

FY 2026 MANAGER'S RECOMMENDED BUDGET



Town Council Business Meeting
May 7, 2025

AGENDA

1. Budget Highlights
2. 5-Year Budget Focus Areas
3. Enterprise Funds
4. Looking Ahead

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

BUDGET PRIORITIES

- 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.

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
Total	\$ 89,473,000	\$ 86,498,706	\$ 94,883,000

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

Property Valuation	Annual Impact
\$ 250,000	\$ 145
\$ 500,000	\$ 290
\$ 750,000	\$ 435
\$ 1,000,000	\$ 580
\$ 5,000,000	\$ 2,900
\$ 10,000,000	\$ 5,800

BREAKDOWN OF REVENUE NEUTRAL PLUS 5.8 CENTS

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	50.0

5-YEAR BUDGET FOCUS AREAS

General Fund Five-Year Outlook: FY26 – FY 30

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

* Revaluation years

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

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



OPERATIONS

+ \$414,000

Cost of Doing Business Increases

- Animal Services contract with County
- Field & turf maintenance cost increases
- Fleet maintenance cost increases
- Facility maintenance cost increases

Cost of Expanding Services

- Throne restroom for downtown
- New software & equipment
- Additional program support hours for Parks, Library, & Solid Waste
- New vehicle for Code Enforcement staff



**FACILITIES/
STREETS**

**CURRENT
FUNDING
+ \$300,000**

Planned Facility Projects:

- Public Works Roof Replacement

Planned Streets Projects:

- Existing allocation would patch, mill, & resurface about 9 streets (total of ~3 miles)
- New allocation would perform preservation maintenance to extend the life of 2-4 miles of pavement.



FLEET

**CURRENT
FUNDING
+ \$150,000**

Existing allocation:

- 6 Police vehicles
- Solid Waste rear loader
- 2 Solid Waste trucks
- Streets dump truck
- Construction crew truck
- Facilities crew truck
- Fire staff vehicle
- Parks van
- 4 Parks crew trucks
- Parks Skid Steer
- 4 Mowers

New allocation:

- Police vehicle
- PW Admin staff vehicle
- Engineering crew truck



STAFFING

- 5% Cost of Living Adjustment
- 0.75% mandatory increase to retirement system
- 6% increase in medical insurance
- Funding to implement pay & class study in Jan.
- Two new positions in General Fund to replace grant funding for the CARES team
- One new position in Transit funded by the Orange County Transit Plan

COMPLETE COMMUNITY

\$5,023,818
annual funding
commitment

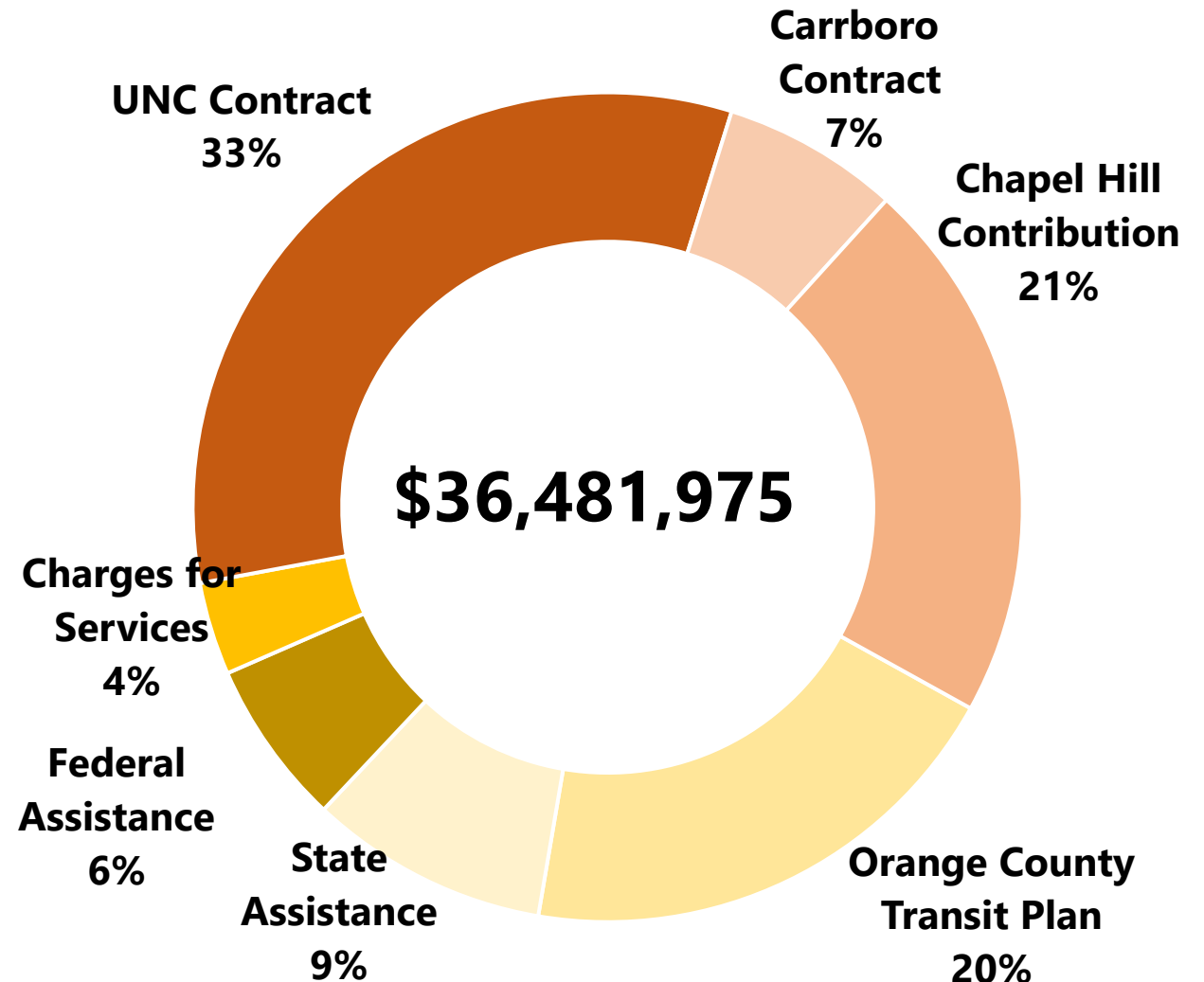
This year's budget continues:

