

# **FY 2025 BUDGET KICKOFF**



Council Retreat  
Feb 3, 2024

# AGENDA

1. Budget Basics
2. FY24 Review
3. FY25 Themes
4. Five Year Outlook
5. Debt/CIP Basics

**We are in  
excellent  
financial  
health.**

**We take  
fiscal  
stewardship  
seriously.**

**We grow  
slower than  
most of the  
Triangle.**

# **We are in excellent financial health.**

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- We are one of only sixteen NC municipalities to maintain a AAA bond rating with Moody's.
- We consistently receive a clean bill of financial health from external auditors.
- We maintain a healthy "savings account" above and beyond the required minimum balance.

# **We take fiscal stewardship seriously.**

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- We have fiscally sound financial policies that guide our decisions.
- We have a tradition of conservative budgeting practices.
- Those policies and practices have served us well in uncertain times.

# **We grow slower than most of the Triangle.**

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- Unlike other Triangle cities and towns, our tax base only grows 1-1.5% annually.
- Because of the rural buffer, we can't go "out," we must go "up."
- The university is our biggest landowner – and they don't pay taxes.

# **BUDGET BASICS**

**\$144,338,982**

FY2024 Total Adopted Budget



<b>General Fund</b>	<b>\$84,879,000</b>
<b>Transit Fund</b>	<b>32,149,890</b>
<b>Parking Fund</b>	<b>6,089,089</b>
<b>Stormwater Fund</b>	<b>3,059,200</b>
<b>Housing Fund</b>	<b>2,588,770</b>
<b>Debt Fund</b>	<b>11,589,913</b>
<b>Pay-Go CIP</b>	<b>2,386,104</b>
<b>Other Funds</b>	<b><u>1,597,016</u></b>
<b>Total</b>	<b>\$144,338,982</b>

# **We only have a few recurring revenue sources.**

- Property tax, sales tax, and departmental fees are our largest revenue sources.
- We have two main levers - increase tax rate or grow our tax base.
- It takes a lot of new development to move the needle just a little.

# **We spend most of our budget on our team.**

- About 74 % of our total budget is for our employees.
- Excellent services and programs = excellent people providing them.
- Associated costs increase annually – and it's worth every penny to recruit and retain our employees.

