

FY 2025 Excess Fund Balance Appropriation

Town Council Meeting
March 25, 2026



TOWN OF
**CHAPEL
HILL**

RECOMMENDATION

Staff recommends that Council enact budget ordinance O-1 to approve the appropriation of \$3 million in FY 2025 General Fund excess fund balance.

BACKGROUND & CONTEXT

ABOUT EXCESS FUND BALANCE

- Ending the year with some excess fund balance signals strong financial management
- Best practice is to use this type of one-time funding for one-time needs

ABOUT FY 2025 YEAR END RESULTS

- Early, intentional spending controls + improved revenues helped ensure a positive outcome for the year
- Result is about \$3 million in excess fund balance, available for one-time appropriation

STAFF RECOMMENDATION

SELECTION CRITERIA

- One-time, not on-going, funding need
- Funding need established, but no funding source
- Project needs exceed available resources
- Mix of organizational needs and Council priorities

- Greene Tract MOU \$100,000
- FEMA Administrative Support Contract 140,000
- Street Maintenance Equipment 327,500
- Downtown Funding Needs 360,000
- Fire Station 4 Demolition 1,000,000
- Infusion of \$ to parking fund 1,072,500

PROJECT DETAILS

Greene
Tract MOU
\$100,000

- Master Plan completed
- Orange County managed contract and work
- Town's cost share based on 43% allocation
- Funding was not included in FY 2026 budget
- No alternate funding identified

**FEMA Admin
Support
\$140,000**

- Contract with IEM International to manage FEMA disaster recovery grant work
- Amount based on 2% of Town's estimated \$7 million storm related damages
- Town should be reimbursed for these expenses, but no funding source identified to cover upfront costs.

**Street
Maintenance
Equipment
\$327,500**

- Purpose-built equipment to remove leaves from gutters
- Standard used by other municipalities and represents a best practice approach
- No alternate funding source identified

**Downtown
Priorities
\$360,000**

- Improve wayfinding, purchase lights/decorations to boost vibrancy and appeal
- Address other needs that enhance experience for businesses, residents and visitors
- Extra funding stems from occupancy taxes over \$1 million
- Aim to leverage these fund to drive more sales & occupancy tax revenue

Fire
Station #4
\$1,000,000

- Demolition will be completed in two phases and is estimated to cost \$500K with contingency
- Construction costs are estimated to cost \$1.5 million more than originally projected
- Remaining \$500K can help cover construction funding gap

**Parking Fund
Assistance
\$1,072,500**

- FY 2026 Parking Fund will fall short of revenue projections, due to multiple factors
- Launching comprehensive parking study to right-size and optimize system
- Evaluating potential revenue strategies to help solve for future budgets

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