



06-04-2025 Budget Work Session Responses to Council Questions

Budget Question & Staff Responses #1

Part 1 - Can you provide information about the Mayor's Aide position?

- Is this position full time? Has it always been?
Yes, it is a full-time position. The position was made full-time as part of the FY 2004 budget.
- What is the compensation for this position?
The FY 2025 adopted budget (salary & benefits) is \$82,655 and the FY 2026 recommended budget (salary & benefits) is \$87,752.
- What are the duties of this position?
Duties of the Mayoral Aide position can be found [here](#).
- How does this compare to other municipalities?
We are not aware of how the duties of the Town's Mayoral Aide position compare to similar positions in other municipalities.
- Beyond compensation, are there any other impacts on the Town's budget as a result of this position?
The operating budget in the FY 2026 Manager's Recommended Budget is \$21,353. The expenditures associated with this position include computer costs, supplies, & other general office expenses.

Part 2 – Can you provide information about the Mayor's Intern(s)?

- Does the mayor employ interns? If so, how many and how often?
The Mayor's office employs interns. This past year, there was one intern.
- What is the hiring process and who is the supervisor?
The Mayor's office manages the hiring and supervision of interns.
- Are there any budgetary implications?
The FY 2026 Manager's Recommended Budget for the Mayor's office is \$3,802 (including benefits) for an intern position.

Part 3 – Can you provide information about the Mayor's operating budget lines?

- What is allocated for the Mayor's travel?
The FY 2026 Manager's Recommended budget is \$9,000 for travel for the Mayor.
- How does that differ from what the Council is allocated?
The FY 2026 Manager's Recommended budget is \$29,500 for travel for the Council, or \$3,687.50 per Council Member.
- What other expenditures are reserved for the Mayor's office?
Other operating expenditures in the FY 2026 Manager's Recommended budget for the Mayor's Office:
 - *Dues and Subscriptions - \$8,699*
 - *Telephone - \$629; Postage - \$350*
 - *Computer Use Charges - \$1,625*
 - *Supplies - \$1,050*



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Budget Question & Staff Responses #2

- What is the individual annual compensation for Council?
The FY 2025 compensation amount is \$26,990 per council member (salary alone/no benefits) and the FY 2026 compensation amount with the 5% proposed increase is \$28,339 (salary alone/no benefits).
- What is the Mayor's compensation?
The FY 2025 compensation amount is \$37,550 (salary alone/no benefits)/\$58,066 (with benefits) and the FY 2026 compensation amount with the 5% proposed increase is \$39,428 (salary alone/no benefits)/\$61,417 (with benefits).
- What is the history for Council increases in compensation since 2008?

Council Raises	Prev FY Salary	Adopted FY Salary	% Increase	Increase per CM	Individual CM Salary
FY26	215,920	226,712	5.00%	1,349.00	28,339
FY25	199,920	215,920	8.00%	2,000.00	26,990
FY24	167,920	199,920	19.06%	4,000.00	24,990
FY23	135,920	167,920	23.54%	4,000.00	20,990
FY22	131,960	135,920	3.00%	495.00	16,990
FY21	131,960	131,960	0.00%	-	16,495
FY20	128,116	131,960	3.00%	480.50	16,495
FY19	124,385	128,116	3.00%	466.38	16,015
FY18	120,144	124,385	3.53%	530.13	15,548
FY17	116,044	120,144	3.53%	512.50	15,018
FY16	111,537	116,044	4.04%	563.38	14,506
FY15	108,853	111,537	2.47%	335.50	13,942
FY14	106,463	108,853	2.24%	298.75	13,607
FY13	104,120	106,463	2.25%	292.88	13,308
FY12	104,120	104,120	0.00%	-	13,015
FY11	104,120	104,120	0.00%	-	13,015
FY10	104,120	104,120	0.00%	-	13,015
FY09	101,088	104,120	3.00%	379.00	13,015
FY08	97,194	101,088	4.01%	486.75	12,636



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Budget Question & Staff Responses #2 (Cont'd)

- Can we discuss whether or not we want Council to get the same raise as the rest of the Town staff. I am strongly opposed to us getting any raise this year.

Council can discuss this at the work session on June 4th.

- What other expenditures are reserved for the Council? How do we determine how/when they are used?

