZ Rider. The Transit funding partners cost allocation of the shared routes is determined by population (current % shared: University: 53.4%, Chapel Hill: 34.7% and Carrboro 11.9%). The current adopted budget for Chapel Hill Transit (FY2021-22) is \$26.3 million (operating and capital):

- \$16 Million Local – 60.7% (Chapel Hill \$5.5M, Carrboro \$1.9M and University \$8.5M)
- \$1.9 Million Federal – 7.45%
- \$2.2 Million State – 10%
- \$3.3 Million Orange County Transit Plan – 15.49% (includes NSBRT funding)
- \$1.26 Million Other – 6.36% (Tar Heel Express, Advertising, and Small Grants)

All three funding partners have maintained their commitments to increased contributions to Chapel Hill Transit over the past six (6) years to assist with capital needs as federal resources (e.g. federally directed spending, grants, etc.) and investments from the state for capital have varied significantly from year to year. Chapel Hill Transit has fortunately received significant funding through Federal and State grants in the past couple of years, which have tremendously offset the anticipated contributions from the Partners while empowering us to pursue capital replacements and maintain our operating funding. The funding partners' allocations for each year are proportional and are therefore constrained by each other's contributions. As of the budget adoption for the current year, any increases from the University and Carrboro for next year or beyond will likely require the Town of Chapel Hill to also increase their contribution. The mechanism by which the Town of Chapel Hill can adjust their contribution is the ad valorem tax rate for Transit (5.4 per \$100 valuation in FY22). We have also been fortunate that the Durham-Chapel Hill-Carrboro Metropolitan Planning Organization (DCHC-MPO) has prioritized funding for transit and we have been able to receive competitive grant awards through DCHC-MPO to replace buses.

Capital Investments – Bus and Demand Response

Over the past seven (7) years the Chapel Hill Transit funding partners have invested significant resources to update our aging bus fleet. These investments have been supported by grant funds and funds from the Orange County Transit Plan (8 buses purchased with OCTP funds). By the end of FY22 we will have replaced 41 of 47 of the oldest fixed route buses and 20 of our demand response vehicles. This includes 14 fixed route buses that were debt-financed in November 2017 and require an annual payment of around \$716,000 by the Transit funding partners through May 2027. This investment allowed Chapel Hill Transit to make a significant and immediate improvement in the fleet and spread the cost of the investment over 10 years. The value of the financed buses was \$6,408,000 with a total debt-service of \$7,161,777 (interest of \$753,777).

Chapel Hill Transit has purchased and plans to test three (3) Battery Electric Buses (BEBs) as part of a pilot project funded by the Federal Transit Administration (FTA), Renewable Energy Special Projects Committee at UNC Chapel Hill (RESPC) and the Chapel Hill Transit funding partners. As part of the pilot, we will use depot-based charging systems and try the buses on each route in the system. Some of the project objectives include eliminating vehicle emissions, reducing noise, reducing costs and training our workforce. The pilot will involve training for Operators, Maintenance and First Responders. Chapel Hill Transit will work with our utility provider and the BEB vendor to design, install and maintain the necessary charging infrastructure for three (3) BEBs. The pilot project will provide experience and data to help us determine infrastructure needs to expand the BEB fleet. This will also provide us with the time necessary to conduct a feasibility study for solar options. We have also secured funding for an additional 8 BEBs that will be ordered between FY22-FY23.

The pilot project, along with the experiences in North Carolina of Greensboro, RDU, GoTriangle and GoDurham will allow us to develop a lifecycle cost model to understand the fiscal impact and potential benefits of transitioning to a new BEB fleet. The factors to be included in the model will be vehicle purchase costs (including assumptions about future price changes due to economies of scale and technology), as well as maintenance, fuel use, electricity use, facility upgrades and charging infrastructure.

The model will allow the Town and our Funding Partners to compare the cost of a BEBs with an equivalent diesel bus fleet purchase. As it is Chapel Hill Transit's goal to replace buses, on average, at 15 years of age the lifecycle cost model will examine a 15-year time period. We also know from research that choosing a BEB fleet option also reduces social costs (emissions and noise reductions). While these benefits accrue, they are not likely easily monetized and may not be able to be used by Chapel Hill Transit to offset the initial fiscal cost of a BEB fleet option - they should be strongly considered by the model and the Funding Partners.

We currently understand from industry research that BEB fleet costs are greatest at the beginning of the bus lifecycle when vehicles and infrastructure are being acquired. In the later years, BEB costs related to operations and maintenance are expected to be significantly less than diesel buses. In

other words, while BEBs cost somewhat more up front than equivalent diesel buses, the benefits in reduced maintenance and operating costs are expected to offset the up-front costs in the long term. Even though the transition to BEBs may save fiscal resources in the long term, in the short term it will likely require additional funding sources to facilitate the transition. As noted previously, with an allocation of FTA and RESPC funds, Chapel Hill Transit is moving forward with a pilot project. However, to achieve the full fleet conversion, significant additional resources need to be identified beyond those currently available to the system.

Operations – Fixed Route and Demand Response

Chapel Hill Transit currently provides service on 31 weekday and weekend routes and EZ Rider (ADA Paratransit) services – providing around 7 million annual rides and covering over 2.5 million miles. While the Orange County Transit Plan has provided resources to make service improvements over the past eight years (around 13,000 new hours), the Transit funding partners have needed to focus their resources on capital. Over the past three (3) years the Transit funding partners have developed and adopted a Short-Range Transit Plan, guided by a Technical and Policy Committee and substantial community engagement efforts.

The detailed system analysis in the Short-Range Transit Plan (<https://www.townofchapelhill.org/home/showdocument?id=37924>) informed the development of the Preferred Alternative along with community/customer engagement efforts, customer/community surveys and advisory board input from Chapel Hill’s BIC steering committee and Transportation and Connectivity Board and Carrboro’s Transportation Advisory Board.

