

Budget & Management
Services
Finance

2026 City Council Retreat

January 23, 2026



Raleigh



Photo Credit: Keenan Hairston

Agenda

FY26 Adopted Budget

- Overview of FY26 General Fund Adopted Budget
- Key Investments

Revenues

- Property Taxes
- Sales Tax and Other Revenues

FY27 Budget Outlook

- Upcoming Budget Outlook

Governmental Debt

- Types of Debt
- Steady State / Referendum Timeline

Long-term Liabilities

- Overview
- Other Post Retirement Benefits (OPEB)

Internal Controls

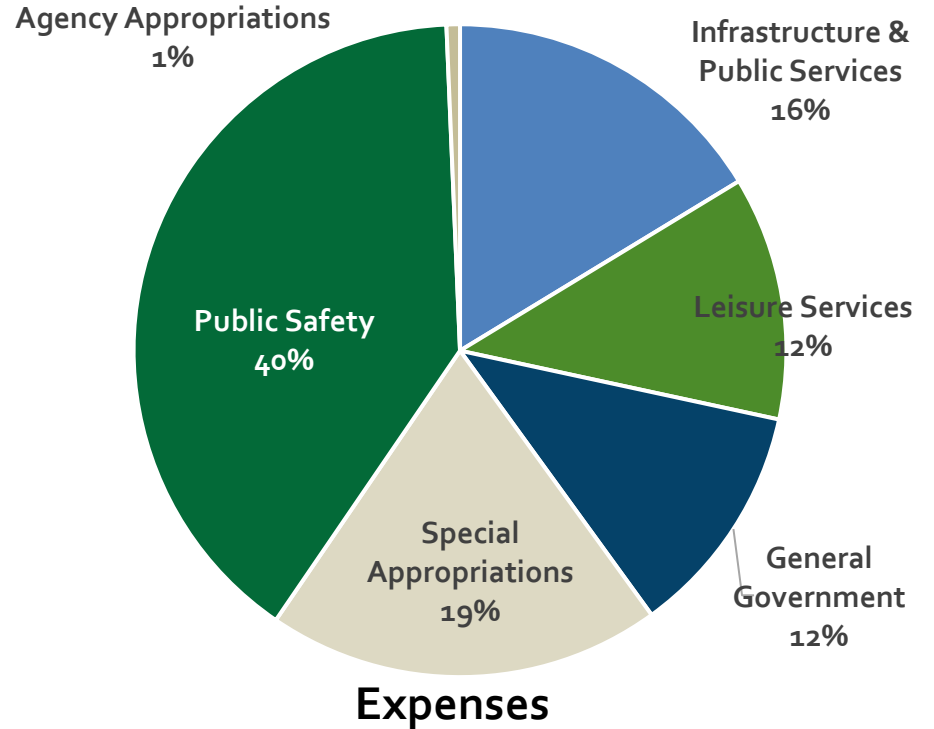
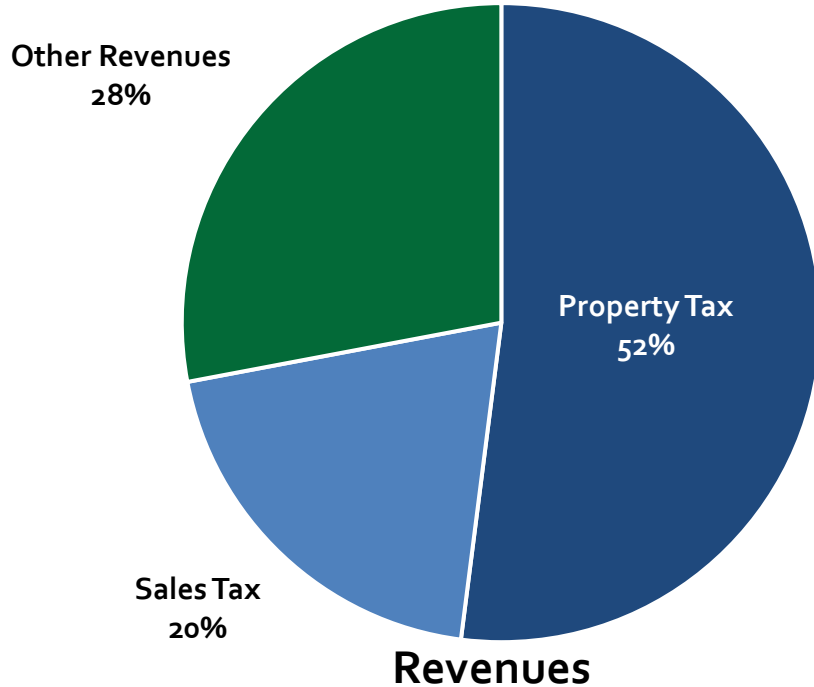
- Types of Internal Controls

Next Steps

- Budget Notes
- Key Dates

FY26 Adopted Budget

FY26 General Fund Budget - \$657.1 M



FY26 Adopted General Fund Budget

Key Investments*



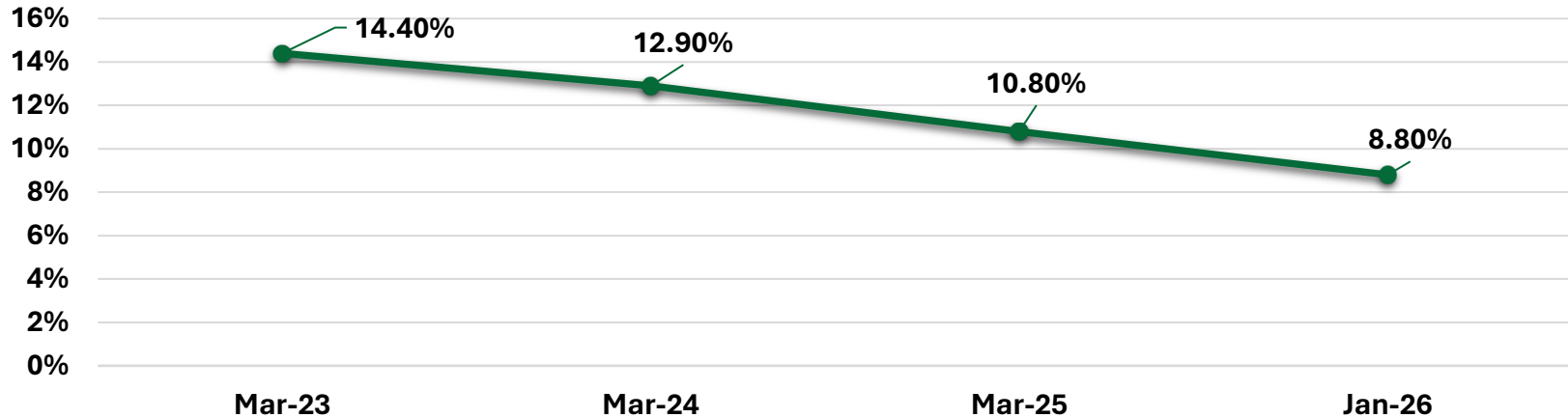
*General Fund budget shown only.

