

Manager’s Recommended Budget presented in this document and submitted them to the Town Council for consideration.

At the same time, staff prioritized the engagement of Cary’s thirteen Boards, Commissions, and Committees to ensure that budget considerations were discussed with the many community leaders who commit their time and expertise to sustaining and improving Cary. Additionally, citizen feedback through various input sources, including 311 and Public Speaks Out, remains a priority for budget development. This feedback is received year-round and considered at all stages of the budget process.

## Executive Summary – Fiscal Year 2026



Cary’s financial outlook remains strong in the face of much economic uncertainty. The FY 2026 budget focuses on adapting Cary’s operations to the new realities of an aging community where the influx subsidy era is over and high uncertainty exists in the national economy. To consider the increased demand for services, additional maintenance needs of aging facilities, and high inflation, Cary staff and Council co-created six pillars of Cary government that reflect current concerns and priorities. These pillars represent core Cary values expressed by Council and through citizen input that help “make Cary Cary.”

The six pillars, shown to the left, reflect values that have created Cary as it exists today, but are in conflict in a post-influx subsidy era. This budget prioritizes the pillars of a high performing staff, maintaining Cary facilities and service levels, and the AAA bond rating while balancing the pillars of low tax rates and being a municipal service leader.

**The Influx Subsidy Era** describes the period following significant population growth in a community, where new residents' tax contributions precede their full demand for government services. This lag creates a temporary subsidy, potentially allowing for lower tax rates and service expansion during high growth. However, when growth slows, this subsidy diminishes, placing pressure on tax rates and/or service provision.

To implement these value choices, Cary staff identified the budgetary “levers” which have the most impact on the Cary budget. These levers are the property tax rate, sanitation fees, water and sewer rates, sales tax estimates, personnel expenditures, operating expenditures, critical capital maintenance, and capital investment. The FY 2026 budget pulls these levers in a way that continues to invest in a high performing staff, supports the AAA bond rating, and maintains essential services, while remaining cautious with new initiatives and capital projects due to continued instability in the market.

## **Revenue Levers**

### **Property Tax and Sales Tax**

The key drivers of revenue for Cary are property taxes, sales taxes, sanitation fees, and water and sewer rates. This budget increases the property tax rate by 1.5 cents from 32.5 cents per \$100 of valuation to 34.0 cents per \$100 of valuation, bringing in an additional \$7.65 million in annual revenue. This additional revenue is key to funding critical infrastructure, facility maintenance initiatives and managing increasing service costs.

Staff also estimate a 1% increase in sales tax revenue in the Fiscal Year 2026 budget. This growth is much lower than in previous years, reflecting a statewide slowdown in sales tax collections. The North Carolina League of Municipalities projects 2% sales tax growth in Fiscal Year 2026, but recent collections in Cary show even slower growth than originally expected.

### **Fees and Charges**

The Fiscal Year 2026 budget includes a \$3 a month increase to solid waste fees, bringing total solid waste cost recovery to 99.68% of budgeted operational expenses. This results in a total solid waste fee of \$26 a month per household. Each additional \$1 in solid waste fee brings in a projected \$630,000 in revenue. This fee increase is accompanied by fee increases within the Development and Infrastructure and Parks Recreation, and Cultural Resources areas. All fee increases focus on charging the cost of services to the direct user of those services.

A variety of water and sewer fees support the costs of Cary’s utility fund. This budget includes 4% water and sewer rate increases to manage inflationary cost increases and prepare for several significant plant expansions and improvements in the next ten years. The practice of incrementally increasing rates every year helps Cary avoid large single-year rate impacts and increases the utility’s ability to plan and invest in critical infrastructure.

## Expenditure Levers

### Personnel

Personnel expenditures make up 66% of the Cary general fund budget. To continue investing in a high performing staff this budget includes a 3% average merit increase and a continued investment in Cary's benefits programs. For FY 2026, staffing remains at 1,328 full-time equivalent positions with no new additions. The current employee to resident ratio of 7.1 employees per 1,000 residents is the lowest among Cary's North Carolina peers and remains one of the lowest in the state. Moreover, the current staffing levels are the lowest per capita since the 1980's.



While the position count remains unchanged, budgeted personnel increases are greater than 3% due to a lower position vacancy rate, increases in health insurance and retirement costs, as well as overtime and temporary salary needs.

### Operations

Operational expenditures such as supplies, contracted services, and equipment make up 34% of Cary's general fund budget. FY 2026 operating budget requests were significantly higher than the current year's budget. Ultimately, staff reduced their budget requests by \$26 million.



These reductions include delaying equipment and vehicle replacements for one year, canceling certain non-critical contracts, and reducing discretionary supplies accounts. While difficult choices were made, the FY 2026 Budget prioritizes maintaining existing service levels while acknowledging the balance between offering a high-level of service and the costs of being a national municipal service leader.

