

**FY 2025 Excess Fund Balance Item**  
**Council Questions & Staff Responses from the February 11, 2026 Meeting**

**Council Question**

How will demolishing the training center will impact the Fire department?

**Staff Response**

*Firefighters will forego a training center and will rely on the County's fire training facility and a temporary classroom and office location for training. This is not ideal, but it is a decision we must make to ensure that our members are provided with housing and a space that is adequate to provide the services expected of our community. For several years, the County's fire training facility has been a topic of discussion, specifically, relocating the few props that are there. We will likely receive a lower score in the Training Category when we are reviewed for our Public Protection Classification score, also known as ISO. It is important for the Town to come up with a long-term solution for Fire's training needs sooner rather than later. Staff will return to Council with a recommendation on how to design and develop a new training center.*

**Council Question**

Where are we with replacing fire trucks and other public safety capital needs?

**Staff Response**

*We received 2 new engines in 2023. We have since ordered a ladder truck with a 100' ladder, the largest straight ladder in our fleet, and equivalent in height to the platform ladder truck operating out of Fire Station 2. We have also ordered 2 additional engines that will replace Engine 31, a 10-year-old engine, and Engine 35, a 13-year-old engine. Both of these engines have presented many problems and were in need of replacement based on our recommended replacement schedule.*

*Rescue 61 is our next apparatus that is in need of replacement. It is a 23-year-old apparatus that does not serve our needs. This unit should transport our rescue equipment, including confined space, structural collapse, rope, and other necessary equipment, such as battery-powered extrication tools. The unit is well beyond its useful service life and is past due based on our recommended fire fleet replacement schedule.*

*We will also need to replace Ladder 72 in the next couple of years. At that time, it too will be ready to be decommissioned in accordance with NFPA 1910 - Standard for the Inspection, Maintenance, Refurbishment, Testing, and Retirement of In-Service Emergency Vehicles and Marine Firefighting Vessels. This is represented in our recommended fire fleet replacement schedule.*

*Fleet replacements are a major funding need and remains a major focus of Fire's budget needs. Our focus is on planned and sustainable funding to meet the replacement schedule to prevent stacking more than 2 units in a year, causing extreme fluctuations in large capital expenses year over year.*

*The continued growth and allocation to Fire's capital budget, culminating in the \$1M goal annually, is extremely important. The Fire department is faced with millions of dollars in required purchases over the next 2 to 3 fiscal years to replace vital safety equipment. Council's commitment to this plan for Fire is crucial. This is one specific way that we can continue to provide services vital to keeping our personnel and the community safe.*

**Council Question**

Why is the Parking Fund not self-sustaining yet?

**Staff Response**

*There are several factors contributing to the current imbalance:*

- Construction timing and transition costs - The new deck construction took longer than anticipated, which delayed revenue stabilization and created overlapping operational costs.
- Extended operation of Wallace Deck - Wallace remains open longer than originally projected, increasing maintenance and staffing costs beyond initial planning assumptions.
- Outstanding repairs and operational adjustments - We are addressing remaining infrastructure issues, including elevator repairs, that impact costs.
- Legacy lease agreements - The Town currently maintains several parking lot leases that were established under previous market conditions. In some cases, the lease costs exceed the revenue generated from those lots. These agreements are being reworked to better align with the financial sustainability of the parking system.
- Changing demand patterns - Like many communities, parking demand shifted following the pandemic, particularly due to hybrid work schedules and changing downtown activity patterns.

*Taken together, these factors created a structural imbalance rather than simply a revenue shortfall.*

**Council Question**

Are there plans to generate additional parking revenues?

**Staff Response**

*Yes. The Town is planning a comprehensive parking study to evaluate how the parking system can be right-sized and optimized for current demand.*

*Potential strategies being evaluated include:*

- *Adjusting parking rates where appropriate*
- *Passing credit card processing fees to users to reduce operational costs*
- *Rebalancing the mix between leased and hourly parking*
- *Phasing out parking leases that are not financially sustainable*
- *Focusing management on Town-owned decks, lots, and on-street parking*

*By concentrating on assets the Town owns and controls, we can better manage pricing, utilization, and long-term financial sustainability.*

**Council Question**

Are there better levers we can pull to help right-size the parking system?