The Partners Committee was interested in implementing the Short-Range Plan in August 2019, however, agreed to an August 2020 implementation due to funding challenges from the State reducing their funding over the past several years to all urban systems in the State. The adopted Short-Range Plan helps meet the following goals:

- Budget neutral for funding partners
- Develop high frequency corridors
- Equity
- Provide Sunday service
- Increase ridership
- Sustainability

The Short-Range Transit Plan is budget neutral for the Transit funding partners and only assumes additional funding from the Orange County Transit Plan to assist with adding Sunday service. The Plan and staff have identified around \$13M in unmet needs (<https://www.townofchapelhill.org/home/showdocument?id=50131&t=637714724184884255>) that could be implemented over the next five (5) years, as funding is identified.

For this plan we have assumed the unmet needs along with the average cost growth rate (2.5% per year) for Transit as the funding gap.

Transit Signal Priority

Upgrade the existing signal system software to accommodate Transit Signal Priority (TSP) at 40 signalized intersections. Locations include traffic signals on Martin Luther King Jr Boulevard from Eubanks Road to Market Street near Southern Village, and US 15-501 from Manning Drive to I-40. Upgrade approval is required by NCDOT, and the process includes several steps, including: a detailed TSP Concept of Operations; a transit/signal operations study; and the Plans Specifications and Estimates (PS&E) documents. Following NCDOT approval, construction would include installation of software that can integrate into signal system software, GPS devices on buses, and upgrading field signal controllers with TSP software.

Outcomes

Capital: In order to maintain a productive fleet Chapel Hill Transit needs to replace approximately six (6) to seven (7) vehicles annually. Without these critical investments our fleet will age quickly, become unreliable and costs will increase – similar to what we saw happen in early to mid-2000's.

Operations: While the Short-Range Transit Plan could represent a significant step to improving the system for the communities we service; it is budget-neutral and we can't fund many of the needed service improvements it identified without additional funding.

Signal Priority: TSP is an operational strategy that facilitates the movement of transit vehicles through traffic-signal controlled intersections. Objectives of TSP include improved schedule adherence and improved transit travel time efficiency while minimizing impacts to normal traffic operations. TSP will also support the Bus Rapid Transit project.

Opportunities & Tradeoffs

Chapel Hill Transit will continue to seek grant funding for bus and other capital replacements, along with reviewing options for additional debt financing of buses.

Without additional funding for operations, service needs/expansion requests cannot be implemented.

Traffic signal priority is simply the idea of giving special treatment to transit vehicles at signalized intersections. Since transit vehicles can hold many people, giving priority to transit can potentially increase the person throughput of an intersection. If the Town wants to keep schedule adherence to Transit system, and improved travel time during peak hours.

Funding Gap

Table 5-9: Gaps with Recurring Funding Source

	FY23	FY24	FY25	FY26	FY27
Bus Replacement*	\$3,220,000	\$3,220,000	\$3,220,000	\$3,220,000	\$2,760,000
[Minus Existing Funding]	(920,000)	(920,000)	(920,000)	(920,000)	(920,000)
Funding Gap	\$2,300,000	\$2,300,000	\$2,300,000	\$2,300,000	\$1,840,000
Transit Operations*	\$28,440,000	\$29,681,000	\$30,998,000	\$31,933,000	\$32,910,000
[Minus Existing Funding]	(26,300,046)	(26,300,046)	(26,300,046)	(26,300,046)	(26,630,046)
Funding Gap	\$2,139,954	\$3,380,954	\$4,697,954	\$5,632,954	\$6,279,954
Total	\$4,439,954	\$5,680,954	\$6,997,954	\$7,932,954	\$8,119,954

*The Chapel Hill Transit Capital Plan will be updated in FY23 to reflect grants, vehicle purchases and Partner contributions. This update may lead to adjustments in Operations and Bus Replacement sections.

Table 5-10: Gaps with No Existing Funding

	FY23	FY24	FY25	FY26	FY27
Transit Operations	\$12,199,500	\$12,504,488	\$12,817,100	\$13,137,527	\$13,465,966
Transit Signal Priority	50,000	360,000	-	-	-
Total	\$12,249,500	\$12,864,488	\$12,817,100	\$13,137,527	\$13,465,966

Prioritization

The priorities include:

- Secure annual investments to maintain the fleet while identifying opportunities to purchase additional electric buses.
- Identify new funding opportunities for service improvements, including funding partner contributions.

Theme 6: Operational Sustainability

Theme Champions: Chris Blue and Ross Tompkins

“Operational Sustainability refers to the resources needed to carry out day-to-day operations - our core services - and doesn’t include capital projects, strategic initiatives, or human capital.”

Background

Our team examined the unfunded budget requests essential to core functions. We examined FY2020 program add and expansion requests that were not included in the recommended budget. It is clear that little of our annual budget spending is “discretionary” after we meet personnel and contractual obligations. This limit on funding means that changes to services are often ruled out due to the costs associated with equipment or software purchases, despite the potential for long-term efficiencies and savings. Requests in both FY21 and FY22 budgets included COVID 19-related adds, which could continue into future years. Department responses to COVID-19 have varied, with the need for PPE and other safety equipment high on the list of unanticipated expenditures.

The Town’s response to COVID-19 has provided some opportunities for innovation, including increased consideration of software tools that allow for contactless service delivery, and by reducing the amount of time that staff or community members need to spend in Town facilities.

The cost of contracted services can, in many cases, include labor. Rising wages will generally impact these costs. And our ability to provide these services will, as with our own human capital, depend on contractors’ ability to hire and retain staff.

Topic Areas

We placed each expansion or add request into one of three categories:

- I. Changes to Service Delivery
- II. Organizational Effectiveness

III. Maintain Service Levels

Connections to other Themes

Our analysis didn't include personnel-related spending and needs, capital projects, or human services projects. However, it was evident that all types of innovations, including those in other theme areas, have been stunted by consistently constrained budgets.