## Capital

Cary's rapid growth in the late twentieth century led to an influx of new Cary facilities in the early 2000's. Now, over twenty years later, those buildings are aging and becoming more expensive to maintain. The FY 2026 Budget funds the critical capital maintenance of general government buildings, Cary's parks and community centers, and public safety systems including a new police records management system and computer aided dispatch system. Critical general government maintenance includes a generator and air-conditioner replacement on the Town Hall campus. As Cary's buildings continue to age, and in some cases become functionally obsolete, the need for critical capital maintenance will continue to grow.

**Functional obsolescence** refers to the reduction in the usefulness or desirability of an asset (like a building, technology, or piece of equipment) because of an outdated design, feature, or technology that can't be easily or cost-effectively changed.

## In Closing

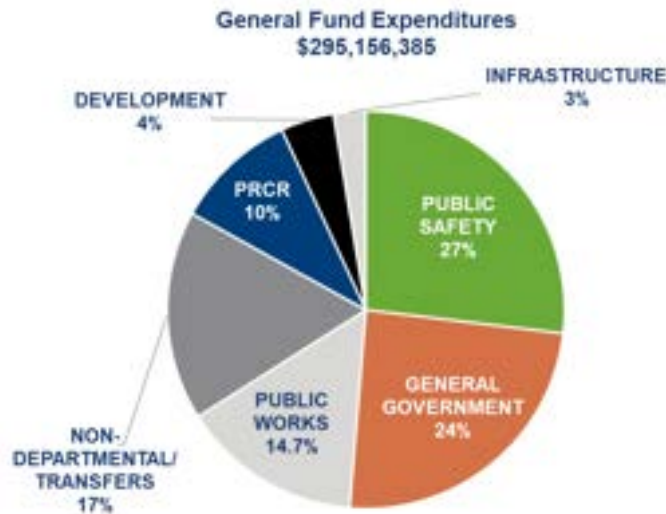
The Fiscal Year 2026 Budget represents a strategic adaptation to the evolving dynamics of our community, particularly the transition beyond the influx subsidy era. While Cary's financial foundation remains strong, this budget acknowledges the increasing demands of an aging infrastructure, the need to sustain our high-performing workforce, and the persistent pressures of inflation.

By thoughtfully adjusting key budgetary levers, including a modest increase in the property tax rate and targeted adjustments to fees, this financial plan prioritizes core values that define Cary. It allows for maintenance of essential service levels, investment in critical capital to preserve our community assets, and support for our AAA bond rating – all while striving to remain a leader in municipal service provision within the constraints of our current fiscal realities.

The choices reflected in this budget underscore a commitment to both our present needs and our long-term sustainability. It is a balanced approach that seeks to honor the legacy of a well-managed town while proactively addressing the challenges and opportunities that lie ahead. This budget provides a responsible framework for continuing to make Cary a remarkable place for all who call it home.

## Operating Fund Insights

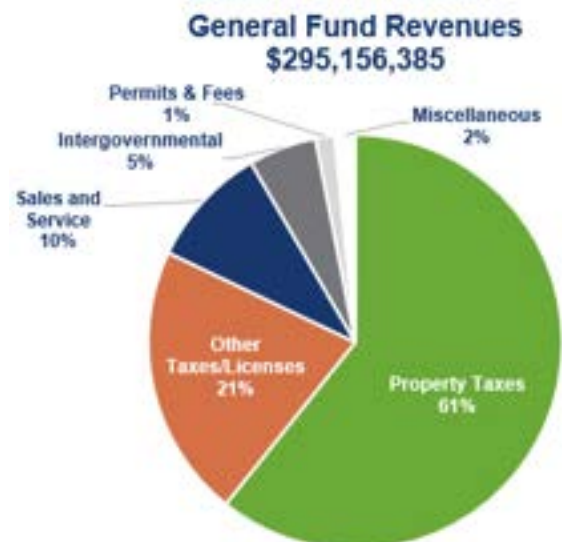
### General Fund



The general fund supports most of Cary's operations including Police, Fire, Transportation, Stormwater, Housing, the Environment, Parks, Recreation and Cultural Resources, Public Works, Planning, Inspections and Permits, Development Services, and administrative functions such as Finance, Human Resources, Information Technology, the Town Manager's Office, the Town Clerk's Office, Legal and Town Council. FY 2026 General Fund operating budget expenditures total

\$290,431,385 which is 10.7% higher than the prior year. An additional \$4,725,000 in Non-Departmental/Transfers is transferred to critical capital projects, bringing total general fund expenditures to \$295,156,385. Of this amount, \$254 million directly supports daily operations. A total of \$1 million is reserved for emerging opportunities and Council-identified initiatives to be discussed at FY 2026 quarterly meetings in the spirit of the rolling budget process. Debt repayment totals \$26.9 million in FY 2026, a 3.2% increase from the prior year.

