



# Introduction of Manager's Recommended FY2025-26 Operating Budget

May 6, 2025

Board of Orange County Commissioners

# Budget Priorities for FY2025-26

1. Minimize Tax Rate Increase
2. Create Budget Flexibility in Anticipation of Economic Downturn and Potential Federal Reductions
3. Maintain County Investment in Social Safety Net Services
4. Provide Continuation Funding to Schools
5. Invest in Employee Compensation Package
6. Align Budget Investments with Strategic Plan Goals

# Revenue Neutral Tax Rate

- Appeals Update
  - \$334.9 million Requested Reductions from Informal Appeals
    - Assumes all appeals are granted as requested
    - Informal appeals closed on April 30
  - 3% Reduction due to Appeals = \$936.2 million
  - \$601.2 million available for formal appeals
- Adjustment to Revenue Neutral Tax Rate
  - Decrease the Tax Base Reduction due to Appeals from **5% to 3%**
  - Adds \$624 million to the FY2025-26 Tax Base

# Revenue Neutral Tax Rate

– Update to Property Tax Base

Property Type	5% Reduction from Appeals	3% Reduction from Appeals
<b>Real Property</b> <ul style="list-style-type: none"> <li>Land + Improvements/Buildings</li> <li>Adjusted by 5% for expected appeals</li> </ul>	\$29,645,160,916	\$30,269,269,567
<b>Personal Property &amp; Public Utilities</b> <ul style="list-style-type: none"> <li>Unlicensed vehicles, trailers, campers, boats, jet skis, etc.</li> <li>Power company, gas company, railroad, etc.</li> </ul>	\$1,242,143,886	\$1,242,143,886
<b>Motor Vehicles</b>	\$1,743,029,203	\$1,743,029,203
<b>TOTAL</b>	<b>\$32,630,334,005</b>	<b>\$33,254,442,655</b>



# Revenue Neutral Tax Rate

**Property Tax Base X Property Tax Rate = Property Tax Levy**

Property Tax Base	Revenue Neutral Property Tax Rate	Tax Levy
\$33,254,442,655	.006264	\$208,306,757

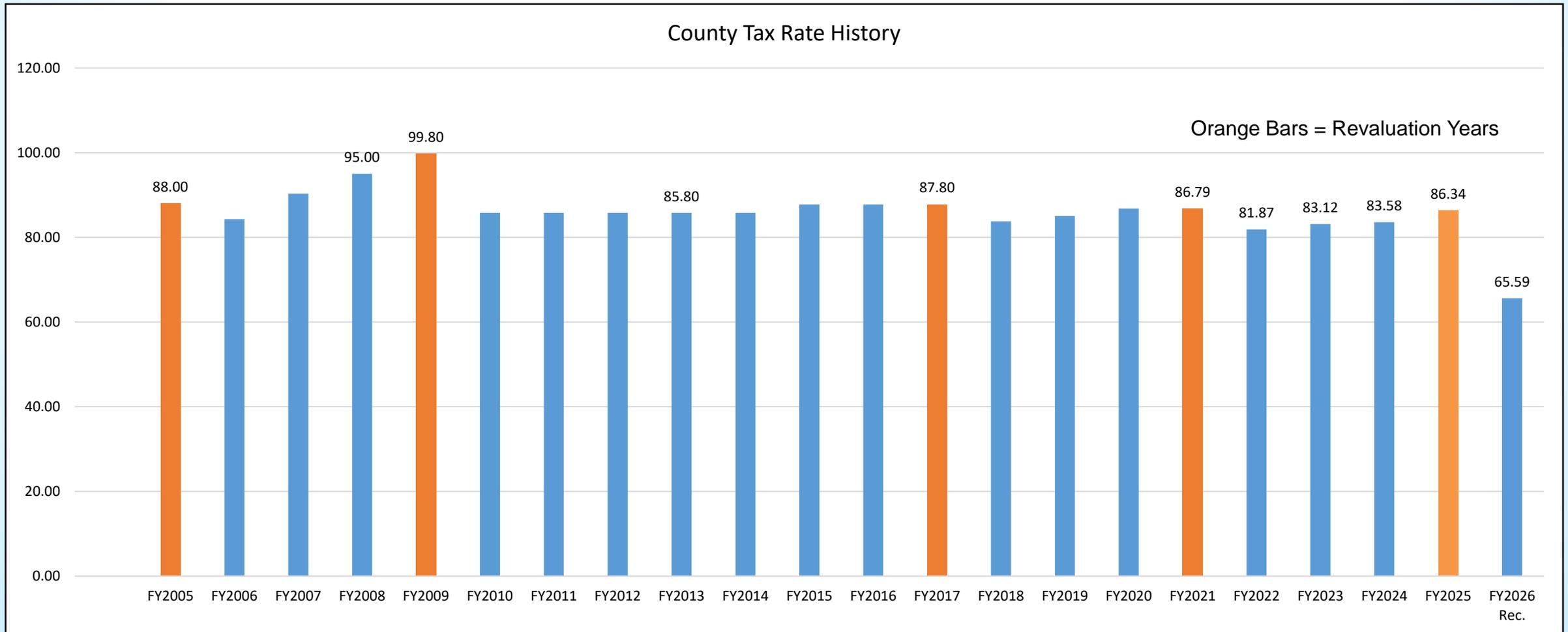
**Or...62.64 cents per \$100 of Assessed Value**

