

FY 2025 BUDGET DEVELOPMENT UPDATE



Council Work Session
April 15, 2024

AGENDA

1.

Council Interests

2.

Five-Year Strategy

3.

FY25 Budget Update

4.

Budget Timeline

We will recommend....

- 1.5 cent property tax increase for General Fund
- 0.5 cent tax increase for the Transit Fund
- Competitive Cost of Living Adjustment for employees
- Increased funding to some community partners
- Additional funding for Affordable Housing Development Reserve

The annual impact on taxpayers...

Property Valuation	Impact of 2 cents
\$ 250,000	\$ 50
\$ 500,000	\$ 100
\$ 750,000	\$ 150
\$ 1,000,000	\$ 200

\$ 13,000,000	\$ 2,600
\$ 64,000,000	\$ 12,800

- 1.5 cents for General Fund
- 0.5 cents for Transit Fund

Council Interests

Align Budget with Needs, Goals, Priorities

- Ensure the excellence of our core services and essential business functions
- Align practices with current best practices and emerging trends
- Advance Council priorities and major initiatives effectively

Here's How We Build the Recommended Budget.

1. Department personnel & operating budgets
2. Cost of living increase
3. Cost increases in utilities, fuel, vehicle maintenance, technology
4. Council priorities and community partner requests
5. Department budget adds for program expansions/additions

Good Stewardship of Public Funds

- Manager oversight vs Council authority?
- Understand how earmarked allocations such as “Penny for _____” are being spent
- Ensure efficiency across the organization, especially by leveraging technology
- Maximize state, federal, and outside grant funding

We Take Stewardship Seriously.

- Strong policies, best practices, great ratings
- Council approves every penny – and we keep track of them all
- We are leveraging technology for efficiency across the organization – and we are a people-driven, people-serving organization
- We are good at getting grants – and administering grants takes capacity

Council Initiatives, especially Complete Community

- Support policy-based, data-driven decision making
- Communicate progress towards goals, share successes
- Implement Complete Community in a holistic, proactive, and entrepreneurial manner

We are committed to advancing Council goals.

- Recently filled data analytics analyst position in Business Management
- New website, engagement platform will increase ability to share dashboards, interactive maps, and engage community
- Staff cohort recently trained in Results-Based Accountability
- Multiple staff across several departments focused on implementing Complete Community

Sustainable, Predictable Budgeting

- Appropriately plan for aging assets such as fleet and equipment
- Appropriate schedules for infrastructure maintenance, such as stormwater and streets
- Build in cost of maintenance and upkeep into new facilities projects

We do our best to plan ahead.

- Annual Business Plan asks departments to communicate needs for staff, operations, maintenance, etc.
- Five Year Budget Strategy articulates backlogs and big rocks ahead.
- Economic conditions and influences are often not predictable

Five-Year Budget Strategy

Purpose of Five-Year Strategy

- Keep Council continuously informed and up-to-date on trends and priorities that impact fiscal planning and future spending allocations.
- By understanding the “big rocks” ahead, there should be greater predictability, transparency, and fiscal sustainability.

Evolution of Five-Year Strategy

- First iteration focused on catching up on significant backlog of core business needs
- Next iteration will be an ongoing, continually updated five-year forecast of known needs
- Economic conditions and operational needs change, so it's not a crystal ball and not set in stone

Five-Year Strategy: FY25 General Fund Proposal

	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

How we handle revaluation will impact our revenues.

- Revaluation will likely see big property value changes that could have a **huge positive impact on our budget.**
- Opportunity to realize some of the natural growth from the revaluation **if we do not roll back to revenue neutral tax rate.**

FY 2025 Budget Update

Property tax growth is minimal – but not as bad as we thought.

- It takes a lot of new development to move the needle just a little.
- Lack of growth impacts our ability to balance our budget.
- **Updated projections for property tax revenues show 1.3% growth (up from 0.9%).**

Sales tax is down across the state – but current year estimates aren't quite as bad.

- The NC retail economy has slowed down.
- FY25 sales tax projections are still at 4% over prior year (down from 6-12%)
- **FY24 actuals are at 6% (up from 4% projected) which positively impacts next year's budget.**

**The cost of
doing
business goes
up every year
– and
continues to
do so.**

- While inflation is starting to stabilize, costs are still high.
- Departments absorb cost increases by making cuts elsewhere in their budgets.
- **Departments are seeing an increase of 3-5% for their day-to-day operations, with tech increases at 5–7%.**

**We value our
partners - and
we should
periodically
review
agreements.**

- Community Home Trust (CHT)*
- Interfaith Council (IFC)
- Partnership to End Homelessness (OCPEH)
- Downtown Partnership (DP)

**Contractual obligation to fund*

A 5-year look at annual partner funding

Partner	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	Change from p/y
CHT	\$ 358,009	\$ 358,009	\$ 367,173	\$ 402,503	\$ 513,145	\$ 110,642
IFC	\$ 0	\$ 0	\$ 258,050	\$ 265,792	\$ 273,766	\$ 7,974
OCPEH	\$ 96,300	\$ 96,300	\$ 218,503	\$ 193,172	\$ 317,048	\$ 123,876
CHDP*	\$ 220,000	\$ 220,000	\$ 320,000	\$ 320,000	\$ 320,000	\$ 0
Total	\$ 674,309	\$ 674,309	\$1,163,726	\$1,181,467	\$1,423,959	

 FY 25 Update

Things are a little better for General Fund than we first thought – but not enough to meet our needs.

- Natural tax growth **is enough** to cover the cost of COLAs for employees.
- Natural tax growth is **not enough** to cover cost of doing business increases.
- We still have a **significant backlog** of critical needs and we recommend continuing with 5-year budget strategy.

**It's time for
the Transit
fund to get a
funding boost
– beyond bus
purchases.**

- Experiencing significant inflationary costs for parts, materials, supplies
- Highly competitive market across the Triangle for transit operators.
- Two previous tax increases were for bus purchases, not other cost increases.

**We have
close to
3 Pennies
for
Affordable
Housing in
2025.**

Local Funding	\$1,298,502
CDBG	\$ 341,250
Partner Initiatives	\$1,103,959
Property Tax Relief	\$ 100,000
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Total	\$2,843,711

Budget Timeline

FY25 Proposed Budget Schedule

**MAY
1**

**Manager's
Recommended
Budget**

**MAY
8**

**Work
Session**

**MAY
15**

**Public
Hearing**

**JUNE
5**

**Council
Vote**

**We'd like
your
feedback
on...**

- 1.5 cent tax increase for the General Fund
- 0.5 cent tax increase for the Transit fund
- Competitive COLA for employees
- Community partner funding approach
- Affordable Housing funding