

Memorandum



To: Honorable Mayor and Board of Aldermen

CC: Arche McAdoo, Finance Director

From: David Andrews, Town Manager

Date: May 7, 2019

Re: Budget Follow-Up Memorandum

Several questions, comments, and requests for additional information were made by Board members during the preliminary budget review meetings that were held from April 9-29. This memo provides brief responses and background information regarding these various issues and concerns.

1. Energy Efficiency Revolving Loan Fund (EERL)

The Energy Efficiency Revolving Loan Fund was initially started with a \$55,000 sub-grant from DOE via the Southeast Energy Efficiency Association. The Town transferred \$45,000 from the Revolving Loan Fund to make a total EERLF pool of \$100,000. Because both sources of funding are from federal funds, any re-allocation of the EERLF funds would need to meet federal use requirements.

2. Renovation of Town Facilities

A conditions assessment will lead to the development of a master plan that will take a broad view of Town needs. It will determine costs and prioritize buildings and projects. Staff will bring a scope of work to the Board of Aldermen in order to ensure that the plans address any concerns they may have, including energy efficiency. In the meantime, building systems are continually being upgraded to reduce energy consumption and increase energy efficiency in the most cost effective manner. For example, lighting is being changed out to LED, smart water fountains are reducing energy consumption by shutting off on a programmed schedule, and the bottle filler feature provides clean water and reduces the need for single use plastic bottles. Also, as Public Works progresses through building renovations, they are mindful of energy efficient windows and doors, insulation, roofing materials, etc. In addition, they intend to select building products where manufacturing is environmentally friendly. They are mindful of LEED best practices and desire to implement wherever practical and affordable.

3. Historical Health Insurance Expenses

The following table shows the Town's health insurance expenses for the past 10 years. The increase from FY17-18 Actuals to FY18-19 Budget is due to an increase in premiums and a conservative approach to budgeting that assumes all positions will be filled 100% of the time.

Fiscal Year	Employee Health Insurance	Retiree Health Insurance	Total Health Insurance Cost	Change	Change (%)
2008-09	\$1,023,059	\$94,116	\$1,117,175	-	-
2009-10	\$1,037,028	\$95,865	\$1,132,893	\$15,718	1.41%
2010-11	\$1,181,797	\$127,563	\$1,309,360	\$176,467	15.58%
2011-12	\$1,275,626	\$156,563	\$1,432,189	\$122,829	9.38%
2012-13	\$1,232,449	\$155,299	\$1,387,748	-\$44,441	-3.10%
2013-14	\$1,289,053	\$204,961	\$1,494,014	\$106,266	7.66%
2014-15	\$1,438,786	\$204,224	\$1,643,011	\$148,997	9.97%
2015-16	\$1,535,983	\$235,606	\$1,771,589	\$128,578	7.83%
2016-17	\$1,537,204	\$228,434	\$1,765,638	-\$5,951	-0.34%
2017-18	\$1,612,788	\$255,330	\$1,868,118	\$102,480	5.80%
2018-19 (Budget)	\$2,112,792	\$276,000	\$2,388,792	\$520,674	27.87%
2019-20 (Budget)	\$2,462,048	\$315,000	\$2,777,048	\$388,256	16.25%

4. Expenditure Classifications

Assuming that the Town does not lower its service levels, the primary area for discretionary spending is capital outlay.

Expenses	FY 19-20 Budget	% of Total
Personnel	\$14,439,374	60%
Operations	\$7,990,915	33%
Capital	\$202,000	1%
Debt Service	\$1,245,244	5%
Total Expenditures	\$23,877,533	100%
<i>Transfers Out</i>	<i>\$402,000</i>	-
Total	\$24,279,533	-

5. History of Asset Forfeitures

The following table shows asset forfeitures received by the Town since 2012 (the Town's financial database history does not go back any further) from both State and Federal sources.

Forfeitures	2012	2013	2014	2015	2016	2017	2018	2019	Total
State Seizures Revenues	\$11,476	\$2,546	\$3,221	\$2,146	\$2,494	\$10,589	\$13,175	\$3,767	\$49,414
Federal Seizure Revenues	\$0	\$3,057	\$153,712	\$0	\$0	\$0	\$0	\$0	\$156,769
Total	\$11,476	\$5,603	\$156,933	\$2,146	\$2,494	\$10,589	\$13,175	\$3,767	\$206,183

7. 300 East Main Street Parking Agreement

The East Main Square (previously known as 300 East Main) agreement was extended for a 3 year period beginning August 19, 2018. It will expire on August 19, 2021. The Town can opt out with six months advance notice.