Funding Gap

Funding Category	FY23	FY24	FY25	FY26	FY27
Changes to Service Delivery	\$288,300	\$82,315	\$84,011	\$85,791	\$87,661
Organizational Effectiveness	750,000	525,700	593,286	664,249	738,762
Maintain Service Levels	189,800	389,090	598,344	818,062	1,048,764
Total	\$1,228,100	\$997,105	\$1,275,641	\$1,568,102	\$1,875,187

I. Changes to Service Delivery

Several years of tight budgets have meant few funding expansions to support changes or enhancements to service delivery. Budget targets haven't kept up with inflation and rarely cover routine contract increases, subscription costs, or licensing and maintenance agreements. Our budget "keeps the lights on."

Outcomes

Departments have had to reduce basic and essential line items to meet budget targets. Examples often include reduced training, maintenance/repair, or supplies. This means Town departments have deferred maintenance and have not considered changes to service delivery that may have led to long-term savings to maintain operations. This limits innovation and forward-thinking programs that could enhance our service delivery or create operational efficiencies.

Opportunities & Tradeoffs

We identified opportunities to improve service delivery in key areas. Some are new programming while others update an existing service. The obstacle to implementation is generally up-front cost for the change or new service.

Funding Gap

Table 6-1: Service Delivery Changes with Recurring Funding Source

	FY23	FY24	FY25	FY26	FY27
Require Use of Town Issued Roll Carts for Yard Waste Collection	\$763,000	\$55,000	\$55,000	\$55,000	\$55,000
Roll Cart Sales, Vehicle Savings	(778,000)	(70,000)	(70,000)	(70,000)	(70,000)
Funding Gap	\$(15,000)	\$(15,000)	\$(15,000)	\$(15,000)	\$(15,000)
Paddling Program Equipment	\$7,600	-	-	-	-
Annual Equipment Rentals	(1,600)	(1,600)	(1,600)	(1,600)	(1,600)
Funding Gap	\$6,000	\$(1,600)	\$(1,600)	\$(1,600)	\$(1,600)
Total	\$(9,000)	\$(16,600)	\$(16,600)	\$(16,600)	\$(16,600)

Table 6-2: Service Delivery Changes with No Existing Funding

	FY23	FY24	FY25	FY26	FY27
Require Use of Town Issued Roll Carts for Household Solid Waste	\$215,000	\$15,000	\$15,000	\$15,000	\$15,000
Arboriculture Program	50,000	50,000	50,000	50,000	50,000
Expanded Right-of-Way Maintenance	27,000	28,350	29,768	31,256	32,819
University Place Library Lockers	5,300	5,565	5,843	6,135	6,442
Total	\$297,300	\$98,915	\$100,611	\$102,391	\$104,261

Prioritization

Ideally, annual budget targets would keep pace with increases in operational costs and allow innovation.

II. Organizational Effectiveness

Employees require tools and resources to do their job. This includes workspace needs such as computers, software and other equipment. It also includes planning, performance measurement, and benchmarking tools.

Outcomes

Since the Town's revenue growth has not kept pace with the rising cost of expenditures, departments' operating budgets often absorb operating cost increases. For example, the cost of annual software support contracts typically increases about five percent each year, but departments' budgets do not increase to account for this. For example, several of the FY22 budget add requests were simply to cover the increasing licensing and subscription costs of existing platforms. Departments are spending less in other areas to make up the difference. It also means the Town has postponed investment in new tools.

Opportunities & Tradeoffs

We have many opportunities to improve service with software and digital tools. In some cases, this means paying for additional modules of existing software systems the Town already uses. In others, it means replacing software with an entirely new solution. New software is expensive to purchase and requires significant staff time to migrate and learn to use. The ultimate benefits include better and faster customer service, and staff time freed up for other assignments.

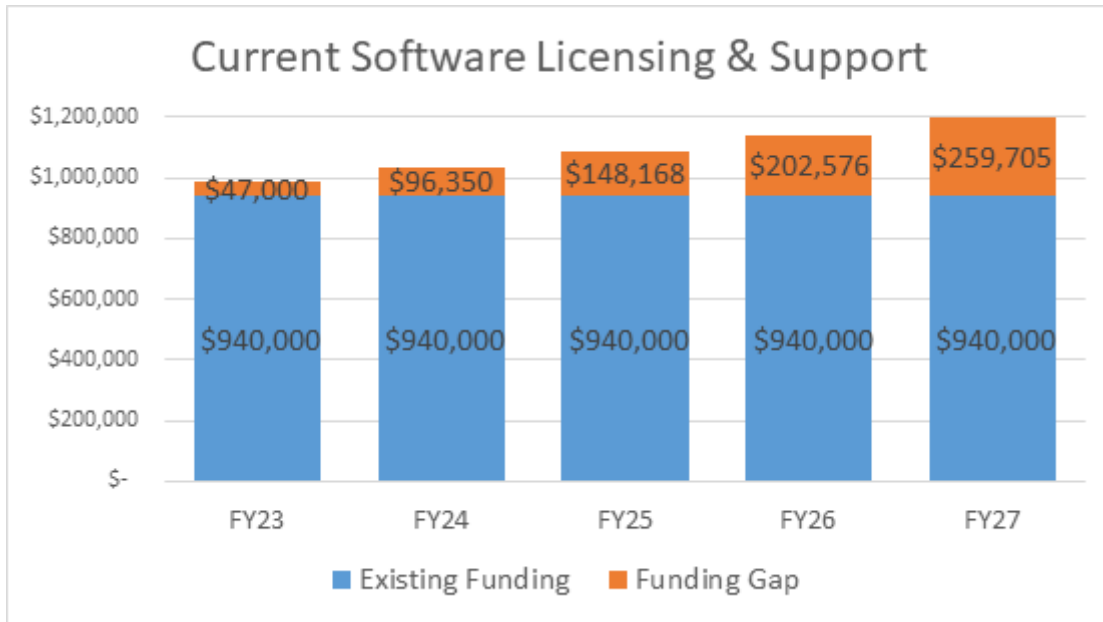
We could also invest in planning and performance management tools to guide service delivery, resource management and grow functions like Risk Management and Emergency Management.

