

Budget Update



Council Work Session
April 16, 2025

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Agenda

1.

Budget Data

2.

Revaluation Details

3.

Where We Are Now

4.

Scenarios & Tradeoffs

5.

Next Steps

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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.

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BUDGET INFORMATION WALK THRU

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Budget Data Provided

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

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REVALUATION DETAILS

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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

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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>
TOTAL VALUATION	\$ 9,827,476,377	\$ 13,250,454,807	\$ 3,422,978,430	34.8%

Value of a Penny



FY25: \$ 976,000

FY26: \$1,321,000

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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.

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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

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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
\$417,327	\$2,471	\$640,180	\$2,830	\$29.92	\$5.33
\$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

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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
\$2,685,317	\$15,897	\$3,496,283	\$15,454	(\$36.92)	\$29.14
\$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

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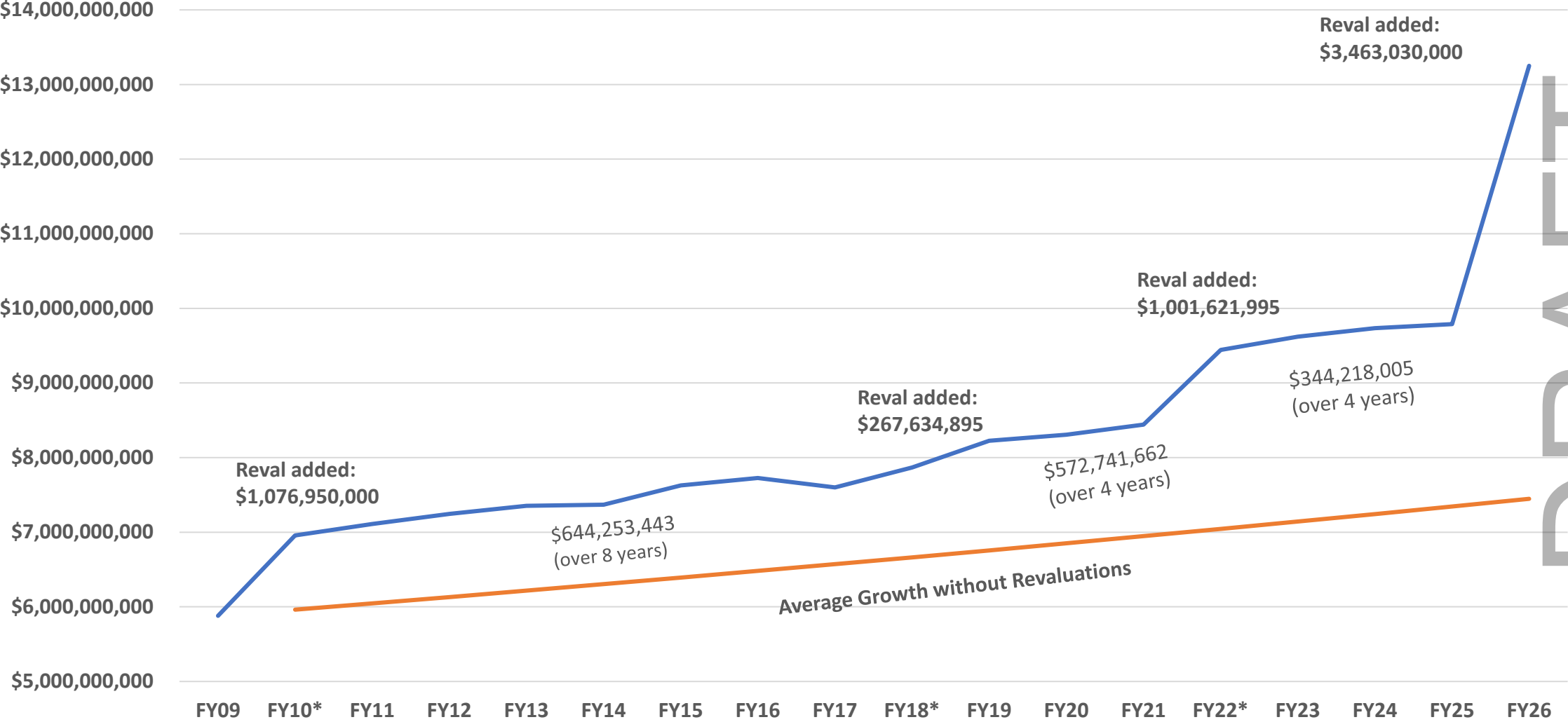
Tax Rate History