The Clerk's Office typically manages the Council budget. Other operating expenditures in the FY 2026 Manager's Recommended budget for Council include:

- Professional Services - \$83,203
 - Made up of cost of elections (\$65,000), Council retreat (\$13,203), and facilitation for Manager's review (\$5,000)
 - Business Meetings & Training - \$29,500
 - Chamber Intercity visit, National League of Cities, other various meetings, seminars, and workshops
 - Dues & Subscriptions - \$97,197
 - National League of Cities (\$6,177), Central Pines (\$27,375), UNC SOG (\$12,600), NC Metropolitan Coalition (\$10,210), NC League of Municipalities (\$40,435), and Zoom fees (\$400)
 - Telephone (\$100), Postage (\$50), Copying Costs (\$50), and Supplies (\$1,000)
 - Computer Use Charges - \$3,450
 - Contingency - \$1,630
- How does the Council and Mayor's compensation packages compare to those of other municipalities?
Staff have received several responses from other municipalities on the Clerk's listserv. Those responses with information about their compensation packages is summarized in the table below.

Mayor and Council Pay Packages			
	Mayor	Mayor Pro Tem	Council Members
Greensboro	\$ 34,228	\$ 26,433	\$ 22,809 - \$26,433
Carolina Beach	\$ 11,556	\$ 8,544	\$ 7,984
Emerald Isle	\$ 14,242	\$ 9,927	\$ 9,927
Jacksonville	\$ 10,200	\$ 7,200	\$ 7,200
Kure Beach	\$ 4,800	\$ 3,900	\$ 3,600
Leland	\$ 16,800	\$ 12,000	\$ 12,000
North Topsail Beach	\$ 6,000	\$ 6,000	\$ 6,000
Oak Island	\$ 10,836	\$ 7,740	\$ 7,740
Onslow County	\$ 15,085	\$ 14,733	\$ 14,720
Pender County	\$ 25,125	\$ 38,789	\$ 38,789
New Hanover County	\$ 48,486	\$ 20,781	\$ 20,781



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Budget Question & Staff Responses #2 (Cont'd)

Mayor and Council Pay Packages			
	Mayor	Mayor Pro Tem	Council Members
Sunset Beach	\$ 2,867	\$ 2,205	\$ 2,205
Swansboro	\$ 1,800	\$ 1,200	\$ 1,200
Topsail Beach	\$ 6,000	\$ 6,000	\$ 6,000
Wilmington	\$ 26,486	\$ 21,643	\$ 21,643
Wrightsville Beach	\$ 9,280	\$ 7,852	\$ 7,852
Surf City	\$ 8,004	\$ 6,000	\$ 6,000
Bessemer City	\$ 9,630	\$ 7,490	\$ 7,490
Cherryville	\$ 7,020	\$ 5,778	\$ 5,778
Ranio	\$ 4,200	\$ 4,200	\$ 4,200
Holly Springs	\$ 14,856	\$ 8,915	\$ 8,567
Mount Pleasant	\$ 7,200	\$ 3,000	\$ 3,000
Fayetteville	\$ 37,676	\$ 21,805	\$ 20,598

Budget Question #3

Can you provide information about what is included in the budget for Language Access?

Staff Response #3:

The FY 2026 Manager's Recommended Budget includes a reallocation of funds from the Office Assistant and program support positions in the Clerk's office plus savings from the Director of Employee Engagement position to continue our Language Access Program, originally funded with seed money from a generous Blue Cross Blue Shield grant that expires at the end of this fiscal year. The allocation in the recommended budget funds our Language Access Coordinator, our part-time staff interpreters, supplies, and for contracted services to help with translation and interpretation.

Budget Question #4

Can you provide information about employee burnout?

Staff Response #4

Please see the "2024 Employee Survey and Recommendations" document for details.

Budget Question & Staff Response #5:

There were numerous questions about the annual pay increase and the pay and classification study. A consolidated response will be provided early next week.



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Budget Question #6:

What would the savings be if we eliminated some/all of the grant-funded positions that will soon lose their funding? If we eliminated some soon-to-be vacant positions (as mentioned in the manager's budget message) instead of converting them to other functions?

Staff Response #6:

The FY 2026 Manager's Recommended Budget includes two position adds in the Police Department for the absorption of the Cares Team. Adding these positions results in \$196,630 for the addition of the two new Crisis Counselors.

If we had to reduce or eliminate our Crisis Assistance, Response, Engagement (CARE) Team, 828 vulnerable community members would lose access to resource connection and/or response to crisis by the CARE team. Since its inception the CARE Team has conducted over 1,544 responses to members of our community. Our Crisis Team has responded to 5,972 events throughout our community and offered support to 3,676 community members over the last 2 years. We need to continue to support full staffing for this team and the programs it leads, Criminal Justice Dept Program, Lethality Assessment for Domestic Violence Response, Diversion and Response, Sexual Assault Multi-Disciplinary County Team among a few.