- Nearly three pennies to support our community partners & housing programs and develop & preserve affordable housing
- Funding to support the Town's Climate Action Plan.
- Funding for Everywhere to Everywhere implementation
- Funding for outside agencies

ENTERPRISE FUNDS

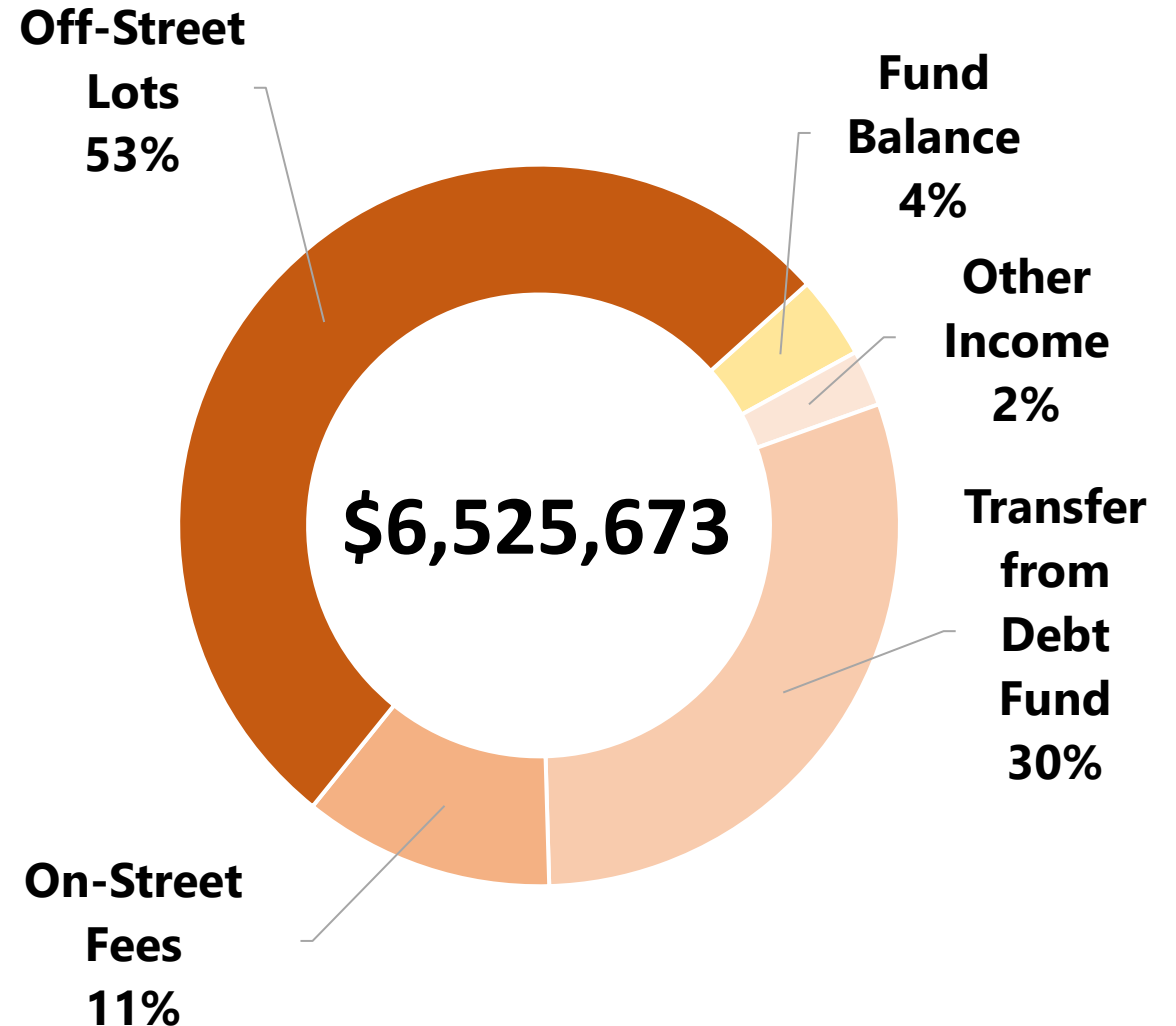
Transit Fund

- 0.5% decrease in overall budget due to stopping contracted services
- 0.3 cent tax increase; corresponding increases in UNC & Carrboro contributions
- Removed fund balance appropriation



