



Minutes

Board of Commissioners FY2025-27 Budget Retreat

9 a.m. Feb. 17, 2024

Board Meeting Room, Town Hall Annex, 105 E. Corbin St.

Present: Mayor Mark Bell and commissioners Meaghun Darab, Robb English, Kathleen Ferguson and Matt Hughes

Absent: Commissioner Evelyn Lloyd

Staff: Budget Director Emily Bradford, Administrative Services Director Jen Della Valle, Assistant Town Manager and Community Services Director Matt Efird, Budget and Management Analyst Josh Fernandez, Lead for NC Fellow Marshall Grayson, Environmental Engineering Supervisor Bryant Green, Police Chief Duane Hampton, Town Clerk and Human Resources Technician Sarah Kimrey, Finance Director Dave McCole, Town Manager Eric Peterson, Utilities Director Marie Strandwitz, Human Resources Manager Haley Thore and Communications Manager Catherine Wright

1. **8:30 a.m. – Doors open** (light breakfast and beverages available)
2. **9 a.m. – Welcome, introductions, and ground rules**
Mayor Mark Bell opened the meeting at 9:02 a.m. Town Manager Eric Peterson asked people to introduce themselves and note what they wanted from the retreat. Answers included clarity, prioritization, direction, and confidence in path. Three UNC students attending to observe introduced themselves. The manager went over ground rules and asked for additional ones.
3. **9:15 a.m. – Icebreaker and team building exercise**
Lead for North Carolina Fellow Marshall Grayson led an icebreaker on how well the board and manager know each other. Grayson shared questions and answers, and the participants had to guess which person gave the answer by holding up paper cutout faces of the manager, mayor and commissioners. Questions included favorite book, title of autobiography, childhood job aspiration, surprising activity, funny occurrence, favorite local activity, most memorable meal, destination for an all-expense paid vacation, most photos saved on phone, and best advice received.
4. **9:45 a.m. – Community Survey follow-up and Strategic Plan**
 - A. Community Survey Follow Up and Strategic Plan
Administrative Services Director Jen Della Valle discussed the history of the community survey and provided an update on 2023 results. The survey received 457 responses out of 4,500 households. Distribution changes for the 2023 survey included adding a cover letter with survey information in Spanish, providing an online and paper copy of the Spanish language survey, and distributing a survey notice on Facebook.

The survey provider explained most communities have seen a drop in resident ratings overall. The provider considers any change greater than 4.5% as “significant.” Significant decreases included:

- Satisfaction with Hillsborough “as a place to work.”
- Availability of playgrounds.
- Ease of travel throughout town.
- Quality of social media outlets.

The provider explained that most communities have faced decreased communications ratings, and that Hillsborough has stayed fairly consistent to past survey results. Communications Manager Catherine Wright discussed expanded social media outreach and the town's new Instagram account.

Significant increases included:

- Acceptance by community of diverse populations.
- Quality of recent commercial development.
- Fire services.
- Quality of customer service from town employees.

Additional key ratings were discussed. "Police protection" received a rating of 90%. The provider noted this as a significant achievement compared to the benchmark rating of 60% and national average of 53%. "Value received for local taxes and fees" was also highlighted as a strong positive metric with a rating of 55%. "Ability to find housing you can afford" was noticeably low at a 29% rating compared to a 41% rating in 2019. Della Valle explained further data analysis will be completed by comparing responses by age, geographic region, race and income level.

Open-ended survey responses were compiled into word clouds for visual representation. Key topics identified for "significant issues over the next five years" included traffic, growth, affordable housing, infrastructure and development. Responses to "what's going well" included events, downtown, community, parks and greenways. "What do you like least about living in Hillsborough" received responses including traffic, sidewalks and taxes. Finally, the most prominent "three words to describe Hillsborough" were friendly, historic and quaint. Della Valle, Grayson and Budget and Management Analyst Josh Fernandez will continue to finalize the survey before publication. Peterson expressed thanks to the staff for their efforts resulting in high scores.

Della Valle also provided an update on strategic plan progress for the second quarter of Fiscal Year 2024. Commissioner Robb English was encouraged that most initiatives were either in progress or had significant work already completed. English noted a desire for Administrative Services to prioritize employee engagement and wellness moving forward. Della Valle noted the recent efforts of the employee engagement committee. Della Valle said the next strategic plan update will take place in May.

5. 10:30 a.m. – Break

The participants paused at 10:11 a.m. for a break and returned at 10:25 a.m.

