

Fiscal Year 26

Budget Development Update



April 23, 2025

FY26 Proposed Budget Schedule

**APR
23**

**Business
Meeting***

**MAY
7**

**Manager's
Recommended
Budget**

**MAY
14**

**Work
Session**

**MAY
21**

**Public
Hearing**

**JUNE
11**

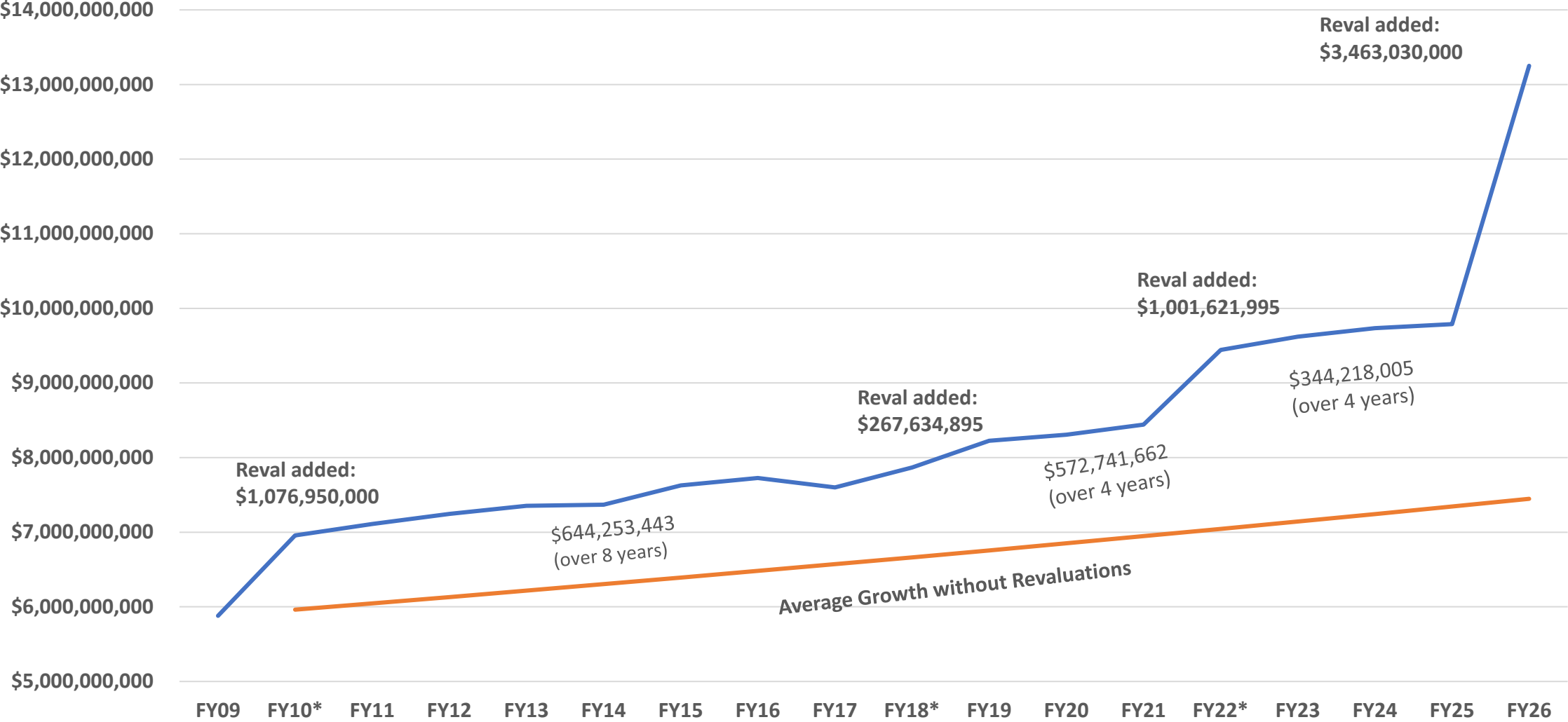
**Council
Vote**

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

Updated FY26 Revenue/Expenditure Gap

+ Revenues	\$ 86,613,138
- Department Budgets	(89,335,305)
- Employee Cost Increases	(2,946,237)
- Operating Increases	<u>(1,093,803)</u>
= Budget Gap	(\$ 6,762,207)

Tax Base FY09-FY26



About the 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.

What does this mean for the Town's tax rate?

- Current tax rate is 59.2 cents per \$100 assessed valuation
- Revenue neutral tax rate is 44.2 cents per \$100 assessed valuation
- There is a 15 cent difference between revenue neutral rate and current tax rate

Revaluation - Sample Residential Tax Bill Impacts

Pre-revaluation	Pre-reval annual bill (59.2)	Post-revaluation	Post-reval annual 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

Revaluation - Sample Commercial Tax Bill Impacts

Pre-revaluation	Pre-reval annual bill (59.2)	Post-revaluation	Post-reval annual 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

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 5 – Base Budget + ?

Revenue neutral	44.2
Base budget option	5.0
+ Additional Priorities	<u>?</u>
	?

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

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