

# EXECUTIVE SUMMARY

## BUDGET OVERVIEW

The budgeting process involves numerous strategies including detailed analysis and review of historical data and trends, layering in of economic indicators, and financial best practices as it relates to forecasting. These strategies are implemented both in estimated Town's revenue potential as well as consideration of ongoing and additional expenses planned to be incurred in FY 2025. At this time of year, the Town has typically collected the first two quarters of various revenues that are distributed by the State quarterly. Much of the narrative on the following pages speaks to the trends related to the first two quarters of revenues distributed by the State to the Town.

According to the Bureau of Labor Statistics North Carolina's unemployment rate was 3.3% as of April 2024 as well as compared to 3.9% nationally. Similar figures for the same time last year were both 3.4%. The dominance of the professional services sector and proximity to the University of North Carolina and Research Triangle Park helps keep the unemployment levels lower in the Carrboro area.

North Carolina sales tax collections remained a strong point for revenues at both the state and local levels. As of April 2024, the town has collected 70% of its projected sales tax revenue, compared with 65% of projected sales tax revenue in April 2023. It should be noted that in June 2018, the United States Supreme Court ruled that states have the authority to require online retailers without a physical presence in the state to collect and remit sales taxes (*South Dakota v. Wayfair, Inc.*)

Through April, general fund revenue collections for FY 2024 total \$23.7M or 79.3% of the adopted budget. Property tax revenue collections to date are \$16.2M compared to \$15.6M this time last year. Local sales tax revenues total \$3.7M compared to \$3.5M at the same time last year.

A key factor related to collection of sales tax and intergovernmental revenues is the lag period between collection by the State and distribution to local governments. The North Carolina Department of Revenue distributes local sale tax revenues to localities three months after the month in which they are earned, and intergovernmental revenues three month after the end of the quarter.

The Town continues to maintain its conservative, but realistic approach in estimating revenues, while using available data and expense trends to accurately forecast variable expenses the Town is expected to incur in FY 2025. The Town assumes that the North Carolina General Assembly will take no actions during its 2024 session that would negatively impact the Town's existing revenue stream.

In Carrboro, the total number of permits decreased in FY Ended June 30, 2023 from the prior year, but the total value of the permits increased substantially, mainly in commercial permits, as shown below. Commercial permits increased substantially, with the total value increasing sharply from the prior year.

Ended June 30	Commercial		Residential		Multi-Family		Total	
	Number	Value	Number	Value	Number	Value	Number	Value
2020	121	\$ 2,287,336	549	\$ 21,063,564	124	\$ 647,314	794	\$23,998,214
2021	115	\$ 4,664,640	679	\$ 21,314,185	102	\$ 318,791	896	\$26,297,616
2022	179	\$ 5,672,679	550	\$ 26,160,957	459	\$ 3,811,158	1188	\$35,644,794
2023	141	\$ 32,215,891	662	\$ 29,802,823	183	\$ 974,383	<b>986</b>	<b>\$62,993,097</b>

## TOTAL TOWN BUDGET

In developing the FY 2025 budget, some operating expenses were increased due to inflationary demands. The major goals in developing the FY 2025 budget were to:

- Implement the Town Council’s strategic priorities identified in February 2024.
- Investment in the retention current town staff and the recruitment of future team members.
- Development of a balanced budget.
- Manage costs while improving services to the residents.
- Conceptualize a long-term financial sustainability plan for the Town.

The total FY 2025 General Fund Adopted budget of \$32,685,651 is a 11.4% increase from the adopted budget of \$29,330,449 last year. When all other fund accounts are considered, the total FY 2025 Town budget of \$68,305,186 is as follows:

### SUMMARY FY 2024-25

Fund	FY 2023-24	FY 2024-25	\$ Change	% Change
General Fund	\$29,330,449	\$32,685,650	\$3,355,201	11%
Capital Projects	\$41,465,910	\$25,551,937	(\$15,913,973)	-38%
Special Revenue	\$9,122,838	\$8,209,590	(\$913,248)	-10%
Total Governmental Funds	\$79,919,197	\$66,447,177	(\$13,472,020)	-17%
Storm Water Enterprise	\$1,062,746	\$1,642,008	\$579,262	55%
Parking Enterprise	\$141,000	\$216,000	\$75,000	53%
<b>Total</b>	<b>\$81,122,943</b>	<b>\$68,305,185</b>	<b>(\$12,817,758)</b>	<b>-16%</b>

