



# TOWN *of* WAKE FOREST

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May 7, 2013

Honorable Mayor Vivian Jones  
Commissioner Zachary Donahue  
Commissioner Frank Drake  
Commissioner M. Greg Harrington  
Commissioner Anne Hines  
Commissioner Margaret Stinnett

Mayor and Town Commissioners:

Submitted for your consideration is the proposed budget for the Town of Wake Forest for the fiscal year beginning July 1, 2013. This budget has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act. The budget is balanced and identifies estimates for all revenues and expenditures for Fiscal Year (FY) 2013-14.

## INTRODUCTION

The “long, harsh winter” we have faced the past four years may be “thawing.” An economic spring is possibly on the horizon. Unemployment rates are dropping, the stock market is reaching new all time highs and inflation remains low. Locally, we are seeing an increase in construction, both residentially and commercially. Revenues from sales taxes are rising. But before we take out the hats and hooters to party, we must remain cautious. The least little change could push us back into a recession. State and federal governments still are having budget problems and they could easily spread those problems down to us. Increases in construction and retail sales could easily slow down again.

I spoke in last year’s budget about the “new reality” we face. I believe that the “thawing” of economic conditions is just another step in our new reality. We have spent the last four years tightening our belts, limiting expansion of new programs and minimizing increases in personnel costs. This was all part of prudent planning to maintain services and financial stability in the wake of all the economic turmoil facing us. Wake Forest has made excellent progress toward embracing the new reality. The Board began a strategic planning process at this past January’s planning retreat that established the four key goals of the organization. These goals set the road map for future plans and will be used to help formulate this budget.

The positive economic outlook will allow us to make adjustments in our services that we have delayed over the past few years. We must however still be careful and prudent in the decisions we make. We must continue to focus on our core services and maintain service levels to our citizens. Prioritizing how we utilize our additional resources is critical as we make long term plans for capital investments.

## **BUDGET EMPHASIS**

Despite the promising changes in economic conditions, we still must focus on financial sustainability by conservative revenue projections and prudent use of resources. Our emphasis must continue to be on our existing assets, services and programs while limiting new initiatives. We must continue to place our emphasis on maintaining current levels of service to our citizens. As mentioned in the introduction, the Board embarked on a new strategic planning effort and set four broad goals which set the tone for the future. We have strived to meet those goals with this budget. This budget emphasizes maintaining service levels, protecting our infrastructure and providing for our dedicated employees. We recommend maintaining property tax and electric utility rates at current levels, recognizing that the personal financial stress that the public faces is still present. As always, the critical areas on which this budget focuses are personnel and capital.

We have long prided ourselves in the fact that we operate as a “lean” organization when compared to our sister municipalities in the region. We get the job done with a smaller workforce. This is a credit to our hard-working employees, their supervisors who make the most efficient use of their resources and to the Town Board which has provided the pay and benefits to hire and retain good employees. From time to time we face pressures to make major increases to our workforce to maintain the excellent services we provide to our citizens. Those pressures are being felt this year, particularly in the areas of Public Safety and Public Works. Fortunately, the economic conditions we discussed earlier will afford us the opportunity to make the necessary increases. Eight positions are recommended in Public Safety and three in Public Works. In addition, the three frozen positions in the Electric Fund are recommended for funding. One programmer position is recommended in Parks and Recreation. And finally, one of the two Inspection positions, currently frozen, is being filled. The total of sixteen newly funded positions is a major, but necessary step to maintain services. One of the strategies developed from the four goals in the strategic plan was to maintain Wake Forest as an employer of choice. This budget supports that goal by maintaining merit pay, market adjustments and career ladders. These pieces of our benefit plan make Wake Forest an “employer of choice,” giving us the tools to recruit and retain quality employees.

We are continuing the trend, particularly in the General Fund, to hold down expenditures for capital. This has been done with the anticipation of a major increase coming in 2014, with the next round of bond indebtedness. The focus continues to be on those capital expenditures that preserve our capital assets and allow us to maintain services at the current levels. Approximately \$2.0 million is budgeted for capital items in the General Fund which is a 10% decrease from the current budget. In the Electric Fund, \$797,500 is budgeted which is slightly less than the current budget. Funding sources used include current revenues, capital reserve, installment purchase and fund balance.

## **REVENUE SUMMARY**

The recommended property tax levy, based on a tax rate of \$0.51 per \$100 of assessed value, an estimated tax base of \$3,819,118,426(Wake County) and \$58,000,000(Franklin County) and a collection rate of 96.75%, is \$20,452,855. The tax levy includes an adjustment for the new method of vehicle tax collection, going into effect this fiscal year. The tax rate remains unchanged from this past year. The tax rate can be broken down into \$0.41 for Town services and \$0.10 for contracted fire services.

The recommended tax rate for the Downtown Municipal Service District is \$0.14 per \$100 of assessed value. This remains unchanged from this past year. The revenues from this service district aid in funding various downtown projects including assistance to the DRC's efforts.

Electric rates will remain the same for this coming year. At the present time, NCEMPA is still not contemplating a change in wholesale rates until 2015. There are no other significant changes in fees.

