MEMORANDUM

TO: Mayor and Town Council

FROM: Roger L. Stancil, Town Manager

SUBJECT: Initial Public Forum on the Annual Budget, Capital Program, Use of Grants and

Related Items and Potential Legislative Requests

DATE: February 27, 2013

INTRODUCTION

The purpose of this memorandum is to provide background information for the Council's initial public forum for the FY2013-14 budget. We recommend that the Council receive comments at the February 27, 2013 Council meeting in a combined forum format in which citizens may make comments regarding any of the forum topics.

OVERVIEW OF THE BUDGET PROCESS

Through the Town's annual budget process, the Town Council makes decisions on the level and types of services provided to the public with local, State and federal funds. The budget process includes a prioritization of budget objectives conducted by Council that, along with an evaluation of Town service programs, is used to provide guidance for the preparation of the Manager's Recommended Budget. The Town's FY2013-14 budget goals and objectives can be found in Attachment 4. The Council provides further guidance during the review of the Manager's Recommended Budget. Adoption of a budget determines the level of resources to be available for Town services over the coming budget year.

BRIEF BACKGROUND

Process for Participation by Citizens

Additional public forums and hearings on the budget and related items will be held at 7:00 p.m. on:

- April 10 Status of development of a budget, preliminary capital program and proposed grant applications related to housing and community development.
- May 20 Recommended budget for the service year beginning on July 1, 2013; use of public transportation grants; recommended 15-year capital program; Downtown Service District program.

The public may also make comments to the Mayor and Council by letter, fax, or e-mail at any time in the budget process. An on-line survey that follows the process that Council used to select priority objectives for FY2013-14 is available on the Town's website. The survey provides

information on the Town's budget goals and objectives and asks respondents to select their priority objectives for FY2013-14. Survey responses received before March 31, 2013 will be presented at the April 10th Public Forum.

Notice of the budget forum was published in the Chapel Hill News as was additional notice specifically concerning Community Development funds. Notice has also been provided on the Town's website beginning on February 17th.

TOPICS FOR THE PUBLIC FORUM AND HEARING

Information on each topic for the forums tonight is provided below.

Topic

- A. Annual Budget: preparing the budget for the service year beginning on July 1, 2013.
- B. Capital Program: capital improvement needs for 2013-2028.
- C. Community Development Block Grant for 2013-14
- D. Federal HOME Program Funding for 2013-14
- E. Housing Capital Funds Program: use of the 2013-2014 federal Housing Capital Funds Grant for public housing improvements, renovations and services to public housing residents.
- F. Public Transportation Grants: use of 2013-2014 federal and State grants for transit capital projects, operating costs and transportation planning.
- G. Downtown Service District: potential changes in services for the year beginning on July 1.
- H. Potential Legislative Proposals: suggestions for legislation that might be sought in the 2013 session of the General Assembly.

MANAGER'S RECOMMENDATION

That the Council refer comments and questions to the Manager for consideration in the budget process.

A. Annual Budget for 2013-2014

This forum provides an opportunity for citizens to comment on any aspect of the Town's budget and budget documents, including services that should be added, eliminated or changed. The Town's 2013-2014 budget and service year will begin on July 1, 2013 in accord with State law.

Purpose

The annual budget includes funding for operating costs for police and fire protection, street maintenance, refuse collection, various other public works services, parks and recreation, public transit, the public library, planning, building inspection, engineering, legal and administrative services. To facilitate the Town's priority budgeting process the Town's services have been organized by service programs that more specifically define services. Programs are evaluated, and funding levels are determined, on the basis of their relevance to the Town's priority objectives. The Town's eighty eight service programs are listed by department in Attachment 5.

The annual budget includes one year's funding for cash-financed (pay-as-you-go) small projects such as sidewalks, greenways, street paving, as well as debt service payments on other capital projects.

In addition to setting Town service levels and property tax rates, the Council makes decisions on whether to adjust or adopt service fees for refuse collection, recreation programs, transit, development review, inspections and other services as part of the budget.

Next Steps

On April 10th, the Council will hold a public forum on preparing the 2013-2014 budget. The forum will provide an opportunity for comments and requests from the public or community groups regarding the budget status, or any aspects of the Town's budget for 2013-2014.

On May 13th, the Council will receive the Manager's Recommended Budget and comments by the public at a public hearing scheduled for May 20th. The Council's adopted budget calendar includes consideration of adopting a budget on June 10th.

B. 2013-2028 Capital Program

The purpose of this forum is to receive suggestions and comments regarding capital projects proposed for the next 15 years from the public.

Purpose

A capital improvements program is a plan for major projects and purchases including:

- buying land for parks, open space or other Town services;
- sidewalks:
- streetscape;
- bikeways;
- greenways;
- park improvements;
- construction, renovation, expansion and improvement of Town buildings; and
- road, bridge and related improvements.

The Town's capital programs have typically included a list of capital projects with cost estimates, a potential schedule and priorities for 15 years, and existing or potential future funding methods for each project.

Identified funding sources may include current general revenues, money previously reserved for capital projects, grants, gifts and bond issues.