**New "breakeven" percentage increase is just below 38% with updated Revenue Neutral Rate**



# Manager's Recommended Tax Rate

- Manager's Budget Recommends Increase of 2.95 cents over Revenue Neutral Tax Rate
  - 1.94 cents to support school planning and design ➤ Impact on Home @ \$400,000 = \$118.00
  - 1.01 cents to support school and County operations ➤ Impact on Home @ \$500,000 = \$147.50



# Fire District Tax Rates

- Ten of Twelve Fire Districts Requested Tax Rate Increases

Taxing District	FY 2025 Tax Rate	Revenue Neutral Rate	FY 2026 Request	Requested Increase Over Revenue Neutral	Impact on \$400,000 Home per Year
CEDAR GROVE FIRE	9.00	6.54	7.54	1.00	\$40.00
CHAPEL HILL FIRE	13.87	10.79	11.50	0.71	\$28.40
DAMASCUS FIRE	12.80	9.79	10.20	0.41	\$16.40
EFLAND FIRE	10.28	7.38	8.38	1.00	\$40.00
ENO FIRE	11.98	8.71	8.71	-	-
LITTLE RIVER FIRE	7.39	5.35	5.35	-	-
NEW HOPE FIRE	13.84	10.15	12.50	2.35	\$94.00
ORANGE RURAL FIRE	11.49	8.21	9.21	1.00	\$40.00
ORANGE GROVE FIRE	8.27	5.81	7.00	1.19	\$47.60
SOUTH ORANGE FIRE	9.09	6.67	8.17	1.50	\$60.00
SOUTH TRIANGLE FIRE	12.80	8.75	10.20	1.45	\$58.00
WHITE CROSS FIRE	13.84	10.30	14.00	3.70	\$148.00

# Minimizing Tax Rate Increase

- **Departments Absorb Inflationary/Other Cost Increases**

- 16 out of 27 Departments below FY2025-26 Base Budgets
- Only six departments increased their net county cost above \$100,000 from base

1. **Asset Management Services**

- Electricity - \$90,575
- Water - \$33,446
- Natural Gas - \$24,233
- Contract Cost Increases - \$102,834

2. **Information Technology**

- Increased costs of existing software – Increase of \$335,778
- Added Services/Features for existing applications – Increase of \$498,190
- Decommissioned features and applications – Savings of \$266,837

3. **Bonds, Insurance, Worker's Comp**

- Premiums for Bonds, and Worker's Comp due to 15% increase in costs in the market - \$125,891
- Estimated increase cost in Worker's Comp Claims based on active claims - \$46,000

4. **Board of Elections**

- Municipal Election year - \$122,260

5. **Sheriff's Office**

- \$1,026,250 Sheriff's Office Overtime and Temp personnel based on actual spend
- \$491,000 reduction in Jail Fee Revenue

6. **Fleet Services**

- 2 Automotive Mechanic FTEs and increased parts budget of \$306,000 in Fleet
- Fully offset by reduction of Sheriff's Office contract
- Avoids a \$150,000 cost increase in FY2025-26

# Minimizing Tax Rate Increase

- Transition of General Fund Expenses to Other Funding Sources
  - Orange Enterprises Outside Agency and transitioned to Maintenance of Effort
  - Three tourism based Outside Agencies transitioned to Visitors Bureau Fund
  - CJRD Clinical Coordinator Position transitioned to Opioid Fund
  - Total Savings to the General Fund \$176,084
- 10% Reduction to Training and Travel
  - \$38,940 savings generated in General Fund, \$50,158 across all funds.