6. 10:45 a.m. – Affordable Housing

A. Review the affordable housing "ramp-up" plan adopted as part of the FY24-26 budget

Assistant Town Manager and Community Services Director Matt Efird led the board through a "think, write, share" exercise with the following prompts:

- What affordable housing means to them personally.
- What their biggest concerns are for the community related to housing.
- What the biggest improvement the town could make is.

He went over guidelines for the discussion to stay on track with discussing the next set of deliverables to meet overall objectives.

Efird noted the biggest discussion item is the strategy to ramp up to earmarking 2 cents of the property tax rate to affordable housing by Fiscal Year 2027. He asked whether the board is still comfortable with that strategy. Members affirmed they are.

Efird pointed out services that would be funded through allocations from the earmarked funds and took the board through a what-if scenario, noting banked funds could easily be consumed by a housing study and increased funding needs from the Orange County Partnership to End Homelessness instead of being used to build affordable housing units. Thoughts noted by members included escalating costs for construction and a need to look at county and town responsibilities, contributions to services not in town, and resources like Central Pines Regional Council to complete the housing study. It was noted that a lack of affordable housing stock is driving vouchers to be used outside of Orange County.

Efird said the housing study has been delayed at least until next year because it will require local funding and the town might need to do its own study. He asked the board to think about how to get the maximum return for the funds it banks. He provided answers to questions the board had noted prior to the retreat, including noting:

- The town's current housing approach is internally focused but aligned with county and regional strategies.
- Existing, approved or planned, and preservation projects for affordable housing. Efird said the preservation projects in Hillsborough are occurring now without funding from the town.
 - 74% of Hillsborough repair projects are for minority households.
 - Over 75% of all Orange County Home Preservation Coalition projects are for households under 60% of the area median income.
- Education or other resources available for elected officials, including sessions in April and May in the state.

The board discussed considering:

- A task force to engage residents and subject matter experts in developing a strategy.
- A consultant to shape an affordable housing strategic plan.

- B. Identify key points, how, and what to discuss at 2024 workshops that allows the town board to take a "deep dive" into affordable housing

There was discussion on quarterly in-depth workshops. Efird noted some of the board feedback included that partner input should be a standalone retreat. He noted the following proposed topics for the work sessions:

- Partner input
- Low-income housing tax credits
- Strategies other than direct financial subsidy
- Funding strategies and prioritization

The board affirmed the desire for a standalone retreat for partner input and support of the topics. There was discussion about using manufactured housing, mixing affordable and market-rate housing in one development, and being flexible with building heights.

7. 11:30 a.m. – Climate and Sustainability (Efird and Peterson)

- A. Continue discussion from Jan. 22 workshop update for additional thoughts or questions

Efird provided a brief overview highlighting main points from the clean energy resolution and sustainability update presentation given at the board work session on Jan. 22, 2024. He asked for board members' thoughts on sustainability plans moving forward. The town is currently progressing with actions steps identified for Fiscal Year 2024 including:

- A new energy management software
- LED lighting updates
- Recycling operations

- B. 2030 goal of reducing carbon emissions by 80%

Efird reminded the board of the town's energy and sustainability goals, highlighting that the town has only five years left to meet the original plans. English asked for the likelihood of meeting initial goals by 2030. Efird explained that meeting an 80% goal through carbon offsets is achievable but will require additional funds and capacity. He said the town has funding capacity for Fiscal Year 2026 and beyond but should spend time before then gathering more data on current carbon levels and clarifying goals to address sustainability initiatives more effectively in the future. Mayor Bell asked for more information on planning for a carbon offset strategy. Commissioner Matt Hughes asked about carbon offset plans compared to carbon credits. Efird clarified that the town is more interested in carbon offset initiatives that produce measurable impacts.

C. Gap in carbon reduction funding in the Water & Sewer Fund.

Peterson discussed the current gap in carbon strategies for water and sewer divisions. He explained that the General Fund currently dedicates the equivalent of two cents on the tax rate toward sustainability efforts. There is no comparable funding source for the Water & Sewer Fund to pay for carbon reduction efforts, even though over 70% of the town's energy use originates from water and wastewater operations. However, given the desire to not increase current rates, the manager suggested that additional sustainability work in water and wastewater operations should not be prioritized over other pressing capital projects. Efird clarified that the original goal intends to reduce carbon emissions by 80% town-wide, not for any one specific department or fund. Hughes asked about the possibility of using interfund transfers and Commissioner Kathleen Ferguson asked about bonds as funding options. Peterson and Finance Director Dave McCole clarified that interfund transfers between the general and water and sewer fund is not a best practice but that bonds were permissible to fund sustainability initiatives as long as they are associated with a specific capital project.

