FY 2025 BUDGET DEVELOPMENT UPDATE

Council Work Session March 13, 2024



1. FY25 Revenue Estimates





3.

Backlog of Needs



FY25 Outlook



Complete Community



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.



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%.



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.



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.



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.



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 Townmaintained streets.



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



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.



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.



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...

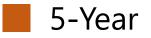
- LUMO Update
- NSBRT planning
- Everywhere to Everywhere Greenways
- Downtown Streetscape planning
- Affordable Housing plan



How's our five year budget strategy looking?

We are just getting started with our fiveyear 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?

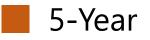
Property Valuation	1.5 cent Impact	2 cent Impact*	
\$ 250,000	\$ 38	\$ 50	
\$ 500,000	\$75	\$ 100	
\$ 750,000	\$ 113	\$ 150	
\$ 1,000,000	\$ 150	\$ 200	

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

\$ 13,000,000	\$ 1,950	\$ 2,600
\$ 64,000,000	\$ 9,600	\$ 12 <i>,</i> 800

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



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?