



## 04-16-2025 Town Council Meeting Responses to Council Questions

### **ITEM #2: FY2026 Budget Development Update: Data, Scenarios, and Tradeoffs**

#### *Part 1: Budget Data*

##### **Council Question:**

Could you please provide some guidance related to the SWOT structure of the materials - it provides valuable context but I'm not sure how to translate it to the budget discussion. The opportunities section seems to include activities for the coming FY but I'm not sure I'm reading that correctly.

##### **Staff Response:**

*You are correct that we used the SWOT structure in response to Council's interest in understanding the context for this year's discussions and to illustrate how our current operations are connected to the Council's Strategic Focus Areas and Goals. Some of the opportunities are shorter term and could be accomplished with appropriate funding, and others are longer-term and would require additional discussion or resources. We will share some additional information about FY26 budget needs in the presentation. We are also using this structure as another step in building out the budget system, which we envision including the five-year budget outlook, Council goals with clear metrics, department business plans, performance measures, and budget recommendations. We anticipate that this structure will evolve with further input.*

##### **Council Question:**

What is the sustainability fund?

##### **Staff Response:**

*The term sustainability fund is used interchangeably with the term climate action fund. Information in the packet related to the sustainability fund is referencing the climate action fund.*

##### **Council Question:**

What's payout ratio?

##### **Staff Response:**

*The payout ratio is the percentage of debt paid off over the course of the first half of a borrowing (first 10 years). This metric measures if we are retiring our debt responsibly and freeing up capacity for additional debt funded projects in the future.*

##### **Council Question:**

What's LGERS?

##### **Staff Response:**

*LGERS stands for the Local Government Employees' Retirement System. Local governments in North Carolina belong to this umbrella of the state retirement system.*



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##### *Part 1: Budget Data (Cont'd)*

##### **Council Question:**

What is CPI inflation?

##### **Staff Response:**

*CPI stands for Consumer Price Index. It is a national and regional measure of the average change over time in the prices paid by consumers for goods and services.*

##### **Council Question:**

What does it mean that "penny for" allocations cannot scale up without increasing dedicated funds?

##### **Staff Response:**

*The penny equivalent increases each year as our assessed valuation increases. Particularly with the significant increase with the revaluation, each "penny for" allocation would need to increase \$345,000. These increases can't be absorbed within our existing resources and would require additional funding.*

##### **Council Question:**

What are the numbers for the governor's highway safety initiatives? Our rank out of 100 counties?

##### **Staff Response:**

*The latest crash data the Governor's Highway Safety Program (GHSP) uses for county rankings is the 5-year average from 2019-2023. With 1 being the worst and 100 being the best:*

- *Orange County's overall rank is 22/100 in Total Crashes (those resulting in fatality, injury, or property damage over \$1,000)*
- *Total Fatal Crashes: 33/100*
- *Total Serious Injury Crashes: 40/100*
- *Total Serious Injuries: 42/100*
  
- *Pedestrian Crashes: 11/100*
- *Ped Fatalities: 20/100*
- *Ped Serious Injuries: 23/100*
  
- *Bike Crashes: 7/100*
- *Bike Fatalities: 19/100*
- *Bike Serious Injuries: 22/100*



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##### *Part 1: Budget Data (Cont'd)*

##### **Council Question:**

Can you please share the amount in miles of road maintenance Chapel Hill is responsible for (as opposed to DOT)?

##### **Staff Response:**

*The Town maintains 754 paved streets totaling 166.57 centerline miles and 38 unpaved streets or portions of totaling 3.08 centerline miles for a total of 792 streets totaling 169.65 centerline miles. NCDOT maintains 46 streets, including service roads totaling 63.46 centerline miles.*

##### **Council Question:**

I don't understand the "merit + cola by population" metric.

##### **Staff Response:**

*The "Merit + COLA (cost of living adjustment) by population" metric is from the NC League of Municipalities annual pay increase survey. Although the Town's pay philosophy does not include a merit system, most of the municipalities in our area do have a merit system, so we are including this data to show what it takes to remain competitive. The breakdown by population is so that we can look at similarly sized municipalities, Chapel Hill is in the 25,000 to 99,999 range.*

##### **Council Question:**

I don't understand "what does 60K in 2020 make today?"