**Effective September 2025. All Funds budget of \$35 million.

***Total investment of \$11.7 million.

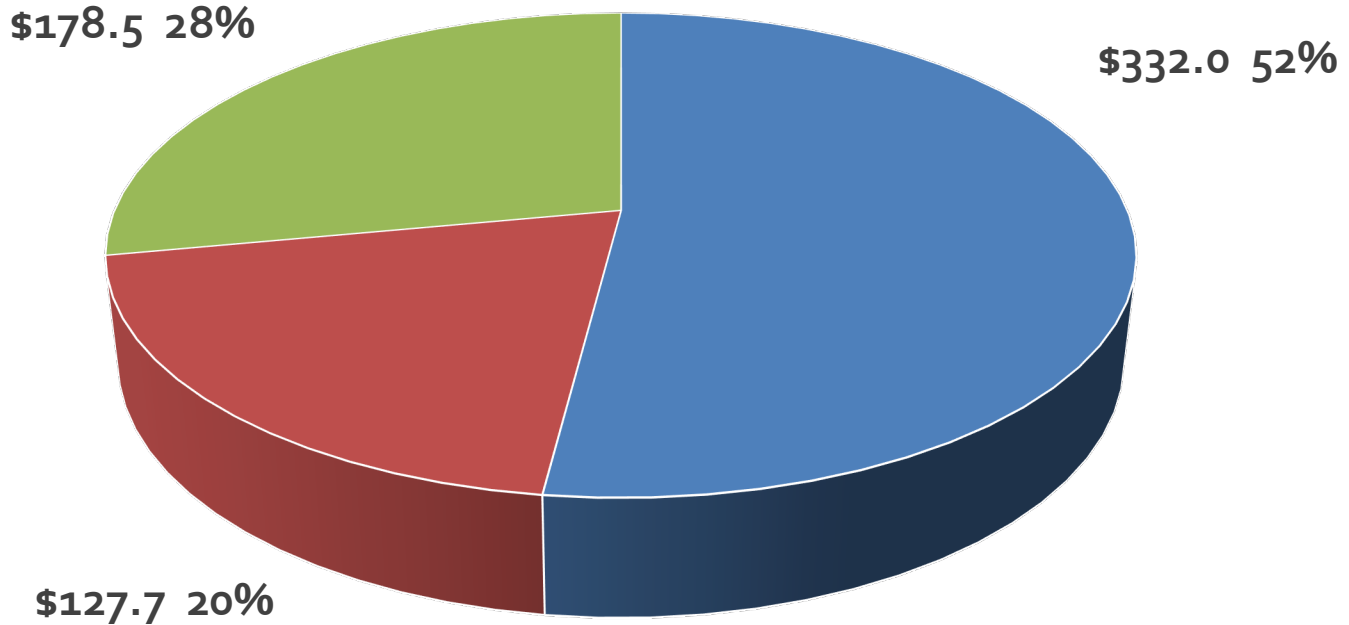
City of Raleigh Vacancy Rate

Full-Time Positions



General Fund Revenues

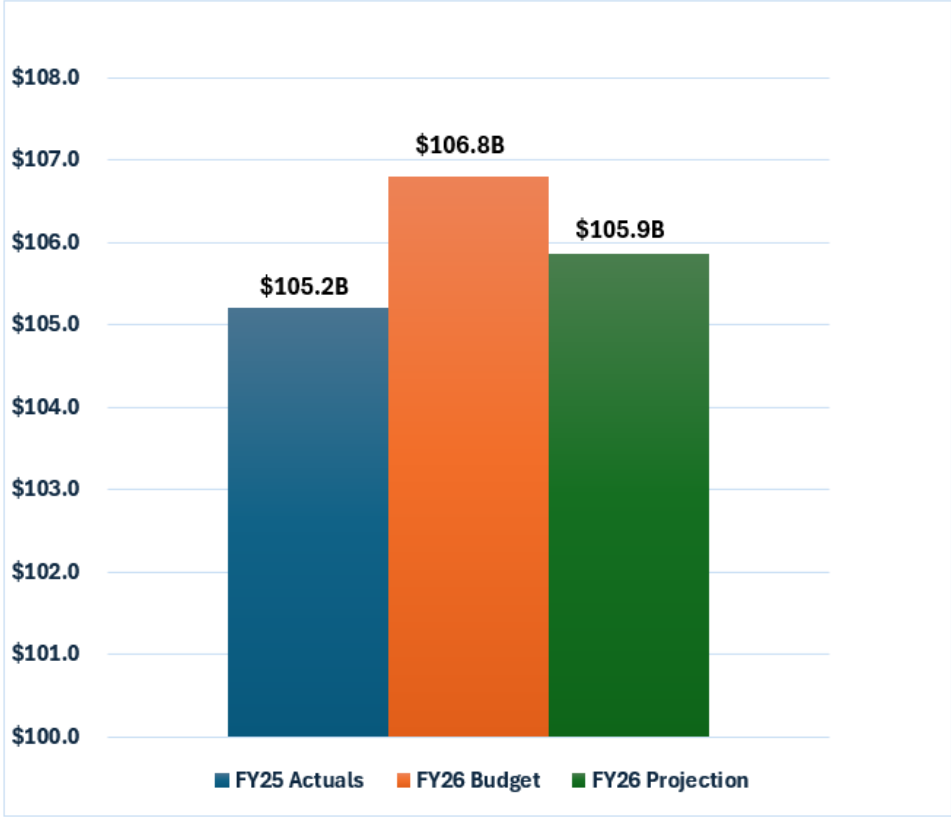
FY26 General Fund Revenue Budget



■ Property Tax ■ Sales Tax ■ Other Revenue

Amounts in Millions

Property Tax – Lower Forecast for Assessed Values



Budget Impacts

Affordable Housing Exemptions

Brownfields Exemptions

Commercial Appeals

Amounts in Billions

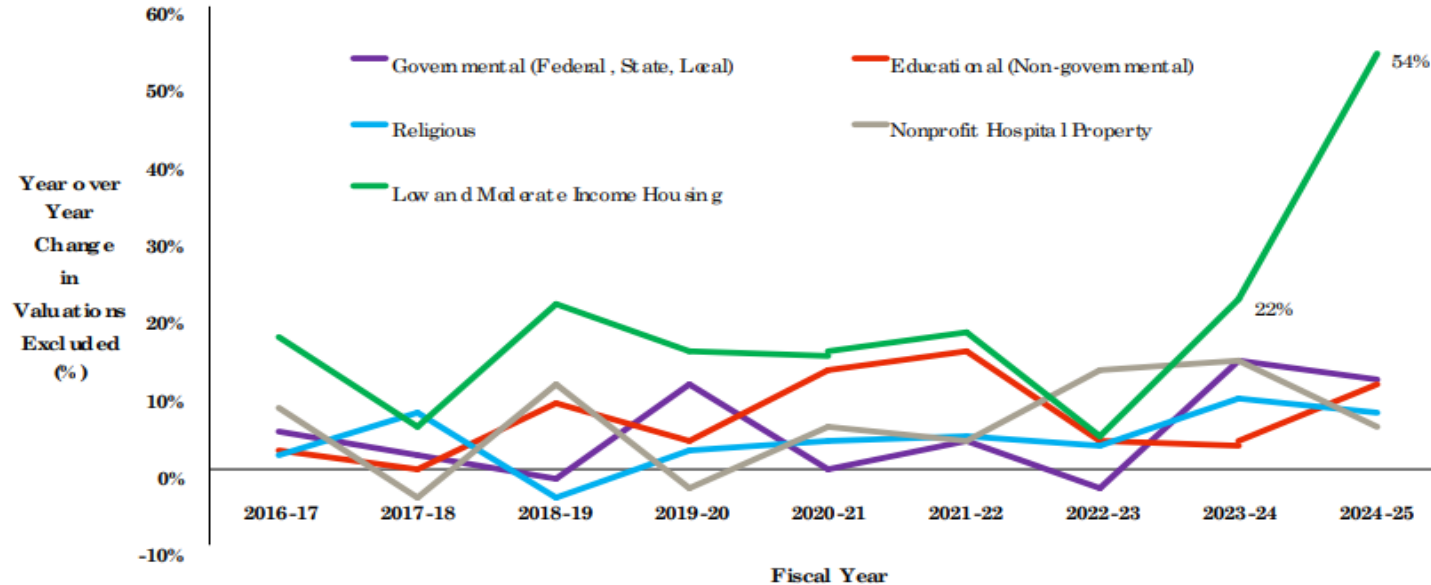
Property Tax Revenue – House Select Committee

House Select Committee on Property Tax Reduction and Reform

- Study options to reduce property tax burden
- Balance potential revenue impacts to local government
- Held two Meetings
- Next Meeting February 18

Property Tax Revenue Impacts

Sizable Increase in Nonprofit Low- and Moderate-Income Housing Exclusion Valuations Recently



Source: N.C. Dept. of Revenue

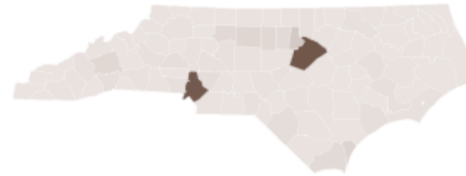
Chart presented to House Select Committee on Property Tax Reduction and Reform 1.14.26

Property Tax Revenue Impacts

Nonprofit Low- and Moderate-Income Housing

Legal Authority	G.S. 105-278.6(8)
Examples	N.C. low-income housing apartment development
Total Property Values Excluded	\$6.3 Billion
Total Estimated Local Revenue Loss	\$60 Million
Top 5 Counties in Per Capita Valuations	Wake, Mecklenburg, Durham, New Hanover, Guilford

FY2024-25 Property Values Excluded (\$ in Billions) \$- \$1.80

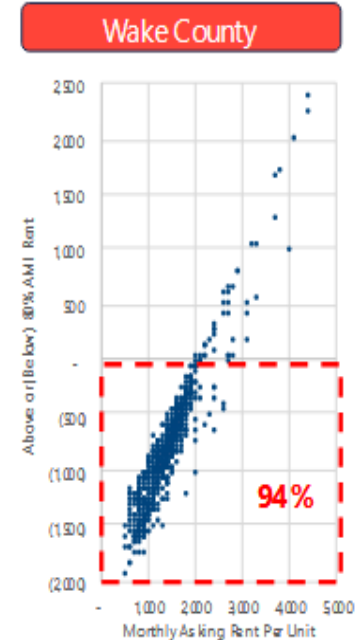


Source: N.C. Dept. of Revenue, OSBM

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SCALE OF ISSUE IF IT GROWS

	Wake	Cabarrus	Catawba
Multifamily Units	165,843	14,784	9,521
Percentage Below 80% AMI	94%	92%	40%
Units Below 80% AMI Rent	156,050	13,670	3,835
Taxes Per Unit	1,563	1,112	645
Est. Tax Revenue (\$M)	244.0	15.2	2.5
80% AMI Rent	2,157	1,822	1,218



Charts presented to House Select Committee on Property Tax Reduction and Reform 1.14.26

Property Tax Revenue Impacts

Affordable
Housing
Exemptions -
Impact to
Raleigh

57% Increase
in Exemptions

73% Increase
in Units

FY26 Revenue
Loss ~\$2.5-
\$3.5M

Property Tax Revenue Impacts

North Carolina Department of Environmental Quality (DEQ)

What is a brownfield site?



A brownfields site is any real property that is abandoned, idled or underused where environmental contamination, or perceived environmental contamination, hinders redevelopment. The problem comes from the fact that it is very difficult to obtain loans for redevelopment on these properties because they come with potential environmental cleanup liability. The N.C. Brownfields Redevelopment Section is designed to ease that liability for prospective developers of these properties so as to facilitate the redevelopment of the property.