The FY 2026 Manager's Recommended Budget also converted three vacant/soon-to-be vacant positions to meet organizational needs. The repurposed/new positions, which have been deemed our highest need in order to sustain our operations, include a Traffic position, Payroll/HR Systems Analyst, and the Language Access position. The new positions along with benefits and associated operating expenses total \$363,423 which is offset by the savings from eliminating the Employee Engagement Director, Grants Administrator, Office Assistant and program support in the Clerk's office, Special Projects Manager (will be vacant in FY2026)

Eliminating those positions instead of reallocating them would mean discontinuing the language access program, including an occupied full time position and continuing to not meet critical needs in our traffic operations division (a long-term, ongoing need) and our Business Management & Human Resources departments, which are currently unable to meet the increasing demands for employee support, data, reporting, and metrics.

Budget Question #7

What would the cost savings to the Town be if we reduce the board by two members?

Staff Response #7

The average cost (salary & benefits) of one Council Member is \$36,390 in FY 2026, so reducing Council by two would result in cost savings of \$72,780.



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Budget Question #8

What is the cost to the Town of our local elections?

Staff Response #8

The FY 2026 Manager's Recommended budget includes \$65,000 (\$55K Orange County & \$10K Durham County) for the local elections costs.

Budget Question #9

What are the number of vacant positions in each different department and what are the effects of eliminating some of these vacant positions?

Staff Response #9

When the FY 2026 Manager's Recommended Budget was presented, the Town had 69 positions vacant. 44 positions are paid from the General Fund and are made up of 13 police officers, 1 fire lieutenant, 7 front-line Public Works staff, 4 inspectors and 1 plans reviewer in Building & Development Services & Engineering, 7 front-line Parks staff, 2 planning staff, 1 librarian, and 8 administrative level positions.

25 vacant positions are paid from the Enterprise Funds and are made up of 17 Transit positions, 5 Public Housing positions (some are being held to offset potential loss of federal funding), 2 Stormwater positions, and 1 Parking position.

The majority of these positions are front-line positions that are necessary to carry out Town services. Many of these departments are already short-staffed and reducing any positions would be detrimental to service delivery.

Town staff reviewed the list of vacant positions and repurposed positions in an effort to meet organization-wide needs without adding new positions.

Budget Question #10

Employee medical insurance is increasing 6%. Is that for the same coverage as last year, or are we paying more for enhanced coverage?

Staff Response #10

The employee medical insurance increase of 6% represents the cost increase for maintaining existing coverage with no plan changes.



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Budget Question #11

In the manager's budget letter, there was a section on reductions (charging credit card-fees, changing yard waste pickup, etc.). Have these been priced into the proposed budget already? If not, can you give us an idea of the cost savings we'd be looking at?

Staff Response #11

Any changes to the fee schedule and/or service delivery changes have not resulted in budgetary adjustments to the FY 2026 budget. Some of the changes could result in immediate savings which could be revisited mid-year. We estimate credit-card fees could reduce the FY 2026 budget somewhere between \$5,000 and \$30,000. Those dollars could be used to meet other unfunded operational needs.

For changes to yard waste and leaf collection services, we anticipate not having to request a budget add to replace outdated equipment (\$160,000) in FY 2027 after the changes are implemented.

Timing of the changes in service and volume of transactions are unknown and will affect the actual numbers.

Budget Question #12

What[do] the "trade-offs" in your last budget presentation mean. I would like more specifics about what each of those dollar values represents (what vehicles aren't getting replaced and how does that affect operations? Do we end up just paying more in staff overtime somehow because we didn't buy one more parks and rec truck, etc?) What does a \$413,615 smaller operations budget mean we're not doing?

Staff Response #12

Facilities Maintenance:

This budget includes a new \$150,000 allocation towards deferred maintenance which will be used (along with the existing allocation) for the roof replacement at the Public Works Facilities. Without this additional funding, we will do smaller projects and the public works roof will continue to require unbudgeted emergency repairs and remain in the backlog.

Streets Maintenance:

The budget includes a new \$150,000 allocation for street resurfacing. The existing funding allocation would patch, mill, and resurface about 9 streets (total of about 3 miles). The new funding allocation would perform preservation maintenance (which includes crack sealing and various types of pavement seals) to extend the life of 2-4 miles of streets. Without the new funding, those roads will continue to deteriorate.