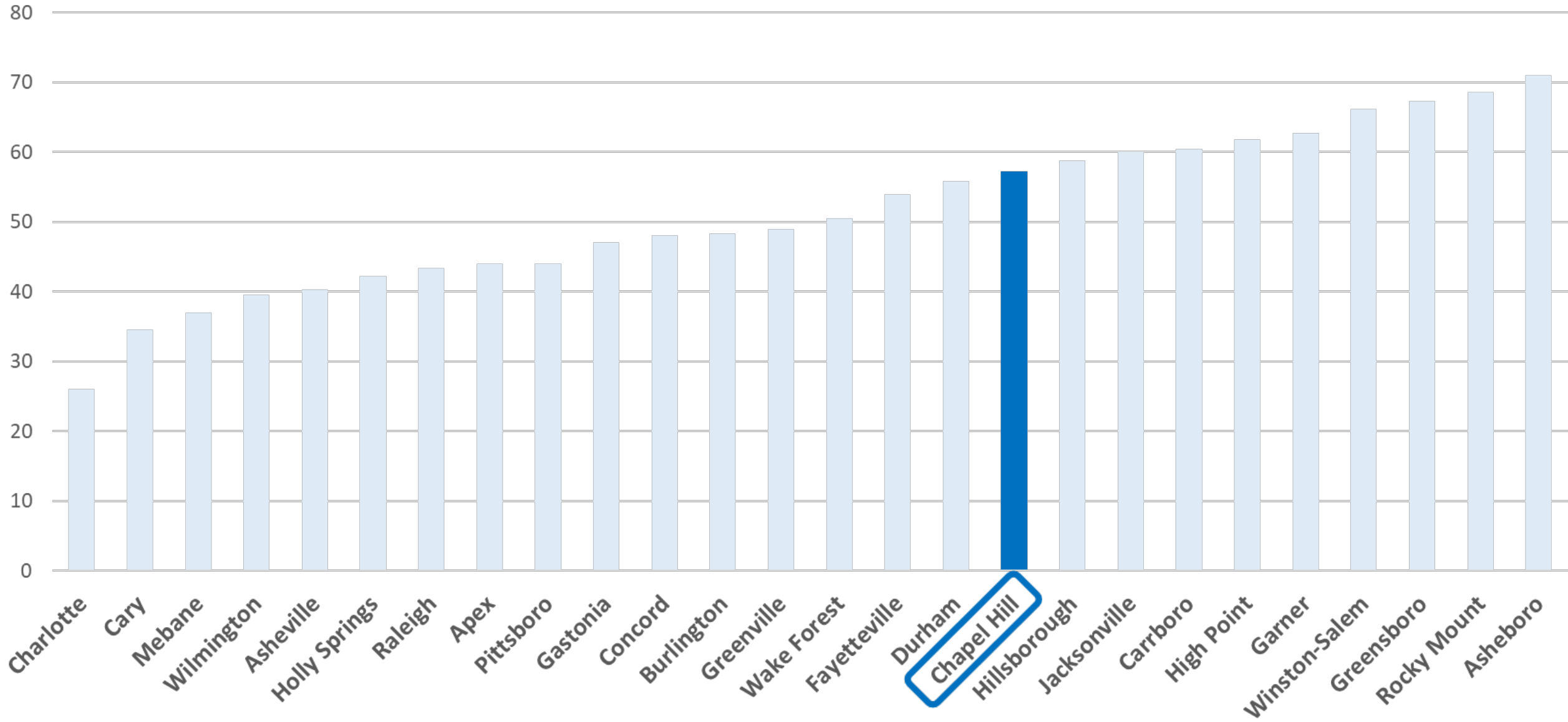
# The cost of doing business goes up every year.

- While inflation is starting to stabilize, costs are still high.
- Even in more stable times, our costs increase every year.
