

# Budget Update



Council Work Session  
April 16, 2025

DRAFT

# Agenda

1.

Budget Data

2.

Revaluation Details

3.

Where We Are Now

4.

Scenarios & Tradeoffs

5.

Next Steps

DRAFT

# Guidance from Council:

---

1. Guidance about whether there are areas where you would like us to consider a reduction in services.
2. Guidance about where to set the tax rate (between revenue neutral and our current tax rate).
3. Guidance about whether to direct any new funding across the board or to targeted areas of focus.

DRAFT

# **BUDGET INFORMATION WALK THRU**

**DRAFT**

# Budget Data Provided

---

- Strategic Focus Areas and KPIs
- Possible Budget Reductions
- Property tax data and trends
- Employee pay data and trends

DRAFT

# REVALUATION DETAILS

DRAFT

# What is a revaluation?

---

- County process of updating all real property to its current market value as of a single appraisal date
- The primary goal is to equalize the tax base
- Revaluations typically occur every four years
- Effective appraisal date for Orange County's revaluation was January 1, 2025

DRAFT

# Chapel Hill Assessed Valuation Data

	2025 Valuation	2026 Valuation	\$ Difference	% Difference
Orange County Real Property*	\$ 8,775,399,848	\$ 11,827,195,709	\$ 3,051,795,861	34.8%
Durham County Real Property*	549,427,662	905,530,765	356,103,103	64.8%
Orange County Motor Vehicles	467,848,035	481,883,476	14,035,441	3.0%
Durham County Motor Vehicles	<u>34,800,832</u>	<u>35,844,857</u>	<u>1,044,025</u>	<u>3.0%</u>
<b>TOTAL VALUATION</b>	<b>\$ 9,827,476,377</b>	<b>\$ 13,250,454,807</b>	<b>\$ 3,422,978,430</b>	<b>34.8%</b>

DRAFT



# Value of a Penny

---



**FY25: \$ 976,000**

**FY26: \$1,321,000**

DRAFT

# Revenue Neutral Tax Rate

---

- The tax rate at which the total value of property tax collections is the same as in the previous year.
- If property values go up overall, the revenue-neutral rate would go down, and total collections would be the same.
- The Town is required **to publish** the revenue-neutral rate.
- The Town **is not required to adopt** a revenue-neutral rate.

DRAFT

# What does this mean for the Town?

---

- Current tax rate is 59.2 cents per \$100 assessed valuation
- Revenue neutral tax rate is 44.2 cents per \$100 assessed valuation
- Your penny budget is 15 cents
- Average growth over the last four years is 1.14%
- New revenue for FY 2026 is \$620,000

DRAFT

# Revaluation - Sample Residential Tax Bill Impacts

Pre-revaluation	Pre-reval Bill (59.2)	Post-revaluation	Post-reval Bill (44.2)	Monthly Increase	Each +1 penny per month
\$200,000	\$1,184	\$306,800	\$1,356	\$14.33	\$2.56
<b>\$417,327</b>	<b>\$2,471</b>	<b>\$640,180</b>	<b>\$2,830</b>	<b>\$29.92</b>	<b>\$5.33</b>
\$600,000	\$3,552	\$920,400	\$4,068	\$43.00	\$7.67
\$800,000	\$4,736	\$1,227,200	\$5,424	\$57.33	\$10.23
\$1,000,000	\$5,920	\$1,534,000	\$6,780	\$71.67	\$12.78

Pre-revaluation assumes existing tax rate of 59.2 cents (Town rate only)

Post-revaluation assumes revenue neutral tax rate of 44.2 cents (Town rate only)

Assumes 53.4% average residential property valuation growth

Average home price in Chapel Hill is \$640,180

DRAFT

# Revaluation - Sample Commercial Tax Bill Impacts

Pre-revaluation	Pre-reval bill (59.2)	Post-revaluation	Post-reval bill (44.2)	Monthly Decrease	Each +1 penny per month
\$1,000,000	\$5,920	\$1,302,000	\$5,755	(\$13.75)	\$10.85
<b>\$2,685,317</b>	<b>\$15,897</b>	<b>\$3,496,283</b>	<b>\$15,454</b>	<b>(\$36.92)</b>	<b>\$29.14</b>
\$5,000,000	\$29,600	\$6,510,000	\$28,774	(\$68.83)	\$54.25
\$ 7,000,000	\$41,440	\$9,114,000	\$40,284	(\$96.33)	\$75.95
\$10,000,000	\$59,200	\$13,020,000	\$57,548	(\$137.67)	\$108.50