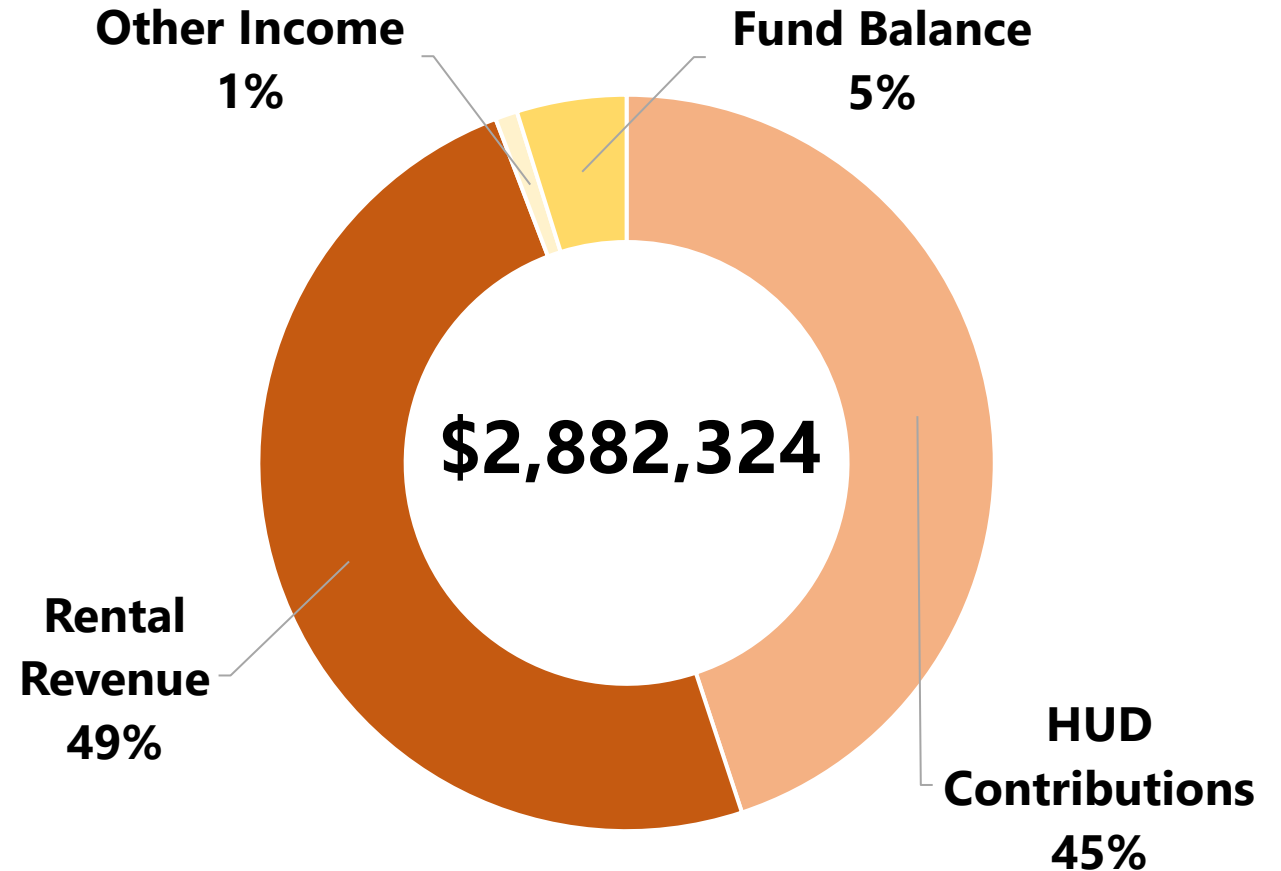
Parking Fund

- 18.4% increase in total budget
- Includes 2024 LOBS debt service from new deck
- Budget balanced with \$1,957,868 transfer from Debt Service Fund



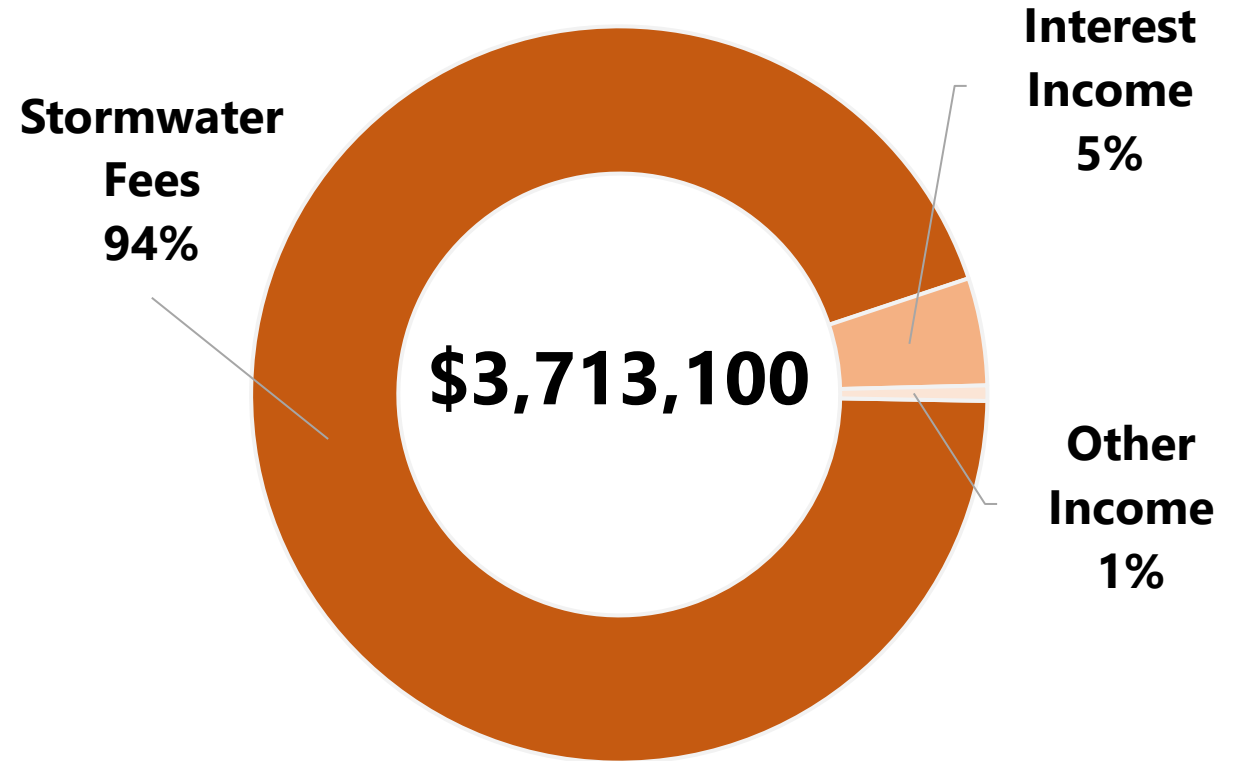
Public Housing Fund

- 0.7% increase in budget
- Majority of expenses covered with HUD Operating Subsidy and tenant rents
- One time \$138,924 fund balance appropriation for additional property repairs



Stormwater Fund

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



LOOKING AHEAD

IN SUMMARY...

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

FY26 Proposed Budget Schedule

**MAY
7**

**Manager's
Recommended
Budget**

**MAY
14**

**Work Session
for Pay & Class**

**MAY
21**

**Public
Hearing**

**JUNE
11**

**Council
Vote**

2025-26 Budget Development Page

www.townofchapelhill.org/budget