Fire Capital:

The Fire Department currently has a backlog of capital items that are pertinent to our service delivery. The additional \$250,000 will allow us to replace our air pack filling station that is no longer compliant with safe air regulations, portable radios to ensure every firefighter has a radio assigned to them, and fire rescue tools. Our backlog currently exceeds the \$250k, but this allocation will help tremendously. Our larger goal is to build the fund enough to cover the cost purchasing fire apparatuses.



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Staff Response #12 (Cont'd)

Fleet:

An additional \$150,000 will allow us to purchase three additional vehicles - one CHPD patrol hybrid SUV, one electric pickup truck for Engineering, and one electric pickup truck for Parks Maintenance.

The cost to maintain our older fleet is notably more expensive due to major system failures. The downtime associated with the older fleet affects our team's ability to serve our community. The workload on the fleet technicians isn't sustainable. The older fleet will continue to have a negative impact on recruitment and morale of employees in various departments.

There is a lost opportunity in realizing the most beneficial use of equipment and vehicles before needing to spend more money on extraordinary maintenance, and also a lost opportunity in realizing the maximum return of sales to offset the costs of new equipment and vehicles consistent with an old consultant review and presentation related to life cycle costs analysis.

Operations:

In addition to the Throne restroom (\$60,000) the operating budget line covers mandatory costs (animal services from Orange County, COBRA fees increases) and operational support (program support at public works for solid waste collectors, the library and parks and recreation), facility maintenance (library), engagement and outreach, basic supplies, a Code Enforcement Vehicle (employees currently carpool, walk, etc., resulting in slower enforcement), basic software, and turf field maintenance. Not funding these means departments will have to discontinue other operations in order to "absorb" the costs, or these needs simply won't be met (no maintenance, continued lower levels of service, canceled, or reduced programs).

Budget Question #13

More nuanced data and analysis of the backlog funds (vehicles, facilities, streets, and fire) to help us understand if the approach we are taking of spreading monies across various areas is covering the most urgent projects right now as opposed to a prioritized list? Is there a significant \$ difference between the two approaches? Also, what are reasonable benchmarks for each area are being used to establish what "sustainability" is?

Staff Response #13

In the five-year budget outlook, the approach has been to spread funding across each priority area and Departments prioritize needs within each area based on outside assessments, surveys, and other system data. These studies and data have identified a benchmark to use as a recommended funding level for each of the priorities. The approach has been to build up to the sustainable funding levels with our budget outlook as a guiding plan.



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Staff Response #13 (Cont'd)

As previously shared, a sustainable funding level means you are no longer adding to your backlog. It means you're doing preventive maintenance or replacing facilities and vehicles at a regular replacement schedule (based on the life of the asset). When we don't have a sustainable funding level, we end up deferring maintenance and replacements, and they cost more to address later. This adds to the backlog. Once we arrive at the "sustainable" funding levels, we would want to continue to monitor our backlogs, and make sure that they are being addressed and that our funding is keeping pace with then-current costs. The metrics provided in the 5/21 Council questions & staff responses (attached) are all based on third-party evaluations of our Town's needs.

Budget Question #14

Is funding for the downtown Throne (or Thrones) currently in the budget? If it is, what would be the savings if we eliminated that program?

Staff Response #14

The FY 2026 Manager's Recommended Budget includes \$60,000 for the downtown Throne in the operational costs category.

Budget Question #15

How do we (the Town) ensure that the outside agencies are aligned with our interests and budget considerations?

Staff Response #15

The Town establishes performance agreements with all outside agencies. These agencies complete progress reports and describe how they meet the duties as described in each contract and associated exhibit/workplan. Many outside agencies also complete financial reports that reference budget narratives accompanying a contract award. For all of our human service-related agreements, staff have had a long-standing practice of verifying work is completed and milestones are met prior to issuing payment to our partners.

Staff plan to make the following changes for next fiscal year to further strengthen our agreements and bring greater consistency across them, including:

- All outside agencies will receive similar reporting guidelines to remain consistent with all funding requests.*
- Using the same progress and financial report templates. These new templates will be designed from best practices and from what is working really well from what we already do.*
- Strengthening performance metrics with the outside agencies and align them with Council's strategic priorities.*
- Using the SMART criteria (Specific, Measurable, Attainable, Relevant, and Time-bound) for selecting metrics.*
- Reporting results of our outside agencies on a regular basis to Council*



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Budget Question #16

Knowing that needs will increase in our community, I am interested in having a better understanding of how we plan to use Human Services monies this year before approving the budget with an eye toward meeting core needs (food, shelter, jobs, utilities).