While economic conditions appear to be improving, we continue to be very conservative in our projections of those revenues which are affected by changes in the economy. These revenues include sales tax, interest income and building and inspection fee collections. To help meet revenue needs in the General Fund, \$935,130 of fund balance is appropriated. These funds will cover one time capital expenditures. This is similar to the level used during the current year. To continue our efforts for financial strength and sustainability (major goal of our strategic plan), it is important to prudently use our fund balance for only one time capital needs. By maintaining a healthy fund balance, the Town is able to deal with emergencies and unusual expenditures when the need arises. A healthy fund balance also plays a critical role in our bond ratings which translates into being able to borrow funds at extremely competitive rates. This will be extremely important as we return to the Bond market next year. A portion of revenue requirements in the General Fund is being met by interfund transfers in the amount of \$273,500. Again, this is a similar level of use when compared to the current year.

## **EXPENDITURE SUMMARY**

### **PERSONNEL**

As stated earlier, sixteen (16) new positions are recommended for funding. Eight police officers are recommended to be added in Public Safety. These positions come as a recommendation to address staffing needs pointed out in this year's management study. Three construction worker positions are recommended to be added to the Street Department. Demands on personnel have greatly increased as the department has taken on many construction projects in-house, ultimately saving the Town money. It has been over eight years since programming staff has been added in the Parks and Recreation Department. During these same eight years, programs have increased dramatically. One programming position has been added to assist with athletics. The final four positions recommended for funding are actually previously authorized, but unfunded positions. Three Powerline Technicians (Electric Department) and one Code Enforcement Officer (Inspections) are needed to keep pace with growth demands.

No COLA is recommended. Health insurance premiums are funded with a 12.5% increase. Performance pay (merit) funds and pay and classification plan maintenance funds are included.

### **CAPITAL OUTLAY**

Capital funding decreases slightly in the General Fund and remains level in the Electric Fund. Our focus is on those items that are most critical to maintaining our capital assets. We relied on installment financing, capital reserve funds and fund balance at levels similar to this current year. The installment financing will be used to acquire most of the rolling stock listed in the Capital Improvements Plan. Capital reserve funds will be used for funding capital needs in the MIS Department, downtown façade improvements, assisting with downtown Streetscapes debt service, and equipment needs in the Parks and Recreation and the Street Departments. Fund balance utilized this year focuses on one time/non-recurring capital items such as the Forrest Park lighting system, Holding Pool renovations, athletic court resurfacing, Phase II of Smith Creek Soccer Center irrigation improvements, up-fit of police vehicles, replacement and additional police video cameras, financial software, and miscellaneous facility improvements. The past Boards' decisions of maintaining adequate fund balance and capital reserve funds affords us opportunities for flexibility in

funding capital items. Minor capital items have also been funded where needed.

## **DEBT SERVICE**

The major change in debt service of \$206,120 involves funds necessary to pay for the recent property purchase by the Town Board. Debt service for other previous financings is allocated to the appropriate department or division. As mentioned previously, installment purchase proceeds will be used to purchase vehicles and other rolling stock.

## **FIRE SERVICES/OTHER AGENCIES**

The Wake Forest Fire Department requested a \$0.02 increase in the tax rate for their services. Due to timing of the fourth station, staff feels it is premature to increase the rate this year but to re-evaluate next year. It is important for the Fire Department to work with us to provide service to the citizens within the limits of our current tax rate.

The Chamber of Commerce and other currently funded outside groups are recommended for no increase. No new groups are recommended for funding.

This past year, the Mayor and a group of citizens began the "Roots to Renaissance" effort. This was initially to apply for a Bloomberg grant. While the grant was not received, the effort has continued. The focus of the effort is to develop and enhance the Town's cultural assets. Seed money in the amount of \$30,000 has been allocated to assist the "Roots to Renaissance" effort. The Mayor's committee is working on developing the details and should be ready to roll out their recommendation by mid-year.

## **FUTURE NEEDS AND ISSUES**

For the past fifteen years the Town Board has held a planning session in the early part of the year to discuss current issues and set long range goals for the Town. As mentioned previously, this effort was enhanced this year into a strategic planning effort. We have incorporated those strategic goals into this document. It is important for the Board to continue to schedule planning sessions each year to establish the framework for the next year. We also must continue our planning for the next series of Bond issues. Our ability to meet some of the Town's critical capital needs will depend on it.

The biggest challenge we face is the unknown. Many factors outside of our control can affect us and our financial stability. We must remain vigilant in monitoring what the Federal and State governments do because that will affect us whether it is loss of revenues or unfunded mandates passed down to us. We also must continue to focus on financial sustainability. This means not spending beyond our means, refilling our fund balance coffers, focusing on our core services and continuing to be conservative when estimating revenues. This formula has been successful in the past few years. It will also help us to avoid the crisis budget management that other local governments are facing.

## **SUMMARY**

It is a new year and the budgeting is not getting any easier. Each year has its own unique set of issues that we must deal with. Once again the Department Heads assisted us in making cuts to keep the budget manageable. They had to give up on worthwhile requests but they did it in an atmosphere of teamwork.

Many capital items had to be delayed. Our goal was to meet our critical needs but do it in a prudent and cost effective way. This FY 2013-14 Town budget accomplishes that goal. It provides the resources to meet our challenges. It maintains services at current levels while providing the funding to support the infrastructure of the Town. It maintains stable tax and utility rates. This budget attempts to hold down expenditures wherever possible but at the same time recognizing the needs of the community.

I would like to thank all of the staff for their assistance in preparing this document. We are ready to assist the Board in finalizing the budget over the next few weeks.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark S. Williams". The signature is fluid and cursive, with a prominent initial "M".

Mark S. Williams  
Town Manager