##### **Staff Response:**

*The "What does \$60,000 in FY20 make today" chart uses pay increase data from neighboring municipalities from each year since FY20 to show what a hypothetical employee hired at \$60,000 in FY20 would be making in FY 25. Using that pay increase data, that hypothetical employee would be making \$73,316 in Chapel Hill, but someone hired at \$60,000 in Raleigh during FY20 would be making \$75,351. The chart also shows inflation data, showing that \$60,000 of purchasing power in FY20 is now \$74,213. The Area Average bar shows what the average salary in these municipalities would be for this hypothetical employee.*

##### **Council Question:**

How does the 11.2% turnover rate compare to our peers?

##### **Staff Response:**

*We have asked for this information through the HR listserv sponsored by the UNC School of Government and will update you. Currently we've received one response from the City of Whiteville, who reported a 2.8% total turnover rate for the same time period.*

*From those employees who left for reasons other than retirement, and who agreed to an exit interview, most indicated leaving for better pay, a better schedule, or a job location closer to where they live.*



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### **ITEM #2: FY2026 Budget Development Update: Data, Scenarios, and Tradeoffs**

#### *Part 1: Budget Data (Cont'd)*

##### **Council Question:**

Can you clarify what the survey data labeled as “% at least satisfied” means? Was the rating “least satisfied” or “satisfied or better”?

##### **Staff Response:**

*The label "% at least satisfied" does create ambiguity in a table header. A clearer option would be to use:*

- *"% satisfied + very satisfied" (most transparent)*
- *"% positive responses" (with footnote: "Combines 'Satisfied' and 'Very Satisfied' ratings").*

##### **Council Question:**

How many employees are at or above the market rate for their position?

##### **Staff Response:**

*Currently 44% of Town employees are at or above the current market rate for their positions. On average, they have worked for the Town for 13.5 years. (The median is 12.3 years).*

*56% of employees are below the current market rate for their positions, averaging 4.7 years of Town service. (The median is 2.8 years).*

*Some information about the current pay study may help provide some future context.*

*Our current pay study found that, on average, our pay bands are about 7.5% below our peer organizations in the Triangle and surrounds. Our current minimum salaries for various positions range from one that was 45% below our benchmark peers to one that was 14% above our benchmarks.*



## 04-16-2025 Town Council Meeting Responses to Council Questions

### **ITEM #2: FY2026 Budget Development Update: Data, Scenarios, and Tradeoffs**

#### *Part 2: Revaluation Details*

##### **Council Question:**

When you say new revenue for 2026 = \$620K, does that mean the amount we'd get if we used the old rate with the new values?

##### **Staff Response:**

*The \$620,000 represents the additional property tax generated on the new assessed valuation (\$13.2 billion) at the revenue neutral tax rate (44.2 cents per \$100 assessed valuation).*

##### **Council Question:**

Please provide more detail on: "Average growth over the last four years is 1.14%" when talking about the revenue neutral tax rate. What "growth" are we talking about? What were the contributors? What does 1.14% translate into? How should we be applying this to our thinking?

##### **Staff Response:**

*As part of the revenue neutral calculation, jurisdictions calculate valuation growth between revaluation years. For the Town, we take the average growth between the last revaluation in 2021 for FY 2022 (\$9.46 billion) to last year's valuation in 2024 for FY 2025 (\$9.79 billion) which calculates out to 1.14% average growth. This means that in non-revaluation years, our average growth was 1.14% and that is the rate that we are allowed to apply to the current year.*

*The contributors to this growth would be any new commercial property (office, retail, hotels, apartments, etc.) and any new or improvements made to residential property post 2021 revaluation.*

*The 1.14% growth to the tax base would equal \$620,000 of new revenue across the General Fund, Debt Fund, and Transit Fund.*

*In non-revaluation years, the Town's growth rate is not sufficient to keep up with expenditure growth. In revaluation years, the Town has the opportunity to realize the market value growth.*

##### **Council Question:**

When you reference the commercial tax base in the materials, are you including apartment buildings in that category?

