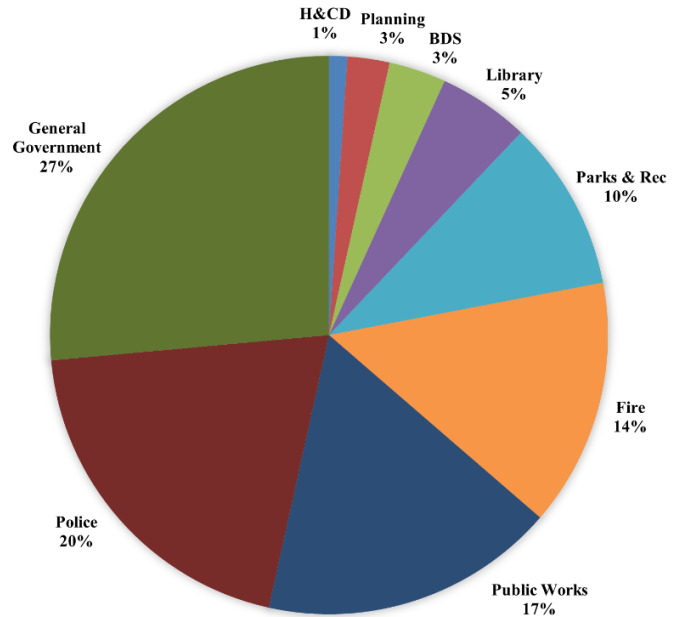


GENERAL FUND

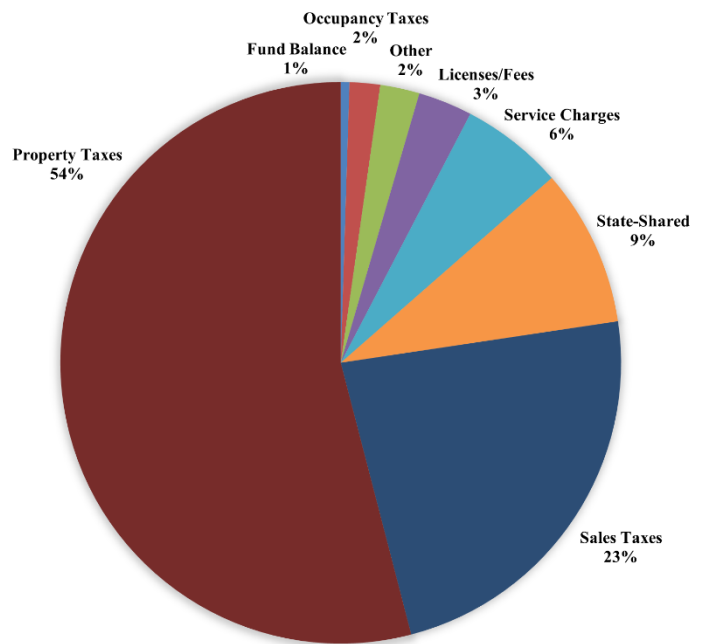
The General Fund is the general operating fund of the Town and is used to account for all revenues and expenditures except those required to be accounted for in another fund. The fund is established at the inception of a government and exists throughout the government's life.

General Fund Expenditures



Total \$99,760,000

General Fund Revenues



**GENERAL FUND
BUDGET SUMMARY**

EXPENDITURES

	2024-25 Actual	2025-26 Original Budget	2025-26 Revised Budget	2025-26 Estimated	2026-27 Recommended Budget	% Change from 2025-26
General Government	\$ 24,631,991	\$ 26,002,682	\$ 29,179,956	\$ 28,152,250	\$ 26,382,329	1.5%
Environment & Development	19,940,281	22,927,421	24,652,481	23,356,599	23,874,968	4.1%
Public Safety	28,193,482	31,275,697	31,575,113	30,755,548	34,354,336	9.8%
Leisure	13,060,062	14,677,200	14,761,787	14,433,372	15,148,367	3.2%
Total	\$ 85,825,816	\$ 94,883,000	\$ 100,169,337	\$ 96,697,769	\$ 99,760,000	5.1%

