BALANCING THE BUDGET

Budget Preparation & Enactment

UNC – School of Government

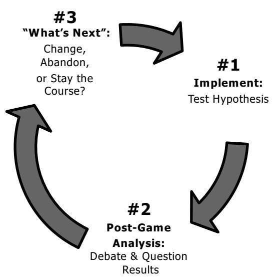
November 9, 2018

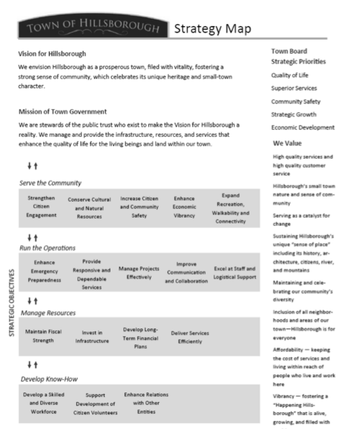
Eric J. Peterson, Hillsborough Town Manager

Annual Budgetary Planning Retreat Preparation

Identify

- **Priorities**
- **Operational challenges**
- **Gaps/issues (needs, concerns, skills, service, resources, staffing, equipment, etc.)**
- **Clear direction needed from governing board**





TOWN OF HILLSBOROUGH Strategy Map

Vision for Hillsborough

We envision Hillsborough as a prosperous town, filed with vitality, fostering a strong sense of community, which celebrates its unique heritage and small-town character.

Mission of Town Government

We are stewards of the public trust who exist to make the Vision for Hillsborough a reality. We manage and provide the infrastructure, resources, and services that enhance the quality of life for the living beings and land within our town.

STRATEGIC OBJECTIVES

Serve the Community

Strengthen Citizen Engagement	Conserve Cultural and Natural Resources	Increase Citizen and Community Safety	Enhance Economic Vibrancy	Expand Recreation, Walkability and Connectivity

Run the Operations

Enhance Emergency Preparedness	Provide Responsive and Dependable Services	Manage Projects Effectively	Improve Communication and Collaboration	Excel at Staff and Logistical Support

Manage Resources

Maintain Fiscal Strength	Invest in Infrastructure	Develop Long-Term Financial Plans	Deliver Services Efficiently

Develop Know-How

Develop a Skilled and Diverse Workforce	Support Development of Citizen Volunteers	Enhance Relations with Other Entities

Town Board Strategic Priorities

Quality of Life

Superior Services

Community Safety

Strategic Growth

Economic Development

We Value

High quality services and high quality customer service

Hillsborough's small town nature and sense of community

Serving as a catalyst for change

Sustaining Hillsborough's unique "sense of place" including its history, architecture, citizens, river, and mountains

Maintaining and celebrating our community's diversity

Inclusion of all neighborhoods and areas of our town—Hillsborough is for everyone

Affordability — keeping the cost of services and living within reach of people who live and work here

Vibrancy — fostering a "Happening Hillsborough" that is alive, growing, and filled with positive energy.

Governing Body Direction At The Retreat

- **Does resource allocation = governing body expectations?**
- **Any noteworthy changes?**
- **What does success look like?**
  What accomplishments, priorities, & strategies do they want to see?
- **Are rate increases and/or new fees an option?**
- **Other**

FY18 BUDGET PLANNING – TOWN BOARD FEEDBACK FORMS

GENERAL FUND & STORMWATER FUND

#	Issue/Proposal	Cost	Support	Don't Support	Not Sure: Want Alternatives or Additional Information
	Projects/Facilities/Equipment				
1	***Street Repaving*** – Funding keeps streets on 20-year or 5% cycle. Paving newly annexed Odie Street *Page 214*	$380,000 $32,500			
2	***North Campus Project*** – Move Town Hall Annex & Town Barn Meeting Room to 102 E. Corbin St. Includes Town Barn expansion/retrofit and Town Hall Campus improvements including recreation & appearance. Design underway, construction start later in 2017. Annual debt service: $xxx,xxx. *Pages 114-115.*	$1,300,000			
3	***Fiber Loop*** – Connect all town facilities, create backbone that can serves as next step in bringing high-speed internet to Hillsborough. Partnering with Orange County to save costs. 10-year loan with annual payments estimated at $184,936. *Page 150.*	$1,500,000			
4	***Police vehicles (10)*** – Replace aging vehicles and implement Individually Assigned Vehicle Program. Needed to remain competitive with surrounding agencies in recruitment/retaining of officers in total compensation/benefits, ensures there are enough vehicles during large public events and emergencies. Improves officer familiarity with vehicle for safety reasons, officer accountability/pride, visibility, response times at the beginning of shifts since no equipment transfers are needed, and many other benefits. Finance through a 5-year loan. *Pages 114-115.*	$460,000			
5	***Public Works Facility Relocation to NC86N Property*** – Current facility is in flood plain, small, old, in poor condition, and there are no shelters for equipment. $511,500 is the placeholder cost figure until engineer estimates become available. Getting close to design now. $33,121 is allocated in FY18. Payment increases to $66,242 in Year 2. *Pages 114-115.*	$511,500			
6	***Police Radio Replacements***: Completes the second half/year of replacing the 10-year old radios in the department and purchasing some additional units for back-up and reserve officers. The current models are discontinued, starting experience failures, and requiring repair on a regular basis. The handheld radios are one of the officers most critical pieces of equipment. They are relied on for every aspect of the job and officer safety. *Pages 114-115.*	$70,000			