General Fund revenue of \$295,156,385 reflects a moderate increase in property taxes to address the costs of current year inflation. Property tax revenue is estimated at \$179.3 million, or 61% of Cary's FY 2026 general fund revenue budget. Sales tax is the second largest revenue source and is recorded within the Other Taxes and Licenses category. FY 2026 sales tax revenue is estimated at \$59.7 million or 20% of total budgeted general fund revenue. In FY 2026, staff projected an increase of 1% from the FY 2025 budgeted level based on slower growth than anticipated in the current budget year and slower than normal anticipated growth in the future. Staff anticipate growth of 4.77% in sales and services primarily



driven by increases in Parks, Recreation and Cultural Resources (PRCR) fees and an increase in the solid waste and recycling fee.

## Utility Fund



The utility fund supports Cary’s water and sewer system operations. FY 2026 utility fund operating budget expenditures total \$95,886,752 which is 7.54% more than the prior year budget. An additional \$1,944,510 is allocated towards capital projects. This increase is primarily attributed to rising operating costs driven by supply chain issues and inflation. Chemicals necessary for maintaining plant operations have seen significant price hikes and are contributing to the utility fund’s operational increase.

Much like its general fund counterpart, the FY 2026 utility fund budget focuses on supporting existing levels of service provision. Routine operational costs total \$77.6 million or 80% of the total expenditure budget. Debt repayment is the other significant expenditure area within the utility fund. FY 2026 debt repayment totals \$19.2 million which is up 2.6% from the prior fiscal year.

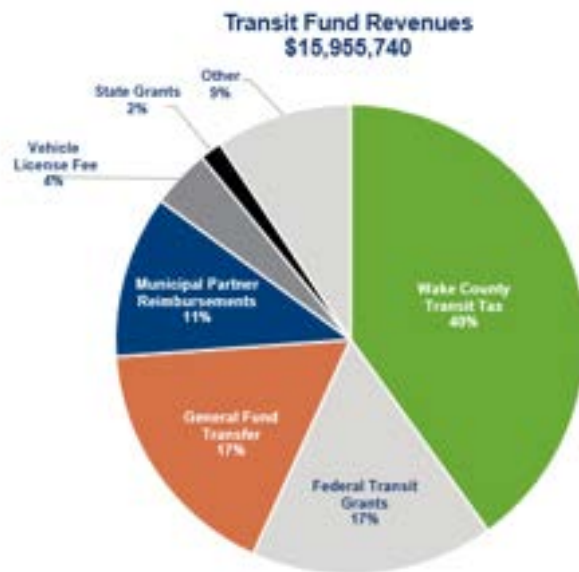
Total utility fund revenue of \$100,852,866 exceeds utility fund expenses which helps offset transfers to capital. Charges for water and sewer services generate 96% of total revenue for the utility fund. The FY 2026 budget includes a 4% utility rate increase to support operational costs, capital infrastructure and debt repayment. The average family of four would experience an estimated \$2.96 per month increase in their total monthly utility bill. This increase is estimated to generate approximately \$4.5 million in additional revenue when compared to the prior year’s adopted budget.

## Transit Fund



The transit fund is primarily supported through outside sources such as federal and state transit grants, municipal partner reimbursements, and Wake County transit tax dollars apportioned to Cary via the Wake Transit Plan. This year's budget includes an appropriation from fund balance of \$1,393,699 in the Other category. The Wake Transit Plan (WTP) is a transit investment strategy for improving and expanding transit services throughout Wake County. The WTP is primarily funded by a one-half percent (.5%) sales and use tax approved by Wake County voters in November 2016.

The transit fund accounts for revenues and expenditures associated with GoCary transit service. FY 2026 transit fund operating expenditures (including approximately \$2.7 million of general fund transfer support) total \$15,955,740 which is 20% or approximately \$2.5 million higher than the prior year budget. This increase will primarily support the increased cost of operations in the new fiscal year.



## FY 2026 Capital Budget Details

Staff prepares an annual capital improvements budget and a long-range capital improvements plan for Council consideration. The capital improvements budget (CIB) and twenty-year capital improvements plan (CIP) aim to meet Council's policy direction and Imagine Cary Community Plan goals in the areas of service delivery, infrastructure maintenance and development, regulatory compliance, facilities planning and development, financial condition, and to further enhance the quality of life in Cary. Projects included in the CIB/CIP are typically assets with a value of more than \$25,000 and a useful life of over three years.