Pre-revaluation assumes existing tax rate of 59.2 cents (Town rate only)

Post-revaluation assumes revenue neutral tax rate of 44.2 cents (Town rate only)

Assumes 30.2% average commercial property valuation growth

Average commercial property in Chapel Hill is \$3,496,283

DRAFT

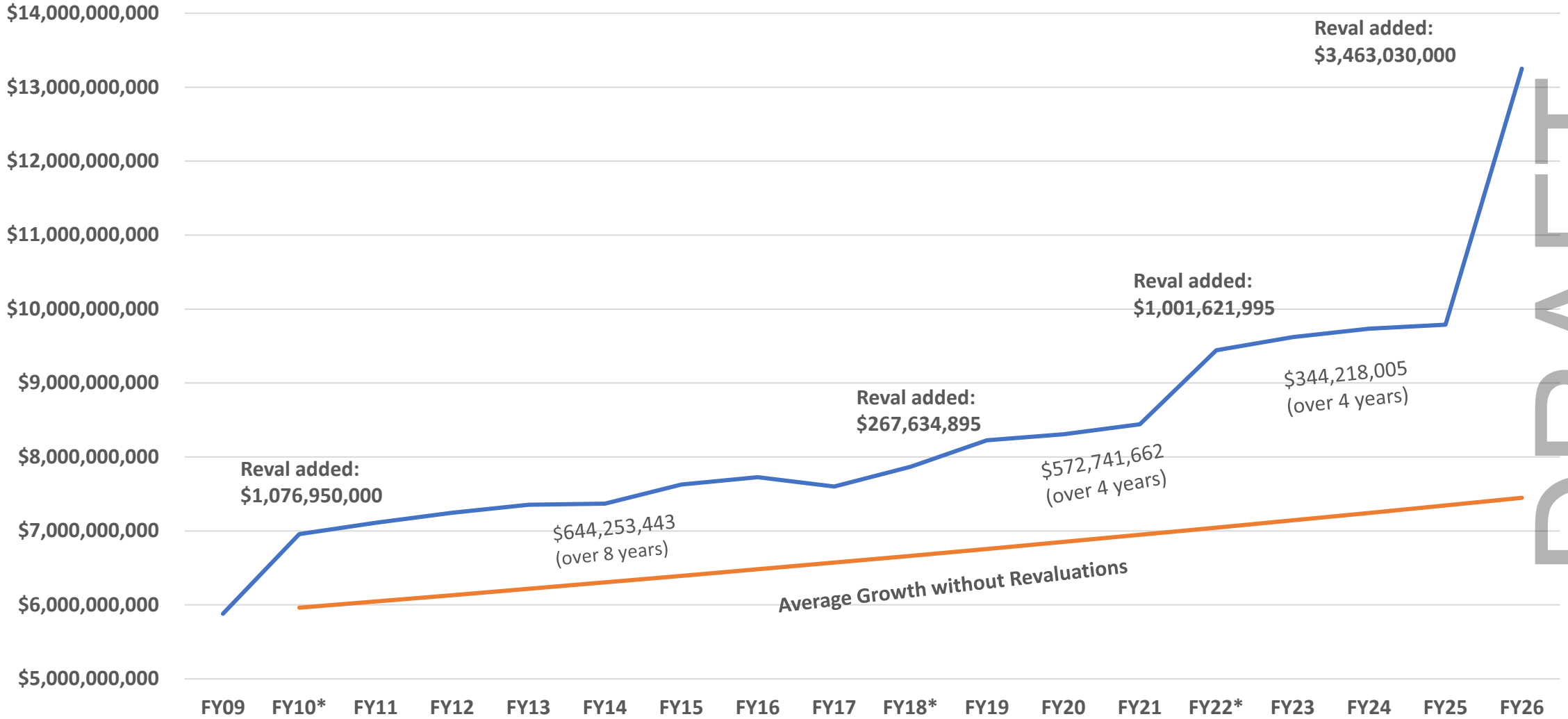
# Tax Rate History

	FY 09	FY 10 *	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18 *	FY 19	FY 20	FY 21	FY 22 *	FY 23	FY 24	FY 25
<b>General Fund</b>	<b>42.3</b>	36.0	36.0	37.8	37.8	38.8	38.8	38.8	38.8	37.6	38.6	38.6	38.6	37.2	37.2	42.2	<b>43.7</b>
<b>Debt Fund</b>	<b>11.0</b>	9.3	9.3	7.5	7.5	7.5	8.5	8.5	8.5	8.2	8.2	9.8	9.8	8.8	8.8	8.8	<b>8.8</b>
<b>Transit Fund</b>	<b>4.8</b>	4.1	4.1	4.1	4.1	5.1	5.1	5.1	5.1	5.0	6.0	6.0	6.0	5.4	6.2	6.2	<b>6.7</b>
<b>Town Total</b>	<b>58.1</b>	49.4	49.4	49.4	49.4	51.4	52.4	52.4	52.4	50.8	52.8	54.4	54.4	51.4	52.2	57.2	<b>59.2</b>