##### **Staff Response:**

*Apartment buildings are classified as commercial properties by Orange County and are therefore included in the commercial tax base data provided in the packet.*



## 04-16-2025 Town Council Meeting Responses to Council Questions

### **ITEM #2: FY2026 Budget Development Update: Data, Scenarios, and Tradeoffs**

#### *Part 2: Revaluation Details (Cont'd)*

##### **Council Question:**

We would like to have data on commercial tax bill impacts for the full range of commercial properties in town (not just ending at \$10 million) and to have it broken down into office versus multi-family.

##### **Staff Response:**

*This information would need to come from Orange County. There is a very wide range of commercial properties (bars, community shopping centers, fast food, general office, high rise apartment, hotels, medical office, restaurant, etc.) and they would need additional clarity on what Council would like included in order to effectively respond to this request.*

##### **Council Question:**

We need better context on how our residents will be impacted by Orange County's revaluation. Can you please provide data using mean, median, and mode housing values?

##### **Staff Response:**

*Orange County provided us with the following data, not including 100% exempt properties.*

- **Selecting any building type that has Office in it:**  
*Smallest: \$23,000 Largest \$91,821,600 Average \$2,485,776 Median \$354,100 Mode: \$89,100.*
- **Selecting Single Family Only:**  
*Smallest: \$66,700 Largest \$5,069,200 Average \$782,527 Median: \$696,600 Mode: \$903,600*
- **Selecting all Residential Types:** (Single Family, Condominium, Designed Rental Single Family, Manufactured home, Modular Home, Residential Town Home, Two, Three, Four Family.)  
*Smallest: \$66,700 Largest \$5,069,200 Average \$656,026 Median: \$582,400 Mode: \$131,600*
- **Selecting any building type that has Apartment in it:**  
*Smallest \$379,800 Largest \$108,535,900 Average \$17,463,851 Median: \$5,874,500 Mode: NA*

##### **Council Question:**

We would appreciate having some specific examples to help us better understand how various constituencies (small and mid-sized business owners, renters, student renters...) will be impacted.

##### **Staff Response:**

*This is not a question that staff can answer. Everyone's individual circumstances will be different. There are too many variables and details that we would not be privy too in order to provide information that would help provide a relevant response.*



## 04-16-2025 Town Council Meeting Responses to Council Questions

### **ITEM #2: FY2026 Budget Development Update: Data, Scenarios, and Tradeoffs**

#### *Part 4: Scenarios & Tradeoffs*

##### **Council Question:**

Can you all please add a slide or two with summary information from the March 26 work session on revenues and departmental budgets so that everyone (public and council) are starting from the same place?

##### **Staff Response:**

*Staff has added a "Where we are now " section to the presentation to provide a recap on the revenues and expenditures that make up the base budget gap discussed at the March 26 work session.*

##### **Council Question:**

Why will appropriating \$1 million in fund balance cost \$1.5+ million?

##### **Staff Response:**

*The FY 2025 fund balance allocation is about \$2.5 million. In order to decrease the allocation to \$1 million, it would "cost" the Town \$1.5 million.*

##### **Council Question:**

Which scenario makes up for what would be our No additions/expansions shortfall you described last time? I'm not sure where that works in with regards to "base budget".

##### **Staff Response:**

*Only scenarios with "base budget +" can account for additions and expansions unless other areas or services are cut.*

##### **Council Question:**

Please add information to each budget scenario showing the \$ annual amount of proposed new tax rate (base + ) for media single family, multi-family, and commercial office?

##### **Staff Response:**

*Staff will include the average residential and commercial tax impact for each scenario as part of the updated presentation that will be shared Wednesday night.*

##### **Council Question:**

Can you provide a more basic explanation of budget scenario 4?

##### **Staff Response:**

*Scenario 4 is the "Base Plus" scenario. It starts with scenario 3 which is the "Revenue Neutral Plus Base Budget" as the foundation. It then provides Council with the opportunity to adjust the tax rate by any amount between 0 – 10 cents for any/all of the strategic priorities listed on page 67 of the packet.*



## 04-16-2025 Town Council Meeting

### Responses to Council Questions

#### **ITEM #2: FY2026 Budget Development Update: Data, Scenarios, and Tradeoffs**

##### *Part 4: Scenarios & Tradeoffs (Cont'd)*

**Council Question:**

Can we give non-monetary bonuses/awards instead of raises?