Funding Gap

The Town currently spends about \$940,000 of the General Fund budget on software systems across the organization. These costs will generally increase over time. The table below assumes a five percent annual increase. The cost of the new software may be partially offset by the annual cost of the outdated software.

Table 6-3: Gaps with Recurring Funding Source	FY23	FY24	FY25	FY26	FY27
Current Software Licensing and Support	\$987,000	\$1,036,350	\$1,088,168	\$1,142,576	\$1,199,705
[Minus Existing Funding]	(940,000)	(940,000)	(940,000)	(940,000)	(940,000)
Total	\$47,000	\$96,350	\$148,168	\$202,576	\$259,705

Table 6-4: Gaps with No Existing Funding	FY23	FY24	FY25	FY26	FY27
New Software Licensing and Support	\$352,000	\$315,350	\$331,118	\$347,673	\$365,057
Master Planning, Benchmarking & Performance Management	300,000	100,000	100,000	100,000	100,000
Workspace, Equipment & Supplies	51,000	14,000	14,000	14,000	14,000
Total	\$703,000	\$429,350	\$445,118	\$461,673	\$479,057



Prioritization

1. We must fund existing software maintenance so they are up to date and supported by the vendor without having to use existing departmental budgets to do so.
2. Master Plans (Parks and Recreation, Strategic Plans, Efficiency Studies, etc.) are one-time costs that guide good decision-making. Establishing an annual fund for these efforts means they could be conducted when needed.
3. Our Risk Management and Emergency Management functions have expanded, making employees' jobs and Town facilities safer. They also minimize community risk and improve coordinated responses to large events. The annual need for organizational training, mitigation and response efforts is about \$100,000.

III. Maintain Service Levels

The Town's operating budget has generally not increased to keep pace with inflation, market changes, community growth, or new Town facilities and infrastructure. We need regular funding increases to sustain service levels and meet community standards for our core services.

Outcomes

The Town has reduced regular and preventive maintenance, equipment replacements, and other annual operational spending to maintain core services with the least impact to residents. Without additional funding, some service levels will eventually need to be reduced.

Opportunities & Tradeoffs

The Town could consider reducing core business services. We have periodically explored alternative service delivery options and contract for some services instead of performing them ourselves. Contracting typically reduces costs by reducing personnel expenses and liabilities.

The Human Capital theme covers personnel costs and adding funding for existing and new personnel, which is critical because they deliver our core services. However, future budgets must commit to equipping employees with adequate supplies, material, equipment and software to support their efforts.

The Capital theme addresses another significant need: the backlog of infrastructure maintenance and repair.

Funding Gap

Funding is needed for required annual fees, contracted services for core programs, and equipment replacements.

The Town currently allocates about \$3.8 million (5.35%) of the General Fund budget to contracted services, fees, and equipment replacements. We know the cost of these services/fees will increase over time. The table below assumes a five percent increase annually:

Table 6-5: Gaps with Recurring Funding Source	FY23	FY24	FY25	FY26	FY27
Current Fees Annual Need	\$1,186,500	\$1,245,825	\$1,308,116	\$1,373,522	\$1,442,198
[Minus Existing Funding]	(1,130,000)	(1,130,000)	(1,130,000)	(1,130,000)	(1,130,000)
Funding Gap for Fee Increases	\$56,500	\$115,825	\$178,116	\$243,522	\$312,198
Current Contractual Services Annual Need	\$2,301,600	\$2,416,680	\$2,537,514	\$2,664,390	\$2,797,609
[Minus Existing Funding]	(2,192,000)	(2,192,000)	(2,192,000)	(2,192,000)	(2,192,000)
Funding Gap for Contractual Services	\$109,600	\$224,680	\$345,514	\$472,390	\$605,609
Equipment Replacements	\$497,700	\$522,585	\$548,714	\$576,150	\$604,957
[Minus Existing Funding]	(474,000)	(474,000)	(474,000)	(474,000)	(474,000)
Funding Gap for Equipment Replacements	\$23,700	\$48,585	\$74,714	\$102,150	\$130,957
Total	\$189,800	\$389,090	\$598,344	\$818,062	\$1,048,764

Below are examples of these needs for each category listed in the table:

Fee Increases

- Tipping fees for residential waste disposal
- Landfill fees for yard waste disposal
- Stormwater bill for Town properties and facilities
- Telephones and cell phone bills and maintenance

Contracted Services Increases

- Maintenance & inspections for buildings, infrastructure, grounds, etc.
- Custodial cleaning services for Town facilities
- Security services for Town facilities
- Uniform rental services for Town crews
- Equipment & operators for core services (Town events & snow/ice removal)
- Personnel agency services to support operations such as leaf collection

Equipment Replacement Increases

- Small equipment for operations, such as snow removal, leaf collection, etc.
- Fire Personal Protective Equipment (PPE) and small equipment for rescue services
- Police replacement Tasers and Body-Worn Cameras

Prioritization

The top priority is funding annual cost increases to sustain basic services.



Theme 7: Economic & Financial Sustainability

Theme Champions: Mary Jane Nirdlinger and Dwight Bassett

“The Economic & Financial Sustainability Theme reviewed general trends in revenues and opportunities to increase the Town’s financial sustainability.”

Background

The Town’s primary revenue sources – property tax and sales tax – have the largest impact on revenues. While we could adjust some of our fees and service charges to recover costs, fees alone will not fill the gap in revenues.

Areas of interest are new fee collection costs for credit cards and other technology, and services that benefit specific individuals, as opposed to the community at large, for which we do not currently collect fees.