REVENUES

	2024-25 Actual	2025-26 Original Budget	2025-26 Revised Budget	2025-26 Estimated	2026-27 Recommended Budget	% Change from 2025-26
General Revenues:						
Property Taxes	\$ 43,125,347	\$ 50,530,000	\$ 50,530,000	\$ 53,377,500	\$ 53,917,500	6.7%
Sales Taxes	21,643,069	21,528,427	21,528,427	22,550,817	23,257,745	8.0%
Occupancy Tax	1,784,635	1,750,000	1,750,000	1,750,000	1,750,000	0.0%
Other Tax and Licenses	88,821	100,000	100,000	100,000	100,000	0.0%
State-Shared Revenues	9,228,821	8,927,339	8,929,614	9,074,247	9,052,247	1.4%
Interest on Investments	1,279,935	750,000	750,000	903,860	750,000	0.0%
Other Revenues	1,068,677	407,962	499,862	713,687	628,210	54.0%
Grants	863,453	750,083	811,991	856,717	744,988	-0.7%
Charges for Services	6,331,982	6,173,959	6,173,959	5,763,513	5,900,710	-4.4%
Licenses/Permits/Fines	3,016,467	2,920,230	2,920,230	3,015,238	3,113,600	6.6%
Transfers/Other Sources	45,000	45,000	45,000	45,000	45,000	0.0%
Appropriated Fund Balance	(2,650,391)	1,000,000	6,130,254	(1,452,810)	500,000	-50.0%
Total	\$ 85,825,816	\$ 94,883,000	\$ 100,169,337	\$ 96,697,769	\$ 99,760,000	5.1%

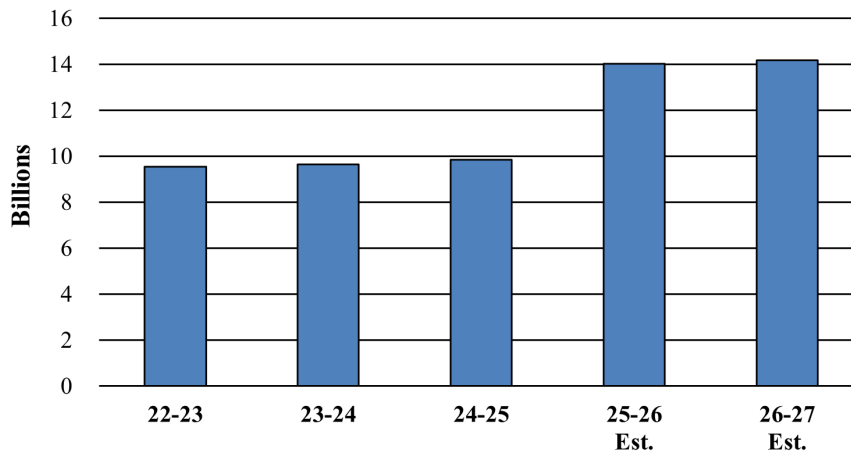
GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Property Tax

The largest component of the property tax is the levy on real property. The property tax consists of three components – General Fund, Debt Service Fund, and Transit Fund. We have based our estimate on historic trends and current information from Orange and Durham Counties for the overall tax base. The tax base for 2026-27 is estimated to be \$14,174,340,000 with 1 cent on the tax rate equivalent to about \$1,410,000.

Property Tax Base



The combined property tax revenue we anticipate for 2026-27 totals about \$70.5 million, with \$53.7 million of that supporting the General Fund.

Other Local Taxes

Revenue from the 3 percent Hotel/Motel occupancy tax is expected to total \$1,750,000 in the current year and \$1,750,000 in 2026-27. Generally, revenue trends are affected by University events and overall economic conditions.