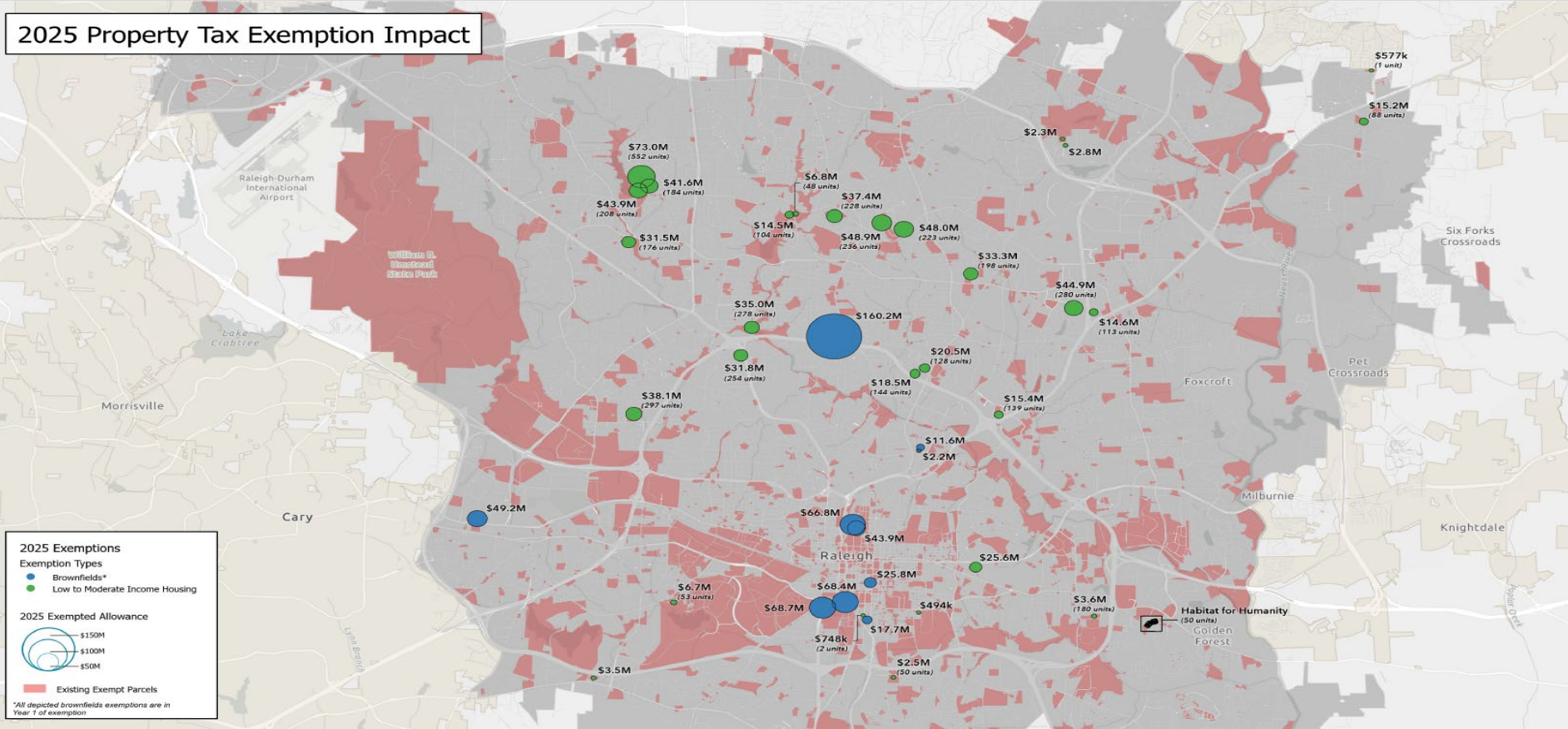
52 New
Exemptions

90%
Exemption
Year 1

FY 26 Revenue
Loss ~\$1.0M

Property Tax - Exemptions

2025 Property Tax Exemption Impact



Property Tax Revenue Impacts - Appeals

Appeal Process

Informal Review
County Staff



Board of Equalization
and Review



Property Tax
Commission (PTC)

