

Fiscal Year 2026 – 2027 Budget Development

Town Council Work Session
March 18, 2026



TOWN OF
**CHAPEL
HILL**

DRAFT

Agenda

- Building Our Base Budget
- Goals & Priorities
- Revenue Projections
- 5-Year Budget Outlook

DRAFT

Because of both property and sales tax projections, we don't anticipate recommending a tax increase this year.

DRAFT

BUILDING OUR BASE BUDGET

DRAFT

1. Project revenues for the upcoming year
2. Collect departmental base budget submissions
3. Prioritize our people by investing in competitive employee pay and benefit increases
4. Budget for rising operating costs (utilities, fuel, fleet, and technology)
5. Allocate resources to Council priorities and department budget adds

DRAFT

GOALS & PRIORITIES

DRAFT



EMPLOYEES

OUR EMPLOYEES

- We will recommend a competitive pay adjustment to retain and recruit talent.
- We anticipate a sizeable health insurance cost increase.
- We are planning for another required increase in the employer retirement contribution rate.

DRAFT



CORE SERVICES

CORE SERVICES

- We continue to face inflationary costs related to basic services, equipment, and supplies.
- We continue to manage technology needs through an enterprise process.
- We continue to make progress on long-term sustainable funding for core services.

DRAFT



Town Growth & Development

Conflict between long-term vision and people wanting immediate change

Current fills the gap

Want to learn more here

Infrastructure Needs

Successes

Challenges

Successes

Successes

Challenges

Sustainability

Forward momentum on community projects

Housing affordability

University town dynamics and changing higher-education trends

Presence and persistence of a wealthier population

Growing attention to long-term infrastructure and environmental stewardship

Climate risks include flooding, heat, and emissions

On stable populations and small businesses

Reduced legal exposure

Modernized pay and classification structure

Resource scarcity and limited funding flexibility

Tax base constraints and fragmented tax authority

Council openness to long-term growth strategies

Requires sustained focus

Visible progress that builds public confidence

Requires sustained focus

Visible progress that builds public confidence

Visible progress that builds public confidence

Visible progress that builds public confidence

Visible progress that builds public confidence

Visible progress that builds public confidence

Visible progress that builds public confidence

Visible progress that builds public confidence

COUNCIL GOALS

COUNCIL GOALS

- We're operationalizing **Complete Community** through adopted plans and funded projects.
- We're continuing to leverage innovative approaches to funding your **housing goals**.
- We're continuing to seek ways to advance your **environmental goals**, amidst uncertain federal funding.
- Our work is guided by a 5-year funding outlook that is helping move towards **fiscal sustainability**.

DRAFT

REVENUE PROJECTIONS

DRAFT

PROPERTY TAX PROJECTIONS

- County estimated that 5% of valuations would be reduced due to appeals
- Current year revenues show that estimate was too high
- General Fund revenues are up by \$2.85 million as a result
- Debt and Transit Funds also benefit from increased property tax valuations

DRAFT

VALUE OF A PENNY

- How much one cent on the tax rate generates in property tax revenue.

\$1,321,000

FY26

\$1,410,000

FY27

DRAFT

SALES TAXES PROJECTIONS

- Sales tax performance improved at end of last year
- Expecting 4.2% revenue growth in FY26
- Projecting 3% growth in FY 2027
- Forecast may shift depending on statewide economic conditions

DRAFT

5-YEAR BUDGET OUTLOOK

DRAFT

5 YEAR PATH TO FISCAL SUSTAINABILITY

5-Year Priorities	Sustainable Allocation	Current Allocation	FY 2026*	FY 2027	FY 2028	FY 2029	FY 2030*
Staffing			404,000	?	?	?	?
Operations			414,000	500,000	500,000	500,000	500,000
Facilities**	1,650,000	989,500	150,000	250,000	250,000	160,500	No new \$
Streets	3,980,000	968,515	150,000	250,000	250,000	250,000	250,000
Fleet**	2,800,000	1,755,000	150,000	250,000	250,000	250,000	295,000
Fire Capital**	1,250,000	500,000	250,000	500,000	250,000	No new \$	No new \$
TOTAL	9,680,000	4,213,015	1,518,000	1,750,000	1,500,000	1,160,500	1,045,000

*Revaluation years

**Sustainable funding levels reached by FY 2030

**THIS SECTION WILL HAVE PHOTOS &
STORIES OF SOME OF WHAT WE'VE
ACHIEVED WITH FUNDING IN LAST 1-2
YEARS.**

DRAFT

NEXT STEPS

- Departments present their budgets to the Manager
- Review and evaluate community partner funding requests
- Finalize recommendations for key priority funding areas
- Evaluate all requests against available resources
- Develop Manager's Recommended Budget

DRAFT

FY 2027 PROPOSED BUDGET SCHEDULE

**MAY
6**

**Manager's
Recommended
Budget**

**MAY
20**

**Public
Hearing**

**MAY
27**

**Work
Session**

**JUNE
3**

**Work
Session
(if needed)**

**JUNE
10**

**Council
Vote**

DRAFT