# Minimizing Tax Rate Increase

- 4 Vacant Positions Eliminated or Unfunded
  - 2 FTEs eliminated for lawn maintenance, replaced by contract - \$42,464 net savings
  - 1 FTE unfunded for Inspections based on decreased permitting activity - \$84,716 savings
  - 1 FTE eliminated for DSS vacant for more than one year - \$60,897 savings
- Administrative Overhead/Indirect Costs Charged to Arts Commission and Sportsplex
  - Offsets General Fund costs for Finance, Human Resources, Asset Management Services, etc.
  - \$32,264 – Arts Commission
  - \$183,298 – Sportsplex
- Charge Special District for Tax Collection
  - County charges all other taxing jurisdictions 0.5% of total collections to collect and remit taxes
  - Generates \$135,000 in revenue
  - Special District tax rate recommended to increase by 0.07 cents to fund
  - Impact on \$400,000 = \$2.80 per year

# Minimizing Tax Rate Increase

- 4 Positions Added to Reduce Expenses or Generate Revenue
  - 2 FTE Mechanics in Fleet Services; Offset by Reduction in Contract Services
  - 1 Facility Maintenance Technician FTE in Asset Management Services
    - Conduct life safety checks and painting
    - Offset by ending contracts for both services (\$71,585)
    - Creates a net savings of \$672 after position is funded
    - Avoids \$35,000 in additional costs in FY2025-26 based on new quotes from life safety check vendor
  - 1 Emergency Management Billing FTE in Tax Office
    - Generated an estimated \$275,000 increase in EMS billing revenue
    - Revenue estimates based on increased number of tickets processed in months when light-duty Emergency Services staff assisted with billing
    - Position cost - \$65,225

# Minimizing Tax Rate Increase

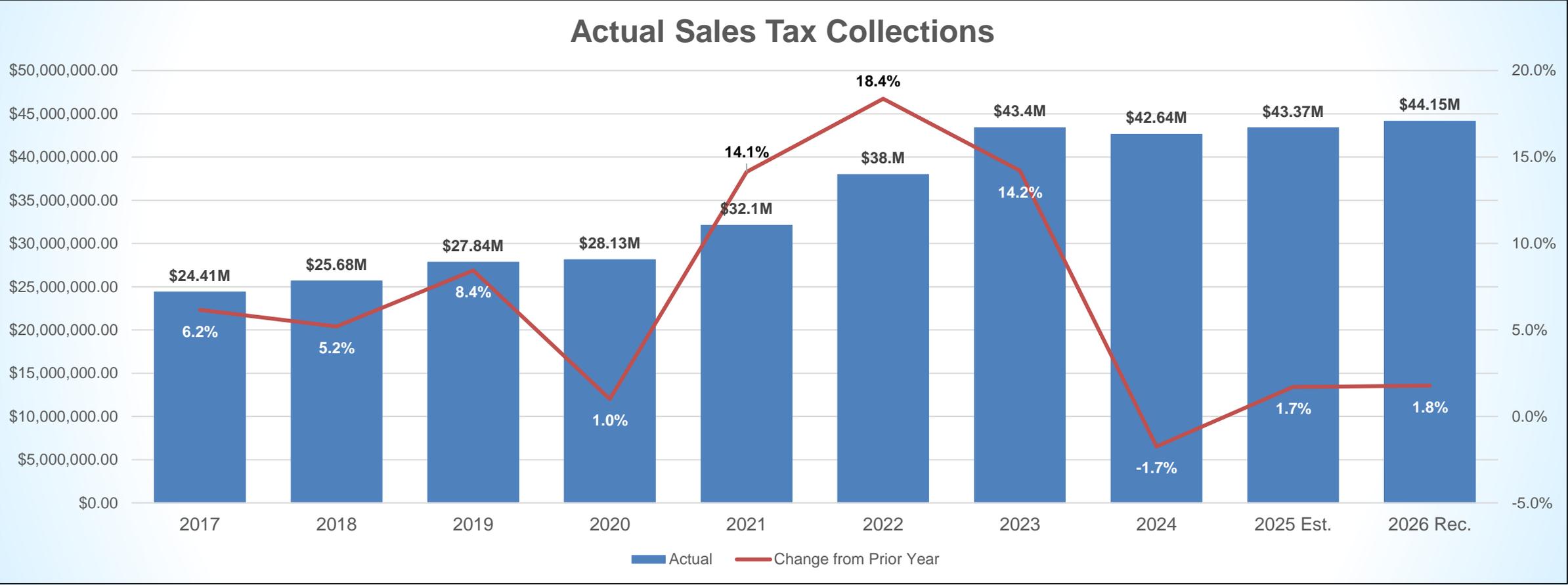
- 1.25 Positions Added in other funds, not funded by General Fund revenues
  - 1 Program Coordinator FTE in Arts Commission
    - Position cost of \$85,216
    - Paid with Occupancy Tax funds
  - .25 Time Limited increase to Clinical Coordinator in Criminal Justice Resource Department
    - Response to increase in pretrial detention rates and increasingly complex behavioral health needs at the Detention Center
    - Position funded with Opioid Settlement Funds
- 3 Positions moved from Grant funding to County funding
  - 2 Positions from Expiring Mental Health in Policing Grant
    - Community Care and Diversion Response Team Mental Health Coordinator – CJRD; Funded through Maintenance of Effort
    - Social Worker – Sheriff's Office; funded by reclassifying existing position budgeted at a higher cost
  - 1 Community Emergency Medical Technician from Expiring Mobile Crisis Grant
    - Offset by additional revenue in Emergency Medical Services
    - Contract for Crisis Counselor in the 911 Center recommended to be eliminated

