FY 2025 BUDGET DEVELOPMENT UPDATE

Council Work Session
March 13, 2024

AGENDA

1. FY25 Revenue Estimates
2. FY25 Cost Estimates
3. Backlog of Needs
4. FY25 Outlook
5. Complete Community
6. Five Year Outlook

- We will likely recommend a **1.5 cent property tax increase for the General Fund.**
- We may recommend a **.5 cent tax increase for the Transit fund.**
- We will likely recommend a **competitive cost of living increase for employees.**
- We will likely recommend that **most community partner funding levels remain the same.**

Revenue is down across major categories.

Cost of doing business is up across all departments.

We still have a significant backlog of needs.

Revenue is down across major categories.

Property tax growth is minimal.

- It takes a lot of new development to move the needle just a little.
- Lack of growth impacts our ability to balance our budget.
- **FY 2025 projections for property tax revenues show less than 1% growth.**

Revenue

Sales tax is down across the state.

- The NC retail economy has slowed down.
- Record-breaking sales tax growth has likely come to an end.
- **Sales tax projections are at 4% over prior year collections, which have averaged 6-12%.**

Development revenues are trending down.

- Development fees are a smaller but important revenue stream.
- When these revenues decrease, there is a knock off effect for subsequent years, from planning fees to inspection permits to property taxes.
- **Development revenues are down 22%.**

Revenue

Cost of doing business is up across all departments.

The cost of doing business goes up every year.

- While inflation is starting to stabilize, costs are still high.
- Departments absorb cost increases by making cuts elsewhere in their budgets.
- **Departments are seeing an increase of 3-5% for their day-to-day operations, with some much higher.**

Costs

A few examples from our technology budget…

- Technology costs increase by an even greater rate of 5-7% annually.
- We run on Microsoft Office and **our licenses are increasing by 46% or $80,000.**
- MUNIS powers our budget, payroll, and more - and **that contract increases 5% every year, or $21,200.**

Costs

The cost of recruiting and retaining employees goes up every year.

- We are in a competitive region for local government workforce.
- Competition is across all job classes, from front-line service delivery to upper management.
- **A healthy cost of living adjustment is one tool to attract and keep our excellent staff.**

A few examples from the employee survey…

- Employees are concerned about pay and **they know their worth in the marketplace.**
- Employees want to know how **they can progress in their careers.**
- Employees are **concerned about staffing shortages and increasing workloads.**

We still have a significant backlog of needs.

Last year was a good start and we have a long way to go.

- Last year's tax increase was a good start, and it allowed us to begin rebuilding our annual funding allocations.
- **However, we have large backlogs that will take time and additional resources to fully address.**

Backlog

Maintenance backlog = $27.4 million

- Current backlog for Facilities is **$10.1 million for HVAC, roofs, general upkeep, etc. at our 47 publicly-owned facilities.**
- Current backlog for Streets is **$17.3 million for upkeep, maintenance, and repair of our 760 Town-maintained streets.**

Backlog

What's the impact of this backlog?

- The price tag for almost all of these upkeep and repair projects increases if we continue to defer maintenance.
- Community satisfaction with streets continues to decline, as evidenced by community survey and resident complaints.

Fleet backlog = $9.8 million*

• Solid waste vehicles	$1.4 million
• Police vehicles	$3.9 million
• Parks and rec vehicles	$2.0 million
• Other vehicles	$2.5 million

* Does not include Fire trucks or Transit buses

Backlog

What's the impact of this backlog?

- Across the organization, our fleet backlog affects our team's ability to serve our community.
- Our aging solid waste fleet will continue to negatively impact service delivery.
- Our aging police fleet will continue to have a negative impact on recruitment and morale.

What does all of this mean for FY 2025?

Available revenue isn't enough to keep up with costs.

- Annual property and sales tax growth has historically covered the costs of employee raises and benefit increases. **That's not true for FY25.**
- We don't usually have anything left to cover annual operating cost increases or new programs/services. **That is true for FY25.**

FY25

We'll likely recommend a 1.5 cent property tax increase for the General Fund.

- This will allow us to focus on operations, maintenance, and fleet without cutting services.
- We are still gathering information for enterprise funds, especially Transit, which may need an increase.

We'll likely recommend a competitive cost of living increase for employees.

- For FY25, a competitive COLA will be 5 – 8%.
- We are committed to making necessary living wage adjustments
- Health insurance costs will most likely remain flat.

FY25

We'll likely recommend funding for most community partners remain the same.

- Community partner requests are up by $300K - many of which are for both operational and staffing costs.
- We value our partners - and we have our own operational cost increases and staffing needs as well.

What about Complete Community?

We will continue to commit significant staff resources, including…

- Mobility & Greenways Planner
- Safe Routes to Schools Coordinator
- Vision Zero Coordinator
- Affordable Housing Manager

We continue to steward major initiatives and projects, including...

- LUMO Update
- NSBRT planning
- Everywhere to Everywhere Greenways
- Downtown Streetscape planning
- Affordable Housing plan

How's our five year budget strategy looking?

We are just getting started with our five-year plan.

- We’ve set a good course to address a significant backlog and prepare for some big rocks ahead.
- **Our five-year strategy is based on estimated – not actual – costs, so we need to be flexible and nimble.**

Five-Year Strategy – FY25 General Fund Proposal

	FY 2024	FY 2025	FY 2026 *	FY 2027	FY 2028
Staffing	1,850,000	**No new $**	300,000	400,000	500,000
Operations	250,000	**500,000**	500,000	500,000	500,000
Facilities/Streets	250,000	**500,000**	250,000	250,000	250,000
Fleet	750,000	**500,000**	250,000	250,000	250,000
Parks Capital	971,000	**No new $**	18,000	18,000	18,000
Fire Capital	250,000	**No new $**	250,000	250,000	47,000
Aff Housing	282,605	**No new $**	18,000	18,000	18,000
Greenways	500,000	**No new $**	No new $	No new $	No new $
TOTAL	**5,103,605**	**1,500,000**	**1,586,000**	**1,686,000**	**1,583,000**
Proposed Scenario	**5.00 cents**	**1.50 cents**	**1.50 cents**	**1.50 cents**	**1.50 cents**

What's the annual impact of a penny on taxpayers?

Property Valuation	1.5 cent Impact	2 cent Impact*
$ 250,000	$ 38	$ 50
$ 500,000	$ 75	$ 100
$ 750,000	$ 113	$ 150
$ 1,000,000	$ 150	$ 200
$ 13,000,000	$ 1,950	$ 2,600
$ 64,000,000	$ 9,600	$ 12,800

* We are showing 2 cent impact in case we need to incorporate a Transit fund increase.

How we handle revaluation will impact our revenues.

- Revaluation will likely see big property value changes that could have **a huge positive impact on our budget.**
- Opportunity to realize some of the natural growth from the revaluation **if we do not roll back to revenue neutral tax rate.**

FY25 Proposed Budget Schedule

APR 15	MAY 1	MAY 8	MAY 15	JUNE 5
Work Session	Manager's Recommended Budget	Work Session	Public Hearing	Council Vote

What's your reaction to...

- 1.5 cent property tax increase for the General Fund?
- .5 cent possible tax increase for the Transit fund?
- Competitive cost of living increase for employees?
- Maintaining most community partner funding at current levels?