- For many years, we absorbed these costs – and had to pay the price elsewhere in the budget.

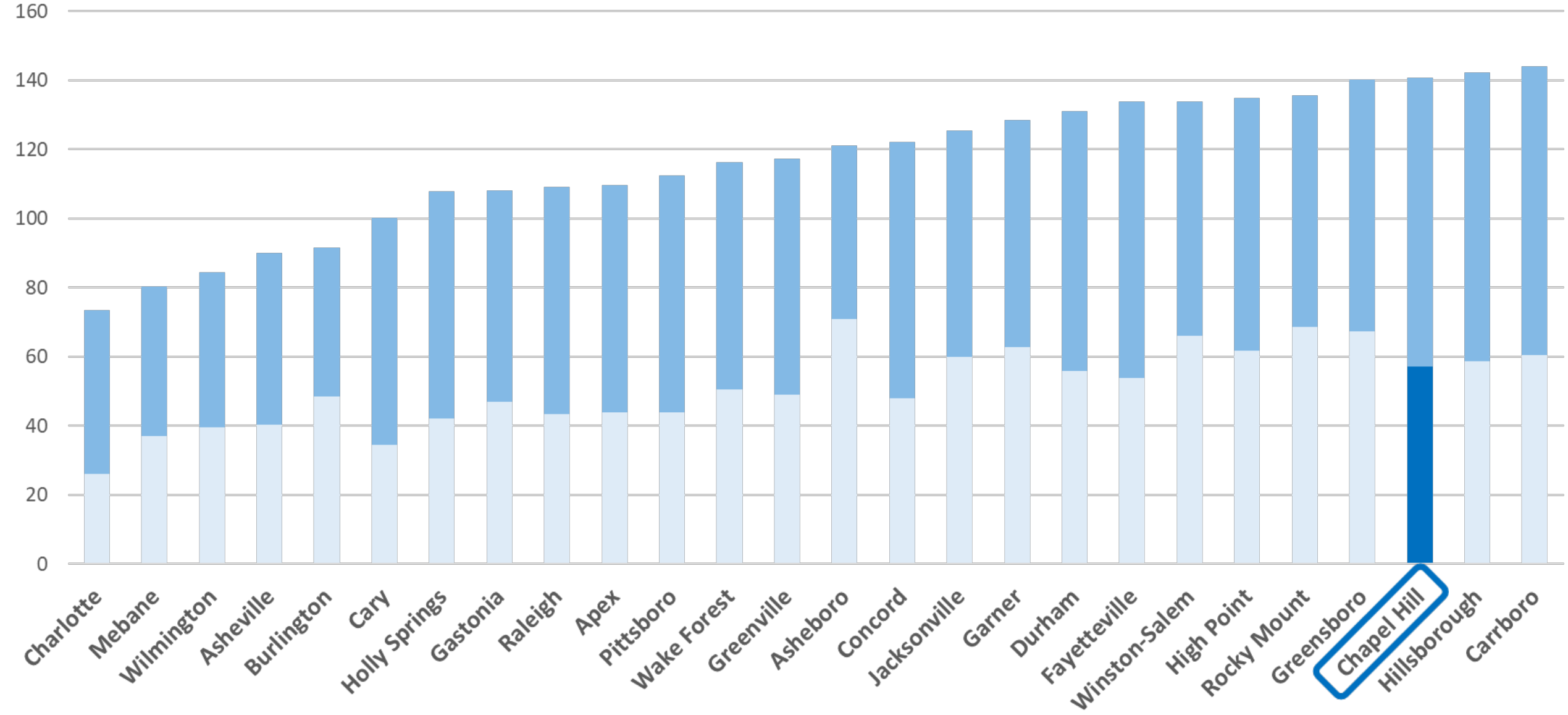
**Our tax rate is middle of the pack.  
Your total tax bill is among the highest.**