\* Revaluation years

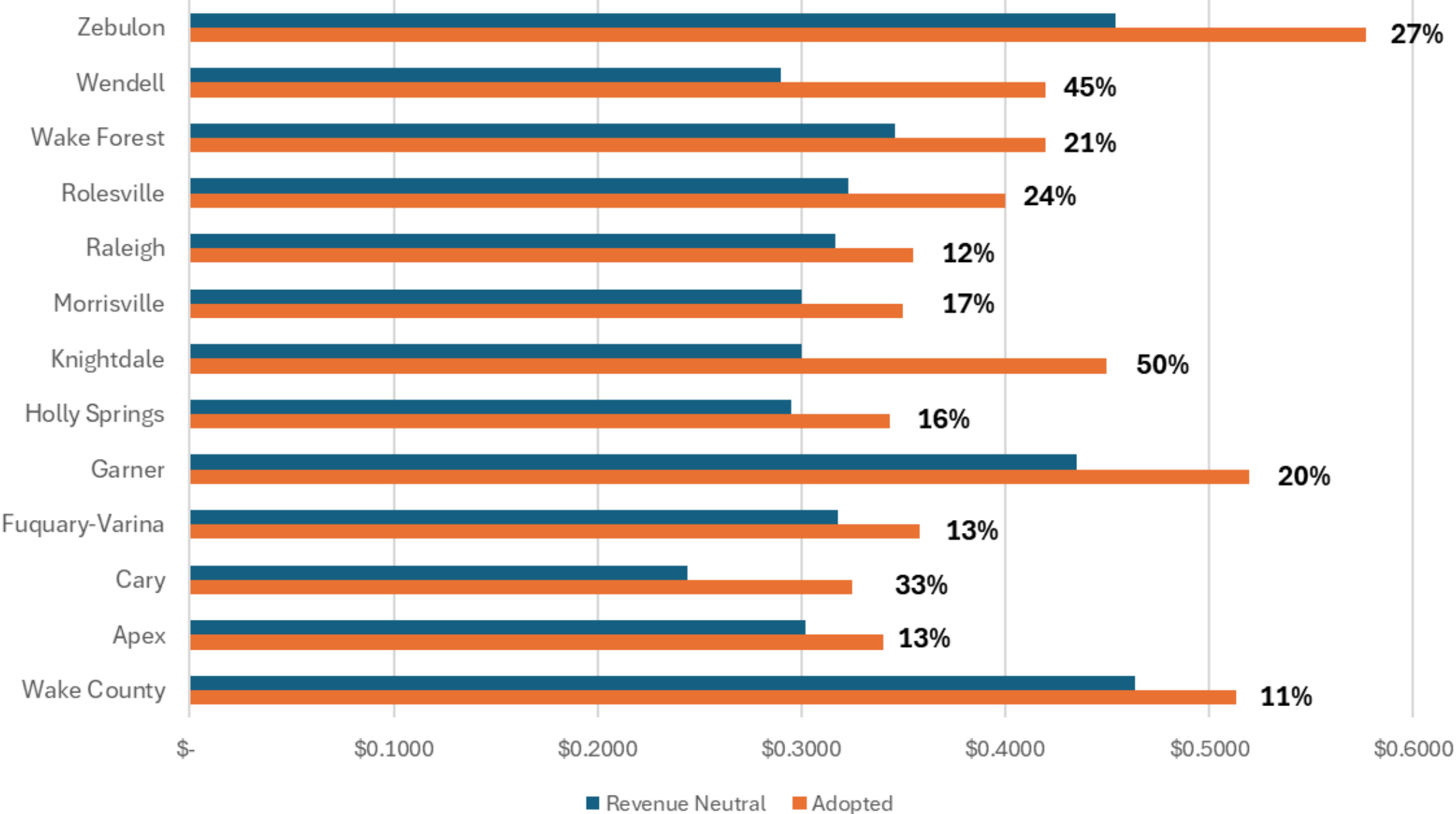
DRAFT

# Tax Base FY09-FY26



DRAFT

Wake County and Municipalities  
January 1, 2024 Revaluation - Revenue Neutral vs. Adopted



DRAFT



# **SCENARIOS & TRADEOFFS**

**DRAFT**

# SCENARIO 1 - Revenue Neutral Budget

## Roll back to the revenue neutral tax rate of 44.2 cents

- Increases the fund balance appropriation to \$1M
- Projects 2% sales tax growth
- Provides no annual pay increase
- Accounts for required operating cost increases
- Requires budget cuts

DRAFT

# SCENARIO 2 – Reduced Base Budget

<b>Revenue neutral tax rate</b>	<b>44.2</b>
<b>+ Reduced base budget option</b>	<b><u>2.5</u></b>
	<b>46.7</b>

- Increases the fund balance appropriation to \$1M
- Projects 2% sales tax growth
- Provides annual pay increase of 3%
- Accounts for required operating cost increases
- Requires higher amount of budget cuts

DRAFT

# SCENARIO 3 – Base Budget

**Revenue neutral tax rate  
+ Base budget option**

**44.2**  
**5.0**  

---

**49.2**

- Removes the fund balance appropriation
- Keeps sales tax revenue flat
- Provides annual pay increase of 5%
- Accounts for required operating cost increases

DRAFT