8. Block Grant – Business Revolving Loan Fund

In 1986, the (then) North Carolina Department of Natural Resources and Community Development (NRCD) determined that Community Development Block Grant (CDBG) income may be used to establish a revolving loan fund to provide communities with a source of financing to undertake economic development activities. The Town of Carrboro’s Revolving Loan Fund was established under this determination. Changing the requirements of the program would require a program amendment from the (now) NC Department of Commerce. Under the current NCGS 160A-456, the town would not be eligible for this program due to the fact it is not located in a distressed county.

9. Kalisher Agreement Expiration

The Town is in year 5 of a 20 year economic development agreement. This agreement was established for the purpose of aiding and encouraging economic activity to help increase business prospects for the benefit of the Town and its residents.

10. Proposed Telephone System Replacement

The current phone system that serves all Town facilities is nineteen years old. Replacement parts are becoming difficult to find and the manufacturer no longer supports the system. The current phone system also uses older more costly and less efficient communications standards and reliability is becoming a concern. There is no upgrade path available to the Town and a complete replacement of the current phone system is required. The proposed new phone system is IP based, may be integrated with and leverage the Town’s current data network and will make use of the Town’s existing fiber optic network connecting all Town facilities. Functionality and reliability will be greatly improved with the proposed updated phone system.

11. Historical Retirement Expenses

The following table shows the Town’s retirement expenses for the past 10 years.

Fiscal Year	Retirement	Change	Change (%)
2008-09	\$351,198	-	-
2009-10	\$356,544	\$5,347	1.52%
2010-11	\$476,399	\$119,855	33.62%
2011-12	\$514,579	\$38,180	8.01%
2012-13	\$504,702	-\$9,877	-1.92%
2013-14	\$538,006	\$33,304	6.60%
2014-15	\$556,978	\$18,972	3.53%
2015-16	\$535,174	-\$21,804	-3.91%
2016-17	\$594,180	\$59,006	11.03%
2017-18	\$612,384	\$18,204	3.06%
2018-19 (Budget)	\$658,681	\$46,297	7.56%
2019-20 (Budget)	\$819,636	\$160,955	24.44%

12. Insurance Premium Pooling

Retirees under age 65 are pooled with and have the same premiums as active employees on our BlueCross BlueShield PPO. Retirees over 65 are part of the UnitedHealthcare Medicare advantage plan and have the same rate structure. Retirees may pay different out of pocket premium expenses based on their years of service to the town.

13. GARE Timeline

For the next 6-12 months staff will use the GARE surveys to evaluate employees’ equity based knowledge and Town practices and procedures. This survey will serve as a baseline and can be conducted every two years. Town staff are working with regional partners to become part of a North Carolina Cohort. If this happens, regional partners will join together to attend GARE facilitated trainings over an 18 month period beginning this summer. Each training will inform the process and move the Town forward in organizing, normalizing, and operationalizing the equity work, which is anticipated to take 3-5 years to be fully implemented. During this time, staff will continue to move the work forward through regular core team meetings and will actively look for grants and funding opportunities.

14. Electric or Energy Efficient Garbage Truck

Staff are investigating the possibility of an all-electric and/or more energy efficient trash truck. A cost benefit analysis will be conducted that will examine total environmental impact from manufacture through scrap, the cost to operate and maintain, its ability to get the job done, etc.. This analysis will help determine how the Town will proceed when it is time to replace the current trucks. Staff will look for grants to help defray the associated costs and should have more definitive answers in the months to come.

15. Comprehensive Plan Process

On March 26th, 2019 the Board was provided with a scope of work that will continue to be refined between now and June in order to allow advertisement for a consultant's services by July 1, 2019. The goal of the effort is to prepare a plan that would guide development and Town operations in ways that are equitable, environmentally responsible and fiscally sustainable. The process will include visioning by the Board to guide the process and help determine the issues and values. Extensive community outreach and engagement, data collection, and review of existing plans and documents will also be involved. The final product will express and establish a framework for achieving the community's vision, expectations and guidance for growth and development/redevelopment, and town services.

16. Cost to End Homelessness on a Regional Basis

The Partnership to End Homelessness is in the process of updating their gaps analysis and will have this number later in May.

Please give Arche or me a call if you have any questions or need additional information.