8. **12 p.m. – Lunch**

The participants paused for lunch at 11:47 a.m. and returned at 12:35 p.m.

9. **12:45 p.m. – Major decision points: Capital Improvement Plan, personnel, and programs**

Updates and Q&A regarding the requests

Budget Director Emily Bradford opened discussion on items in the Capital Improvement Plan:

General Fund

There was discussion about seriously considering naming rights for projects like the planned Ridgewalk Greenway for funding opportunities. The assistant town manager said the greenway lacks certainty about its feasibility but naming rights are still part of staff conversations. It was noted that Charlotte and Holly Springs have such projects and that smaller communities have projects with names based on local businesses. The town manager cautioned that the required staff time could outweigh the added funding. He said direction would be needed soon for the skate park. The mayor noted a discussion would be needed on guardrails for naming rights.

There was discussion regarding the number of solid waste trucks proposed for replacement over seven years. The town manager said the trucks have five years of frontline duty and five years of backup use for an overall life of 10 years. The assistant town manager said it now takes about two years to receive an ordered truck, and prices can escalate between order and delivery.

Water and Sewer Fund

The large dollar amounts needed for the water distribution projects were noted. Environmental Engineering Supervisor Bryant Green said other proposed development could benefit from the planned upgrade of the Cates Creek outfall and development fees from those projects could help fund the upgrade.

Stormwater Fund

There was discussion about whether a vacuum truck could be shared and used for multiple purposes. The budget director said that is being considered and noted there is consideration of moving a jetvac truck undersized for utilities use to stormwater use and purchasing a new one for utilities.

The budget director opened discussion on requests in the operating budget:

General Fund

The town manager noted that the planning and economic development manager is considering options for code enforcement. He asked the board about possibly starting the contract process now to have code enforcement work at the beginning of the new fiscal year on July 1. The assistant town manager said the county performs minimum housing code enforcement and the code enforcement the town would provide possibly through contracted services would be a higher level of service. The board expressed support for starting the process now.

There was discussion about a request for a live-scan fingerprint machine. Police Chief Duane Hampton said the Police Department uses ink and rollers, but electronic submission is now required. He said the department relies on the Orange County Sheriff's Office to submit fingerprints electronically and the fire and police departments have had difficulty accessing the electronic system when needed.

The mayor brought forth a proposal from the Hillsborough/Orange County Chamber of Commerce in which the town would contract for a three-year period with the chamber to organize and lead a merchants association to improve the economic vitality of all town businesses. Discussion included:

- The proposed work being core chamber functions for members.
- Affordability of chamber membership for smaller businesses.
- The proposal's goal being consistent with goals in the strategic and comprehensive sustainability plans.

The budget director said the request could be added to the list of operating budget requests for further deliberation in May. The town manager said he would want to get thoughts from staff, including the planning and economic development manager.

Continued discussion included noting:

- Other municipalities contract with local chambers to support chamber efforts.
- Some businesses have concerns of unclear value in chamber membership.
- Some items proposed are offered already by others.

Members noted a desire for:

- More information on expected outcomes.
- A review of Chapel Hill's downtown partnership model.
- A look at how town efforts could coordinate with the chamber instead.

Water/Sewer Fund

There was discussion about a Ford F-150 truck replacement and a utilities administrative assistant position. Staff noted a smaller truck likely would be purchased and would be for an inspector instead of the line crew. The manager noted the position request would change to full time and staff desires to hire this fiscal year if possible. The board expressed support. The utilities director said the position would be remote to make it more attractive and due to space limitations.

The budget director reminded the board that the requests are preliminary as the town is in the early stages of the budget process and that the budget proposal may look different when presented in May.

There were questions about a customer service noise and privacy wall barrier and how the town is meeting changes to the federal lead and copper mandate. The finance director said the barrier would be glass behind the customer service representatives at the Town Hall Annex to block noise from the rest of the building and to improve privacy. Utilities staff noted they are in the inventory phase of determining where lead and copper plumbing might exist. Much of the town is excluded because many structures were built after the ban on lead in plumbing. The solder on plumbing fittings cannot be visually confirmed and the town already tests some houses that fall in the timeframe for lead and copper use. The mandate calls for testing on the private side of water lines and will require working with preschools in upcoming years. Predictive modeling could be used, using data gathered at a small number of houses to predict the number of houses with lead or copper plumbing.