**Staff Response:**

*We'll address this question during the presentation.*

**Council Question:**

Do we have an update on what the county is likely to do in terms of tax increases?

**Staff Response:**

*Orange County has not shared information with the Town about what they plan to propose.*

**Council Question:**

Where do we stand with the four incentives in terms of when and how much new revenue coming in?

**Staff Response:**

*Here is information related to the total funding commitments, amount paid-to-date, and the potential remaining amount due per the incentive agreements.*

<b>Development Agreement</b>	<b>Total Commitment</b>	<b>Total Paid</b>	<b>Potential Remaining Due</b>	<b>Notes</b>
Carraway Village	\$ 1,295,878	\$ 863,859	\$ 432,019	<i>FY 2025 will be year 5 of funding commitment. No expiration date on commitment.</i>
Wegmans	\$ 2,000,000	\$ 1,170,843	\$ 829,157	<i>FY 2025 was year 3 of 5-year of funding commitment (approx. \$200K/year)</i>
Glen Lennox	\$ 2,230,000	\$ 291,045	\$ 1,938,955	<i>FY 2025 was year 4 of 5-year of funding commitment based on property development. Agreement expires on June 30, 2026.</i>
Well Dot	\$ 450,000	\$ 74,997	\$ 375,003	<i>FY 2025 will be year 2 of funding commitment. Agreement expires on April 1, 2028.</i>
<b>Total</b>	<b>\$ 5,975,878</b>	<b>\$ 2,400,744</b>	<b>\$ 3,575,134</b>	





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#### **ITEM #2: FY2026 Budget Development Update: Data, Scenarios, and Tradeoffs**

##### *Part 4: Scenarios & Tradeoffs (Cont'd)*

##### **Council Question:**

In the next 2 - 3 years, which new construction projects do we anticipate coming on-line (full or part) and what would be an estimate for new tax revenues from those?

##### **Staff Response:**

*Projects under construction (likely to be completed in the next 1-2 years) are as follows:*

<b>Project</b>	<b>Project Details</b>
Aura	419 units (37 affordable); 15,857 sf commercial
710 E Franklin	107 townhomes
Stanat's Place	47 townhomes (4 affordable)
Homestead Rd Tri-Point	119 townhomes (17 affordable)
Hillmont	468 units
South Creek	361 units; 9,991 sf commercial (probably high number of units but at a minimum of 92 units and commercial space)
Starpoint Refuel	3,270 sf gas station (redevelopment)
1200 & 1204 MLK	Self-storage & gas station
Trinity Court (affordable)	54 units
Gimghoul Castle expansion	1,200 sf
Columbia St Annex	59 units
PEACH Apt (affordable)	10 units

*We don't typically have good valuation estimates until certificate of occupancy is issued. However, these projects would be part of the average 1.14% growth that we see each year. It isn't enough project growth to exceed the 1.14%.*

##### **Council Question:**

Please provide a list of capital and bond-funded projects to be addressed over the next 5 years.

##### **Staff Response:**

*The capacity in the debt fund will be used over the next 5 years with the issuance of general obligation bonds under the 2024 referendum with the existing tax rate allocation in the debt fund. Any additional projects would require additional funding or repurposing projects from the current plan.*



## 04-16-2025 Town Council Meeting

### Responses to Council Questions

#### **ITEM #2: FY2026 Budget Development Update: Data, Scenarios, and Tradeoffs**

##### *Part 4: Scenarios & Tradeoffs (Cont'd)*

##### **Council Question:**

What would the revenue neutral tax rate mean for our Debt Fund in terms of \$\$\$ and how we think strategically about the next five years?