	UNFUNDED CAPITAL REQUESTS (NOTEWORTHY)				
1	***Exchange Club Park Lease*** – Concept where Town leases park property, assumes maintenance, and performs upgrade projects. The Club maintains building and HYAA the ballfield. *Pages 114-115.*	FY19: $26,500 FY20: $36,000			
2	***Public Safety Station*** (police, fire, fire marshal, & EOC) – Start of design delayed 2-4 years, from FY18 to FY20+. *A General Obligation Bond Referendum may be worth considering for this project.* This project has also been viewed as an economic development project as it would free three key pieces of downtown property for private development, once the Town Hall Annex, Police, and Fire Department buildings are no longer needed and sold. *Pages 114-115.*	$500,000 estimate for design. Total project will be in the millions.			
3	***Latimer Street Boardwalk*** - 200-foot walkway over a creek connecting the two dead-ends in the middle of Latimer St. Residents who live north of King St. and east of Nash St. have no safe pedestrian connection to downtown Hillsborough, as well as to Central and Hillsborough Elementary Schools. It's possible that grant funds might be found to help fund this project, such as Safe Routes to Schools. *Pages 114-115.*	$131,900			

	General Fund Personnel				
1	***Merit Pay*** (all funds) – Same as last year, 3.25% avg. raise (up to 4.0% max + up to two 1/3rd bonus points for noteworthy achievements. Mgt. Team not eligible for bonus points.	$70,000 (GF) $50,000 (WSF)			
2	***ORFD – Add 3 firefighter (split cost)*** – Part of multi-year plan to ramp up staffing for new Waterstone fire station and address current demands. Start Jan. 2018.	FY18: $26,523 FY19: $53,000			
3	***Police Management/Crime Analyst*** – The police chief currently performs most of the analytical work including crime analysis, responses to inquiries for information from various groups, budget, performance measurement, balanced scorecard, top priorities, etc. This is not an effective use of his or the department's resources. Entry level analyst position addresses a major need and gap in the department. It also has the advantage of being filled by a civilian, thus an officer is not being pulled from the street to handle these functions. *Pages 114-115.*	$62,086			
4	***Fire Inspector*** (Part-time: 8 hours/week). Last fiscal year was the first time in many years that not all scheduled fire inspections were performed. The fire marshal also serves as the emergency management coordinator for the town, conducts arson investigations, plans reviews for new development, and many other key issues. The request for a new full-time fire inspector was not funded. *Pages 114-115.*	$7,500			
	UNFUNDED PERSONNEL REQUESTS				
1	***Police Officer – Community Policing + Vehicle*** – The current COP program is staffed with a Sergeant and one officer. Adding one officer would allow the COP program to take on a more active problem-solving role and more active role connecting with community members and businesses. This unit would then also be able to provide cover when patrol officers are out of service for training. Having adequate patrol coverage is a frequent barrier in finding time for training. *Pages 114-115.*	$107,149			
2	***Fire Inspector*** – Full-time position is not funded, but part-time (8 hour per week) inspector is included in the budget to address inspection, plans review, and other demands. *Pages 114-115.*	$90,422 Includes vehicle			
3	***GIS/Transportation Planner*** – The planning department currently has more work than they can				

Initial Budget Balancing Steps

1. Project revenue (without rate increases)
2. Total expenditure requests
3. Determine the "bottom line" (i.e., size of deficit)
4. Budget meetings to learn more about requests
5. Establish expenditure limit or "cost of government"
   (Multi-step process and fluid)
6. Refinement via cuts, deferments, phased implementations, creative solutions, etc.

