

ITEM #1: FY 2026-27 Budget Work Session

Council Question:

What's the difference between fleet replacement and vehicle replacement?

Staff Response:

There is no difference between the two terms; they are used interchangeably. The Town's internal service fund is formally called the Vehicle Replacement Fund, which manages the replacement of the Town's fleet.

Council Question:

I don't understand how you get the revenues for non-revenue generating departments, e.g. Council or Mayor...

Staff Response:

For non-revenue generating departments, such as Council (p. 19), "General Revenues" are shown as the funding source. This term refers to organization-wide revenues such as property taxes and sales taxes that support departments without their own direct revenue streams.

Council Question:

Are the town council operating costs travel and training, or is it stuff like paying the staff and police to be there?

Staff Response:

The Town Council operating budget does not fund staff salaries. It includes travel, the annual Council retreat, and annual membership dues for organizations such as North Carolina League of Municipalities, Central Pines Regional Council, and the UNC School of Government. These dues make up the majority of the operating budget.

Council Question:

Referring to page 62, how did Leisure revenues go up 400%?

Staff Response:

The Chapel Hill Municipal Cemetery is undergoing an expansion, and additional plots will be available for purchase in FY 2026-27 for the first time in many years. These new sales drive the projected increase in the Parks & Recreation revenues.

Council Question:

Several sectors show less fuel costs, though per gallon they are higher. Same with some electricity. Are we making strides with energy efficiency?

Staff Response:

Fleet and Sustainability staff evaluate current year usage and pricing trends to project the upcoming year's budget. Despite volatility in energy prices, the Town's overall consumption has decreased. Comparing our last full fiscal year of electricity use to the prior five-year period, the Town used 6.9% less electricity in 2025 than in 2020, even while adding charging demands from electric buses and fleet vehicles.

One major contributor is the energy performance contract, which continues to generate more than \$80,000 per year in avoided costs and is projected to reach payback 2-3 years earlier than planned. The project delivered a series of efficiency upgrades at the Community Center, Aquatic Center, and Town Hall. Staff continue to look for opportunities to implement energy-efficient upgrades across our facilities, from large lighting replacements at the Library, Hargraves, and Public Works, to routine maintenance that replaces older fixtures and equipment with more efficient options.



05-30-2026 Town Council Meeting

Responses to Council Questions

ITEM #1: FY 2026-27 Budget Work Session (Cont'd)

Council Question:

What's with Hargraves workers comp costs going down?

Staff Response:

Workers' compensation costs are decreasing across the organization FY 2026-27. At the Hargraves Center specifically, the impact is more noticeable because the division has a relatively small staff and personnel budget, so reductions move the needle more than they would in larger departments and divisions.

Council Question:

What's the difference between "federal operating assistance" and "federal operating grants?"

Staff Response:

On the Transit Budget Summary page (p.83), "Federal Assistance" refers to recurring FTA operating funding, whereas the "Federal Ops Grants" line reflects one-time or non-recurring federal funding sources.

Council Question:

Why do we still have action in the Wallace Deck for FY27? I thought we were shutting it.

Staff Response:

The Town is moving toward closing the Wallace Deck entirely as part of Council's interest in redevelopment. While that work continues, we are still operating the deck. Revenues are projected to decrease in FY 2026-27, as we encourage the public to use the new Rosemary Deck.

Council Question:

On the very last page, under Performance Agreements. What is the item "Human Services Advisory Board Recommendations" about?

Staff Response:

*Each year, local non-profits submit applications for the Human Services funding allocation. Applications must align with the Town's Human Services Results Framework strategic objectives and are reviewed **by staff** using an equity driven scoring rubric. The Human Services Advisory Board no longer exists. Funding is allocated each year to the chosen agencies via performance agreements. Council approves this funding allocation in June.*

ITEM #1: FY 2026-27 Budget Work Session (Cont'd)

Council Question:

How much money is generated by the room tax? How much do we get? How much does the county get?

Staff Response:

Chapel Hill and Orange County both levy a 3% occupancy tax.

- Chapel Hill's tax currently generates \$1.78 million annually
- Orange County tax currently generates \$2.8 million annually

Here's a broader look at hospitality and tourism-related revenues across the County and three municipalities:

Hospitality Tax Sources and Revenue Table				
	<u>Orange County</u>	<u>Chapel Hill</u>	<u>Carrboro</u>	<u>Hillsborough</u>
<u>Occupancy Rate</u>	3%	3%	3%	3%
<u>Food and Beverage Rate</u>	-	-	-	1%
<u>Revenue Occupancy</u>	\$ 2,804,231	\$1,784,635	\$232,403	\$ 125,877
<u>Revenue Food and Beverage</u>	-	-	-	\$ 552,157
* All data reflects Audits of FY 2025				

Council Question:

How much do various parties provide to support the Visitor's Bureau and what does that support (in terms of FTE etc...)?