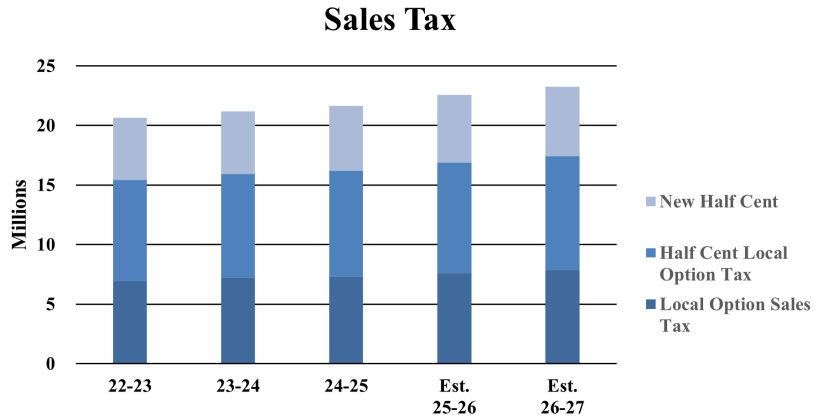
GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

State-Collected Revenues

Sales Taxes

Sales tax revenue is expected to come in over budget in 2025-26. Based on past growth, a decrease of 6.4% was budgeted for FY26. Sales tax receipts are growing at a faster rate versus the previous year through the first seven months. Based on this trend, we anticipate steady growth through the remainder of the fiscal year. We are estimating



an increase of 8% in projected sales tax revenue for FY27 compared to the FY26 adopted budget. We estimate combined sales taxes of about \$22,550,817 for 2025-26. Orange County has the option to change the allocation method for sales taxes from per capita to ad valorem, which would result in a significant reduction in sales tax receipts for the Town.

Motor Fuel Taxes (known as Powell Bill funds)

Motor fuel tax revenue is based on receipts of 1¾ cents of the State gasoline tax allocated to local governments, based on population and local street mileage in each jurisdiction. This revenue is anticipated to total \$1,968,533 in 2025-26, about \$7,000 less than last year. For 2026-27, we anticipate revenues will remain flat at \$1,968,533.

State Fire Protection Funds

We are expecting about \$1,025,000 in State Fire Protection Funds in the current year, and we expect that figure to hold at \$1,025,000 in 2026-27.

Utility Sales Tax

Utility sales taxes are derived from a 3 percent tax on gross revenues from public utilities in each jurisdiction and are collected by the State for distribution to cities and towns. Because the fees are dependent upon utility charges, they are affected by weather conditions and can vary from year to year. In 2007, the State changed the distribution method for cable franchise fees and included them in the utility sales tax distribution. We estimate that we will receive approximately \$5,250,000 in the current year in utility sales taxes. We anticipate that revenues will remain flat at \$5,250,000 in 2026-27.

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Solid Waste Disposal Tax

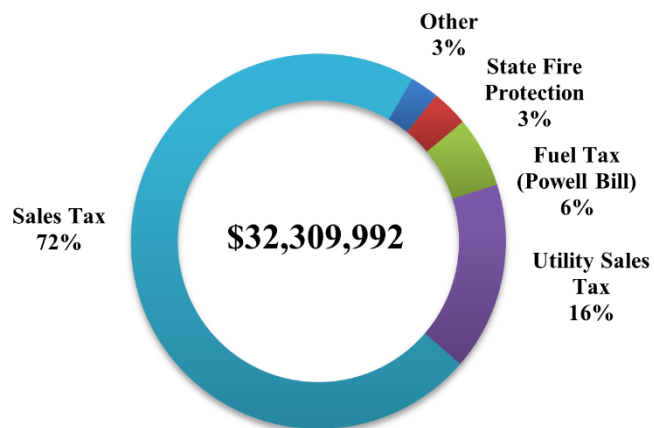
The Solid Waste Disposal Tax went into effect on July 1, 2008. This \$2 per-ton tax is charged on municipal solid waste and construction debris that is deposited in a landfill in the state or transferred at a transfer station for disposal outside of the state. 18.75% of this tax is distributed to cities and towns on a per capita basis. We anticipate receiving around \$48,500 for the current year and \$48,500 next year.

