



TOWN *of* WAKE FOREST

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May 5, 2015

Honorable Mayor Vivian Jones
Commissioner Zachary Donahue
Commissioner M. Greg Harrington
Commissioner Anne Reeve
Commissioner Margaret Stinnett
Commissioner Jim Thompson

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, 2015. 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) 2015-16.

INTRODUCTION

For the past 32 years, it has been my pleasure to be involved with the budget process for the Town of Wake Forest. First involvement was as a department head, focusing on the needs of the Parks and Recreation Department. Then as Assistant Manager, I was involved with the overall production of the document. Finally for the past 22 years as Manager, I have been responsible for producing the final recommendations to be considered by the Town Board of Commissioners.

Each budget through the years has had its own unique theme and its own set of challenges and opportunities. But with all these varied themes, challenges and opportunities; every budget has one overriding common goal. That goal is to provide the best services possible to the citizens of Wake Forest. We have accomplished that each year to the best of our abilities. Many times we have accomplished the goal despite outside pressures caused by economic downturns or State decisions to withhold or change local revenues. There has and always will be the local pressures to keep taxes and fees as low as possible but at the same time provide all the many services the citizens have come to expect.

If there is a theme for this year's budget, it should be "a new beginning." For the first time in 22 years, a new Town Manager will take the helm sometime this summer. The Board has just adopted an updated Strategic Plan which sets the roadmap for all decisions for the next few years. The citizens overwhelmingly approved a \$25.1 million bond issue this past November to help finance capital improvements for streets, sidewalks, greenways and parks. Finally, it appears we are near the completion of the generation asset sale (July or August of this year) between NCEMPA and Duke Energy, which will have a significant impact on electric rates going forward. With these four major events, the Town has definitely entered a new era.

BUDGET EMPHASIS

We must place our emphasis with this budget on meeting the four goals outlined in the newly revised Wake Forest Strategic Plan. In general, these goals focus on building our economy, providing for the needs of our citizens, providing for the needs of our employees and maintaining the fiscal strength of our government. This budget endeavors to achieve those goals by maintaining current service levels, enhancing our infrastructure and providing for our dedicated employees.

As was apparent with the CAFR presentation this past November, the Town continues to be on solid financial ground. Goal #4 in the updated Strategic Plan calls for enhancing the Town's fiscal strength. The challenges this year in meeting that goal are providing funding to cover debt service for the first round of the 2014 bonds that were sold and continuing to rebuild the Town's General Fund Balance. When we met with the two rating agencies (S&P and Moody's) prior to the bond sale, they both emphasized the need for the Town to focus on returning the fund balance to levels called for in our policies. The top priority of this budget has to be meeting Goal #4. To accomplish this, we must continue to focus on conservative revenue projections; the prudent utilization of current resources; and maintaining our existing assets, services and programs. As always, the critical areas on which this budget focuses are personnel and capital.

We continue to pride ourselves in the fact that we operate as a "lean" organization compared to our region's sister municipalities. We get the job done effectively 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 the Town Board which has consistently provided the pay and benefits necessary to hire and retain good employees. This year we find ourselves having to make a tough choice between hiring additional positions and maintaining all benefits for current employees at current levels. There are needs for new positions in several departments. However, to meet Objective B of Goal #3 in the Strategic Plan, which deals with Wake Forest being an employer of choice, we must focus our resources on our current employees. 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. To add new positions would require us to cut benefits or recommend a tax rate increase, which we feel are not appropriate alternatives at this time.

We are addressing many of our capital needs in the General Fund through proceeds from the sale of our first phase of the 2014 bond issue. The focus continues to be on those capital expenditures that preserve our capital assets and allow us to maintain services at current levels. Approximately \$2.1 million is budgeted for non-bond issue capital items in the General Fund which is a 17% increase from the current budget. In the Electric Fund, \$1.38 million is budgeted which is a slight increase of \$0.03 million over the current budget. Funding sources for these items include current revenues, capital reserve, installment purchase and fund balance.

REVENUE SUMMARY

The recommended property tax levy, based on a tax rate of \$0.52 per \$100 of assessed value, an estimated tax base of \$4,425,050,000 (Wake County) and \$68,500,000 (Franklin County) and a collection rate of 97%, is \$22,665,466. The tax rate can be broken down into \$0.41 for Town services and \$0.11 for contracted fire services. This rate is the same as the past year.

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 offsetting debt service for the South White streetscape project, façade improvements and other costs as they arise.

With the pending sale of NCEMPA's generating assets to Duke Energy, hopefully taking place around July 1, wholesale costs will be reduced significantly. This will have a positive impact on retail rates for Wake Forest customers. Prior to making any changes in the retail rate structure, funding for a rate study has been included in the budget. This will allow us to make prudent and well thought out decisions on how best to pass along the benefits to all of our customers. There are no other significant changes in fees.