Planned appropriations for the budget year (FY 2026) and four subsequent years (FYs 2027 – 2030) are limited to the amount of funding projected to be available in those years. Only the FY 2026 budget year is formally adopted by Council. Figures noted for fiscal years 2027 through 2046 are for planning purposes only and are not appropriations for those years.

The FY 2026 capital improvements budget, comprised of general and utility projects, totals \$90,658,411. This represents a 22.3% decrease from the prior year’s adopted budget.

### General Capital

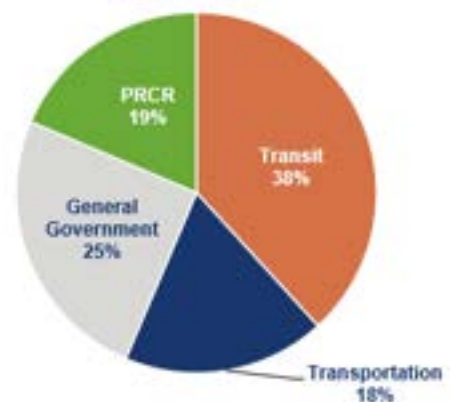
The general capital category encompasses Transportation, Transit, Fire, Parks Recreation and Cultural Resources, General Government and Downtown projects. The FY 2026 includes a general capital improvements budget totaling \$54,610,901, which is approximately 22.5% less than the prior year. It is not uncommon to see significant shifts in capital funding need as different projects are at different stages of progress from year to year.

Infrastructure maintenance and improvement remains a primary focus of Cary’s capital program and is reflected in the following examples of FY 2026 budgeted general capital expenditures.

- \$5.9 million for Street improvement projects
- \$3.0 million for West Chatham Street resurfacing
- \$3.0 million for Computer Aided Dispatch (CAD) replacement
- \$3.5 million for Sanitation and recycling truck replacements
- \$1.1 million for Heavy duty equipment replacements
- \$1.0 million for General capital maintenance
- \$1.0 million for Parks capital maintenance

Other high priority initiatives funded in the budget include focus areas like Americans with Disabilities Act improvements at \$200,000, stormwater at \$1.5 million, \$800,000 for housing gap financing and \$20.8 million for transit projects.

**General Capital Expenditures**  
**\$54,610,901**





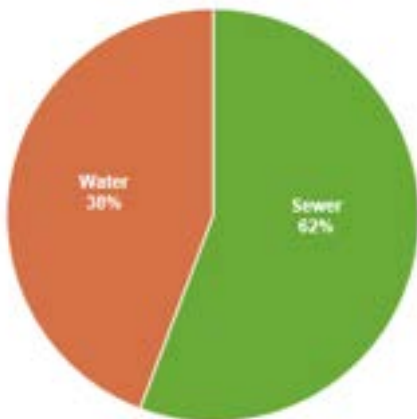
The FY 2026 general CIB utilizes \$20.9 million of grant revenue and \$5.1 million of general fund transfer. The restricted and unrestricted revenue categories primarily consist of Powell bill, vehicle license fee, and unrestricted investment income revenues. An additional \$6.5 million of debt is budgeted in FY 2026, primarily for heavy duty equipment and sanitation trucks.

### Utility Capital

The utility capital category is comprised of water and sewer projects. The FY 2026 utility capital improvements budget totals \$36,047,510 which is 19.4% lower than the prior year adopted budget. Utility capital projects continue to focus on infrastructure maintenance with most of this year’s budget directed at these needs.

Approximately \$16.0 million is appropriated for water projects in FY 2026. A large portion of this funding, \$3.0 million, focuses on upgrading, replacing, and maintaining existing water lines. Additional funding of \$3.5 million focuses on replacing water meters and radio replacements associated with the Aquastar water meter program. Another \$2.5 million supports a variety of equipment, facility and infrastructure replacements or improvements at the Cary/Apex Water Treatment Facility (CAWTF). FY 2026 also

**Utility Capital Expenditures**  
\$36,047,510



provides \$850,000 for recoating the Field Street water tank, \$2.5 million for the Trenton Road water line, \$600,000 for water system line relocations, and \$812,510 for watershed protection.

The sewer capital budget totals \$19.0 million with \$10.5 million of this amount, directed to Walnut Creek pump station improvements. An additional \$3.7 million supports equipment replacements and maintenance at the north, south, and western Cary water reclamation facilities. Other maintenance

initiatives funded in FY 2026 include a combined \$3.75 million for cleaning sewer interceptors, and repairing sewer lines

The FY 2026 utility CIB is primarily funded through \$1.1 million of utility fund transfers, \$20.5 million of utility capital reserve fund balance, \$3.2 million in municipal partner reimbursements, and \$10.1 million of utility capital reserve revenue. No new revenue bond debt is needed to support FY 2026 utility capital projects.