Beer and Wine Taxes

Assuming full receipt of the Beer and Wine tax revenue normally distributed in May to cities and counties, we estimate allocations from this source of about \$250,000 for the current year and \$250,000 next year.

In summary, we estimate State-collected revenues will total about \$32,309,992 for next year.

State Collected Revenues



Other Revenue Sources

Grants

This category of revenue includes certain recurring local and State grants totaling about \$745,000 for 2026-27. Beginning in 2004-05, we began using a separate Grants Fund for non-recurring grants.

Local grants include an appropriation from Orange County to supplement the Town's Parks and Recreation programs and the Town's Library. The recommended budget for 2026-27 includes level funding from the County at \$83,760 for the Parks and Recreation supplement. The recommended 2026-27 budget includes \$621,323 in Orange County funding to support the Chapel Hill Library, which has remained flat compared to the current year's allocation. The State appropriation for Library services is budgeted at \$39,905.

Charges for Services

Service charges for various Town services and programs (including zoning compliance review and Parks and Recreation programs) are estimated to come in under budget in the current year by about \$410,000. This is driven by lower than anticipated development-related revenues, parks activity, garbage collection, and lower charges for CHPD Student Resource Officer services provided to Chapel Hill-Carrboro City Schools. Charges for services are expected to decrease from a budgeted amount of \$6,173,959 in 2025-26 to \$5,900,710 for 2026-27 due to recent trends.

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

This category also reflects amounts transferred from other Town funds to the General Fund, primarily to recover administrative and indirect costs from other Town enterprise funds and services. For 2026-27, these include \$89,339 from Parking, \$192,664 from the Stormwater Management Fund, and \$1,941,001 from the Transit Enterprise Fund.

Licenses/Permits/Fines & Forfeitures

Revenue from licenses, permits, and fines are expected to come in over the current year's budget by about \$95,000, mainly due to larger than anticipated revenues from Inspections. Total licenses and permits are expected to increase from just over \$3 million in 2025-26 to \$3.11 million in 2026-27.

Interest on Investments

The General Fund share of interest earned on the Town's investments is recorded in this category. Investment income in the current year's budget was originally estimated at \$750,000. Due to several factors, interest is anticipated to come in over budget at \$903,860 for 2025-26. The Town anticipates \$750,000 in interest income in 2026-27 based on current trends.

Miscellaneous, Transfers, Net Assets (Fund Balance)

Miscellaneous Revenues

The primary miscellaneous revenues include mutual aid reimbursements, court cost reimbursements, donations, insurance claims, various sales conducted by departments, and sales tax refunds. Miscellaneous revenues are expected to total about \$714,000 for 2025-26 and \$628,000 for 2026-27.

Transfers

Transfers include a transfer of \$45,000 for 2026-27 from the Library Gift Fund for Library purposes.

Fund Balance

This appropriation represents a use of net assets (fund balance) for general operations. We are currently budgeted to use about \$6.1 million of fund balance in 2025-26, but we anticipate using no fund balance in the current fiscal year. This is based on conservative revenue estimates and departmental end-of-year expenditure estimates. The annual budget includes the use of \$500,000 in fund balance in 2026-27 to maintain service levels.

GENERAL FUND

Major Revenue Sources - Descriptions and Estimates

Summary of Revenues

In summary, the annual budget includes \$99.76 million in General Fund revenues, including the use of \$500,000 of fund balance.

The table below shows comparative estimates of total General Fund revenues for the current year and next year.

	25-26 Revised Budget	25-26 Estimated	26-27 Recommended Budget
Property Taxes	\$ 50,530,000	\$ 53,377,500	\$ 53,917,500
Sales Taxes	21,528,427	22,550,817	23,257,745
Occupancy Tax	1,750,000	1,750,000	1,750,000
Other State-Collected	8,929,614	9,074,247	9,052,247
Other Revenues	1,349,862	1,717,547	1,478,210
Grants	811,991	856,717	744,988
Service Charges	6,173,959	5,763,513	5,900,710
Licenses/Permits	2,920,230	3,015,238	3,113,600
Interfund Transfers	45,000	45,000	45,000
Fund Balance	<u>6,130,254</u>	<u>(1,452,810)</u>	<u>500,000</u>
Total	\$ 100,169,337	\$ 96,697,769	\$ 99,760,000

GENERAL FUND

Major Expenditures - Descriptions and Estimates

The General Fund provides basic services for Town citizens including police and fire protection, environment and development services (including planning, public works, engineering, and inspections), general administration, and planning for growth and development in the community.