Key topics

- I. Property Tax
- II. Sales Tax
- III. Economic Development Incentives
- IV. Permit and Use Fees

Connections to other Themes

Connecting service fees to the staff and equipment delivery the service supports our employees – human capital theme.

I. Property Tax

Property tax is the Town’s main source of revenue. Property taxes make up 40.5% of the Town’s FY22 budget revenues. This percentage is relatively low compared to other NC AAA rated municipalities and neighboring municipalities, which means the Town relies less on property taxes and more on other sources of revenues.

Our real property tax supports the General Fund, the Debt Service Fund, and the Transit Fund. The tax base for FY22 is estimated to be \$9,443,201,995 (1 cent on the tax rate is about \$940,000). We anticipate about \$48.3 million in combined property tax for FY22, of which \$34.98 million would support the General Fund.

The Town’s growth in assessed values is average compared to other municipalities in North Carolina. Our property tax rates lag behind our comparison communities.

Tax Rate History

	FY11*	FY12	FY13	FY14	FY15	FY16	FY17	FY18*	FY19	FY20	FY21	FY22*
General Fund	36.0	36.0	37.8	38.8	38.8	38.8	38.8	37.6	38.6	38.6	38.6	37.2
Debt Fund	9.3	9.3	7.5	7.5	8.5	8.5	8.5	8.2	8.2	9.8	9.8	8.8
Transit Fund	4.1	4.1	4.1	5.1	5.1	5.1	5.1	5.0	6.0	6.0	6.0	5.4
Total	49.4	49.4	49.4	49.4	51.4	52.4	52.4	50.8	52.8	54.4	54.4	51.4

*- Revaluation Year

Tax growth happens when the assessed value of properties in the Town rise and/or when the Town’s tax rate increases. The revaluation in FY22 was an opportunity to capture some of the “natural” increase in property tax value. The Council adopted a tax rate of 51.4, between the previous rate of 54.4 and a revenue neutral rate (meaning property tax revenue would have remained constant – net of higher property values at lower tax rate) of 49.4. This new rate was a positive move for the Town’s budget, generating a net increase of 2-cents. However, based on the identified needs of the organization, additional increases will be needed to help support Town services.

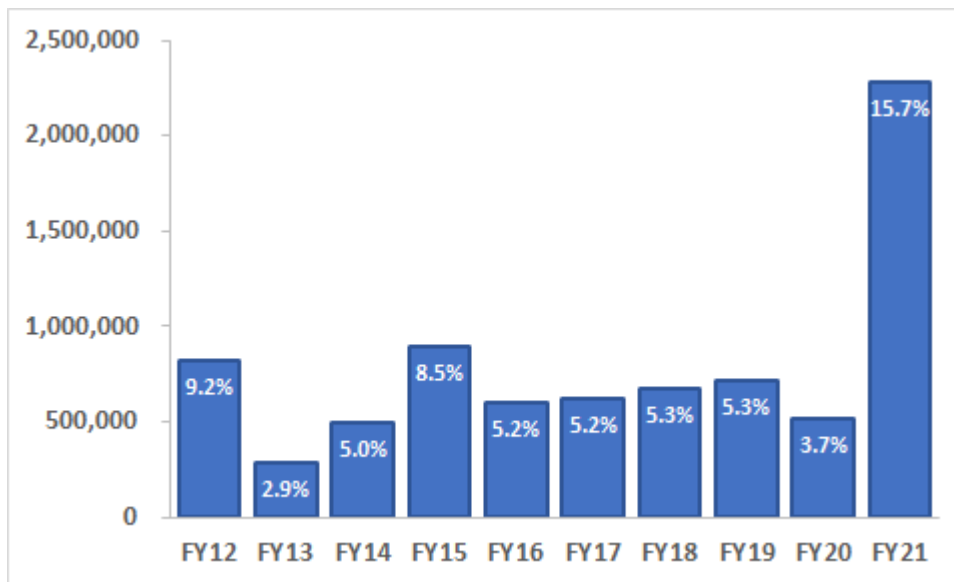
Adjustments to the tax rate over time have meant that the Town has experienced less growth which requires the Town to rely more heavily on other revenue sources, such as sales tax.

II. Sales Tax

Sales tax is the Town’s second largest source of revenue. Sales tax receipts are one of the best indicators we have of local economic conditions.

Over the four years prior to the COVID-19 pandemic, sales tax had grown consistently about 5.2% per year. However, due to the expectation that the pandemic would negatively affect sales tax revenues, the Town budgeted a 5% decrease in sales tax growth for FY21. Fortunately, due to federal stimulus to individuals, money remained in the local economy and FY21 sales tax revenues saw an unprecedented 15.7% increase over FY20. The ongoing effects of the pandemic continue to make projecting sales tax revenues difficult, but the Town projects a 3% increase to sales tax revenues for FY22. We estimate combined sales taxes of about \$16.5 million for FY22.

Sales Tax History



It is important to note that Orange County could change the allocation method for sales taxes from per capita (distributed by population) to ad valorem (distributed proportional to property value), which would result in a significant reduction in sales tax receipts for the Town.

III. Economic Development Incentives

The Town has focused economic development efforts on the commercial tax base. The Town Council approved four economic development incentives, described below. Payments for these incentives begin in FY20 and end in FY28, peaking in FY22, FY23, and FY24. All incentives are performance-based with individual terms for each project. If a project does not achieve its milestones, it won't receive an incentive payment.

Committed Funds

Table 7-1: Committed Economic Development Incentive Funds	FY21	FY22	FY23	FY24	FY25
Carraway Village Incentive	\$154,892	\$132,694	\$206,523	\$206,523	-
Wegmans	400,000	400,000	400,000	400,000	400,000
Glen Lennox	-	179,707*	446,160	446,160	446,160
Well	-	64,286	64,286	64,286	64,286
Total	\$554,892	\$776,687	\$1,116,969	\$1,116,969	\$910,446

*This will be reduced.