# SCENARIO 4 – Base Budget + 1.5

<b>Base budget option</b>	<b>49.2</b>
<b>+ Preliminary 5-yr outlook plan</b>	<b><u>1.5</u></b>
	<b>50.7</b>

- Includes all the things planned in Scenario 3
- Adds funding for priorities spelled out in preliminary 5-yr outlook:
  - Staffing, operations, facilities, streets, vehicles, fire capital

DRAFT

# FY 2025 5-YEAR BUDGET OUTLOOK

	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026 *</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Staffing</b>	1,850,000	<b>No new \$</b>	300,000	400,000	500,000
<b>Operations</b>	250,000	<b>500,000</b>	500,000	500,000	500,000
<b>Facilities/Streets</b>	250,000	<b>500,000</b>	250,000	250,000	250,000
<b>Fleet</b>	750,000	<b>500,000</b>	250,000	250,000	250,000
<b>Parks Capital</b>	971,000	<b>No new \$</b>	18,000	18,000	18,000
<b>Fire Capital</b>	250,000	<b>No new \$</b>	250,000	250,000	47,000
<b>Aff Housing</b>	282,605	<b>No new \$</b>	18,000	18,000	18,000
<b>Greenways</b>	500,000	<b>No new \$</b>	No new \$	No new \$	No new \$
<b>TOTAL</b>	<b>5,103,605</b>	<b>1,500,000</b>	<b>1,586,000</b>	<b>1,686,000</b>	<b>1,583,000</b>
<b>Proposed Scenario</b>	<b>5.00 cents</b>	<b>1.50 cents</b>	<b>1.50 cents</b>	<b>1.50 cents</b>	<b>1.50 cents</b>