There was discussion about allowing overhiring in the Utilities Department. The manager noted the practice helps address upcoming shortages and allows strong candidates to be hired. The board expressed support. The utilities director also initiated discussion about restarting programs that allow the use of inmates for utilities work.

Strandwitz said a wastewater master plan study is underway to keep the plant's treatment under the limit of 3 million gallons per day. She said the consultant is investigating buying extra credits and other strategies.

Stormwater Fund

There were no questions.

10. 2 p.m. – Break

The participants paused at 1:56 p.m. and returned at 2:09 p.m.

11. 2:15 p.m. – Employee Benefits Study: update and Q&A (HR Manager Haley Thore)

A. Employee Benefits Study

Human Resources Manager Haley Thore discussed findings from a benefits market survey that was sent to benchmark municipalities throughout North Carolina. Data provided an overview of the town's comparable benefits and where Hillsborough is leading the market.

Comparable benefits include:

- Number of paid holidays
- Vacation leave accrual amounts
- Amount of bereavement and paid parental leave

Industry-leading benefits include:

- Employee assistance program
- Tuition reimbursement
- Cell phone and safety shoe stipends

There was discussion on the safety shoes policy and whether repairing shoes instead of replacing them would be more cost-efficient and environmentally friendly.

Benefits requiring further investigation following the study include:

- Longevity bonus
- Pre-65 retiree health insurance eligibility
- Pay increases for job related certifications
- Standardized language incentive

Thore said the town lags in dependent health premium costs for employees. She provided more detailed information on the North Carolina Health Insurance Pool, explaining that the last rate increase was in Fiscal Year 2020, Fiscal Year 2025 will have no rate increase, and Hillsborough performs well in the pool with few high-cost claimants. Thore said the town provides strong benefits and has the highest accrual value of all other pool members. On the high-deductible health plan buy-up, the deductible is the same as the out-of-pocket maximum, making it a valuable plan.

Thore explained the current plan options and prices provided by the town, showing that monthly premium costs are above average compared to surrounding jurisdictions when adding dependents on the traditional health plan and the high-deductible buy-up plan. Thore proposed using reserve funds from the town's participation in the insurance pool to reduce employees' monthly premium costs for family coverage on the traditional health plan by over \$200 and to below average costs on the high-deductible health base and buy-up plans.

There was discussion about the proposed plan and additional research to further reduce dependent premium costs. Thore noted a decision is needed by the end of February to secure open enrollment in the spring. The proposal's total cost to the town would be under \$23,000 with the current number of dependents enrolled but is projected to be near \$50,000 due to more employees likely adding dependents because of the lower rates. The board suggested staff continue to research ways to reduce costs over the next three years. It was noted that the rates on the state health plan are in line with the proposed rates for the high-deductible buy-up plan.

Thore then discussed an update to proposed life insurance options. She explained the town's current basic term life plan, which is employer paid and provides coverage for a defined time that employees may outlive. All benefit-eligible employees receive 1x salary up to \$200,000 and elected officials receive \$20,000 coverage. Employees have the option for supplemental basic term life as well. They are responsible for premiums and can add spouse and child coverage.

Thore explained that the town stopped offering whole life insurance plans in Fiscal Year 2021 due to no enrollment. She proposed offering a more affordable and flexible universal life plan with long-term care rider, which allows policyholders to receive a portion of benefits while alive.

There was discussion about increasing the multiplier for employees and providing additional education on benefits. The board supported moving forward with both proposed plans. Thore explained that reserve funds have been used to cover the current subsidized premium rates. Staff were asked to analyze a variable cost option with rates based on salary to help alleviate cost for lower salaried employees.

12. 3 p.m. – Closing (Peterson)

A. Review key directives

Peterson reviewed action items and parking lot comments collected throughout the day. He asked for additional comments, questions and concerns from staff and the board. There were none. Peterson thanked staff for their involvement and work on the retreat. The board thanked the staff as well.

The manager conducted a plus delta exercise highlighting positive aspects of the retreat as well as what the board would like to see improved next year.

Positive attributes of the retreat:

- Icebreaker – Ferguson requested that staff be included in future icebreaker activities

- Think, write, share exercise
- Catered meal from Ixtapa
- Parking lot list
- Agenda and timing

Areas with potential for improvement:

- Planned stress testing for specific issues
- More focused analysis

13. 3:15 p.m. – Adjournment

Respectfully submitted,

Sarah Kimrey
Town Clerk
Staff support to the Board of Commissioners

DRAFT