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May 1, 2024

Mayor and Council: Tonight, we will present to you the FY2024-2025 recommended budget.

After months of discussion, we have arrived at a proposed budget with these highlights:

- The Total Budget is nearly \$156 million dollars for all of our funds with the general fund accounting for roughly \$89.4 million.
- That is a 4% increase from the FY 2024 budget.
- We are proposing a 2-cent increase. 1.5 cents for the General Fund to continue with year 2 of the 5-year budget strategy and 0.5 cents for the Transit Fund. This would bring our property tax rate to 59.2 cents.
- We are proposing a 6% of market cost of living pay increase for our employees.

We first shared our Five-Year Budget Priorities with you at the Council Retreat last year and we reviewed those priorities with you at your retreat in February. The recommended budget we are presenting tonight continues to address those priorities and builds a good foundation, recognizing that more will need to be done in the future.

Our goal for the FY 2025 budget is to bridge the gap until next year's revaluation when we hope to see big growth in our property valuation and can hopefully "right-size" our budget.

## PEOPLE

Our employees are our most valued and valuable resource – they are how we get everything done, from trash pickup and bus service to community engagement and economic development. And as a large employer in the community, we aim to be a model for employee engagement, retention, and well-being.

As an employer, our challenges are the challenges you hear and read about in the media every day – employee burnout, competitive job market, historic inflation, wage competition, and the high cost of living – especially here in Chapel Hill.

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Included in the recommended FY 2025 budget:

- 6% of market cost of living pay adjustment. This pay adjustment will be a percentage of market pay rather than base pay, in order to get employees closer to the market rate for their job.
- \$2,000 cost of living increase for the Mayor and each Council member.
- 0.75% increase to the employer share of the retirement system contribution.
- Funding to address the living wage adjustments required to recertify with Orange County Living Wage.
- Funding to develop pay progression plans, which is a key part of a strategy to recruit and retain top talent.
- With no new money going to staffing, we are not recommending any new positions in the General Fund. However, we are converting program support funding for the Inspections Apprentice program approved in the FY 2024 budget into a full-time apprentice position, largely using existing resources. We are adding two positions in the Transit Fund complements of additional funding from the Orange County Transit Plan.

## **SERVICES**

In any given year, we face the challenge of addressing the average 3-5% increases to "the cost of doing business." This includes everything from cleaning and landscape contracts to software platforms and the numerous other services that are provided by outside vendors. In recent years, departments had to absorb these costs into their budgets – but with sustained, historic inflation, this is no longer a sustainable approach.

With this budget, we have a new \$500,000 allocation to address some of the cost-of-doing business increases and to expand a few services as well.

## **FACILITIES/STREETS**

Just as our community expects high quality services, they also expect well-maintained, high-quality buildings, facilities, and streets. And as you've heard from us throughout budget season, we have a significant amount of deferred maintenance – and the cost of labor and supplies to repair and maintain facilities has gone up.

With this budget, we have allocated a new \$250,000 allocation towards deferred maintenance and a new \$250,000 allocation towards street resurfacing.

## **FLEET**

To get our business done, we need a fleet of vehicles across departments and divisions – and as stewards of public dollars, we need to keep that fleet well-maintained. As we've shared with you, we have aging vehicles and our maintenance costs have increased with inflation. And as you know, we are committed to electrifying our fleet – and that will take additional resources.

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With the new \$500,000 allocation included in this budget, we can make good strides on the vehicle replacement front.

## **AFFORDABLE HOUSING**

The FY 2025 recommended budget includes nearly 3 pennies for affordable housing initiatives. This budget continues to include a full penny allocation to the Affordable Housing Development Reserve. The Town recently received notice that we were awarded \$1.5 million from the 2024 Community Project Funding for the Jay Street project. Thanks to that award, we are able to reallocate funds to provide an additional \$1.3 million to support affordable housing initiatives.

## **OTHER FUNDS**

*The Transit budget* is up by 14% overall over the current year budget. The budget includes a 0.5 cent tax increase for Chapel Hill and corresponding partner contribution increases from UNC & Carrboro. There are no new federal recovery monies in FY 2025 and therefore the budget is balanced using appropriated fund balance in the amount of \$1.29 million to help offset the increase in personnel & operating costs.

*The Parking Fund budget* is down 9.5% overall from the current year due to a smaller transfer from the Debt Service Fund (which offsets the debt service payment on the 2021 LOBS) as a result of parking revenues continuing to rebound from the pandemic. We anticipate this transfer will not be needed once the East Rosemary parking deck has been open for a few years.

*The Public Housing budget* is up 4.3% which is driven by increases in anticipated tenant rents.

*The Stormwater budget* is up 7.3%. This increase is the result of the regular growth experienced by the fund as well as an increase in interest income. There is no stormwater fee increase proposed for FY 2025 as there are currently sufficient stormwater funds to meet the FY 2025 interests.

We believe that the budget before you tonight accounts for the reality that the cost of doing Town business has gone up and Council has some big, bold goals that staff are committed to helping you realize. We also believe that staff is our most important investment and that this budget prioritizes our employees and the core services they provide for our community. We appreciate the dialogue that has already informed this recommended budget and we look forward to your questions.

Sincerely,

Christopher C. Blue  
Town Manager  
Chapel Hill, NC