Staff Response #16

In recent years, we've provided recommendations for Human Services funds after the budget is adopted. This year, we plan to bring recommendations to you on June 18.

Human Services programs must align with at least one of the strategic objectives of: Children improve their educational outcomes; Residents increase their livelihood security; and residents improve their health outcomes. In 2018, the Council approved a Human Services Program Results Framework that guides how Human Services funds are allocated. Programs that receive funding address the variety of needs in our community including childcare, financial assistance, educational support, job readiness, assistance with food, mental health and other support services, A summary of 2024-25 awards can be found [here](#).

Budget Question #17

What are the options to avoid the transit property tax increase? Are there routes we can temporarily replace with other targeted options to make sure people can get where they need to go? Are there other savings the department can come up with?

Staff Response #17

Transit, like all other Town departments, is experiencing dramatic cost increases from external vendors/suppliers (e.g., oil filters: 50.9%, brake drum: 35.2%, water pump belt: 64.18%, mirror: 32.32%, tires: 76.88%, engine: 180%, etc.) and must cover cost of living and benefit adjustments for team members. Fortunately for the Town, these increases are shared with the Transit Partners and the Town's share is 34.5% - the other Transit partners have agreed to provide their proportionate shares consistent with the FY 2026 Manager's recommended budget and indicated a willingness to go above that to support additional investments.

Transit has long been committed to minimizing costs to the Town and our Partners and we will continue to do all that we can in this regard. For several years we have maximized outside funding to reduce partner contributions and have been very successful with those efforts, utilizing fuel contracts and multi-year contracts (where possible) to help avoid large increases and have regularly absorbed increases within our budget. We will continue these efforts, along with being judicious in our spending.



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Staff Response #17 (Cont'd)

It is important to note that the Chapel Hill Transit budget also includes NSBRT and capital investments – all the systems listed below maintain separate capital budgets for items of this nature. The FY 2026 Manager's recommended budget for Transit is much lower than those of systems in the region for FY 2025, including systems that are much smaller than Chapel Hill Transit.

There are no reasonable options to immediately replace Chapel Hill Transit directly operating services. Our rides per hour exceed the capacity of small to medium sized vehicles and most private providers do not meet federal requirements for ADA and drug/alcohol testing. Over the last couple of years, we have used a private local provider, while our Operator numbers were lower, that does have a small number of larger vehicles to operate routes and their cost per hour was \$5-\$10 more per hour than that of Chapel Hill Transit. Another comparable would be NC State, who contracts with a private provider to provide service and their current contract rate is \$120/hour for FY25 (this only includes fixed route as they use golf carts and other University vehicles for on-campus paratransit) and our expected rate for FY26 for Transit Partners is \$123.34/hr.

We are also issuing a RFQ for an update to our Short-Range Transit Plan in FY26 and it will include a review of our service delivery model and other potential service options.

Budget Question #18

Given the full cost to run our transit, can you please, when you and your staff have time, let us know what the cost of a bus ticket would have to be in Chapel Hill in order for it to pencil out for us to implement a pay-to-ride system? There must be some number, regardless of how high, where it becomes a feasible operation.

Staff Response #18

Chapel Hill Transit has been a fare-free (pre-paid) system since January 2002 and is often used a model for other systems and communities looking at similar approaches. While we are called a fare-free system and that is easy to understand for customers, our system would more appropriately be called a pre-paid fare system, representing the contributions from the University (student and departmental fees – note UNC does not use federal or state funds to cover their costs, the main contribution comes from student fees for transit) and Towns (property tax and vehicle registrations fees). This model has worked well for our Partners and communities. We do review this approach and in 2015 a report was developed by Nelson\Nygaard as part of our strategic and financial sustainability efforts and presented to the Transit Partners Committee and Council (see attached "CHT Fare Analysis FINAL"). In summary and as detailed in the report, with the capital and operating costs associated with fare collection and other implications, there is little benefit to changing this model. Since this report was completed, capital and operating costs associated with fare collection have all increased. The University has also demonstrated strong support for the existing pre-paid model and would not likely change their approach if the Town(s) decided to implement some type of fare-based program.



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Staff Response #18 (Cont'd)

While Chapel Hill Transit is one of the longest running pre-paid systems in the United States, this is a model that is followed in other areas, including: Durham, NC, Boone, NC, Clemson, SC, Alexandria, VA, Athens OH, Olympia, WA, Breckenridge, CO, Albuquerque, NM, Athens, GA, Corvallis, OR, Fort Collins, CO, Jefferson County, WA, Mason County, WA, Missoula, MN and several University based systems. Luxembourg provides fare free service for travel in the country and Tallinn, capital city of Estonia is the largest city internationally offering fare free service. Additionally, much larger communities like Boston, Los Angeles and Washington DC are testing fare free models on bus lines.