Carraway Village

Council approved an incentive package of up to \$1.3 million in 2016 for the mixed-use development on Eubanks Road. The incentive covers a portion of required roadway improvements and transferring a parcel of land for a Town-developed affordable housing project if the project does not provide its own affordable housing within 10 years. The property was annexed into Chapel Hill

corporate limits in 2017 and will eventually add up to \$157 million in assessed value as outlined in the Special Use Permit approval.

Wegman's

The Town Council and Orange County jointly approved an incentive package in 2016 for a Chapel Hill-based Wegman's. The Town's portion of the incentive is capped at \$2 million over the eligible five-year period. Wegman's projects a net increase of at least \$3,800,000 in real property and at least \$8,000,000 in personal property over 6 years. The Town's portion of sales tax revenue should be approximately \$400,000 annually, with over 250 jobs. Added benefits include the remediation of a Brownfield site (former automotive use), providing a destination retail location, and improving a gateway.

Glen Lennox

After more than a decade of stagnant office market growth, the Town Council authorized an incentive package for Grubb Properties, developers of Glen Lennox, for up to \$2.2 million. The Project will build 488,000 gross square feet of office space, which is projected to create up to 1,952 jobs and add approximately \$420,000,000 to the tax base. In 2018, high construction costs and weak market support for office space impacted the Developer-Owners' ability to secure the pre-leases required to finance the proposed office buildings. The overall redevelopment could exceed \$1 billion in investment and \$1 million annually in new property tax revenue to the Town.

Well

In 2019, the Town Council, the State, and County committed to a jobs-based incentive package for up to \$450,000 plus parking spaces downtown worth an additional \$450,000. Well is expected to create 400 jobs in downtown Chapel Hill, adding vibrancy to Franklin Street and supporting our local businesses. The operations center would have located in Boston, MA without the combined incentive package.

Based on Well's projected investment in existing and new space, new revenues should more than cover the incentive payments over the 8-year period. They have invested around \$1 million in the former Carolina Ale space and expected to spend an additional \$2.5 million on rehabilitation.

Blue Hill District Stormwater Fee

The Town Council could levy a Municipal Service District fee for stormwater projects in the Blue Hill District.

IV. Permits and Fees

a. General Philosophy

The Town typically charges for services when they benefit an individual instead of the Town's residents at large. For instance, there is no separate fee for solid waste collection, but there is a fee

for the collection of large, bulky objects at a homeowner's request. Parks and recreation teams and events have fees, as do building and development activities.

In general, fees do not typically cover the full cost of most services. Fees are sometimes waived to meet larger community goals, such as supporting affordable housing and ensuring equal access to summer camp services for lower-income families.

Recently, changing technology has impacted our revenues. As credit cards have become more widely used the Town pays larger credit-card processing fees, which are not passed on to the users. Some of our software programs have per-transaction charges that we absorb in other depts, decreasing fee revenue. We have begun charging a convenience fee is an opportunity to recoup that cost or allow customers to choose another form of payment. Some communities charge a software or technology surcharge on certain permits to cover these types of costs.

b. Department Revenues (Fees and Permits)

Parks and Recreation

Parks and Recreation revenues increased steadily from \$1,067,691 in FY16 to \$1,431,337 in FY19, pre-COVID. The overall cost recovery rate for the same period ranged between 15-21%. In FY20 and FY21, the department's revenues fell significantly due to closures, cancellations, and altered operational status of facilities.

Outcomes

Given continued uncertainty related to program demand and capacity restrictions, it is difficult to predict with certainty what the department's revenues will look like in FY22 and FY23. Once the COVID pandemic subsides, we anticipate revenue growth through increased programming, fees, and new field rental income after the Homestead Soccer Turf pre-payments end.

Opportunity

Review Cost Recovery Target

The national average cost recovery for Parks and Recreation Departments is 29% compared to Chapel Hill's 15-21%. Setting a higher target for cost recovery could generate up to \$560,000 annually. Field rental fees are projected to increase (see next item) and that increase is included in this estimate. A higher cost-recovery target would generally mean higher fees for most programs and services. We would base a new cost-recovery target on the finding of a comprehensive plan, which would include an inventory and needs assessment, and examine equitable models for cost recovery. With the execution of a new comprehensive plan in FY22 and FY23, this could result in a roadmap to increasing revenue as soon as FY24. The chart below is only an estimate; actual revenues would be influenced by the recommendations of a comprehensive plan as well as post-COVID trends in the community.

Parks and Recreation Revenue Projections

Table 7-2: Revenue Projections

FY22

FY23

FY24

FY25

FY26

P&R Revenues	\$1,000,000	\$1,400,000	\$1,400,000	\$1,450,000	\$1,500,000
Change Fees & Charges Philosophy – increased cost recovery model	-	-	\$70,000	\$145,000	\$150,000
Total	\$1,000,000	\$1,400,000	\$1,470,000	\$1,595,000	\$1,650,000

Fee Waivers

Parks and Recreation waives fees for “residents” who may not be able to afford program registration fees. Participants may qualify for fee reductions of 25%, 50% or 90%, depending on their household income. “Residents” for Parks and Recreation registration include anyone who lives or owns property in Orange County.

In FY18, Parks and Recreation granted more than \$185,000 in fee reductions and more than \$205,000 in FY19. Most fee waivers are for summer camps. Our 2016 analysis shows that between 2012-2016 fee reductions recipients were from the following zip codes:

Fee Reduction Recipients	Percentage of Fee Reduction
27510 (Carrboro)	23%
27514 (Chapel Hill)	29%
27516 (some Chapel Hill/mostly Orange County)	32%
27517 (mostly Orange County)	13%
Other (Orange County)	3%

Fee Trends

As registration fees increase, the amount of fee reductions issued will also increase. Since most fee reductions are for summer camps, as we continue to increase the number of summer camp opportunities, the fee reduction amount will increase correspondingly. See the Human Services Theme.