# Creating Budget Flexibility

- Sales Tax Projection Including Medicaid Hold Harmless
  - Projecting to be \$765,718 under budget in FY2024-25
    - \$43,373,294 projected for FY2024-25 on a Budget of \$44,139,012
    - 3-month reporting delay on Sales Tax revenues from State
    - Impact of tariffs on April sales will not be known until July
  - No Growth from Budgeted Amount in FY2025-26
    - Make up the \$765,718 deficit from FY2024-25
    - Equates to 1.8% growth from FY2024-25 projected actuals
    - No additional growth expected due to anticipated economic conditions
    - If actual results are better, adjustments can be made during the year

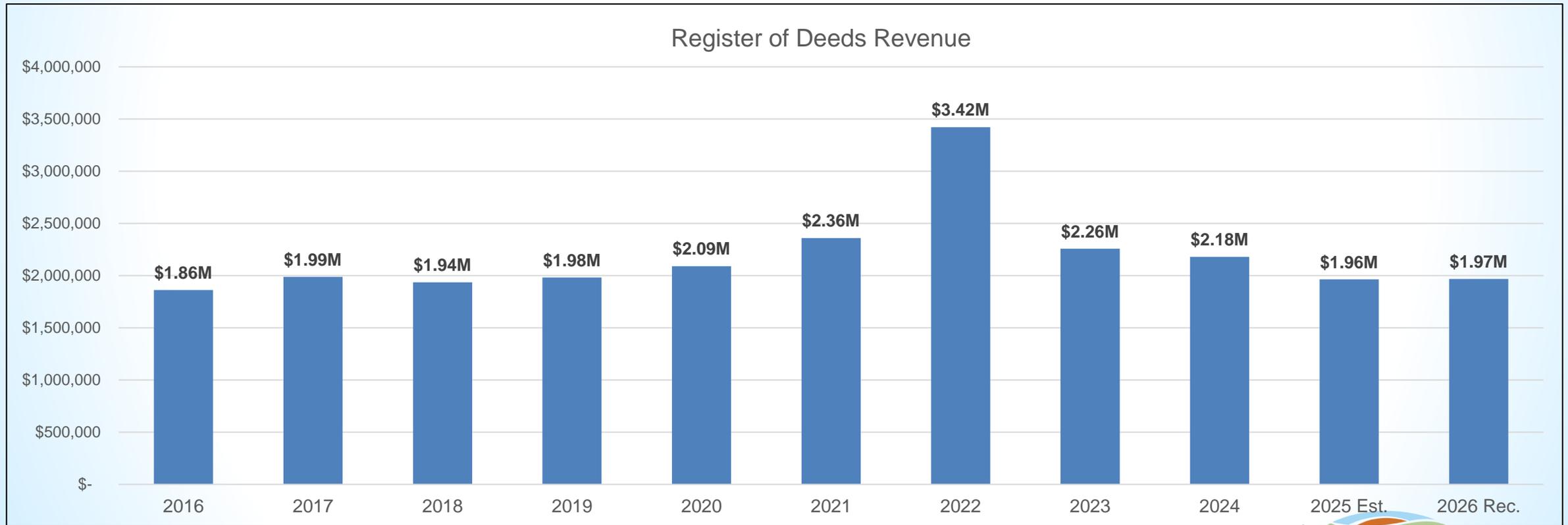
# Creating Budget Flexibility

Actual Sales Tax Collections



# Creating Budget Flexibility

- Register of Deeds
  - \$1,963,000 projected for FY2024-25 on \$1,967,000 Budget
  - No increase from FY2024-25 Budget