DRAFT

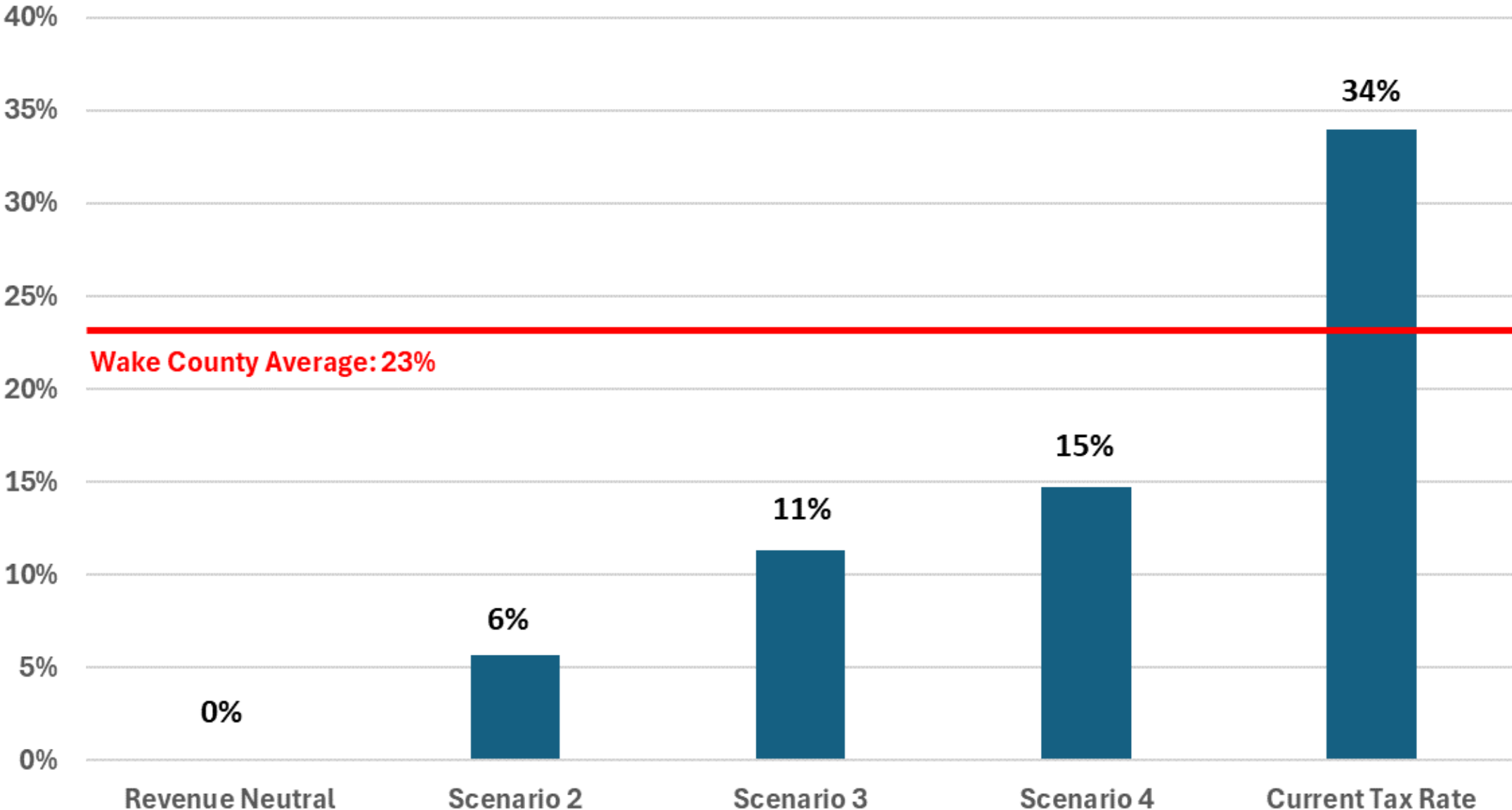
# SCENARIO 6 – Base Budget + ?

**Base budget option  
+ Additional priorities**

49.2  
— ?  
?  
DRAFT

- Includes all the things planned in Scenario 3
- Accounts for a number of Council priorities anywhere from the base rate to the current tax rate (up to 10 cents)

# Tax Rate Scenarios, % Difference Between Revenue Neutral and Potential Tax Rates



DRAFT



**NEXT STEPS**

**DRAFT**

# FY26 Proposed Budget Schedule

---

**APR  
23**

**Business Meeting\*\***

**MAY  
7**

**Manager's Recommended Budget**

**MAY  
14**

**Work Session**

**MAY  
21**

**Public Hearing**

**JUNE  
11**

**Council Vote**

DRAFT

\* On 4/9, we will host a People's Academy "Deeper Dive" about the budget

\*\* On 4/23, Council will offer a public comment section on the budget

# Guidance from Council:

---

1. Guidance about where to set the tax rate (between revenue neutral and our current tax rate).
2. Guidance about whether to apply resources across the board or to targeted areas of focus.
3. Guidance about whether there are areas where you would like us to consider a reduction in services.

DRAFT