

Minutes

Board of Commissioners

Fiscal Year 2026-28 Budget Retreat

9 a.m. March 1, 2025

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



Present: Mayor Mark Bell and commissioners Meaghun Darab, Robb English, Kathleen Ferguson, Matt Hughes, and 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, Management Analyst Marshall Grayson, Police Chief Duane Hampton, Town Clerk and Human Resources Technician Sarah Kimrey, Communications Specialist JC Leser-McMinn, Finance Director Dave McCole, Town Manager Eric Peterson, Utilities Director Marie Strandwitz, Police Maj. Jason Winn and Communications Manager Catherine Wright

1. **Welcome, introductions, ground rules and icebreaker**

Mayor Mark Bell welcomed everyone to the annual budget retreat and thanked Town Manager Eric Peterson and staff for collating and presenting the information.

After the introduction, Peterson reviewed the ground rules for the retreat, emphasizing respect, balanced time and active listening. He also mentioned the importance of testing assumptions and being curious.

Management Analyst Marshall Grayson led an icebreaker activity where board members guessed staff members' answers to various questions.

2. **Fiscal Years 2026-28: Framing and overview**

The town manager presented an overview of the town's financial challenges, referencing past crises such as the town nearing bankruptcy in 1998 and recessions in 2002 and 2008. Peterson emphasized the town's ability to overcome these challenges and the importance of the town's three-year financial plan for early detection of issues.

Budget Director Emily Bradford provided updates on various revenue sources.

General Fund revenue

- Property tax – Preliminary figures from Orange County's tax office show an estimated 46% increase in property valuation in Hillsborough. The projected revenue-neutral tax rate for the next fiscal year is 50.6 cents.
- Sales tax – Revenue increased 1.6% over last year, which is better than more than half of North Carolina jurisdictions. The budget team estimated a 0% increase, while many other municipalities projected larger increases. A 3% decrease in collections is projected for the next year.

Water and Sewer Fund revenue

- Water and sewer charges – Revenue has increased by 6% for water and 9.5% for sewer compared to last year.

- System development fees – Collections vary greatly from year to year. The current year has seen a total of over \$60,000 collected for water and sewer connections.

Stormwater Fund revenue

- Stormwater fee – As of January, 96% of billed amounts had been collected.

Interest

- Interest revenue has been strong in the past two years but is expected to slow.

After the discussion on revenue, the town manager led a "think-write-share" exercise to identify potential threats to the town's financial health. Board members were given time to think and write down their ideas. The group then shared and discussed the identified threats, noting the following as the greatest concerns:

- Economic-related issues (recession, tariffs, sales tax).
- Storms and climate-related events.
- Infrastructure and equipment failure.
- State and federal legislation.
- Unexpected costs.
- Pandemic.

Board members engaged in further discussion about these threats. Commissioner Kathleen Ferguson emphasized the potential impact of state and federal legislation on the town's finances.

3. Bottom line, how to prioritize, and strategy options for building the FY26-28 budget

The town manager presented the current financial projections for the general, stormwater, and water and sewer funds. He highlighted expected budget deficits in daily operations across the general and stormwater funds and the need to protect fund balances.

Peterson outlined several strategies to address the deficits:

- Deferring and delaying projects.
- Adding no new full-time positions.
- Using the town's fund balance strategically to bridge gaps.
- Paying for upcoming large projects with tax rate increases when the funds are needed, instead of using a ramp-up savings approach that increases current expenses.
- Financing the renovation of the town's public works and fleet facility and construction of outbuildings to leave more immediately available funds.
- Developing alternative, less costly plans that address needs in the short term.
- Conducting operational reviews to further streamline operations and find savings.
- Increasing taxes and rates.

The board discussed the strategies, with some members expressing concerns about deferring projects and the potential impact on staff capacity.

Another exercise was conducted to gather feedback on the proposed strategies and to identify additional ideas. Board members suggested:

- Reevaluating the ramp-up savings approach for projects.
- Exploring naming rights for projects.
- Compensating staff for cost-saving ideas.

- Investigating public-private partnerships.
- Pursuing state and federal funding opportunities.
- Consulting with staff from the councils of government.
- Utilizing multi-jurisdictional planning.

4. Strategic Plan: Updates and amendments

Administrative Services Director Jen Della Valle presented updates on the town's strategic plan, covering five focus areas: sustainability, connected communities, economic vitality, community safety, and service excellence. She highlighted progress made in various initiatives and discussed potential amendments to the plan.

There was discussion regarding revitalizing the town's police academy and providing translation for the town's business forms.

5. New operating requests, Capital Improvement Program, Q&A and board direction

The budget director led a discussion on operating budget requests, including for general government, public safety, public works and special appropriations. Board members asked questions and provided feedback on specific items, such as:

- Relocation and maintenance of the welcome sign.
- Parking lot improvements for the Police Department.
- Fire truck replacement and funding strategies.
- Police vehicle replacements and prioritization.

The board reviewed and discussed Capital Improvement Program requests. Key points of discussion included:

- The need for basketball courts and other recreational facilities.
- Water and sewer infrastructure improvements.
- Stormwater management projects and equipment.

Board members provided feedback on prioritization and potential funding sources for various projects.

6. Continued discussions

The board engaged in further discussions on several topics, including:

- Legislative priorities and funding requests.
- Strategies for seeking state and federal grants.
- The community reinvestment program and nonprofit funding.
- Naming rights for facilities and potential revenue generation.

7. Review of parking lot items

The review of parking lot items was combined with continued discussions.

8. Overall review of key directives from the town board and plus/change on the day

Board members provided feedback on the retreat, highlighting positive aspects such as:

- Organization and clarity of materials presented.
- Focus on high-level financial discussions.
- Use of think-write-share exercises.
- Informal nature of discussions allowing for open dialogue.

Suggestions for improvement included involving staff in think-write-share exercises and providing more context for certain budget items.

9. Adjournment

The mayor thanked the staff for their hard work and information provided during the retreat. The meeting was adjourned at 2:14 p.m.

Respectfully submitted,

Sarah Kimrey
Town Clerk
Staff support to the Board of Commissioners

DRAFT