## BUDGET PROCESS

Departments are required to justify their operating budget for the continuation of services. The continuing budget includes adjustments for price increases in the cost of goods and services; and includes project and infrastructure expenditures reflected in the annual Capital Improvement Plan (CIP) which includes street resurfacing costs, replacement of vehicles and equipment, and debt service payments.

## REVENUES

Carrboro’s revenue stream has two broad types of revenues: recurring revenues, and other financing sources which represent certain one-time inflows of revenue. Recurring revenues consist

of property taxes, local sales taxes, other taxes/licenses, and intergovernmental revenues, comprising 87% of the FY 2025 budget. The remaining 13% is a one-time appropriation from the General Fund Balance. This appropriation, detailed below, brings the Town of Carrboro closer to its stated range of 22.5-35% of Unassigned Fund Balance compared to Expenditures, largely driven but an increase in Unassigned Fund Balance in prior fiscal years due lower than anticipated expenditures.

For FY 2025, total recurring revenues are projected to increase by 11.4% over the FY 2024 Adopted Budget. The projection for the property tax revenue increase 6% over last year’s budget is due to steady increase in property taxes collected in FY 2023 and FY 2024. This projection is reinforced with FY 2024 YTD collections exceeding FY 2024 Adopted Budget by approximately 4%, with a conservative increase forecasted in FY 2025 above the projected FY 2024 current YE total.

Intergovernmental revenues, which comprise just under 5% of general fund revenues, are expected to remain steady from FY 2024.

### Recurring Revenues – General Fund

	FY2023 Actual	FY 2024 Adopted	FY 2025 Projected
<b>Revenues:</b>	<b>Per Audit</b>		
Ad Valorem Taxes	\$ 15,777,404	\$ 15,800,200	\$ 16,745,978
Local Sales Taxes	7,076,695	6,116,000	6,268,900
Other Taxes/Licenses	1,864,150	1,726,261	1,864,150
Intergovernmental	2,242,368	1,510,298	1,600,000
Permit & Fees	1,126,296	1,312,811	1,312,810
Sales & Services	326,441	184,700	326,441
Other Revenues	663,692	276,120	450,000
<b>Total Revenues</b>	<b>29,077,046</b>	<b>26,926,390</b>	<b>28,568,279</b>
<b>Fund Balance Appropriated</b>		<b>2,404,059</b>	<b>4,117,372</b>
<b>Total Revenues &amp; Fund Balance Appropriation</b>	<b>\$ 29,077,046</b>	<b>\$ 29,330,449</b>	<b>\$ 32,685,651</b>

Property and sales tax revenues make up 80.6% of total General Fund revenues in FY 2025, excluding Appropriated General Fund Balance other financing. The total property tax valuation is estimated to be \$2,825,679,285 based on valuation by the Orange County Tax Administrator. The total property tax valuation net of exemptions is estimated at \$2,590,186,580. The property tax rate will remain at \$0.5894 per \$100 of valuation for the General Fund, and \$0.0150 per \$100 of valuation for the Affordable Housing Fund. Each penny of the tax rate is projected to generate approximately \$275,000. Property tax relief is available for the elderly, permanently disabled persons, and veterans who meet income and other specific exemption requirements.

## OTHER FINANCING

Other financing sources in the General Fund include inter-fund transfers, installment financing and fund balance appropriation. The Fund Balance Appropriation in the FY 2025 budget is \$4.1M, or 13% of the total General Fund adopted budget.

Fund Balance Appropriation, as stated above, is utilized to balance the anticipated expenses with expected revenues. The Fund Balance Appropriation in FY 2025 addresses multiple one-time expenses expected to be incurred by the Town, including a one-time adjustment to existing staff salaries of 7%, the re-write of the Land Use Ordinance, and other studies focused on both personnel and planning. Historically, the Town budgets Fund Balance Appropriation, but has seldom needed to use it for actual expenditures due to revenues exceeding expenditures.