	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
General Fund	42.3	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	43.7
Debt Fund	11.0	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	8.8
Transit Fund	4.8	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	6.7
Town Total	58.1	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	59.2

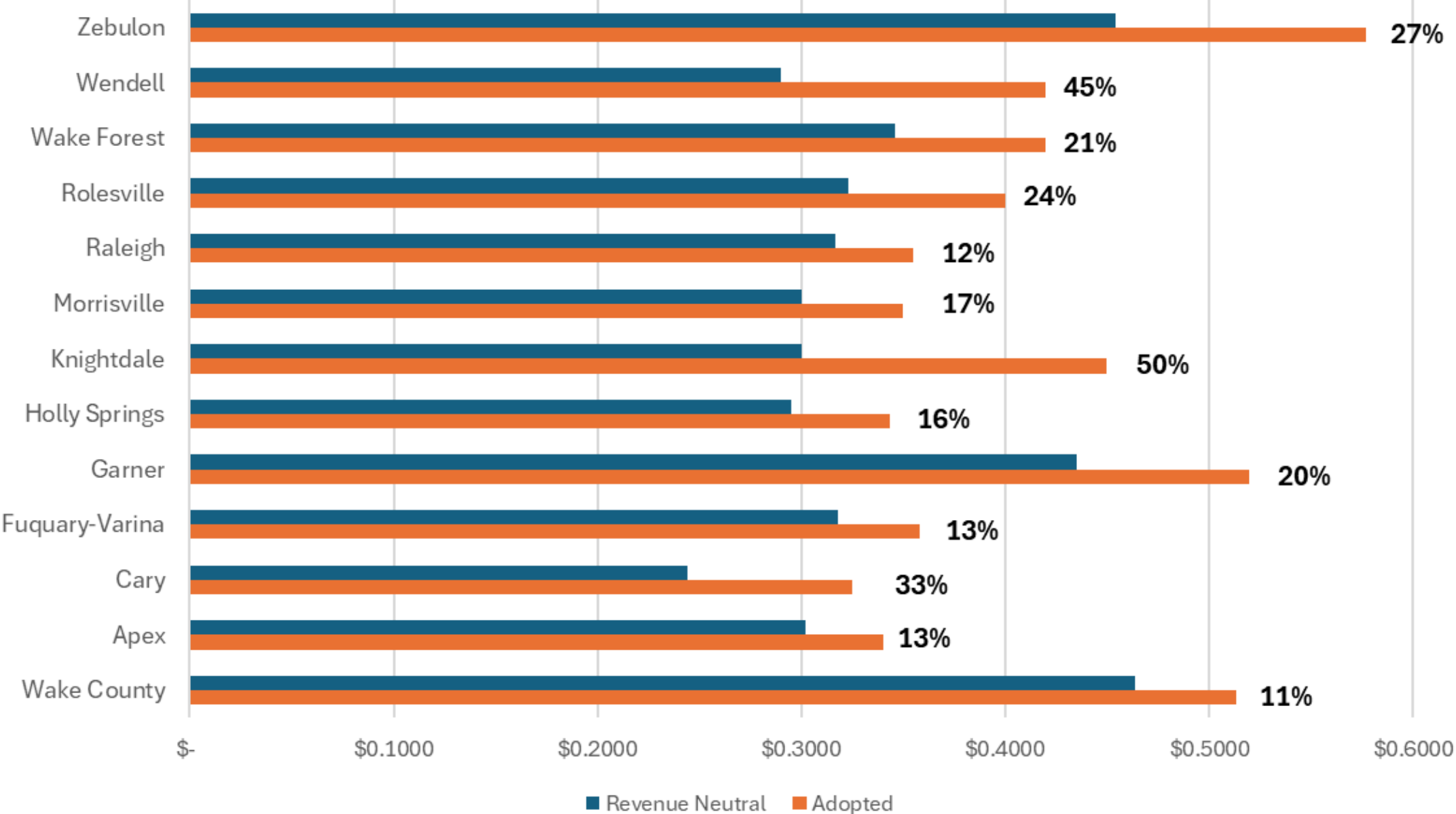
* Revaluation years

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Tax Base FY09-FY26



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



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SCENARIOS & TRADEOFFS

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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

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SCENARIO 2 – Reduced Base Budget