Pending Value Loss



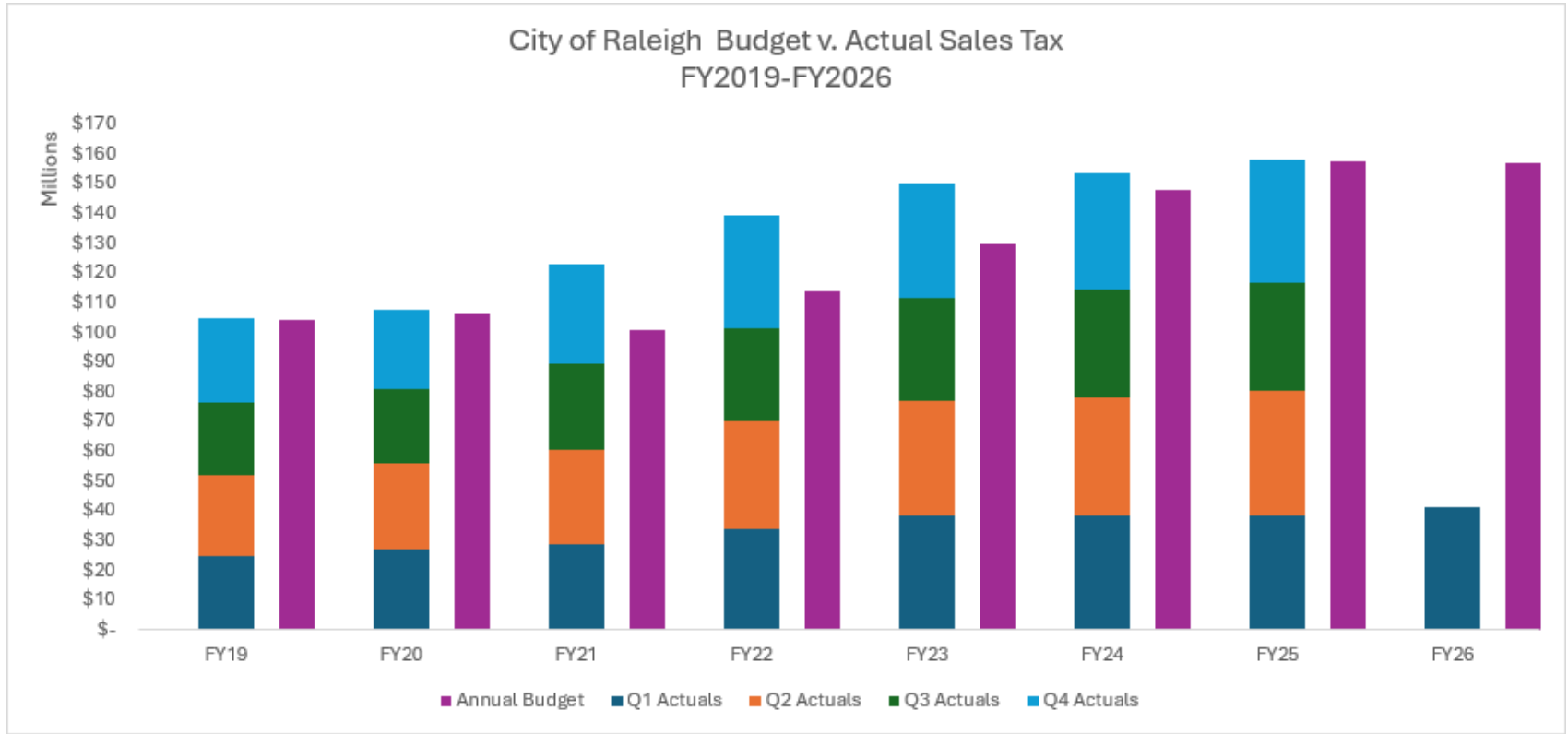
147 Commercial ~\$5.8B

210 Residential ~\$0.1B

Projection ~\$2.0M+

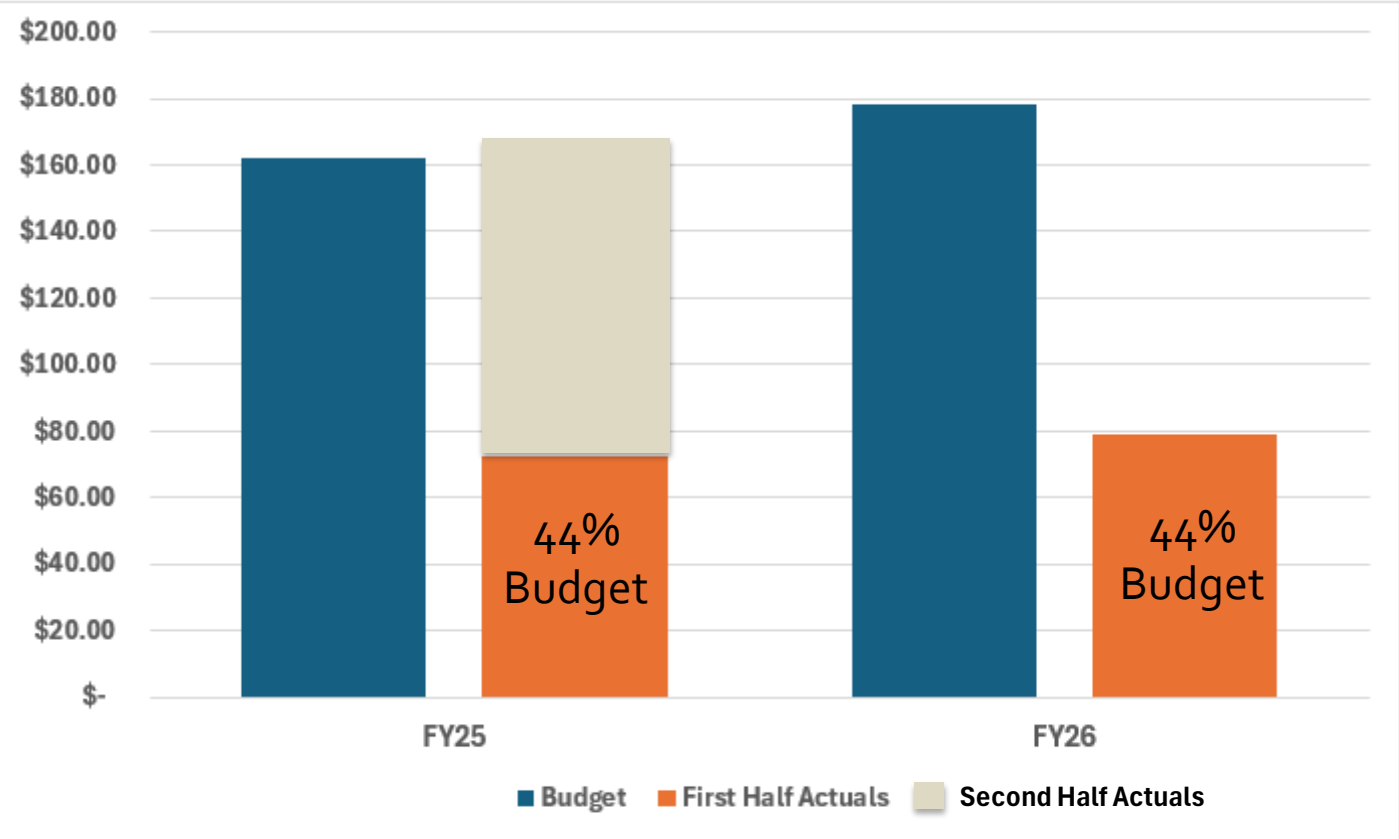
Wake County Board of Commissioners voted to change the change revaluation process. Next revaluation 1/1/27 (FY28) and then every two years.

FY26 Sales Tax



Amounts in Millions

FY26 All Other Revenues



On Track

Amounts in Millions

General Fund Revenue Wrap Up

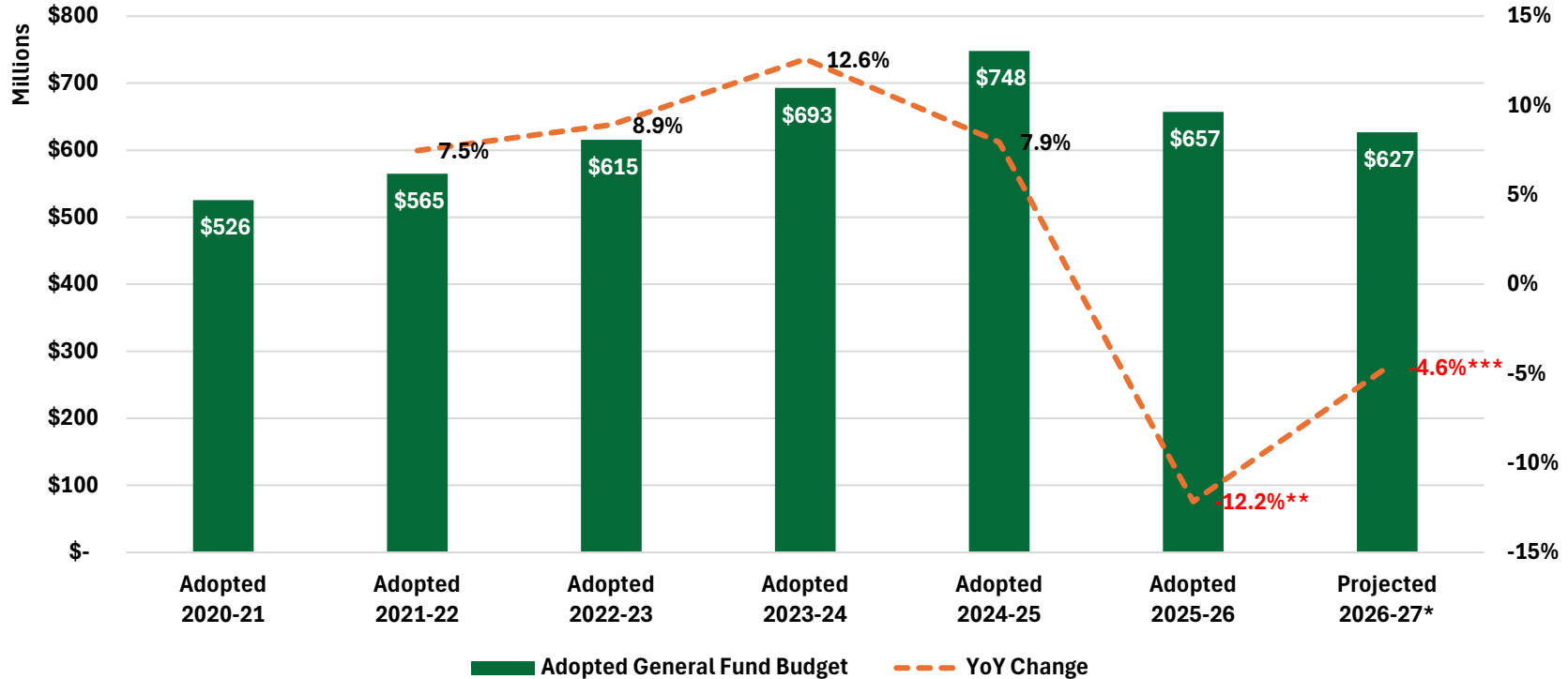
**Monitor FY26
Revenue
Collections**

**House Select
Committee
Recommendations**

**Support FY27
Budget Process**

FY27 Expense Budget Outlook

Overall Expense Budget Trends (FY21 Adopted to FY27 Projected)



*FY27 Projected Budget shown above includes the base budget only and does not include salary increases or departmental requests).

** FY26 Adopted Budget diverted a portion of revenue to the Capital Improvement Plan for steady state.

*** The FY27 base budget diverts a portion of revenue directly into Pay-As-You-Go funds in the capital budget.

FY27 General Fund Base Budget

Our Starting Point = -\$18.3 million

Salaries

\$3.2 million

Fully funding the class and comp study

Benefits

\$5.6 million

Employee health increases, Risk, and LGERS, OPEB, and LEOSA

Operating Expenses

\$9.5 million

Utilities, contracts, equipment...