##### **Staff Response:**

*Rolling back to the revenue neutral tax rate would only provide a small amount of revenue growth (\$130K) in the debt service fund. In order to increase the capacity to take on new debt outside of the 2024 referendum bonds, Council would need to increase the penny allocation (currently 8.8 cents per \$100 assessed valuation and post revaluation 6.6 cents per \$100 assessed valuation).*

##### **Council Question:**

What's the outlook for the next bond now?

##### **Staff Response:**

*Staff will return to Council on May 7th with an issuance resolution that formally authorizes the sale of \$13.83 million in general obligation bonds for affordable housing partner projects, fire station #4 design, streets & sidewalks projects, community center climbing wall, Bolinwood bridge, and the Legion Pond. We will also provide an update on the remainder of the bond referendum and planned issuance timeline.*

##### **Council Question:**

What is the status of the additional sales taxes that were originally going for the light rail?

##### **Staff Response:**

*The Orange County Transit Plan was responsible for 18% of the former Durham Orange Light Rail (DOLRT) project. A fairly small portion of a very large project and most of that funding was going to be used to debt finance the Orange County share over 40 years. After DOLRT was ended, that funding was reallocated to transit projects within Orange County (this was done with the transit plan that was adopted in 2022-2023) - Chapel Hill Transit received most of this funding for NSBRT, Sunday Service, to purchase buses and several other service improvements. After the next fiscal year there will be an additional ~\$4.5M per year that will be allocated within Orange County until around FY36 when that amount is estimated to increase to ~\$8M per year.*

*The plan generates around \$9-11M per year at the current rate (depending on sales) and we get between \$4-\$8M per year to cover NSBRT, services and buses and are the largest recipient of these funds.*

*Through FY26, we have maximized the amount of funding we can receive from the Orange County Transit Plan. The next update to the Plan and when we could influence funding levels will likely be in 2027-2028.*



## 04-16-2025 Town Council Meeting Responses to Council Questions

### **ITEM #2: FY2026 Budget Development Update: Data, Scenarios, and Tradeoffs**

#### *Part 4: Scenarios & Tradeoffs (Cont'd)*

##### **Council Question:**

Please provide us with information and trends around the various fund balances (General Fund, Enterprise Funds)? How does our General Fund balance total compare with LGC required/desirable amount?

##### **Staff Response:**

*The Town adopted a set of financial policies in June 2019 to ensure we had a strategic, long-term approach to financial management. One of the policies adopted was a Fund Balance Reserve Policy. It is critical for governments to maintain adequate levels of fund balance to mitigate current and future risks. The policy states that the Town will strive to maintain a targeted unassigned fund balance at the close of each fiscal year equal to 22% of General Fund budgeted expenditures. This % target was based on benchmarks, peer groups, Governmental Financial 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.*

*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.*

*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.*

*Outside of the General Fund, best practice is to have 3-6 months of budgeted expenditures in fund balance depending on the timing of that fund's revenue stream.*



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#### **ITEM #2: FY2026 Budget Development Update: Data, Scenarios, and Tradeoffs**

##### *Part 4: Scenarios & Tradeoffs (Cont'd)*

##### **Council Question:**

I don't see any information in the materials about federal funding and options for continuing to fund those positions and programs if funding is cut. Could that please be included?

##### **Staff Response:**

*At the March 26<sup>th</sup> Council meeting, staff shared that the amount of annual funding that pays in whole or part for employee salaries and program operations is as follows:*

Public Housing (HUD)	\$ 1,295,000
CDBG	\$ 437,000
Traffic/Greenways	\$ 472,000
Police	\$ 328,000
	<b>\$ 2,532,000</b>

*If any of these funds are frozen or taken away, here are a couple of ways the Town could address the funding gaps:*

- The Town receives about \$1.3 million federal funding from Housing & Urban Development (HUD) to help manage the Town's 296-unit public housing operations. The Town's Public Housing Fund has an available fund balance of about \$3.5 million. That means that if the federal funding is frozen or taken away, the Town could use this fund balance to help cover the funding gap for about 3 years.*
- Filling the funding gap for CDBG, traffic/greenways programming, and police would require new revenues to continue funding these programs. The Town could set some funding aside with the FY 2026 in case news of funding changes occurs during the year. If funding remains, these dollars could be repurposed for other Council priorities.*