Opportunities

Staff researched neighboring communities’ scholarship and fee reduction programs and found several options for how Chapel Hill could change our program.

Several neighboring communities limit the number of programs and/or the dollar amount a person or family qualifies for. One benefit is more families would be able to participate in summer camps. A potential drawback is some families may not find similarly affordable childcare options for the rest of the summer if limits prevent them from registering for the full summer. This approach may also pose challenges from an equity perspective.

Staff is working with families and school social workers to reduce the number of families who register with a reduced fee but fail to show up. Reducing no-shows would reduce our camp waitlists and maximize the use of our resources.

Other neighboring communities raise funds to pay for the scholarships and fee reductions, offsetting revenue loss. It is important to note those that had this program had fewer requests for fee reductions/scholarships than Chapel Hill and they don't award more scholarships/reductions than the funds they raise.

Finally, the Town could consider a change in how we define "resident" for the purpose of fee reductions. Today, anyone who lives in Orange County currently qualifies to apply. It would be important to have a discussion with Orange County prior to making changes. The County does pay the Town \$83,760 per year for recreation services, enabling people who live outside Chapel Hill, but in Orange County, to register during the resident period and at the resident rate, which is typically 20% lower than the non-resident rate. The Orange County payment has been the same for a very long time (date unknown). To consider the appropriateness of the amount of this payment, we could compare the County's payment to the annual amount of "resident" registration fees paid by households outside the Chapel Hill town limits and within Orange County.

Prioritization

1. Evaluate fee recovery target and cost recovery options (comprehensive master plan)
2. Evaluate fee waiver structure, fundraising, and "resident" requirements
3. Parking Services

Parking Services

Parking Service is now a part of Economic Development and work has begun to manage parking more strategically. In the last year, we have removed the parking fee structure from the budget and given the Manager authorization to manage the fees to begin to move toward market-based pricing post-COVID. We moved our monthly leased parking to 12-hour increments as a beginning step to move toward shared parking and to create a fee for parking overnight in leased spaces. We took action to level all off-street and deck parking fees. We are considering a Parking Payment in-lieu to help reduce private parking and to create a capital reserve to fund maintenance.

Opportunities

Evaluate whether pass through fees can be eliminated.

- ParkMobile app users pay a .35 cent transaction fee that the Town collects and passes on to ParkMobile. In FY18 the total was \$39,105. Most municipalities have ParkMobile collect the fees directly, which saves staff time and resources. Parking will work with the vendor to consider their collection of the fees directly.

- Begin charging a usage fee for current and future EV stations. This EV usage fee will be in addition to the per-hour parking fee people pay to park in a space. This fee will help to offset the costs associated with EV equipment and maintenance.

Consider demand pricing (performance pricing) for parking rates.

- As the town rebounds after the COVID-19 pandemic and occupancy starts to trend back to pre-pandemic occupancy. Once occupancy reaches 80% or greater, with Town Manager approval, we could increase rate according to the market, which is more efficient. We might begin a pilot from on-street parking on East Franklin once we see traffic returning to downtown.
- This could also impact curb usage which is anything beyond the individual customer parking for hourly usage (commercial deliveries, food pick up, package delivery, ride sharing.) Currently these users don't pay. The Loading Zone Working Group is exploring possible fees.

Planning Services

Revenues

Planning Department revenues are unpredictable. Planning revenues for direct services (licenses, permits, fines and other services) was between average revenue from FY18 through FY21 was \$683,518, with the lowest year being \$488,628 (FY18) and highest year of \$907,689 (FY19).

Table 7-3: Planning Revenues, FY18-21

	FY18	FY19	FY20	FY21
Charges for Services	\$322,497	\$792,990	\$422,619	\$481,596
Licenses/Permits/Fines	159,513	107,225	169,276	244,832
Other Revenues	6,618	7,474	10,841	8,591
Total	\$488,628	\$907,689	\$602,736	\$735,019

The maximum application fee for any Zoning Map Amendment, Subdivision, or Zoning Compliance Permit application in the current fee schedule is \$80,000.

Affordable housing is a high priority for our community. The fee waiver for affordable housing projects is one way the Town Council encourages affordable housing. In the past 3 years, affordable housing waivers were nearly \$160,000 plus some partial waivers for the affordable portion of a larger project (i.e. designated affordable units of an apartment building). Waivers could be looked at in the context of a complete cost-recovery analysis.

Cost-Recovery Analysis

A cost-benefit analysis would clarify the relationship between the resources needed to review projects and fees. Staff review time cannot be calculated on a blanket "project type" basis, as the review time or completion time of similar project types may differ by months or even years. We do know that today's fees are not covering the full cost of services provided by the Department. A cost-

recovery study should consider all project types, scale, time, rounds of review, number of public meetings, and the complexity of our development review process. We could also consider whether to charge fees up front, at different stages of review, or a hybrid.

Opportunities

- Undertake a full cost-recovery analysis.
- Review fees and services based on cost-recovery analysis.
- Consider reflecting the variety of schedules and projects in a new fee structure
- Charge for extra rounds of review (ex. Post 3rd round of review gets charge x amount of fee)
- Phased fees
- Review waivers
- Reconsider the \$80,000 cap

Fire Services

In January of 2019, the 2018 edition of the NC Fire Prevention code went into effect with 18 new permits. Fees for these permits would generate a moderate increase in revenue. More importantly, adding tiered re-inspection fees encourages business owners to come into code compliance, increasing community safety. The department is considering a additional fees for cost recovery for hazardous materials response and third- party special events that require fire department staffing and or equipment, and an additional administrative fee for all permits and fees.

Our current re-inspection fees work against community safety because it can be more economical for the owners to pay re-inspection fees instead of correcting the fire code violations cited in the inspection. Our goal would be to encourage compliance with first inspections by making re-inspection less desirable.