FY27 General Fund Budget Approach

Our approach for the upcoming budget involves a Citywide methodology of departments looking into

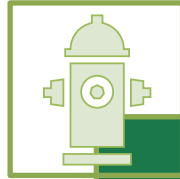


FY27 General Fund Budget Pressures



Targeted Staffing Study

- **\$ 5-10 million**
- Evaluate current demands; assess future service needs; and identify opportunities for operational improvements across multiple departments.



Fire Master Plan

- **\$ 5-10 million**
- Short to mid-term recommendations address staffing gaps, station infrastructure modernization, and adding apparatus, and a new station.



Employee Salary Increases

- **\$2.1-6.3 million**
(1% increase = \$2.1M)
- Prior years have seen 5% increases for public safety and non-exempt staff; 3% to 3.5% increases for exempt staff.

FY27 General Fund Budget Pressures



Parking Fund

- **\$ 3 million**
- Meet deferred maintenance needs in the City's downtown parking garages.



Information Technology

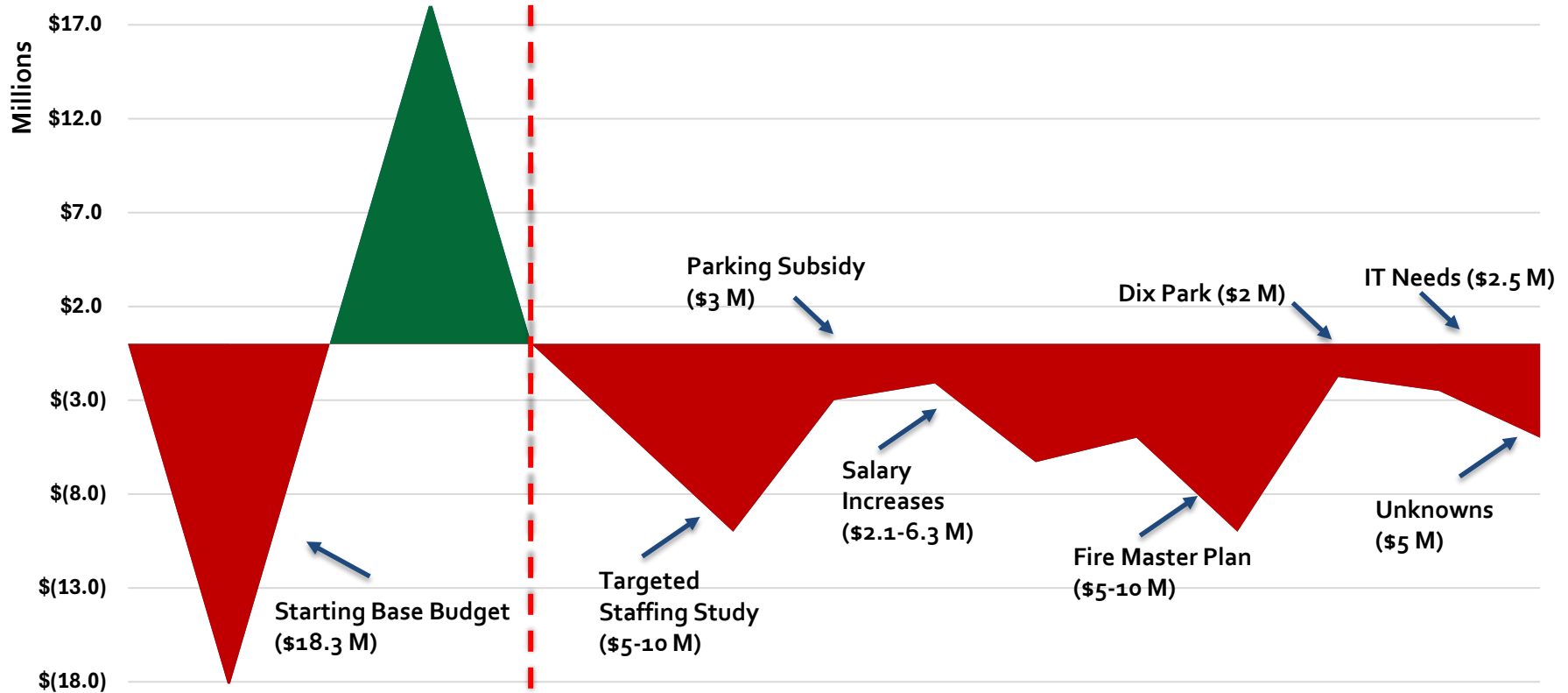
- **\$ 2.5 million**
- Continued investments in infrastructure to protect organizational and customer data.



Dix Park

- **\$2 million**
- Meet operational demands related to growth in programming and management of entire campus.

FY27 General Fund Base Budget – Our Starting Point



One cent of Property Tax = \$11.8 million

General Government Debt

Types of Governmental Bonds



General Obligation Bond (GO)

Full faith and credit of the taxing power; voted by residents; best interest rate

Examples
Transportation,
Parks and
Housing



Limited Obligation Bond (LOB)

Security is the financed property; typically, a slightly higher interest rate

Examples
City and Public
Safety Facilities

Local Government Commission (LGC) Approval Required

2026 Referendum Timeline

*Council
Vote*

*Council
Vote*

*Council
Vote*

Referendum

*Council
Vote*

1

2

3

4

5

APRIL

MAY

JUNE

11/3/26

DEC '26

MAY

JUNE

JULY

- Purpose
- Amount

- Bond Orders
- Sworn Statements
- Call Public Hearing

- Hold Public Hearing
- Adopt Purpose
- Adopt Amount
- Call for Referendum

- Declare Results

Based on Board of Elections Timeline

General Debt Affordability – No Tax Increase

Steady State



\$203M New Capacity



Every 4 Years



Voted Debt

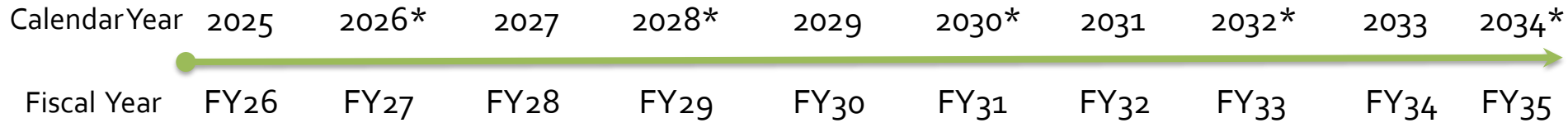


City Infrastructure

City Projects funded with existing capacity: City Hall, Heavy Equipment Shop, Fire Station #1, 3, 15 and Police Evidence Building