# Creating Budget Flexibility

- Increase to Social Justice Reserve Fund
  - \$50,102 added to create \$250,000 pool to react to negative revenue impacts
- Reduction to Appropriated Fund Balance
  - \$31,233 reduction from \$7,100,000 in FY2024-25 to \$7,068,767 in FY2025-26

# Maintain County Investment in Social Safety Net

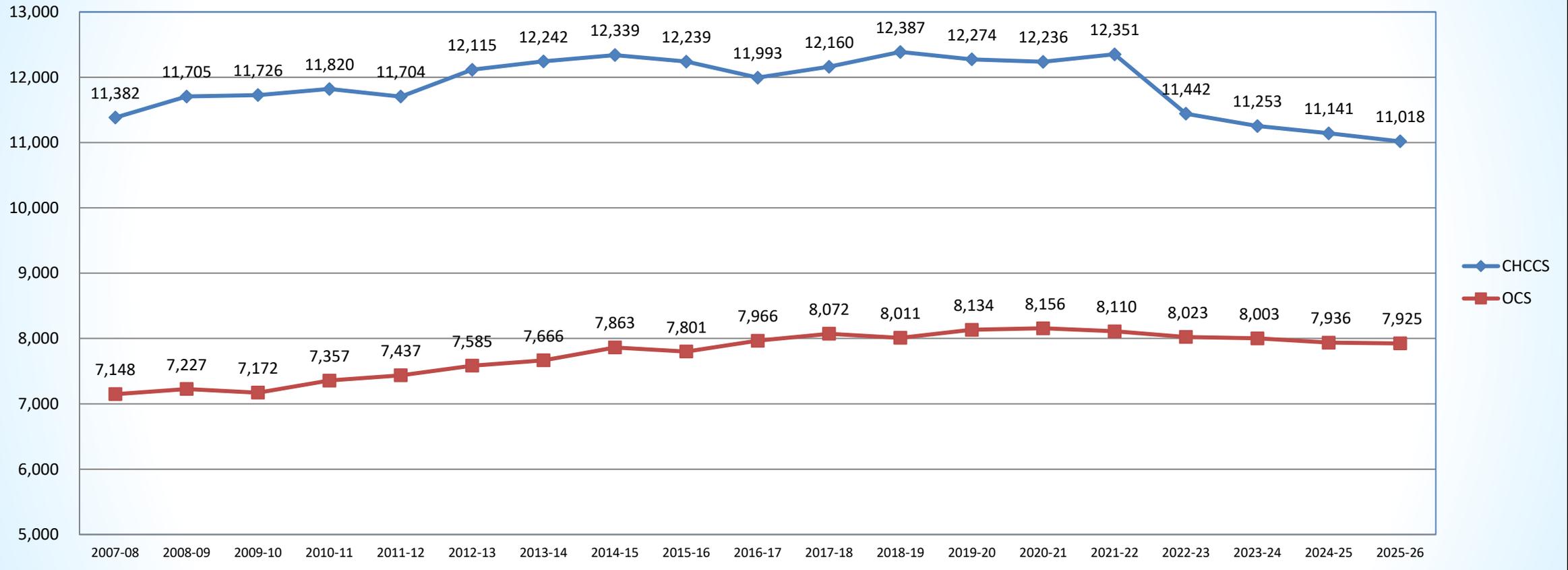
- \$24,000 increase in Longtime Homeowners Assistance program to offset the impact of the tax rate increase; does not address increased due to valuation
- \$70,000 increase in Emergency Housing Assistance program through reallocation
- \$25,000 increase in Partnership to End Homelessness Budget to Continue Cold Weather Cot Program
- \$100,000 increase in Department of Social Services In Home Aid and \$40,204 in the Aging In-Home Respite program
- \$62,000 in Master Aging Plan Balance to Urgent Repair Program