## FY 2024-25 GENERAL FUND REVENUE SOURCES

**% of Total \$32,685,651**

## EXPENDITURES

For FY 2025, total General Fund operating expenses increased by 11% over FY 2024. Of the total budget, personnel costs account for 57%, while operating costs account for 42%, with the remaining 1% as a transfer from the General Fund to the Parking Fund.

	FY24	FY25	\$ Change	% Change
	Adopted	Adopted		
<b>Personnel</b>	<b>\$17,648,334</b>	<b>\$18,668,311</b>	<b>\$1,019,977</b>	<b>6%</b>
<b>Operating</b>	<b>\$11,541,115</b>	<b>\$13,801,340</b>	<b>\$2,260,225</b>	<b>20%</b>
<b>Transfers</b>	<b>\$141,000</b>	<b>\$216,000</b>	<b>\$75,000</b>	<b>53%</b>
<b>Total</b>	<b>\$29,330,449</b>	<b>\$32,685,651</b>	<b>\$3,355,202</b>	<b>11%</b>

## PERSONNEL

General Fund personnel costs are expected to increase by 6% to account for all 175 Full-Time Positions. Funds to cover salary adjustments and benefit cost increases are budgeted in included in the FY 2025 budget.

Other factors affecting personnel costs include:

1. Projected 6.0% increase in health insurance premiums.
2. A 74-bps increase in the employer contribution rate to Local Government Employees Retirement System (LGERS).
3. Across the board pay increase of 10% to permanent employees.

## **FY 2024-25 LGERS**

Contribution rates for the Local Government Employees' Retirement System (LGERS) will increase to 13.64% for general employees; to 15.04% for law enforcement officers in FY 2025. Below is the schedule of contribution rates through FY 2025.

<b>LGERS Employer Contribution Rate</b>		
	<b>General</b>	<b>Law Enforcement</b>
<b>Fiscal Year</b>	<b>Employees</b>	<b>Officers</b>
2020-21	10.20%	10.84%
2021-22	11.40%	12.04%
2022-23	12.10%	13.10%
2023-24	12.90%	14.10%
2024-25	13.64%	15.04%

## **OPERATING EXPENSES**

General Fund operating expenses in FY 2025 will increase by 23% from \$10,640,825 to \$13,801,340. In addition to maintaining the existing service levels, funds are budgeted for Employee and Organizational Development activities (e.g., risk management/safety, supervisor training, etc.). The Town will continue with the implementation of its Race and Equity Action Plan (REAP) and budget for race and equity initiatives, training, and Government Alliance on Race and Equity (GARE) participation. The Town will also continue with the implementation of its Energy and Climate Protection Plan (ECPP) and the Community Climate Action Plan (CCAP). Particular attention will be given to new projects to incorporate energy savings strategies with the goal of reducing operating costs and greenhouse gas emissions.

## **SPECIAL REVENUE FUND**

The Special Revenue Fund accounts for revenues and expenditures legally restricted or designated by the Town Council for specific program activities or services. Included in the Special Revenue Fund are the following:

1. American Rescue Plan Act
2. Grant Administration
3. Affordable Housing
4. Powell Bill
5. Revolving Loan Fund
6. Revolving Loans for Energy Efficiency
7. Emergency Loans

The total budget for the Special Revenue Fund in FY 2025 is \$8.2M.