While the Chapel Hill Transit budget is consistent with what would be expected for a system its size, it is smaller than that of most urban transit systems in our region and the Town of Chapel Hill's contribution is much less than what is required by communities in the region supporting transit systems. For example, using the Manager's Recommended Budget for FY26 the Chapel Hill Transit Budget is \$36.4M (including \$4M from the Orange County Transit Plan for NSBRT) and the Town's anticipated contribution is \$7.78M. Since some communities have not fully released their budgets at this point, we can use their FY25 budgets for comparison to ours for FY26 – it is reasonable to assume that their numbers will all be higher in FY26 - and each community contributes significantly more to transit than the combined contributions of the Town and Town of Carrboro:

- Durham, NC: \$41.1M (\$19M from property tax and vehicle registration fees)*
- Raleigh, NC: \$62M (\$26.9M from property tax and vehicle registration fees)*
- GoTriangle: \$58M (\$22M from rental vehicle tax and vehicle registration fees)*
- Greensboro, NC: \$35.6M (\$21M from property tax and vehicle registration fees)*
- Winston-Salem, NC: \$30.6 (\$19.7M from property tax and vehicle registration fees).*

Chapel Hill Transit not only represents one of the Town's investments in mobility and access, it is also the Town's largest investment in achieving its sustainability and environmental stewardship priorities and our core value of equity, along with supporting the Town's development priorities (Complete Community), Affordable Housing priorities, and Healthy and Inclusive Community priorities. If the BRT project does not look like it will happen in the next 3 – 5 years, can we still utilize funds designated through the OC Transit fund, MPO etc...to move forward with things like greenway connections and sidewalk expansion in the area? Would those count, later, as our local match?

Staff Response #19

Construction may be possible with Orange County Transit Plan funds; however, it would require discussions and approvals outside of the Town of Chapel Hill. Using it as potential local match, prior to having a Full Funding Grant Agreement (FFGA) with the Federal Transit Administration (FTA) in place, would likely be much more difficult due to federal requirements and practices – for example we are not able to use improvements that have been made by NCDOT or private developers, like at Aura, toward our local match as they are occurring prior to the FFGA.



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Staff Response #19 (Cont'd)

Currently, the only funding dedicated to NSBRT is through the Orange County Transit Plan and Federal Funds (no MPO or other local funds). Staff would only recommend considering this as a potential option following securement of a FFGA with the FTA. The earliest a FFGA would likely happen is late 2026, however, with the current federal environment we would expect it to happen post 2026.

Budget Question #20

I'm having a hard time quantifying the impact of the change to stormwater fees. Can you give an example of what the increase would mean for a small single-family lot, a medium single-family lot, and a larger commercial lot?

Staff Response #20

Some examples of stormwater rate increase amounts per land type are as follows:

Property Type	Average ERU	Current Rate	Proposed Rate	Net Increase
Small Single Family	3	\$ 104.91	\$ 120.81	\$ 15.90
Medium Single Family	4	\$ 139.88	\$ 161.08	\$ 21.20
Small/Medium Commercial Lot	25	\$ 874.25	\$ 1,006.75	\$ 132.50
Large Commercial Lot	450	\$ 15,736.50	\$ 18,121.50	\$ 2,385.00

Budget Question #21

Five- or ten-year CIP paired with information about the debt fund for the same period. (Would prefer ten and then to pair five years with our Five-Year Outlook).

Staff Response #21

Please find attached the CIP listing from the FY 2025 adopted budget book that displays the Town's capital needs over the next 15 years. Please also find attached the Debt Fund cash flow projections that outlines the Town's existing debt and projected future issuances.

Budget Question #22

Can we get clarification on when we can begin to recognize the monies from the incentives? My understanding was that, in each case, we worked out a five-year deal and I know Wegmans was postponed a bit. Based on an answer given last year to the question, those should have been rolling off soon. New information extends that timeline based on expiration dates; however, I have heard that some of the incentives simply can't be met so would have to be renegotiated. If that is the case, can we begin recognizing those revenues now and reduce the tax increase?



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Staff Response #22

As previously shared, here is the best information we have related to total funding commitments, amount paid-to-date-, and the potential remaining amount due per the Town's outstanding incentive agreements. We have already adjusted the incentive agreement budget down in recent years and it is budgeted at \$714,286 in the FY 2026 Manager's Recommended Budget.