# Maintain County Investment in Social Safety Net

- \$40,000 Increase for Vaccine Supplies in the Health Department as Pandemic Grants Expire
- Provide Additional Funding to Outside Agencies that Serve Social Safety Net Needs
- Maintain Budgeted Funding for County Day Care Subsidies to Parents

# Provide Continuation Funding for Schools

**Total Budgeted Students by District**



**CHCCS Budgeted Student Decrease of 123 Students**  
*Budgeted student percentage decreases from 58.40% to 58.16%*

**OCS Budgeted Student Decrease of 11 Students**  
*Budgeted student percentage increases from 41.60% to 41.84%*



# Provide Continuation Funding to Schools

Total Recommended School District Funding				
	FY2024-25 Approved	FY2025-26 Recommended	\$ Difference	% Increase
Current Expense	\$108,090,282	\$111,328,011	\$3,237,729	3.0%
Recurring Capital	\$3,060,000	\$9,521,200	\$6,461,200	211.2%
Debt Service	\$19,182,204	\$20,840,115	\$1,657,911	8.6%
Health & Safety Contracts + Enrollment Projections	\$4,004,666	\$4,160,806	\$156,140	3.9%
<b>TOTAL</b>	<b>\$134,337,152</b>	<b>\$145,850,132</b>	<b>\$11,508,233</b>	<b>8.6%</b>

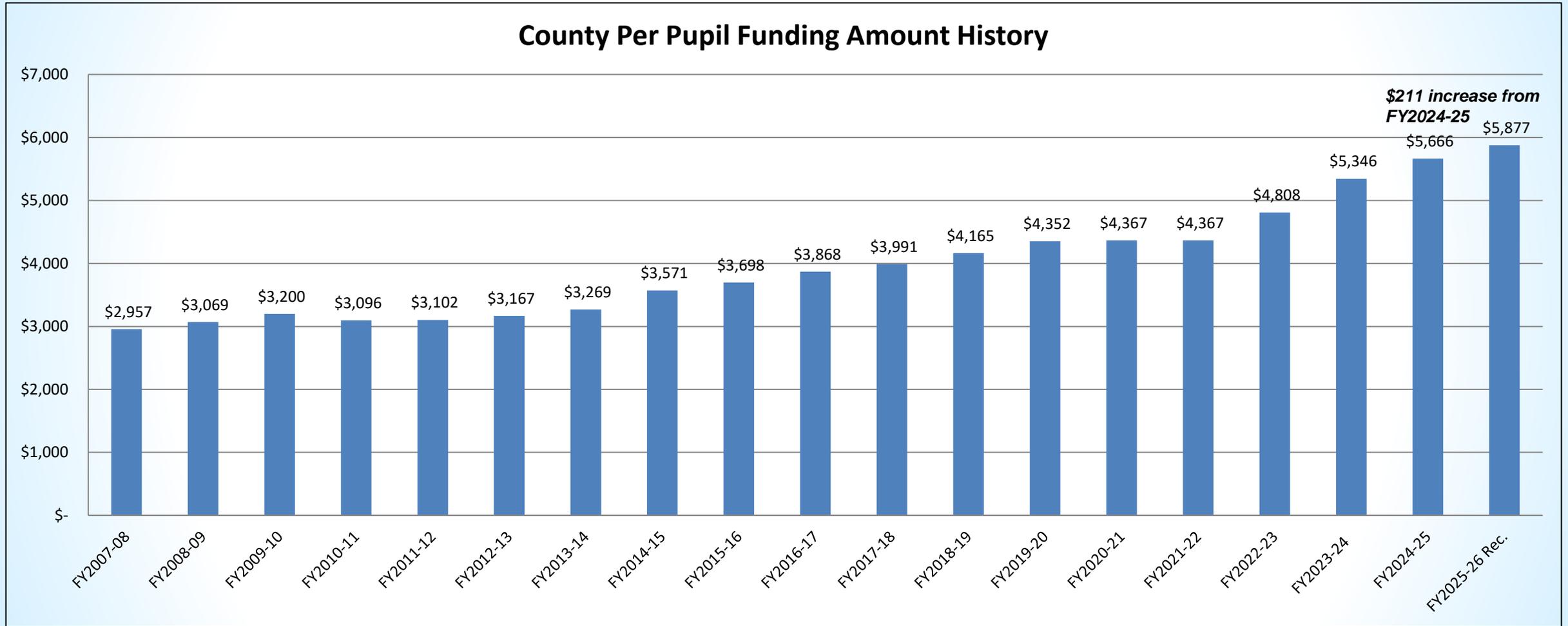
*Calculation of Percentage of General Fund Revenues Dedicated to K-12 Education*