**Staff Response**

*Yes. Several operational strategies can strengthen the system:*

- *Prioritizing Town-owned assets - The Town is best positioned to manage and optimize parking in facilities it owns (decks, municipal lots, and on-street spaces) rather than relying on expensive leased lots that provide limited financial return.*
- *Improving the leased vs. hourly mix - Evaluating how many spaces are leased versus hourly can help maximize utilization and revenue.*
- *Reducing operational complexity - By reducing reliance on leased lots, the Town can simplify operations and focus resources on facilities it directly manages.*
- *Right sizing the system - The parking study will help determine the appropriate scale and structure of the parking system based on current demand.*

*Our long-term strategy should focus on managing the parking assets the Town owns—our decks, lots, and on-street parking—rather than relying on high-cost leases that do not produce sustainable revenue.*

### **Council Question**

Is the current 125 E Rosemary Parking Deck debt repayment schedule counting on excess fund balance to meet needs?

### **Staff Response**

*The original cash flow projections for the 125 E Rosemary Parking Deck anticipated that it would take several years before the new debt could be fully supported by the Parking Fund. During this period, the Debt Fund was expected to provide supplemental support until the Parking Fund became self-sustaining.*

*The current need to use excess fund balance is new and results from revenue shortfalls in the Parking Fund. Until Parking Fund revenues return to the levels assumed in the original projections, a funding gap will persist. At this time, excess fund balance is the only identifiable source to cover that gap.*

### **Council Question**

Can you provide more details on the proposed costs related to the downtown funding?

### **Staff Response**

*Staff propose using these funds to support downtown safety and attraction/experience. The funds will help advance several council goals and priorities, including:*

- *Improving wayfinding to make it easier for people to find key destinations like the new public restrooms at 125 E Rosemary Deck*
- *Supporting costs for the new Downtown Police Substation*
- *Purchasing lights and decorations to boost community vibrancy*
- *Lot 2 activation*
- *Addressing other needs that improve the experience for businesses, residents, and visitors in Downtown Chapel Hill.*

**Council Question**

Can you provide historical information on excess fund balance appropriation?

**Staff Response**

Here is a look at the last 10 years of available fund balance.

<b>Fiscal Year</b>	<b>Fund Balance Appropriation</b>
2025	3,000,000
2024	-
2023	-
2022	4,000,000
2021	4,000,000
2020	-
2019	-
2018	-
2017	-
2016	3,600,000

Historically, the Town appropriated between \$2.5 million and \$3 million in fund balance each year in order to balance the budget. Because of that level of planned use, we generally did not end the year with excess fund balance available to appropriate for other purposes. The only exceptions were in 2021 and 2022, when we experienced unusually strong sales tax revenue and significant lapsed salaries in the post pandemic period.

As we move into FY 2026, the planned appropriation of fund balance to balance the budget has been reduced to \$1 million. With a lower appropriation, it becomes more likely that we will close the fiscal year with \$1 million to \$2 million in excess fund balance.

**Council Question**

Where is hiring currently challenging for the Town?

**Staff Response**

*The hiring landscape continues to evolve rapidly. Our most difficult positions to fill share two key characteristics:*

- They require specialized skills and certifications. Examples include: Building Inspectors, Traffic Signal Technicians, and Mechanics (housing, fleet, bus)*
- They are not occupations that younger workers are entering, resulting in a candidate pool that is both aging and shrinking.*

*Retention remains our most critical need. Retaining employees is more cost-effective than hiring and offers a significantly higher return on investment (ROI). Since the completion of our pay study last year, market pay for several key positions, particularly in Fire and Building & Development Services, has increased again. These rising market rates contribute to turnover pressures.*

**Council Question**

How has the Classification and Compensation Study implementation affected hiring?

**Staff Response**

*It is still too early to fully assess how the new pay ranges are influencing hiring. We continue to see candidates requesting salaries above our hiring ranges; however, after negotiations, we have been able to bring new hires in within range.*

**Council Question**

What are the complexities in filling certain positions?

**Staff Response**

*Broadly speaking, we have limited entry-level roles and few skill redundancies within our workforce. As a result, most positions cannot be filled by candidates who are new to the field. Our work on career progression and succession planning is designed to address this by creating clearer entry-level pathways and preserving institutional knowledge.*

**Council Question**

What levers can we pull to strengthen hiring and retention?

**Staff Response**

*The strategies that support hiring also strengthen retention; reducing turnover lessens our need to hire. The strongest lever we have is the advocacy of our current employees: when employees share that our Town is a great place to work, it positively influences recruitment.*

*Key levers include:*

- *Maintaining competitive pay that exceeds area averages and aligns with local cost of living*
- *Investing in training and professional development to support career growth*
- *Offering alternative work arrangements, including remote work and flexible scheduling where possible*
- *Expanding entry-level opportunities and developing clear career pathways*
- *Ensuring predictable annual increases*
- *Sustaining high-quality benefits*
- *Fostering a culture of collaboration and inclusion*

*Many of these initiatives are already underway. Our most significant challenge remains pay competitiveness, especially for frontline and public safety roles.*