Development Agreement	Total Funding Commitment	Total Paid To-Date	Potential Remaining	Notes
Carraway Village	\$ 1,295,878	\$ 863,859	\$ 432,019	FY 25 will be year 5 of funding commitment. No expiration on commitment.
Wegman's	\$ 2,000,000	\$ 1,170,843	\$ 829,157	FY 25 was year 3 of 5-year funding commitment (approx. \$400K/year)
Glen Lennox	\$ 2,230,000	\$ 291,045	\$ 1,938,955	FY 25 was year 4 of 5-year funding commitment based on property development. Agreement expires 6/30/26.
Well Dot	\$ 450,000	\$ 74,997	\$ 375,003	FY 25 will be year 2 of funding commitment. Agreement expires 4/1/28.
Total	\$ 5,975,878	\$ 2,400,744	\$ 3,575,134	

Budget Question #23

A slightly deeper dive into the list of new development projects. Some of the projects are already open. Others should be opening very soon. (Atlas says leasing for the summer). That being the case, what is a conservative estimate of new revenue we can expect in the 2025-26 fiscal year?

Staff Response #23

The property tax valuation and corresponding tax levy in the FY 2026 Manager's Recommended Budget is based on the data we receive from Orange County & Durham County. The general rule is that a new development will be added to the tax rolls in the year following its completion and the issuance of a certificate of occupancy (CO). Therefore, if the Atlas (or another development) recently received their CO, they would not be included in the Town's tax valuation until FY 2027.



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Budget Question #24

Can staff ask the county why the value of the Berkshire decreased from \$80 million to \$67 million in the revaluation?

Orange County Staff Response #24

The original value of the Berkshire, BIR Chapel Hill LLC, PIN 9799148556 – was \$80,124,700, and the property was appealed informally. Based on review by the commercial appraisal firm that the County contracted for the revaluation, a reduction was warranted. The reduction to \$67,259,900 was based on additional information provided that indicated the performance of the asset was lower than expected.

Budget Question #25

An update on where things stand with respect to federal funding. Early on, the approach described was for the Town to rely on existing fund balance in certain Enterprise funds (transit and housing, in particular) with an indication that those would be largely used up within a year. Based on what we know right now, it seems likely that this will be the case for three or more years. Given that, does the initial approach make the most sense? Are there other options we should be considering? What are our contingency plans?

Staff Response #25

Having a healthy fund balance in reserve (best practice is 3-6 months worth of expenses depending on the size of the budget and the complexity of the operations) is a helpful tool to manage cash flows and to help weather emergencies.

As of June 30, 2024, the Transit fund had an available fund balance of about \$35.9 million which is equivalent to a year's worth of expenses. These funds could cover several years of federal and state revenue loss but would come with a significant negative impact to operations.

As of June 30, 2024, the Public Housing fund had an available fund balance of about \$3.5 million which is equivalent to a year's worth of expenses. The amount of federal funding received from HUD each year is about \$1.3 million. Fund balance could cover 2-3 years of federal revenue loss at a cost of the flexibility of those operations.

There are still many unknowns about the status of the federal funding that the Town receives. Until we have more concrete information, we feel that for now, we have a strategy for any short-term funding interruptions.

Budget Question #26

If asked to find operational savings totaling 1 – 1.5 cents with the least impact on the public and core services, what would that list look like?



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Staff Response #26

You can refer back to Scenario 2 in [the April 16th materials](#) (page 64). This scenario would:

1. Appropriate up to \$1 million of fund balance (BMD Director does not recommend going above this threshold for the financial security of the Town) at a cost of \$1,563,707 (this is already captured in the 5.8 cents above revenue neutral budget model)
2. Project up to 2% sales tax growth (BMD Director does not recommend going above this threshold based on actual collection data and projections from the North Carolina League of Municipalities) which finds \$430,569 as an alternate revenue source
3. Provide a 3% annual pay increase for our employees (rather than a 5% increase)
4. Still account for required increases in the LGERS and medical insurance
5. Still account for increases in utilities and other required annual commitments
6. Would require some combination of budget reductions to be recommended by Council of \$1,050,000 (could include staffing, operations, programs (Council priorities such as Affordable Housing, climate action etc.), vehicles, facilities, outside agencies etc.)

There is no scenario to cut \$1 million from the Town budget that does not impact a combination of staffing and programs. The most flexible areas include vehicles, facilities, streets, and the large funds such as human services, sustainability, penny for parks, and greenways. All these funds have anticipated uses and they would all have impacts. You can refer to [last year's adopted budget](#) for general funding amounts in each area.