<u>Total School Funding Rec.</u>	<u>\$145,850,132</u> = <b>47.9%</b>
Total General Fund Revenue	\$304,784,697

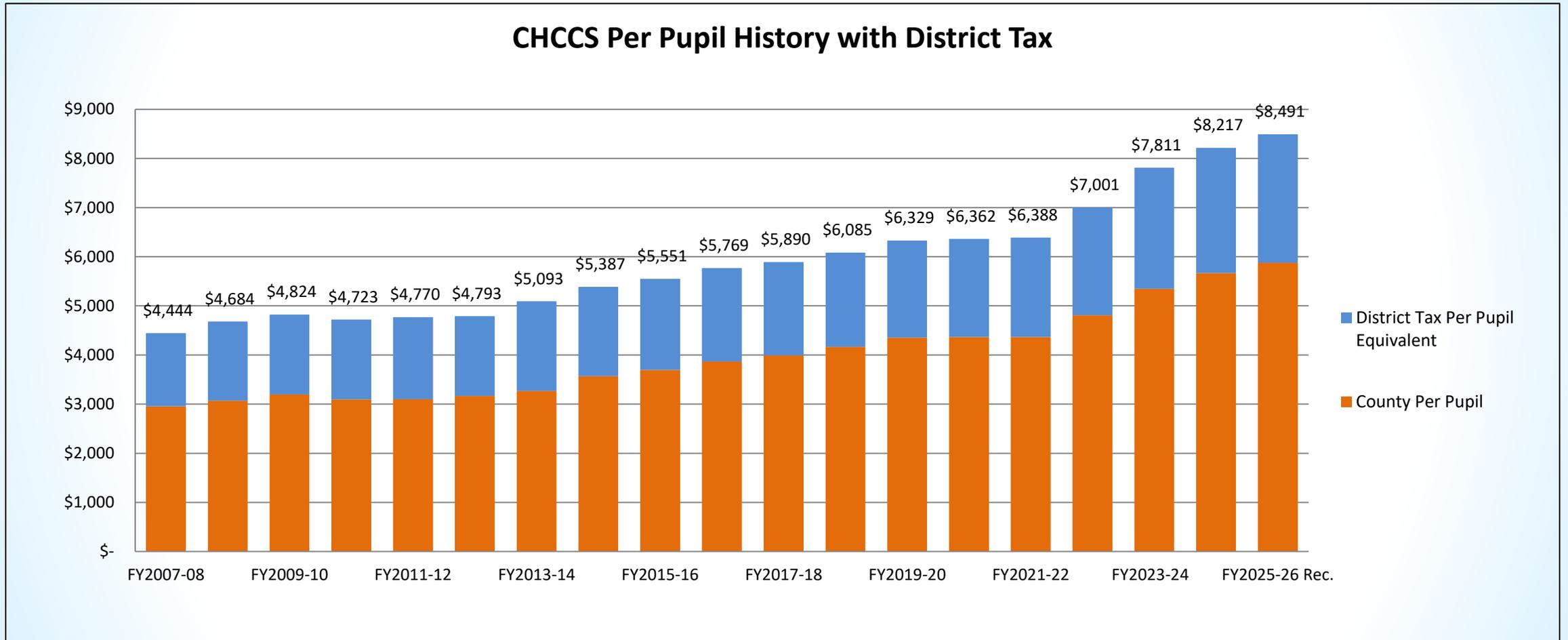
# Provide Continuation Funding for Schools

Per Pupil Allocation			
Total Current Expense Budget		\$111,328,011	
Total Countywide Budgeted Students		18,943	
<b>Per Pupil Amount</b>		<b>\$5,877</b>	
<b>Each budgeted student funded at the <i>same</i> per pupil amount</b>			
District	Budgeted Students	Countywide Per Pupil	District Allocation
CHCCS	11,018	\$5,877	<b>\$64,752,786</b>
OCS	7,925	\$5,877	<b>\$46,575,225</b>