As is our normal practice even during good economic times, 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, \$894,170 of fund balance is appropriated. All of these funds are earmarked for one time capital purchases. This appropriation is a 35.4% decrease from this past 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. As mentioned earlier, the rating agencies strongly encouraged us to rebuild our fund balance back to our policy level as part of our efforts to maintain our strong financial footing. We are hoping that this major reduction in use of fund balance will help us achieve this. By maintaining a healthy fund balance, the Town is able to deal with emergencies and unusual expenditures when the need arises as well as benefit from low interest rates when we enter the bond market, as we did this year. A portion of revenue requirements in the General Fund is being met by interfund transfers in the amount of \$441,825. These transfer funds cover both capital and Downtown expenditures. Downtown expenditures include streetscapes debt service, façade grants and program expenses.

EXPENDITURE SUMMARY

PERSONNEL

As stated earlier, no new positions are recommended for funding. There were several requests that were greatly needed; but to avoid considering a tax increase or cutting existing employee benefits, the decision was made to delay all of those requests.

No COLA is recommended. Health insurance premiums are funded with a 7% increase. Performance pay (merit) funds are included. Pay and classification changes are also recommended.

CAPITAL OUTLAY

Capital funding increases in both the General Fund and in the Electric Fund. In the Electric Fund, system improvements, the underground fault indicator and the second phase of the smart metering/outage management system are funded with current revenues. Installment purchase proceeds are being used for the digger derrick truck. In the General Fund, we are relying on installment financing, capital reserve funds and fund balance to fund needed capital items. The installment financing will be used to acquire most of the rolling stock listed in the Capital Improvements Plan. These include 12 replacement police cars, Sanitation dump truck, garbage truck, dump truck with salt/sand spreader and an excavator. Capital reserve funds will be used for funding needs such as the balance of the cemetery landscaping plan, K-9 unit in Public Safety, fire impact fee study, Flaherty Park gym floor and fence replacements and

Flaherty tennis court resurfacing. Fund balance utilized this year focuses on one time/non-recurring capital items such as several items in the MIS Department, feasibility study for the Operations Center, renovations to 317 Brooks Street building and the grant match for the Taylor Street Park sprayground. 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

As was anticipated, debt service will increase \$432,465 in the General Fund. The majority of this increase is attributed to the first phase of bond sales issued in March. This will be the single, largest increase on the expenditure side of the upcoming budget. Debt service 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

It is important as we hold the line on requests for staffing, operating expenses and capital expenditures within our own departments to provide the same level of scrutiny for the outside agency requests. Only those requests that provide a direct program benefit to the Town should be considered. Those groups that provide a service that the Town would feel obligated to provide otherwise are the only ones that should be funded.

Funding levels are recommended to remain at current levels. The Wake Forest Fire Department (which provides our fire services) agreed to request no increase in the tax rate this year. We are still awaiting the results of Wake County's funding study for fire services in county areas. This may affect future funding formulas for fire service. The Chamber of Commerce (which provides our economic development program) and Resources for Seniors (which staffs and programs our senior center) are recommended for funding at current levels.

The 4th of July Committee is in transition to new leadership and they came to the Town Board meeting recently and asked for the Town to make the event a "Town" event so that police services could be provided at no charge. We recommend leaving the committee in charge because this event is truly a community event. It does not need to be run by Town staff. It is important for this event to continue to be run by community volunteers. We will fund their request for general expenses of \$5,000 plus we will provide funding in the amount of \$6,240 for police services. This number is based on the manpower they requested. We also recommend that a representative from the Police Department serve as an ex-officio member on the committee to help with planning for future needs.

No other requests for funding have been recommended. While the other requestors (both current and new) provide great services and are outstanding organizations, they do not provide services that relieve the Town of providing those services. The Town cannot and should not be expected to fund every outside group request, no matter how worthwhile their mission is.

FUTURE NEEDS AND ISSUES

For the past seventeen 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. This past year, the Town Board updated

the Town's Strategic Plan and those strategic goals have been incorporated 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.

As we enter this era of "new beginning", the biggest challenge the Town faces is the change in leadership. The new Town Manager will have his own management style and methods of getting the job done. He will be able to rely on a solid management team, comprised of members with experience and expertise. The Strategic Plan will serve as the road map to assist them. It will be up to him and the management team to develop a strong working relationship that results in a cohesive group. Their focus does not change. It will still be to provide excellent services to the citizens of Wake Forest.

SUMMARY

This year's budget continues to focus on the financial stability of the Town. This means not spending beyond our means, replenishing our fund balance, focusing on our core services and continuing to be conservative when estimating revenues. This formula has been successful over the past few years. 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 personnel requests and capital items had to be delayed. Our goal was to accomplish the strategies established in the Town's Strategic Plan but do it in a prudent and cost effective way. This FY 2015-16 Town budget accomplishes that goal. It provides the resources to meet the citizens' demands for services. 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. Staff is ready to assist the Board in finalizing the budget over the next few weeks.

Respectfully submitted,

Mark S. Williams
Town Manager