Staff Response:

- Because the Visitor's Bureau is a division of the county's Economic Development department, Orange County funds the majority of their work.
- Chapel Hill is the only municipality that provides additional funding to the Visitor's Bureau. Carrboro and Hillsborough have their own Tourism Development Authorities, funded by their Occupancy and Food & Beverage taxes.
- The current year of Town funding (\$200,000) does not go toward staffing for the Visitor's Bureau. Per our agreement, Town funds are used for three deliverables: 1) Promotion, 2) Vibrant Destination Ecosystem, and 3) Recruitment. Here's how our current contribution is distributed across those areas (see chart on next page):

ITEM #1: FY 2026-27 Budget Work Session (Cont'd)

Staff Response (Cont'd):

Visitor's Bureau Financial Report Tracker					
Receipt Value	Vendor	Description	Deliverable 1	Deliverable 2	Deliverable 3
\$ 56,835.00	Cvent, Inc.	Diamond subscription			\$ 56,835.00
\$ 15,717.65	Media Two	General advertising	\$ 15,717.65		
\$ 6,000.00	Indy Weekly	Orange Slices newsletter	\$ 6,000.00		
\$ 15,295.00	Triangle Media	Digital sponsored content	\$ 15,295.00		
\$ 12,655.37	Granicus	Website hosting & licensing		\$ 12,655.37	
\$ 1,100.00	Triangle Media	Instagram post	\$ 1,100.00		
\$ 1,100.00	Triangle Media	Instagram post	\$ 1,100.00		
\$ 17,546.56	Media Two	General advertising	\$ 17,546.56		
\$ 7,377.31	Media Two	General advertising	\$ 7,377.31		
\$ 19,333.00	Clean Design	Creative retainer fee	\$ 9,666.50	\$ 9,666.50	
\$ 19,333.00	Clean Design	Creative retainer fee	\$ 9,666.50	\$ 9,666.50	
\$ 19,333.00	Clean Design	Creative retainer fee	\$ 9,666.50	\$ 9,666.50	
\$ 8,000.00	UNC Athletics	Two game suites for SB		\$ 8,000.00	
\$ 74.18	Ad Resources	Savannah Bananas banner		\$ 74.18	
\$ 299.93	Ad Resources	SB yellow aprons		\$ 299.93	
TOTALS			\$ 93,136.02	\$ 50,028.98	\$ 56,835.00

Council Question:

What roles does the CVB serve and how does that align or with what a staff person would do?

Staff Response:

The Visitor's Bureau serves a number of different roles in Orange County. They:

- Operate the Welcome Center
- Amplify the County's Destination brand
- Convene municipalities and other local Tourism Authority representatives through their advisory board
- Operate a Cvent account to monitor and respond to large market events
- Remain visible in the regional and state tourism ecosystem
- Offer bid-fees as the main conduit for large-scale recruitment efforts and events, such as the Savanna Bananas.

What's not being done that we plan to do with this role:

- Recruit small and mid-market conferences, tradeshow, and other relevant destination events to Chapel Hill
- Convene the Hoteliers regularly and coordinate their interests
- Coordinate destination stakeholder interests when events come to Chapel Hill
- Engage with business districts across Town and increase visibility and spending
- Work closely with the University's Visitor Bureau and UNC Athletics for Town support opportunities
- Engage and coordinate business interests to increase sales tax revenue opportunities and be a great host

ITEM #1: FY 2026-27 Budget Work Session (Cont'd)

Council Question:

Is it necessarily a full-time position?

Staff Response:

Yes. The scope of work for this role is too much for a part time position, or to be rolled into existing position's additional duties. We learned a lot about the effort involved in supporting this major industry sector in Chapel Hill through our efforts with the Savannah Bananas. It is not possible to continue this work without a position.

Council Question:

If we pull out, what will the county do with those funds?

Staff Response:

We understand that the County has reduced the Visitor Bureau funding this year as well. They still financially support the Visitor Bureau as it's a County Division under the Economic Development Department.

Council Question:

What are the benefits and trade-offs of the decision to bring this in-house?

Staff Response:

We see several key benefits to this position:

- *Increase occupancy and sales tax revenues by attracting more small- to mid-market conferences and events and driving visitor spending*
- *Steward occupancy tax revenues in a more strategic, Chapel Hill-specific way*
- *Advance Complete Community goals by supporting and showcasing business districts across town*
- *Respond to hoteliers' priorities and interests, including:*
 - *Security, police, and comfort*
 - *Wayfinding and entertainment*
 - *Promotion and partnership*
 - *Regulation and accountability*
- *Aligning Chapel Hill's practices with the other municipalities in the County and directly coordinate with them.*

Council Question:

What other functions do we need in Economic Development?

Staff Response:

Economic Development is a holistic and well-funded department. Based on conversations with hoteliers, small businesses, and others, this position meets our most pressing current need.