The pie chart below shows the relative proportions of expenditures for the various functions and departments in the General Fund budget totaling \$99,760,000 for the 2026-27 budget.

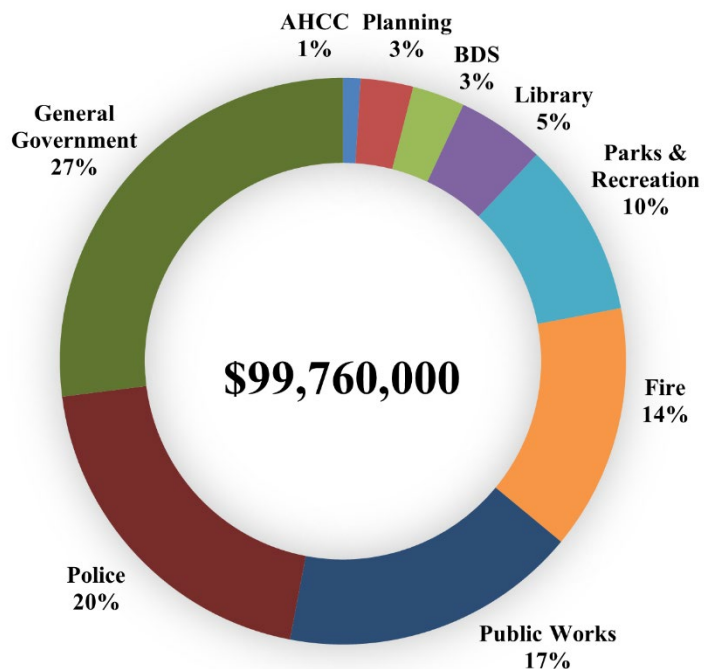
The largest category of expenditures for the General Fund is Public Safety services, with Police Department expenditures of about \$20 million and Fire Department expenditures of about \$14.3 million.

Environment and Development comprises about \$23.9 million, including Planning, Housing & Community Development, Building & Development Services, and Public Works, which provide services of affordable housing, planning for growth, engineering, solid waste collection, maintenance of streets, and maintenance of Town facilities.

Police, Fire, and Public Works together comprise just over 50% of total General Fund expenditures.

Other General Fund services include Parks and Recreation programs totaling about \$9.9 million, Library services of about \$5.3 million, and General Governmental activities (Administration, Town Clerk, Human Resources, Business Management, Technology Solutions, and Attorney) totaling about \$15.2 million.

Non-departmental expenditures total \$11.2 million. \$1,811,084 is included in the recommended budget for distribution to other agencies in support of human services, cultural and arts programs, and development of affordable housing as adopted by the Council. The non-departmental budget also includes funding for capital improvements (just under \$3 million), retiree medical insurance (\$2 million), and legal funds (\$100,000). The budget for liability and property insurance totals \$750,000.



GENERAL FUND

Major Expenditures - Descriptions and Estimates

The 2026-27 Recommended budget includes changes to the Town’s contribution to employee retirement. This amount went up by \$321,749, which reflects a 0.75% increase to the contribution over the prior year. Other personnel increases to the budget include a 4% of market rate salary adjustment starting July 1, 2026 (\$2,107,388) and a 10% health insurance increase (\$555,870). Also related to personnel, the recommended budget includes funding for two new positions in the General Fund: a Destination Coordinator in the Economic Development division of the Manager’s Office (\$108,657) and a Library Associate position (\$81,686).