General Debt Affordability – No Tax Increase

* Referendum Years



New Steady State

\$203M

\$203M

\$203M

Spending Plan



GO Housing



GO Transportation



GO Parks



LOBs City Infrastructure

General Debt Affordability Scenarios

One Time LOBs



Steady State – GO
\$203M every 4 years



Steady State LOBs



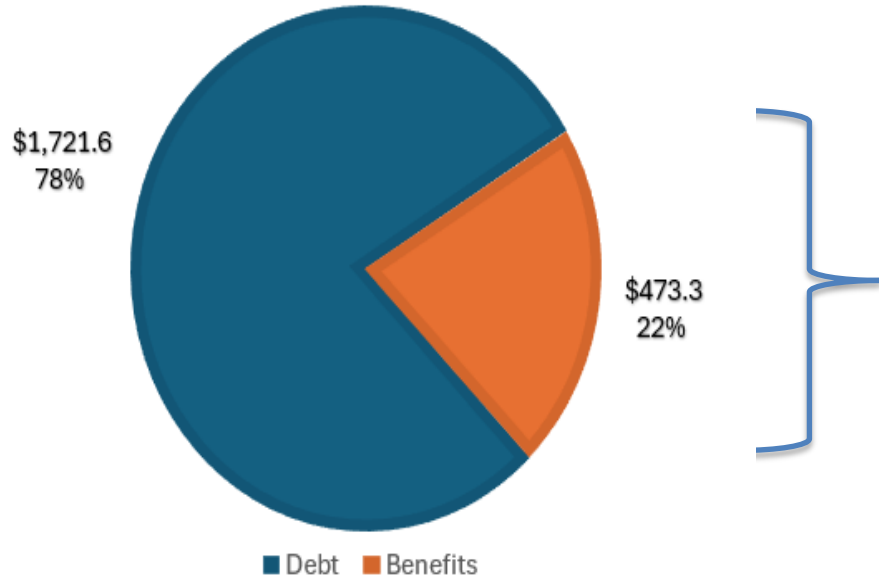
Steady State – GO
\$203M every 4 years



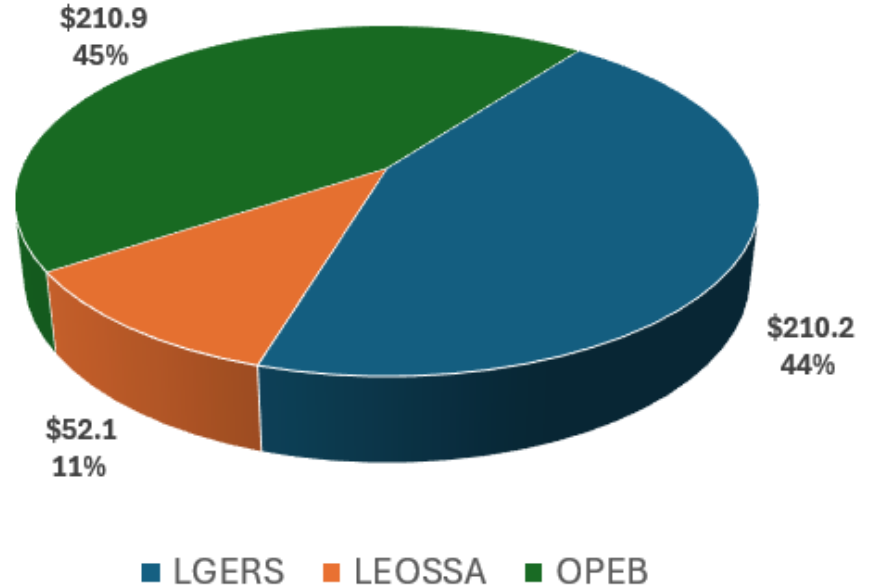
PENNY INCREMENTS	ONE TIME LOBs	STEADY STATE
1/2 penny	\$72M	\$48M
penny	\$142M	\$93M
1 1/2 penny	\$211M	\$136M

Long Term Liabilities

Long Term Liabilities



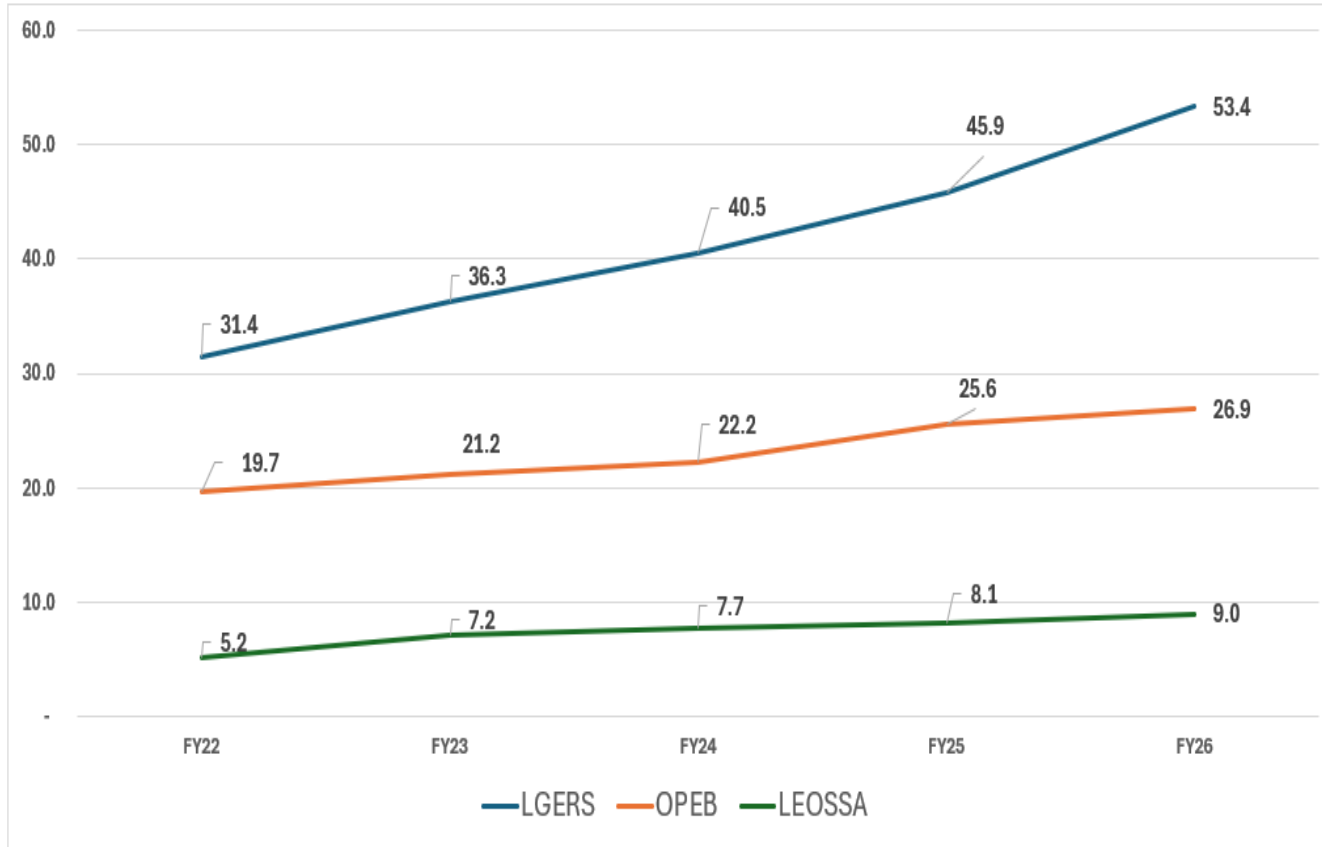
Future Promise to Pay



LGERS – Local Government Employees’ Retirement System
LEOSSA – Law Enforcement Officers’ Special Separation Allowance
OPEB – Other Post-Employment Benefits (Majority is Retiree HealthCare)