**SPECIAL REVENUE FUND SUMMARY**

	<b>Adopted</b>	<b>Adopted</b>		
	<b>Budget</b>	<b>Budget</b>	<b>\$</b>	<b>%</b>
	<b>FY2023-24</b>	<b>FY2024-25</b>	<b>Change</b>	<b>Change</b>
<b>American Rescue Plan Act</b>	\$6,426,677	\$5,657,508	-769,169	-12.0%
<b>Grant Administration</b>	\$811,909	\$640,449	-171,460	-21.1%
<b>Affordable Housing</b>	\$593,923	\$604,930	11,007	1.9%
<b>Powell Bill</b>	\$545,812	\$562,186	16,374	3.0%
<b>Revolving Loan Fund</b>	\$407,690	\$407,690	0	0.0%
<b>Revolving Loans for Energy Efficiency</b>	\$205,227	\$205,227	0	0.0%
<b>Emergency Loans</b>	\$131,600	\$131,600	0	0.0%
<b>Total</b>	<b>\$9,122,838</b>	<b>\$8,209,590</b>	<b>-913,248</b>	<b>-10.0%</b>

For FY 2025, 1.5 cents of the property tax will continue be dedicated to the Affordable Housing Special Revenue Fund.

**CAPITAL PROJECTS FUND**

The Capital Projects Fund includes projects that are financed by the General Obligation Bonds, debt financing, and pay-go for the construction or acquisition of a capital assets. Capital projects (i.e., those costing more than \$100,000 or take more than one year to complete) are generally planned for in the Capital Improvements Plan (CIP). Capital projects are funded by the adoption of a Capital Project Ordinance by the Town Council that requires a balanced budget (i.e., expenses equal anticipated revenues) and is in effect until completion of the project.

Contingent upon fund balance ratios in the Town’s General Fund being within the stated policy goal of 22.5% to 35.0%, the Town Manager may assign an amount above 35% for future capital projects.

The total Capital Project Fund budget for FY 2025 is \$25.5 million. The largest project remains the development of the facility at 203 South Greensboro Street. This is a joint project by Orange County and the Town at an anticipated total cost of \$41.2 million. This project will house the Orange County Southern Branch Library, Orange County Skills Development Center, Town Recreation, Parks, and Cultural Resources administrative offices, and several other compatible uses. This fund also includes appropriations for the purchase of several replacement vehicles.

<b>Budget Summary - CAPITAL PROJECT FUNDS</b>				
	<b>Adopted Budget FY 2023-24</b>	<b>Adopted Budget FY 2024-25</b>	<b>Amount Change</b>	<b>Pct Change</b>
<b>Fund:</b>				
Capital Projects	35,907,914	20,451,378	(15,456,536)	-43%
GO Bonds, Sidewalks and Greenways	4,531,257	3,423,810	(1,107,447)	-24%
Facilities Rehab	458,597	458,597	-	0%
Capital Reserves	568,032	1,218,032	650,000	114%
Payment In Lieu	110	120	10	9%
Other			-	
<b>Totals</b>	<b>\$41,465,910</b>	<b>\$25,551,937</b>	<b>(15,913,973)</b>	<b>-38%</b>

Because capital projects can affect all categories of spending in the operating budget, it is important to have a systematic planning process to prioritize needs, as well as identify possible financing plan. The Town Manager is responsible for developing and maintaining a five-year Capital Improvement Plan (CIP) that includes long-term maintenance, infrastructure needs, and technology needed for the community. As part of the Town’s ECPP and CCAP, all capital projects are to be evaluated for energy savings and greenhouse gas emissions reductions. The CIP through FY 2027 can be reviewed on the Town’s web site at: [www.ci.carrboro.nc.us/250/Financial-Documents](http://www.ci.carrboro.nc.us/250/Financial-Documents)

**CONCLUSION**

This budget was created with realization that that revenues will retain momentum observed coming out of the pandemic, but also developed conservatively. Budgeted Town revenues for FY 2025 are above last year’s figures, with Town expenditures increasing compared to FY 2024 to account for Council identified objectives and general inflation.

The Town has begun to implement its energy and climate protection plan with the goal of not only saving energy, but also reducing operating costs as well. All capital projects, including vehicles and equipment, will be considered for energy saving measures that will also lead to reduced operating costs. As in the past, all investments in capital equipment will be analyzed from a cost-benefit analysis and to fully gain maximum use of the asset possible.

Careful and balanced choices are presented in the FY 2025 budget that provide for continued delivery of quality services, carrying out Town Council priorities, maintaining financial strength, and retaining talented and productive employees.