The 2026-27 budget includes increased funding for vehicle replacement (\$250,000) and additional funding in various areas for cost of services increases (\$201,683). Other increases to the FY27 budget include \$500,000 for Fire Capital costs, \$250,000 for increased facility maintenance, and \$250,000 for streets maintenance. Vehicle Maintenance is up over FY25, by about \$40,000, and liability insurance is also up by \$100,000 over the prior year.

The 2026-27 Recommended Budget continues to fund retiree medical costs on a pay-as-you-go basis (\$2,000,000) and contribute \$250,000 towards the post-employment benefit (OPEB) liability.

The table below shows expenditure levels for General Fund personnel, operating costs, and capital outlay.

EXPENDITURES						
	2024-25	2025-26	2025-26	2025-26	2026-27	% Change
	Actual	Original Budget	Revised Budget	Estimated	Recommended Budget	from 2025-26
Personnel	\$ 61,218,019	\$ 66,707,228	\$ 66,310,609	\$ 64,693,229	\$ 70,406,945	5.5%
Operating Costs	24,521,387	27,595,772	32,748,037	31,014,378	28,263,055	2.4%
Capital Outlay	86,410	580,000	1,110,691	990,162	1,090,000	87.9%
Total	\$ 85,825,816	\$ 94,883,000	\$ 100,169,337	\$ 96,697,769	\$ 99,760,000	5.1%

GENERAL FUND
EXPENDITURES BY DEPARTMENT

	2024-25 Actual	2025-26 Original Budget	2025-26 Revised Budget	2025-26 Estimated	2026-27 Recommended Budget	% Change from 2025-26
General Government						
Mayor/Council	\$ 581,742	\$ 681,796	\$ 677,796	\$ 680,187	\$ 654,285	-4.0%
Town Manager	4,528,690	5,333,500	5,667,928	5,651,248	5,209,172	-2.3%
Clerk's Office	701,154	-	-	-	-	N/A
Human Resource Development	1,631,250	1,716,928	1,788,071	1,505,733	1,822,794	6.2%
Business Management	2,876,933	3,389,911	3,468,079	3,392,506	3,523,719	3.9%
Technology Solutions	2,783,835	2,921,485	3,014,490	2,989,316	3,237,734	10.8%
Town Attorney	659,499	711,636	711,636	659,347	712,812	0.2%
Non-Departmental	10,868,888	11,247,426	13,851,956	13,273,913	11,221,813	-0.2%
Subtotal	\$ 24,631,991	\$ 26,002,682	\$ 29,179,956	\$ 28,152,250	\$ 26,382,329	1.5%
Environment & Development						
Planning	\$ 1,912,087	\$ 2,323,849	\$ 2,946,526	\$ 2,435,931	\$ 2,431,853	4.6%
Housing and Community Development	1,123,464	1,291,081	1,172,441	994,046	1,051,323	-18.6%
Public Works	14,285,315	16,236,025	17,466,471	17,036,434	17,087,433	5.2%
Building & Development Services	2,619,415	3,076,466	3,067,043	2,890,188	3,304,359	7.4%
Subtotal	\$ 19,940,281	\$ 22,927,421	\$ 24,652,481	\$ 23,356,599	\$ 23,874,968	4.1%
Public Safety						
Police	\$ 16,682,732	\$ 18,724,176	\$ 18,757,852	\$ 18,213,613	\$ 20,038,778	7.0%
Fire	11,510,750	12,551,521	12,817,261	12,541,935	14,315,558	14.1%
Subtotal	\$ 28,193,482	\$ 31,275,697	\$ 31,575,113	\$ 30,755,548	\$ 34,354,336	9.8%
Leisure						
Parks and Recreation	\$ 8,500,018	\$ 9,694,655	\$ 9,772,467	\$ 9,448,071	\$ 9,881,783	1.9%
Library	4,560,044	4,982,545	4,989,320	4,985,301	5,266,584	5.7%
Subtotal	\$ 13,060,062	\$ 14,677,200	\$ 14,761,787	\$ 14,433,372	\$ 15,148,367	3.2%
General Fund Total	\$ 85,825,816	\$ 94,883,000	\$ 100,169,337	\$ 96,697,769	\$ 99,760,000	5.1%