Reinspection Fee Projected Revenues

Funding Category	FY23	FY24	FY25	FY26	FY27
New Permits	\$6,700	\$6,700	\$6,700	\$6,700	\$6,700
Re-inspection Fee	14,100	14,100	14,100	14,100	14,100
Total	\$20,800	\$20,800	\$20,800	\$20,800	\$20,800

New Permit Fees

Without permit fees, the NCFPC is an unfunded mandate. While fees are not directly incorporated into the Fire Department budget, they do serve as an additional revenue source in support of the Town, off-setting staff, and other costs of the fire inspections program. We project new fees could general about \$6,700 in annual revenue. We would not recommend a fee for photovoltaic equipment installation to support the Council’s climate change initiatives.

Tiered Re-inspection Fees

The Town provides approximately 2,000 state-mandated commercial maintenance inspections for all commercial property, and about 8% of those require more than two inspections. Currently, we have a flat rate of \$100 for re-inspections. Escalating fees can motivate business owners to become code compliant, improving community safety. We recommend double the fee for the second re-inspection and double again on the third re-inspection and remaining at that level until compliance is achieved. This approach could also apply to repeat building inspections.

Revenue Opportunity

The increases could possibly generate an additional \$14,000 annually, based on historic re-inspection data.

Hazmat response and Special events

The Town provides both response and stand by for hazardous materials response and special events. Currently we have limited data for these two categories. We would use the FEMA schedule for apparatus and equipment rates, and staff would be the mid-rate for each position utilized.

Administrative Fee

We recommend a 5% administrative fee in addition to the cost of the permits and fees. This fee would be used to offset technology and fleet expenses.

Building and Development Services

While the fee schedule captures many of the building services offered by the Town, several services are essentially free for the users. Compared to other municipalities, Chapel Hill's Building & Development Services Department has a somewhat unbalanced schedule for residential construction. This is important because a house or small addition is being charged the same rate as a new, larger-scale building. Some of these fee concerns have been adjusted over recent years. Other communities charge fees based on square footage, the building trade, and specific information such as equipment type.

Due to the many house bills at the State level introduced and under consideration, Building & Development Services Department operations will likely be negatively impacted. One such bill focuses on the timeframe that staff must review large commercial construction plans and includes a steep penalty, waiving all permit fees if the restricted deadline is not met. An anticipated impact is an expedited review which means code violations will be missed and will have to be caught in the field by the inspectors, resulting in increased construction costs to undo costly mistakes. Another expected impact is that we will inevitably end up "waiving" many hundreds of thousands of dollars in permit fees for not meeting deadlines because of limited staffing or project complexity.

Code Enforcement & Inspections

Code Enforcement services are also under-charged or essentially free which decreases our ability to effectively enforce our regulations. For example, when it is time to remove or demolish an unsafe structure Community Development Block Grant (CDBG) funds may be used in certain areas, but other parts of town do not have dedicated funding. Not having a dedicated fee schedule and budget for Code Enforcement operations does limit the effect that we can have on violations in the community.

Penalty fees are dedicated to the school system, not the Town. While the local ordinance allows for abatement, that requires retaining a contractor to provide the services, the Town to pay the contractor and back charge the property owner via a lien. This complexity means abatement takes a long time and is a missed opportunity.

Code Enforcement Opportunity

- Consider implementing a Code Enforcement fee schedule modeled after Durham's Neighborhood Services Department.

Inspections

In FY21, we worked to get an online permitting database in place for FY22. This included the ability to accept credit card payments online through a third party as part of a pilot program. The fees associated with the credit card transactions in previous fiscal years were being paid from the the General Fund department budget. The launch of this software enabled the Town to try passing on the cost of using credit cards to the consumers. The credit card fees paid by the Town for permit transactions in FY21 from July-Sept was in excess of \$9,620. The fees paid directly by the consumer for permit transactions during the same timeframe in FY22 total highlight a savings to the Town of almost \$7,900.

Credit Card Cost Opportunity

- Consider expanding the pilot program from Building and Development Services to the rest of the Town to save the Town from having to cover the costs associated with credit card transactions, and /or
- Consider adding a 4% tech fee to charges to cover the costs, upgrades and maintenance, online payments as well as access and use of the system that the departments currently find money to absorb annually.

Fee Waivers

To support the Town's commitment to affordable housing, all development fees were waived for affordable housing projects and non-profit organizations across the board. This means about \$240,000 in Building Permit Fee waivers. As a primarily self-funded department, a large project such as the DHIC residential building puts a heavy demand on staff time and resources, from the number of permits to manage to the inspections, most times premature and incomplete, to the generation of, and tracking the closing out of the projects.

Reducing unnecessary inspections (premature) means more resources can be focused on projects that are legitimately ready for inspection. The “cost” of waived and premature inspections is passed on to other projects financially and through delays.

Opportunity

- Consider allowing graduated fees for re-inspections to discourage repeated calls for premature inspections.
- Consider a Policy on Rebates, Refunds and Waivers, perhaps used Town-wide for equitable administration of fees and waivers. The City of Asheville provides an example we can use.

Examples:

- An affordable housing rebate for a percentage (50-60%) of the permit fees after all fees are paid in full and the CO has been issued (excluding re-inspection and additional services fees).
- Incentive rebate from the General Fund for environmental responsible building products such as solar panels, geothermal, grey water systems, and green roofs.
- A rebate for Green built, Healthy Home or Energy Star buildings.
- Specify authority and amounts for waivers and refunds during a natural disaster.



Conclusion

The five-year budget strategy captures information to support the Town and the Council's decision-making. The details will change, but this document can be a source of information and ideas as we invest in the community.

This document was assembled by many employees and represents our best information at the time it was collected. Each Theme Area had two leaders, but department staff from throughout the organization contributed time, data, and expertise to the effort. Flexibility will be key to using this document since data and conditions will continue to change.