- Our municipal tax rate is in the middle of the pack and is lower than Hillsborough and Carrboro.
- Some of our most valued services – such as Library and Transit – affect that tax rate.
- Our combined tax bill – which includes County and CHCCS taxes – is one of the highest in the state.

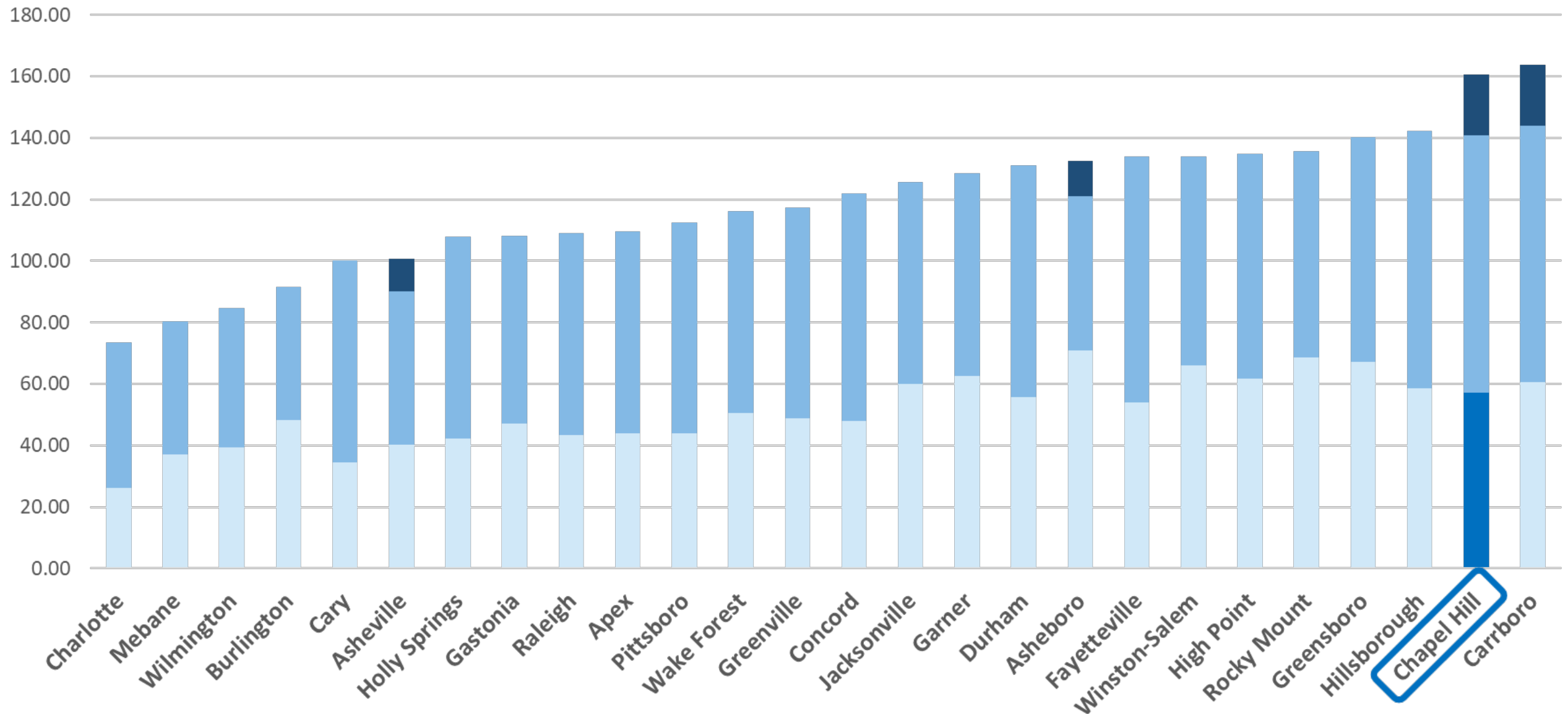
# MUNICIPAL TAX RATES



# MUNICIPAL + COUNTY TAX RATES



# MUNICIPAL + COUNTY + SCHOOL TAX RATES





# Our tax rate is lower than it was 15 years ago.

- Our tax rate in FY09 was 58.1 and in FY24 it is 57.2.
- We've had only two significant tax rate increases in that time; most have been 1-2 cents.
- In revaluation years, we have chosen to adopt a revenue neutral tax rate.
- This choice means that the impact of even small revenue increases is "lost."

# CHAPEL HILL TAX RATES OVER TIME

	FY 09	FY 10 *	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	FY 18 *	FY 19	FY 20	FY 21	FY 22 *	FY 23	FY 24
<b>General Fund</b>	<b>42.3</b>	36.0	36.0	37.8	37.8	38.8	38.8	38.8	38.8	37.6	38.6	38.6	38.6	37.2	37.2	<b>42.2</b>
<b>Debt Fund</b>	<b>11.0</b>	9.3	9.3	7.5	7.5	7.5	8.5	8.5	8.5	8.2	8.2	9.8	9.8	8.8	8.8	<b>8.8</b>
<b>Transit Fund**</b>	<b>4.8</b>	4.1	4.1	4.1	4.1	5.1	5.1	5.1	5.1	5.0	6.0	6.0	6.0	5.4	6.2	<b>6.2</b>
<b>Town Total</b>	<b>58.1</b>	49.4	49.4	49.4	49.4	51.4	52.4	52.4	52.4	50.8	52.8	54.4	54.4	51.4	52.2	<b>57.2</b>

\* Revaluation years

\*\* Transit Fund experienced growth

**As we move into budget season, what other “budget basics” would you like to hear about?**

# **FY 2024 REVIEW**

**We invested in our core functions.**



**PEOPLE**



**SERVICES**



**FACILITIES**



**FLEET**



## People

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**We added 14  
new positions.**

- Three FT firefighters
- Crisis Counselor
- Arborist
- Planning Technician
- IT Analyst
- Transit Safety Officer



# People

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## Housing Mechanic

- Addressed backlog of maintenance needs
- Improved response times
- Built relationships with residents





## Services

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**We gave our core services a much-needed boost.**

- Body-worn cameras
- Right-of-way mowing
- Tipping fees
- Zoom support for Boards
- Poet Laureate stipend





# Services

## Library Collections

- Helped with long wait lists for popular books
- Purchased more diverse books
- Purchased books in other languages other than English.





