FY 2026
MANAGER'S RECOMMENDED BUDGET

Council Work Session
June 4, 2025

AGENDA

1. Manager's Recommended Tax Rate
2. Alternatives & Trade Offs
3. Council Policy Guidance

FY26 PROPOSED BUDGET SCHEDULE

JUNE 4	JUNE 11	JUNE 18
Budget Work Session	Council Vote	(Backup Date if needed)

2025-26 Budget Development Page

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POLICY GUIDANCE NEEDED FROM COUNCIL

- Where do you want to set the General Fund tax rate?
- Which areas do you want to increase, decrease, or hold steady to achieve that tax rate?
- Do you want to increase or decrease the Transit allocation?
- Do you want to reallocate Lot 2 and/or Throne funding for other priorities?

Manager's Recommended Tax Rate

RECOMMENDED: REVENUE NEUTRAL + 5.8 CENTS

Revenue Neutral Rate	44.2	
1) Reduce fund balance allocation	1.2	$1,485,658
2) Projected sales tax growth	0.0	
3) Mandatory operating expenses	0.9	$1,093,803
4) Employee pay & classification	2.2	$2,946,237
5) 5 Year Budget allocations	1.2	$1,516,896
6) Transit pay/capital increase	0.3	$396,300
Manager's Recommended Rate	**50.0**	

RECOMMENDED BUDGET INCLUDES:

- **Yard waste, leaf collection, rental operational changes***
- Shifting credit card fees to user
- Repurposing vacant positions for existing, grant-funded staff:
    - CARES team (2 positions)
    - Language Access Program (1 position)
    - Critical operational positions (traffic, internal svcs)
- Outside Agency funding same as FY25
- **Lot 2 pilot ($100,000 repurposed funding)****
- **Throne ($60,000 new funding)****

*See next slide and handout for more information
** See Slide 16 for more information

Why change leaf and yard waste collections?

- Employee health and safety.
- Future cost savings from not having to replace/maintain expensive equipment.
- Support more sustainable approach by encouraging participation in Leave Your Leaves initiative.

Alternatives & Tradeoffs

1) You could increase the fund balance allocation from the recommended $1 million.

If you increase this allocation…

- You can reduce the recommended tax rate by up to 1.2 pennies.
- We will most likely have to do what we are doing this year - cancel contracts, postpone projects, and freeze hiring.
- We may realize the worst case and actually use fund balance, which would deplete our “savings” and raise a red flag with the LGC.

2) You could assume some level of sales tax growth, beyond the 0% growth in the recommended budget.

If you increase this projection…

- And revenues do not meet that target, we would have to cancel projects, postpone projects, and freeze hiring to cover the gap.
- And sales tax comes in over projected revenues, then we would ask Council how they would like to allocate the difference.

3) You could fund the Rogers Road mandatory operating expenses from the Debt Fund.

If you use this source…

- You could reduce the recommended tax rate by 0.2 pennies ($205,000)
- You would reduce our future borrowing capacity, especially if this becomes an annual practice.

4) You could reduce the allocations for employee pay and classification.

If you decrease this allocation…

- You could reduce the recommended tax rate by up to 2.2 pennies.
- Recruitment and retention will likely be affected.
- Our pay and classification structure will continue to be off-market, especially for front line employees – and the cost of catching up will increase.

5) You could reduce the 5-year budget outlook allocations for fleet, facilities, streets, and fire capital.

If you decrease this allocation…

- You could reduce the recommended tax rate by up to 1.2 pennies.
- Departments will have to continue to absorb increasing costs.
- Backlogs and deferred maintenance will continue to increase.

6) You could reduce the allocation for Transit.

If you decrease this allocation…

- You could reduce the recommended tax rate by up to 0.3 pennies ($396,300)
- You would reduce Transit's budget by a multiplier since UNC and Carrboro's contribution would decrease.
- You would reduce transit's ability to make needed capital purchases.

7) You could reallocate $160,000 of funding for Lot 2 and Throne to other priorities.

If you reallocate these funds…

- You could use the funding to serve unhoused community members (food, temporary shelter, etc).
- Staff would distribute funding in alignment with Council priorities and via performance agreements.
- We would defer plans for Lot 2 and Throne restroom to a future year.

AN EXAMPLE OF WHAT YOU COULD DO

Manager's Recommended Rate	50.0
- Project 2% growth in sales tax	(0.25)
- Pay Rogers Rd from Debt Fund	(0.15)
- Adjust pay/class increases	(0.40)
- Adjust 5 year budget allocations	(0.50)
Adjusted Rate (Revenue neutral + 4.5)	**48.7**

*Reduces employee pay increase from 5% to 4% and includes pay and class implementation in January

WHAT'S THE IMPACT OF 4.5 CENTS OVER REVENUE NEUTRAL ON TAXPAYERS?

Property Valuation	Annual Impact
$ 250,000	$ 112
$ 500,000	$ 225
$ 750,000	$ 337
$ 1,000,000	$ 450

$ 5,000,000	$ 2,250
$ 10,000,000	$ 4,500

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