

# **FY 2026 BUDGET WORK SESSION**



**JUNE 4, 2025**

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# **PURPOSE OF TONIGHT'S DISCUSSION**

To provide an opportunity for Council to  
discuss the Manager's Recommended  
budget and provide feedback

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# **FY 2026 BUDGET PUBLIC HEARING**



Town Council Business Meeting  
May 21, 2025

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# AGENDA

1. Budget Highlights
2. Public Comment

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# BUDGET HIGHLIGHTS

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# BUDGET PRIORITIES

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- Responding to the current environment.
- Recruiting and retaining excellent employees.
- Providing high quality core service to residents.
- Stewardship of facilities, fleet, and infrastructure.
- Continuing our commitment to affordable housing, climate action, everywhere to everywhere, and other strategic priority areas.

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# **BUDGET HIGHLIGHTS**

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- Total budget = \$163,672,372
- 4% increase from prior year
- Property tax rate of 50.0 cents
- 5.8 cents over revenue neutral tax rate
- 5% pay increase
- \$1,517,000 for operating budget focus areas

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# BREAKDOWN OF REVENUE NEUTRAL PLUS 5.8 CENTS

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Revenue Neutral tax rate	44.2
+ Reduction in fund balance appropriation	1.2
+ Status quo operating increases	0.9
+ Employee pay/benefit increases	2.2
+ 5-year budget outlook allocations	1.2
+ Transit pay/capital increase	<u>0.3</u>
Manager's Recommended tax rate	<b>50.0</b>

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# WHAT'S THE IMPACT OF THE 5.8 CENTS OVER REVENUE NEUTRAL ON TAXPAYERS?

Property Valuation	Revaluation Annual Impact*	Annual Impact RN + 5.8	Total Annual Impact
\$ 250,000	\$ 140	\$ 145	\$ 285
\$ 500,000	\$ 280	\$ 290	\$ 570
\$ 750,000	\$ 420	\$ 435	\$ 855
\$ 1,000,000	\$ 560	\$ 580	\$ 1,140
\$ 5,000,000	\$ (634)	\$ 2,900	\$ 2,266
\$ 10,000,000	\$(1,268)	\$ 5,800	\$ 4,532

\*Assumes average increase of 53.4% for residential (#1-4) and 30.2% for commercial (#5-6)

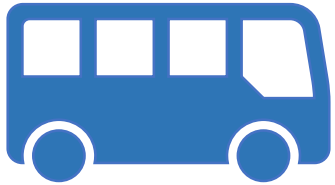
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# GENERAL FUND REVENUES

Revenue Source	Adopted FY2024-25	Estimated FY2024-25	Recommended FY2025-26
Property Taxes	\$ 42,835,000	\$ 42,944,985	\$ 50,530,000
Sales Taxes	22,993,152	21,528,427	21,528,427
Other Taxes	1,800,000	1,855,040	1,850,000
State Shared Revenues	8,313,708	8,913,636	8,927,339
Charges for Services	5,616,827	5,965,448	6,173,959
Licenses & Permits	3,462,693	2,830,626	2,920,230
Grants	749,862	787,620	750,083
Interest	750,000	1,144,560	750,000
Other Revenues	466,100	528,364	452,962
Appropriated Fund Balance	2,485,658	0	1,000,000
<b>Total</b>	<b>\$ 89,473,000</b>	<b>\$ 86,498,706</b>	<b>\$ 94,883,000</b>

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# ENTERPRISE FUNDS HIGHLIGHTS



## TRANSIT

- 0.5% decrease in overall budget
- 0.3 cent tax increase; UNC & Carrboro proportional increases to match partner split
- No fund balance appropriated



## PARKING

- 18.4% increase in overall budget
- Larger transfer from Debt Fund for debt service on Rosemary Parking Deck.

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# ENTERPRISE FUNDS HIGHLIGHTS



## STORM WATER

- 13.1% increase in overall budget
- \$5.30 per ERU stormwater fee increase proposed for issuance of G.O. bonds & a new position to help implement NPDES permit requirements



## HOUSING

- 0.7% increase in overall budget
- One time \$138,924 fund balance appropriation for additional property repairs

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# CHANGES INCLUDED IN THE RECOMMENDED BUDGET

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1. Leaf collection and yard trimming service changes
2. Discontinue yard trimming dumpster rentals
3. Pass on credit card fees to users
4. Evaluate pool schedules
5. Covering needs for parking by more effectively managing leases
6. Absorbed Central Pines Grants Management in Manager's budget
7. Repurposed vacant positions for more critical needs
8. Eliminated temp funding and part-time position in Clerk's Office
9. Reallocating Municipal Services District and occupancy tax

# TRADE-OFFS

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1. Facilities allocation (\$150,000)
2. Streets allocation (\$150,000)
3. Fleet allocation (\$150,000)
4. Fire capital allocation (\$250,000)
5. Operating allocation (\$413,615)
6. 2 CARES Team positions (\$198,130)
7. Throne (\$60,000)
8. Lot 2 Project (\$100,000)
9. Reduce Community Partner Funding

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# General Fund Five-Year Outlook: FY26 – FY 30

	Sustainable \$ Need	FY 2026*	FY 2027	FY 2028	FY 2029	FY 2030*
<b>Staffing</b>		404,000	250,000	250,000	250,000	250,000
<b>Operations</b>		414,000	500,000	500,000	500,000	500,000
<b>Facilities***</b>	810,000	150,000	250,000	250,000	160,000	No new \$
<b>Streets</b>	3,980,000	150,000	500,000	500,000	500,000	500,000
<b>Fleet***</b>	1,200,000	150,000	250,000	250,000	250,000	300,000
<b>Fire Capital***</b>	1,250,000	250,000	250,000	250,000	250,000	No new \$
<b>TOTAL</b>	<b>7,240,000</b>	<b>1,517,000</b>	<b>2,000,000</b>	<b>2,000,000</b>	<b>1,910,000</b>	<b>1,550,000</b>
<b>Proposed Scenario**</b>		<b>RN + 5.5 cents</b>	<b>1.50 cents</b>	<b>1.50 cents</b>	<b>1.50 cents</b>	<b>1.25 cents</b>

\* Revaluation years – Council may choose to adjust tax rate over revenue neutral in order to increase revenues

\*\* Additional revenues which could come from property tax growth, property tax increase, sales tax rebounding, etc.

New funding needed to fund priority areas; this does not account for increases due to items outside of the Town's control

\*\*\* With this model, sustainable funding goals are met in FY 2029 for fire capital and facilities and in FY 2030 for fleet.

# FY26 Proposed Budget Schedule

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**MAY  
21**

**Public  
Hearing**

**JUNE  
4**

**Budget  
Work Session**

**JUNE  
11**

**Council  
Vote**

**2025-26 Budget Development Page**

[www.townofchapelhill.org/budget](http://www.townofchapelhill.org/budget)

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# IN SUMMARY...

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This budget:

- Provides resiliency to handle an unpredictable future
- Covers the significant decline in sales tax revenues
- Reduces the Town's reliance on fund balance
- Continues funding the priorities in the 5-year budget strategy & the Complete Community Framework
- Addresses the increased costs to carry out the services provided by Transit

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