Many projects in the first year of the capital program normally are funded as part of the annual budget. Projects in the second through fifteenth years are normally not funded in the budget for the next year, although some may be financed through past bond issues, installment purchase contracts and other sources. Funding for most projects in the second through fifteenth years is considered in future annual processes.

Planning Process

Each year, the Town Council, residents, boards and commissions, and staff consider the Town's capital project needs and possible funding sources for needed projects. This process results in decisions by the Town Council regarding capital improvements that the Town may undertake as funding becomes available and is appropriated.

2013-2014 Funding

We have not yet established estimates of the amounts which may be allocated for capital projects. In the current 2012-2013 budget year, \$650,000 was allocated to the annual capital improvement fund.

2012-2027 Capital Program

A summary of the current capital program and long-range projections as adopted by the Council for 2011-2026 is attached as background information (please see Attachment 1).

Next Steps

We will submit to the Council a preliminary recommendation for the capital program as a part of the priority budgeting process. A public forum to receive public comments on the preliminary capital program is scheduled for April 10th and we will submit a recommended capital program on May 13th for a public hearing on May 20th.

The Council normally adopts a Capital Improvements program in June as part of overall decisions on the budget.

C. 2013-2014 Community Development Block Grant Program

The purpose of this forum is to provide an opportunity for community members to comment on how the Town could use federal Community Development Block Grant funds for the 2013-2014 grant year.

All comments received in writing and at public forums will be compiled and will help to create the Community Development Plan which will outline how the 2013-2014 Community Development Block Grant funds will be used. The Plan will be submitted to the Department of

Housing and Urban Development in May of 2013. Public attendance at this forum is encouraged so that the ideas for serving Chapel Hill residents can be considered as we develop this Plan.

If an organization has an innovative idea or project which would benefit low- to moderate-income residents of Chapel Hill, please contact the Housing and Neighborhood Services Division of the Planning Department or visit the Housing and Neighborhood Services' website for an application for funding. Applications are due on February 28, 2013, by 5:00pm.

Purpose of the Community Development Block Grant Program

Since 1974, the Town of Chapel Hill has received Community Development Block Grant funding from the U.S. Department of Housing and Urban Development. The purpose of this grant is to benefit low- to moderate-income families through projects such as:

- Homeownership assistance;
- Infrastructure improvements;
- Renovation of public housing communities;
- After school programs; and
- Programs which provide outreach to the homeless.

Attachment 2 provides a summary of the ways in which Community Development grants can be used.

2013-2014 Funding

The U.S. Department of Housing and Urban Development has not yet informed us of the amount of the Town's 2013-2014 Community Development Block Grant. The 2012-2013 Community Development Block Grant award was \$410,687.

Next Steps

There will be an opportunity for community members to comment on a preliminary 2013-2014 Community Development Plan at a second public forum on March 18th.

After the public forum and the submittal of applications, we will ask the Council to consider a 2013-2014 Community Development Plan; this date is tentatively set for April 10, 2013.

D. HOME Program

The purpose of this forum is to provide an opportunity for community members to comment on how the 2013-2014 federal HOME Program funds could be used in Chapel Hill and throughout Orange County.

If an organization has an innovative idea or project which would benefit low- to moderate-income residents of Orange County, please contact the Housing and Neighborhood Services Division of the Planning Department or the Orange County Housing, Human Rights, and Community Development Department. Interested applicants can also visit the Housing and

Neighborhood Services' website for an application for funding. Applications are due on February 28, 2013, by 5:00pm.

Purpose of the HOME Program

The U.S. Congress established the HOME Program in 1992 with the purpose of providing grants to fund activities that build, buy, and/or rehabilitate affordable housing for rent or homeownership by low- to moderate-income households, or programs that provide direct rental assistance to low- to moderate-income households.

The U.S. Department of Housing and Urban Development provides HOME funding in addition to Community Development Block Grants, federal rental assistance grants, and Capital Fund Program Grants for public housing operations and improvements.

Attachment 3 provides a summary of the ways in which HOME Program funds can be used.

Orange County HOME Consortium

In 1992, the Orange County HOME Consortium was established to receive federal HOME funds. Orange County and the Towns of Chapel Hill, Carrboro, and Hillsborough formed the Orange County HOME Consortium, with Orange County acting as the lead entity in administering the HOME Program.

In accordance with an agreement signed in 2002, the local matching fund requirements (which respond to the 2000 Census population figures) are as follows:

Locality Share

Chapel Hill
Orange County
Carrboro
Hillsborough
5%

This year, HOME funds have been budgeted primarily for property acquisition, homeownership assistance, new construction, rental assistance and operational assistance.

2013-2014 Funding

The U.S. Department of Housing and Urban Development has not yet informed the Orange County HOME Consortium of the amount of the 2013-2014 grant. The 2012-2013 grant award was \$504,031.

Next Steps

In 2000, the participating governments established a HOME Program Review Committee which consists of elected officials and staff representatives from Orange County, Chapel Hill, Carrboro

and Hillsborough. Council Member Pease is the Council's representative to this Committee. This Committee will prepare a proposed plan for using HOME funds.