## Facilities

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**We got started  
on our facilities  
maintenance  
backlog.**

- Community Center roof replacement
- Post Office HVAC replacements
- Small improvement projects at various Town facilities



# Facilities

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## Penny for Parks

- Hargraves Picnic Shelter, Tennis Courts
- Nate Davis Sr, Gym maintenance & painting
- Teen Center Renovations
- Southern Community Park turf improvements





## Fleet

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**We started to replace and electrify our aging fleet.**

- Crew trucks for Streets, Construction, Parks
- Dump trucks for Streets, Parks
- Front loader for Solid Waste

## **Police Vehicles**

- Twelve new vehicles
- Two fully electric and six hybrid
- Simplified graphics for cost savings





# Fire Capital

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- Reduced emissions with battery-operated system
- Increased safety by eliminating hoses
- Increased range of uses and life safety effectiveness



# **We invested in Complete Community.**



**GREENWAYS**



**HOUSING**



**CLIMATE  
ACTION**



**TRANSIT**

**What else would you like to know about our stewardship of FY24 funding?**





## **GREENWAYS**

- Established Office of Mobility & Greenways
- Hired Mobility & Greenways Manager
- Hired Safe Routes to Schools Coordinator



## **HOUSING**

- Dedicated \$10 Million for affordable housing
- Hired Affordable Housing Manager
- Rewriting Our Rules: A LUMO Update



## CLIMATE ACTION

- Doubling the # of Town-owned charging stations
- Conducting sustainability audit of Town buildings
- Installing solar on five low-to-moderate income homes



## TRANSIT

- NSBRT and Transit-oriented development
- Accessibility and safety improvements at bus stops
- Sustainability improvements for daily operations

# **FY25 THEMES**

# **Available revenue isn't enough to keep up with costs.**

- Annual property and sales tax growth generally covers costs of employee raises and benefit increases.
- We don't usually have anything left to cover annual operating cost increases or new programs/services.

# **Last year's tax increase was a good start.**

- Last year's increase helped us make gains in addressing our backlog of needs and priorities.
- A revaluation year is just ahead and if we adopt a revenue-neutral rate again, we will lose those gains.

**We need to keep focus on core business.**



**PEOPLE**



**SERVICES**



**FACILITIES**



**FLEET**

**We are committed to Complete Community.**



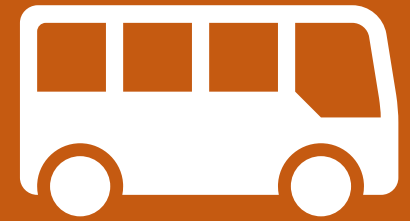
**GREENWAYS**



**CLIMATE  
ACTION**



**HOUSING**



**TRANSIT**

**Which of these themes,  
priorities, and commitments  
would you like to hear more  
about at work sessions?**

**3.**

FY25 Themes



# **FIVE YEAR OUTLOOK**

# **We are just getting started with our five-year plan.**

- We've set a good course to address a significant backlog and prepare for some big rocks ahead.
- Our five-year plan is based on estimated – not actual – costs, so we need to be flexible and nimble.

# 5 YEAR OUTLOOK – YEAR 1 (ADOPTED)

	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026 *</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Staffing</b>	<b>1,850,000</b>	100,000	200,000	300,000	400,000
<b>Operations</b>	<b>250,000</b>	500,000	500,000	500,000	500,000
<b>Facilities</b>	<b>250,000</b>	250,000	250,000	250,000	250,000
<b>Fleet</b>	<b>750,000</b>	250,000	250,000	250,000	250,000
<b>Parks Capital</b>	<b>971,000</b>	10,000	10,000	10,000	10,000
<b>Fire Capital</b>	<b>250,000</b>	250,000	250,000	250,000	47,000
<b>Aff Housing</b>	<b>282,605</b>	10,000	10,000	10,000	10,000
<b>Greenways</b>	<b>500,000</b>	0	0	0	0
<b>TOTAL</b>	<b>5,103,605</b>	<b>1,370,000</b>	<b>1,470,000</b>	<b>1,570,000</b>	<b>1,467,000</b>
<b>Scenario Proposal</b>	<b>5.00 cents</b>	<b>1.40 cents</b>	<b>1.50 cents</b>	<b>1.55 cents</b>	<b>1.35 cents</b>