GENERAL FUND – FINANCIAL SUMMARY

DEPARTMENT General Fund	FY06 Actual	FY07 Estimate	FY08 Budget	FY09 Projected	FY10 Projected	$ Differ. FY08-07	% Differ. FY08-07	Comments on FY08 Budget
Governing Body	105,165	103,900	110,600	109,700	118,200	6,700	6.4%	
Administration	264,770	320,719	382,250	386,050	404,400	61,531	19.2%	New Budget Analyst starts at end of FY07
Finance	175,188	207,700	240,150	261,400	260,700	32,450	15.6%	
Planning	232,596	274,290	386,800	385,600	358,100	112,510	41.0%	Senior Planner starts August 2007
Parks & Recreation	136,616	111,600	73,000	182,700	245,700	(38,600)	-34.6%	FY08 - $60K debt; FY09 - $158K debt
Ruffin-Roulhac	59,043	44,300	64,500	44,500	53,500	20,200	45.6%	
Police	2,115,503	2,534,409	2,565,832	2,703,750	2,847,600	31,423	1.2%	Traffic Grant pays portion of 2 Patrol Officers
Fire Inspections	65,886	116,356	159,820	98,200	103,900	43,464	37.4%	$58K Fire Prevent. Trailer 100% grant funded
Fire Protection	568,223	617,710	636,378	797,000	911,000	18,668	3.0%	FY09: Start debt payments on new ladder trk
Motor Pool	121,870	212,174	181,850	227,200	271,700	(30,324)	-14.3%	New Motor Pool facility debt in FY09
Streets	677,483	868,392	757,300	749,500	811,400	(111,092)	-12.8%	$130K for repaving, $24.5K pave Faribault Ln
Sanitation	604,068	358,400	516,800	459,650	451,450	158,400	44.2%	120K for new leaf truck + debt on lease-purch.
Cemetery	32,436	62,200	84,600	92,300	92,300	22,400	36.0%	Grass-cutting contract started March 2007
Tourism	198,650	202,000	199,000	208,000	217,000	(3,000)	-1.5%	
Special Appropriations/Misc.	62,521	77,020	73,720	60,000	62,500	(3,300)	-4.3%	
Safety	31,490	35,959	87,850	76,400	79,050	51,891	144.3%	FY08: Part-Time to Full-Time Safety Officer
Contingency	0	25,000	100,000	150,000	150,000	75,000	300.0%	
TOTAL EXPENDITURES	**5,451,508**	**6,172,129**	**6,620,450**	**6,991,950**	**7,438,500**	**448,321**	**7.3%**	
TOTAL REVENUES	**5,592,088**	**6,117,128**	**6,196,386**	**6,561,109**	**7,059,677**	**79,258**	**1.3%**	
SURPLUS/(Deficit)	**140,580**	**(55,001)**	**(424,064)**	**(430,841)**	**(378,823)**			
Available Fund Balance	**3,061,892**	**3,250,623**	**2,826,559**	**2,395,718**	**2,016,895**			
***Fund Balance Percentage**	**56%**	**53%**	**43%**	**34%**	**27%**			Percentage of Operating Expenditures
Tax Rate in Cents	**56.6**	**62.0**	**63.5**	**68.5**	**73.5**			Projection Based on Financial Plan

* The Town's Fund Balance Policy recommends maintaining a fund balance of between 20-60% of annual operating expenses and a "target" of 33%.

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Funding Priority Order In Budget Development

1. Safety & Mandates – No option!

2. Maintaining current service levels

3. Taking care of what you've got:
   Infrastructure, vehicles, equipment, & personnel

4. Efficiency improvements with substantive payback

Once 1 – 4 are addressed, then you can add or expand *if* financial parameters are sound.

Financial Parameters For Responsible Budgeting

- ☑ Fund Balance/Cash Flow
- ☑ Taxes & User Charges (how high?)
- ☑ Debt levels
- ☑ Multi-year impact
- ☑ Others (financial dashboard)

When do expansions occur without key operational and financial foundations being satisfied? Why?

Deficit Reduction Strategies Traditional

- ☑ Debt financing
- ☑ Delay initial debt payment
- ☑ Triage: defer lower priorities
- ☑ Reduce employee pay/benefits
- ☑ Hiring "freeze" or position reductions
- ☑ Eliminate or reduce services/operations
- ☑ Provide "cut/deferment" list to the governing board so they can make adjustments
- ☑ Lean or similar processes

Increasing Flexibility & Options

Giving Yourself More Time

Deficit Reduction Strategies
Increasing Flexibility/Options

- ☑ Make time an ally, reduce last minute pressure
- ☑ Increase "window of time" for creative solutions
- ☑ Early delivery = more focus on pivotal issues
- ☑ Engagement generates ideas, options, understanding
  - Elected Officials
  - Employees
  - Public