Amounts in Millions

Long Term Liabilities – Contribution History



Annual
Contribution
~ \$90.0M

58% Increase
over last 5 years

Long Term Liabilities – Benefits

Local Government Employees' Retirement System (LGERS)

Law Enforcement Officers' Special Separation Allowance (LEOSSA)

Other-Post Employment Benefit (OPEB)

- Retiree/Dependent Health Care
- Medicare Supplement
- Life Insurance

Required by State Statute

City Benefit

Long Term Liabilities – OPEB

Other local governments have closed retiree healthcare plans for new hires

A closed plan would not impact current employees (grandfather clause)

Significantly reduce ongoing operational costs

Enables cost containment of the growing liability ~ \$210M

Align with many NC peers and private sector companies in Raleigh

Benchmark Entities - Retiree Healthcare

Closed Plans

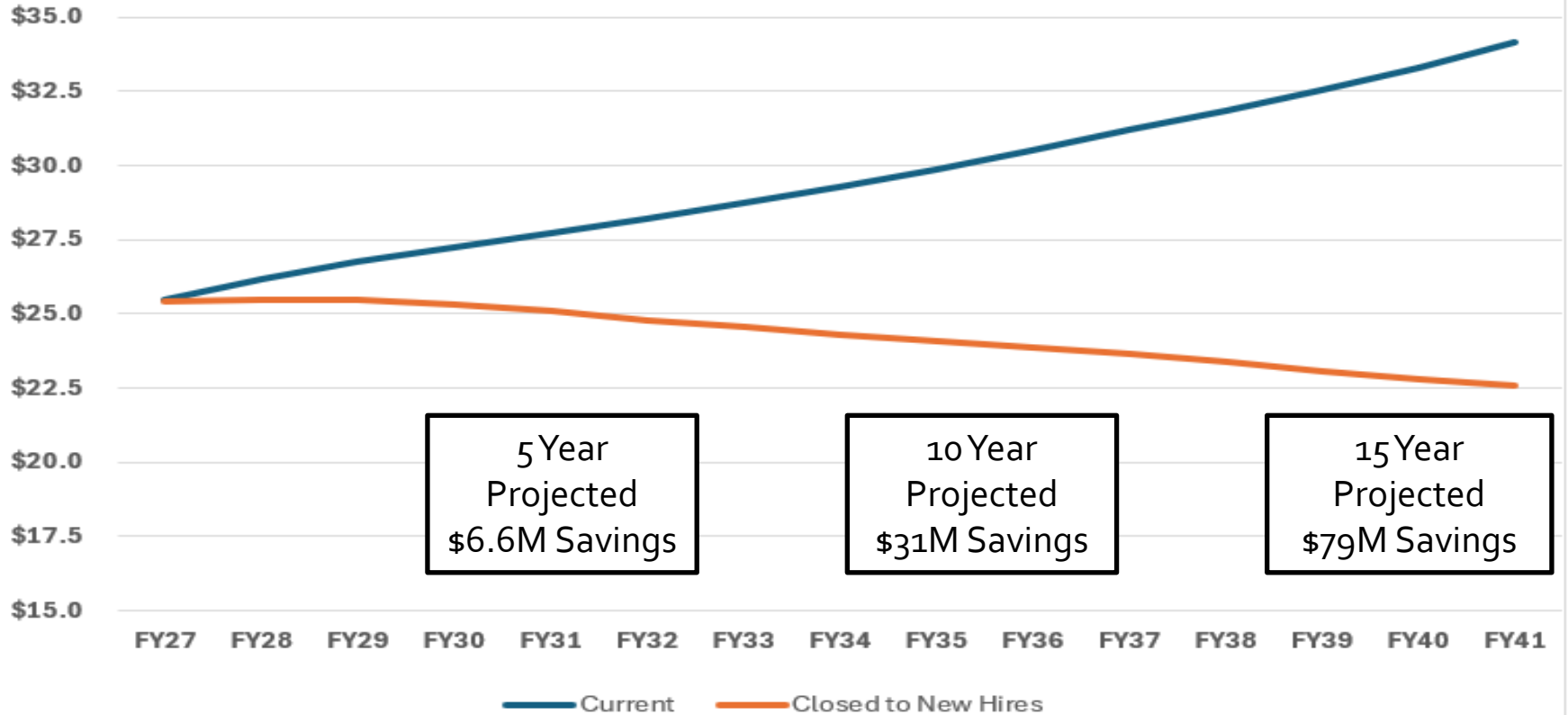
- Charlotte (2009)
- Winston-Salem (2010)
- Durham (2009)
- Wake County (2011)
- Mecklenburg County (2010)
- Guilford County (2009)
- Apex (2020)
- Holly Springs (2022)
- Wake Forest (2018)
- State of NC (2021)

Open Plans

- **Durham County**
- **Forsyth County**
- **Greensboro**
- Cary
- Garner
- Wendell
- Zebulon
- Knightdale
- Fuquay-Varina

Big 10 Entities Bolded

Long Term Liabilities – OPEB



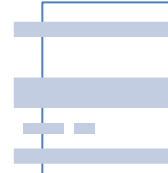
Amounts in Millions

Internal Controls

Internal Controls – Spending



Procurement
(PO/Contracts)



Procurement
Cards (P-Card)



Travel

Internal Controls – Approval Processes

PO/Contracts

- Approvals:
 - Department
 - IT, Risk, Procurement
 - CAO to form
- City Manager Office:
 - \$50K and above
- Council Approval:
 - \$300K Services
 - \$500K Construction
- 3 Way Match Process
 - Invoice/PO/Receipt

P-Card

- Training Required
- Must Attach Receipt
- Approvals:
 - Supervisor
 - Administrator

Travel

- Travel Authorization
 - Before Travel
 - Department Approval
- Expense Reports
 - After Travel
 - Department Approval
 - Accounts Payable Approval

Next Steps

FY27 Budget Notes

- Staff has received one budget note:
 - Bring back funding recommendations for the design and construction of a band stage at City Plaza and for permanent art installation on the City Plaza pedestals.

FY27 Budget Work Session Topics

FEBRUARY 16

- FY27 Budget Engagement Overview
- Compensation and Benefits
- Targeted Staffing Study

MARCH 9

- Enterprise Departments (Raleigh Water; Stormwater; Solid Waste Services; and Parking)

APRIL 6

- Annual Grants
- FY27 Annual Capital Budget and Five-Year Capital Improvement Plan (CIP)

Key Dates

Budget Work Sessions - February 16, March 9, & April 6

Balanced proposed budget presented on May 19

Public Hearing scheduled for June 2

Council Budget Work Sessions – June 1, 8, 15, 22* & 29*

First possible date of budget adoption on June 15 or June 16. Last case on June 29.

Note: Dates shown above have been adopted as part of City Council 2026 Meeting Calendar.

** June 22 and 29 budget work sessions will be convened if needed.*

Comments