# 5 YEAR OUTLOOK – YEAR 2 (ESTIMATED)

	<b>FY 2024</b>	<b>FY 2025</b>	<b>FY 2026 *</b>	<b>FY 2027</b>	<b>FY 2028</b>
<b>Staffing</b>	1,850,000	<b>200,000</b>	300,000	400,000	500,000
<b>Operations</b>	250,000	<b>500,000</b>	500,000	500,000	500,000
<b>Facilities</b>	250,000	<b>250,000</b>	250,000	250,000	250,000
<b>Fleet</b>	750,000	<b>250,000</b>	250,000	250,000	250,000
<b>Parks Capital</b>	971,000	<b>18,000</b>	18,000	18,000	18,000
<b>Fire Capital</b>	250,000	<b>250,000</b>	250,000	250,000	47,000
<b>Aff Housing</b>	282,605	<b>18,000</b>	18,000	18,000	18,000
<b>Greenways</b>	500,000	<b>0</b>	0	0	0
<b>TOTAL</b>	<b>5,103,605</b>	<b>1,486,000</b>	<b>1,586,000</b>	<b>1,686,000</b>	<b>1,583,000</b>
<b>Adopted Scenario</b>	<b>5.00 cents</b>	<b>1.50 cents</b>	<b>1.50 cents</b>	<b>1.50 cents</b>	<b>1.50 cents</b>

# WHAT'S THE IMPACT OF A PENNY ON TAXPAYERS?

<b>Property Valuation</b>	<b>1 cent Impact</b>	<b>1.5 cent Impact</b>	<b>2 cent Impact</b>
\$ 250,000	\$ 25	\$ 38	\$ 50
\$ 500,000	\$ 50	\$ 75	\$ 100
\$ 750,000	\$ 75	\$ 113	\$ 150
\$ 1,000,000	\$ 100	\$ 150	\$ 200

\$ 13,000,000	\$ 1,300	\$ 1,950	\$ 2,600
\$ 64,000,000	\$ 6,400	\$ 9,600	\$ 12,800

# **A County revaluation is coming in January 2025.**

- Ensures that assessed value = fair market value
- Must be done every eight years
- Typically completed every four years
- Revaluation effective for FY26 budget

# **How we handle revaluation impacts our revenue.**

- Governments must publish (not adopt) revenue neutral tax rate
- Much of the growth gained during revaluation is lost when adopting revenue neutral tax rate.

**What questions do you have  
about our five-year outlook?**

**4.**

Five Year Outlook



# DEBT BASICS

**Your current  
debt is well-  
managed.**

**You have debt  
capacity.**

**Your priorities  
inform your  
debt choices.**

# **Your current debt is well-managed.**

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- You currently have about \$95 million of tax-supported debt.
- You're within your debt policies and best practices.
- You have the revenue needed to pay your existing debt.

# **You have debt capacity.**

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- The debt affordability scenario shows that you could borrow \$50 million over the next five years, with your existing revenue sources.
- The debt capacity scenario shows that you could borrow \$77 million over the next five years, but that would require more revenue.

# **Your priorities inform your choices.**

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- The debt affordability scenario leverages tax increases to grow your General Fund.
- The debt capacity scenario leverages tax increases to realize Capital Improvement Plan faster.

**What does  
your Finance  
Director  
recommend?**

The Debt Affordability  
scenario.

# When could we start spending that money?

- CIP prioritization in Spring '24
- Bond referendum in Nov '25
- First round issued in Feb/Mar '26
- Second round in Feb/Mar '28
- Third round in Feb/Mar '30

# FY25 Proposed Budget Schedule

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**MAR  
13**

**Work  
Session**

**MAY  
1**

**Manager's  
Recommended  
Budget**

**MAY  
8**

**Work  
Session**

**MAY  
15**

**Public  
Hearing**

**JUNE  
5**

**Council  
Vote**