The Council will hold a public forum on the proposed plan on March 18th. On February 2, 2013, the Board of Orange County Commissioners held a public hearing to receive citizen comment on how HOME Program funds could be used.

The 2013-2014 HOME Program must be approved by the Town Council, the Orange County Commissioners, and the Hillsborough and Carrboro Boards of Aldermen prior to submission to the U.S. Department of Housing and Urban Development.

We will ask the Council to consider a plan for use of these funds; this date is tentatively set for April 10, 2013.

E. 2013-2014 Housing Capital Fund Grant

The purpose of this forum is to receive public comments on the use of the 2013-2014 Housing Capital Fund grant.

Purpose

The Town may use the annual Housing Capital Fund grant for renovating and otherwise improving public housing neighborhoods, and services for public housing residents.

Federal rules give priority to work needed to meet statutory requirements such as:

- testing for and removing or otherwise controlling lead-based paint;
- testing for and removing or otherwise controlling asbestos; and
- renovations to meet the needs of disabled citizens.

Estimated Grant for 2013-2014

The 2012-2013 grant amount is \$448,270. We have not received notice of the grant amount for 2013-2014, but estimate that it may be somewhat lower.

Current grant funds are being used primarily for comprehensive renovation work at the Colony Woods West public housing neighborhood.

Next Steps

- We will submit a proposed plan for using the 2013-2014 Housing Capital Fund grant for public comments at the public hearing on March 18, 2013.
- We will recommend that the Council refer the proposed plan to the Public Housing Program Advisory Board and other interested Boards for comments and recommendations. On April 10, 2013, we will recommend that the Council consider a plan for use of the 2013-2014 Housing Capital grant.

F. 2013-2014 Public Transportation Grants

The forum tonight is an opportunity for the public to comment on transit services and projects in 2013-2014 including the use of federal and State grants for transit operations, capital projects and transportation planning.

Purpose

Transportation services, projects and planning activities are intended to provide alternatives to the use of single-occupant vehicles, reduce traffic congestion, reduce air pollution and assist people with disabilities affecting their mobility.

Estimated Funding

For 2013-2014, federal funding for transit services is estimated to be about \$1.7 million and State funding is estimated to be about \$2.76 million. Because of the state of the economy, it is difficult to predict how much funding will be received. State funding decreased by \$662,358 in FY2013. There are other federal planning funds available to support the transit system that are traditionally allocated by the Metropolitan Planning Organization but final amounts won't be known until final budgets are developed.

Sharing of Local Costs

The University and Towns of Carrboro and Chapel Hill have agreed to share the local cost for transit services. The cost-sharing formulas are set forth in separate contracts with the University and Carrboro.

2013-2014 Services

Chapel Hill Transit provides:

- Fixed route and express bus service throughout Chapel Hill, Carrboro and the University of North Carolina with additional services to Chatham County and Hillsborough;
- E-Z Rider service for citizens with mobility impairments;

Next Steps

Staff will present the budget to the Transportation Board and Public Transit Committee no later than April, 2013.

The Transportation Board and the public will have an opportunity to comment on the transit budget and grants again at the Public Forum in the spring of 2013.

G. Downtown Service District

The purpose of this forum is to receive comments and suggestions from downtown business people, property owners and other interested residents regarding:

- the use of Downtown Service District taxes in 2013-2014;
- the scope of projects and programs in the service plan for the Downtown District.

Purpose

In 1989, the Council established a Downtown Service District in response to requests from several downtown businesses and property owners. State law allows the Council to establish this service district and to apply a supplemental property tax to promote the economic vitality of downtown, enhance Town services in the downtown district and other related activities. Most of the property in the Downtown is in the zoning districts Town Center 1 or 2. Several properties used only for residential purposes are not in the service district.

Estimated Funding in 2012-2013

We estimate that collections will remain about the same for the Downtown Service District in 2013-2014 as in 2012-2013, around \$200,000.

Downtown District Services

Currently, downtown district funds are allocated to the Chapel Hill Downtown Partnership and to a grounds maintenance employee for the downtown.

Next Steps

We will develop recommendations for use of the downtown district funds and for any changes in the service plan as part of the budget process this spring.

The Council will hold an additional forum on April 10th and a public hearing on May 20th. The Council normally adopts the downtown district tax rate in June with the overall budget and makes decisions concerning services during June.

H. Potential Legislative Proposals

Tonight's forum is also an opportunity for citizens and Council Members to identify potential legislative requests for the upcoming 2013 long session of the North Carolina General Assembly.

The General Assembly convened this year on January 9, 2013. Deadlines for submitting legislative requests are next month. Any proposal offered by citizens this evening can be considered when the Council takes up a matter later on this agenda or at an upcoming meeting.

ATTACHMENTS

- 1. Capital Program: Summary Table of 2012-2027 Capital Improvements Fund
- 2. National Objectives of Community Development Legislation
- 3. The HOME Program
- 4. Priority Budget Goals and Objectives
- 5. Priority Budget Programs