Budget Question #27

Also, I am interested in exploring other levers for catching up on our backlog without increasing taxes as much. With that in mind, what % of expenditures are we required to maintain in fund balance as opposed to our policy?

Staff Response #27

The Local Government Commission requires that local governments maintain a minimum of 8-12% in fund balance. However, the actual percent of fund balance to maintain varies by the size of the municipality and the size of the budget. For a government the size of Chapel Hill, the average amount of unassigned fund balance is between 22% - 27% with many organizations having closer to 40% - 50% in fund balance.

The % target that the Town adopted was based on benchmarks, peer groups, Governmental Finance Officers Association (GFOA) and Local Government Commission (LGC) best practices (2-3 months of budgeted expenditures), and most importantly, it was a number that we felt was a safeguard for the Town's fiscal health.



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Staff Response #27 (Cont'd)

The fund balance policy/level of unassigned fund balance @ 22% for the General Fund is a key indicator that is reviewed by the credit rating agencies and helps support our AAA rating.

- Per Moody's last rating, a credit strength they noted was, "The Town has a strong financial position (fund balance) that is supported by strong management." A factor that could lead to a downgrade in our Moody's rating was, "Trend of declining reserves (fund balance) and liquidity (available cash)." The available fund balance ratio makes up 20% of Moody's rating scorecard.*
- Per Standard & Poor's (S&P) last rating, a credit strength they noted was, "Formalized and well-embedded financial policies and practices, supported by a very strong institutional framework," and "Track record of stable performance supporting very strong fund balances." A factor that could lead to a downgrade in our S&P rating was, "We could lower the rating if budgetary performance deteriorates on a sustained basis or if reserves (fund balance) materially decline."*
- A negative change to our fund balance reserves could very likely cause the town to lose our AAA rating. This is relevant because we have bond issuances coming up and a change to the fund balance policy could wind up costing the Town more money in the long run.*

Most importantly fund balance is one-time money. It is similar to a savings account. We hold it aside in case of an emergency. Once it's spent, it's gone. Our goal should be to stop budgeting fund balance, to right-size our annual budget, and if there is excess fund balance over the 22% target, those monies can be used for one-time items that are capital related or towards any of Council's strategic goals.

Budget Question #28

Can we hold off on reducing the fund balance allocation in the current budget year?

Staff Response #28

When we budget fund balance, we go into the budget with a "gap/hole" from Day 1 of the budget year. For many years, we were able to fill that gap/hole with personnel savings and higher than projected sales tax revenues. As we shared at the March and April work sessions, we no longer have a significant amount of personnel savings each year (due to a smaller number of vacant positions and the positions that turnover typically require us to hire new staff at higher rates to compete with market) so we cannot rely on realizing those savings. We also shared that sales tax revenues are down from original projections, and we believe that trend will continue. Therefore, we cannot rely on sales tax to bail us out at the end of the year.

If we budget more fund balance than what we are recommending, we will most likely have to halt projects mid-year in order to fill the "hole".

We found ourselves in this situation in the current year. The result is that we had to freeze projects, including street resurfacing, facility repairs, sustainability projects, affordable housing projects, staff training, and all non-mandatory spending to fill the "hole". The recommended budget still includes a fund balance appropriation of \$1 million which may still be wind up being a challenge.



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Budget Question #29

By increasing our budget, under our current policy, we will have to increase our fund balance as well. Could we change our policy to require 1% less and apply those monies to reducing our fleet, facility, street, and fire backlogs for a period of time? How much money would that be and how many pennies would it reduce the proposed 5.8 cent property tax increase?

Staff Response #29

Unassigned fund balance are funds that remain available for appropriation by the Council after all commitments for future expenditures, required reserves defined by State statutes, and previous designations have been calculated.

The amount of available fund balance to appropriate is calculated by taking the unassigned fund balance and dividing that by total expenditures.

While increasing the total budget does in theory increase the denominator in the calculation, the amount greatly depends on how much of the fund balance is unassigned (the numerator in the calculation).

For FY 2024, a change in policy from 22% unassigned fund balance to 21% unassigned fund balance would have freed up \$847,019 in one-time funding that could have been available for use. Once used, these funds would not be available in the next budget year.

Staff would strongly discourage Council from considering this shift in policy or this one-time deviation from policy to solve a systemic gap in the budget. If we do not address the fund balance gap in the budget with a recurring funding source, we will have the same issue next budget year.