# Provide Continuation Funding to Schools



# Provide Continuation Funding to Schools



# Provide Continuation Increase to Schools

- Chapel Hill-Carrboro City Schools
  - Assumed teacher salary increase from the State – 3%
  - State Senate initial teacher salary increase – 2.3%
  - Also includes \$485,399 in operating cost increases

## Chapel Hill-Carrboro City Schools Continuation Request

FY2025-26 Manager Recommended	Add New District Tax Revenue	Continuation Request	Difference
\$64,752,786	\$381,198	\$66,949,681	(\$1,815,697)

## Chapel Hill-Carrboro City Schools Expansion Request

FY2025-26 Manager Recommended	Add New District Tax Revenue	Expansion Request	Difference
\$64,752,786	\$381,198	\$73,990,181	(\$8,856,197)

# Provide Continuation Increase to Schools

- Orange County Schools
  - Assumed teacher salary increase from the State – 3%
  - State Senate initial teacher salary increase – 2.3%
  - Also includes \$175,000 in operating cost increases

Orange County Schools Continuation Request		
FY2025-26 Manager Recommended	Continuation Request	Difference
\$46,575,225	\$46,780,376	(\$205,151)

Orange County Schools Expansion Request		
FY2025-26 Manager Recommended	Expansion Request	Difference
\$46,575,225	\$49,055,746	(\$2,480,521)

# Investing in Employees

- 2% Wage Adjustment - \$1,797,292
  - Applies to all employees on payroll as of June 30, 2025
  - Adjustment is also applied to merit awards and 401K contributions
- Continuation of Merit Awards - \$451,000
- Continuation of Step Program
  - Wage rate increases based on years of service
  - Applies to employees of Sheriff's Office, Emergency Services, Social Services
  - Average annual percentage increase – 2.1%
- Increase in Retirement Contribution - \$145,035
  - 14.35% general government employees from 13.60%
  - 16.10% law enforcement officers from 15.10%

# Investing in Employees

- Increase in Health Insurance Costs - \$1,308,285
  - 6.5% rate increase for active employees
    - \$809,475 cost increase
  - Pre-65 and Post-65 Retiree Coverage
    - Increase due to both rate increase and additional participants
    - \$498,810 cost increase
- Increase in Dental Insurance Costs - \$16,405
  - 4% increase
- Retention has Improved
  - Turnover Rate for 15.49% in FY2023-24
  - Turnover Rate for 8.59% in FY2024-25 YTD

# Strategic Plan Alignment

- Healthy Community
  - Mental Health Diversion Coordinator - *continued*
  - CJRD Clinical Coordinator - *continued*
  - Crisis Response Community EMT - *continued*
  - Sheriff's Office Social Worker - *continued*
  - Medical Defense Course for Emergency Services
  - Increase in Aging and DSS In-Home Care
- Housing for All – *increased funding*
  - Longtime Homeowners Assistance program
  - Emergency Housing Assistance program
  - Housing Choice Voucher program
  - Expanded Cold Weather Cot Program

# Strategic Plan Alignment

- **Diverse and Vibrant Economy**
  - Expanded Arts Commission programming
- **Public Education/Learning Community**
  - Planning and design funds for school replacements
  - New continuation funding for school districts
  - Southern Branch Library operations
- **Environmental Protection and Climate Action**
  - Variety of investments in Capital Investment Plan
  - Facilities Technician for facility life safety checks

# Budget Consideration Schedule

FY2025-26 Budget Consideration Schedule	
<b>May 13</b>	<b>Budget Public Hearing – Southern Human Services; Chapel Hill</b>
May 15	<i>Work Session</i> <ul style="list-style-type: none"> <li>• Education</li> <li>• Outside Agencies</li> </ul>
May 22	<i>Work Session</i> <ul style="list-style-type: none"> <li>• Fire Districts</li> <li>• Public Safety</li> <li>• Human Services</li> <li>• County Manager’s Office</li> </ul>
May 27	<i>Work Session</i> <ul style="list-style-type: none"> <li>• Support Services</li> <li>• General Government</li> <li>• Community Services</li> <li>• Departments of Social Services and Emergency Services</li> </ul>
<b>May 29</b>	<b>Budget Public Hearing – Whitted Building; Hillsborough</b>
June 5	<i>Work Session</i> <ul style="list-style-type: none"> <li>• Resolution of Intent to Adopt</li> </ul>
June 17	<i>Business Meeting</i> <ul style="list-style-type: none"> <li>• Adoption of FY2025-26 Operating Budget and Capital Budget</li> </ul>



Questions?