Revenue neutral tax rate
+ Reduced base budget option

44.2
2.5
46.7

- 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

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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

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SCENARIO 4 – Base Budget + 1.5

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

- 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

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FY 2025 5-YEAR BUDGET OUTLOOK

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

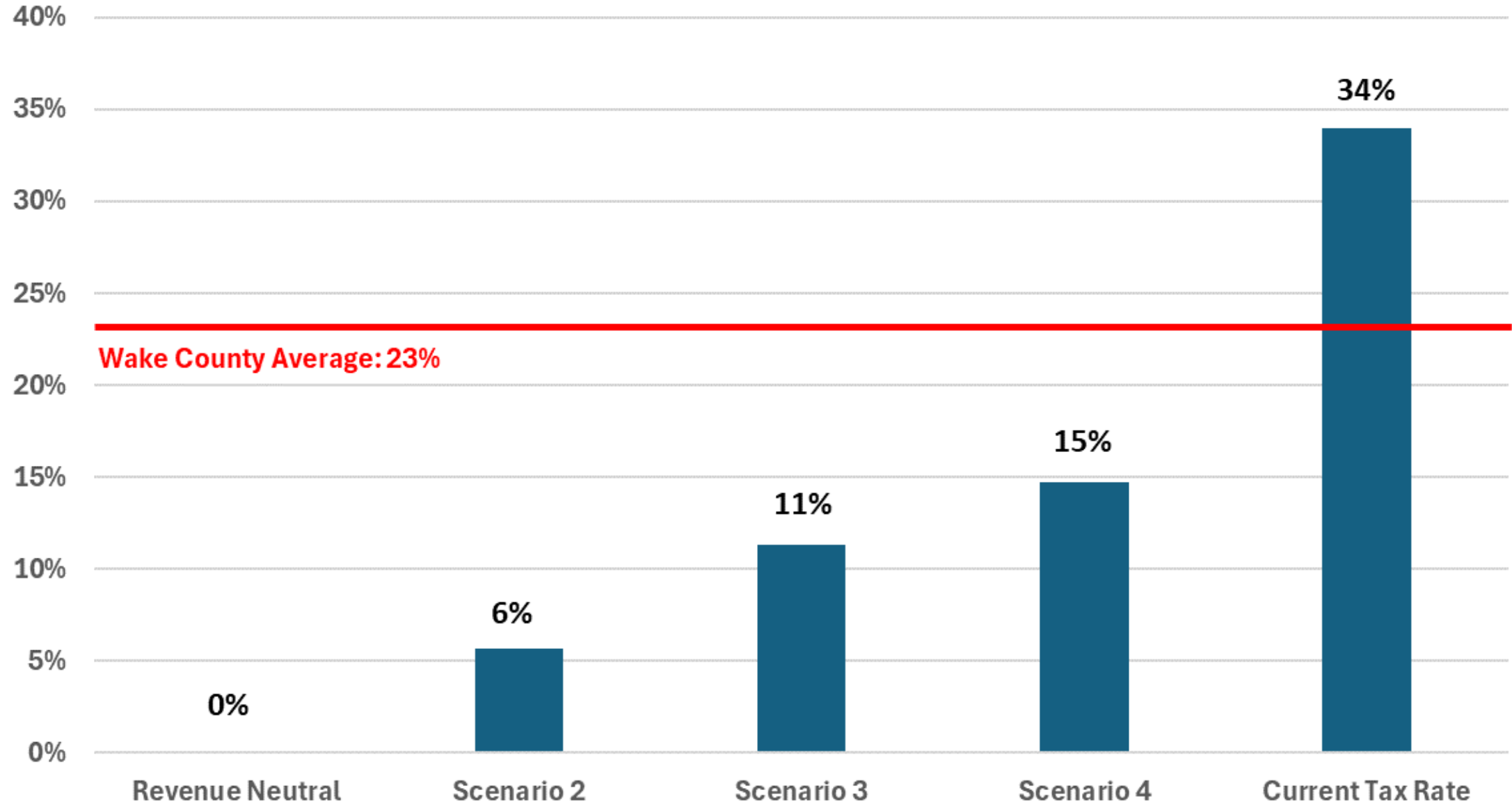
SCENARIO 6 – Base Budget + ?

**Base budget option
+ Additional priorities**

49.2
— ?
?
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- 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



NEXT STEPS

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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**

- * 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

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Guidance from Council:

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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.

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