



TOWN *of* WAKE FOREST

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May 6, 2014

Honorable Mayor Vivian Jones
Commissioner Zachary Donahue
Commissioner M. Greg Harrington
Commissioner Anne Hines
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, 2014. 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) 2014-15.

INTRODUCTION

Every athlete involved in an athletic competition understands the meaning of the proverbial “second wind.” It is that point in any athletic competition when the athlete receives a renewed feeling of energy and stamina that enables them to complete the task at hand. Often a local government needs a financial second wind to help it effectively serve the public. As new programs and services are added, the government needs an opportunity to “catch its breath” and summon that financial second wind. A town cannot afford to add services and facilities if it isn’t positioned to properly maintain them.

Wake Forest has reached such a point. Last year at this time, no one would have guessed the town would have an opportunity to acquire and open the Renaissance Centre. But due to conservative budgeting, the town had the financial resources available to take advantage of the opportunity. As a result, we now have a performing and cultural arts venue much sooner than anyone would have imagined at this point last year. The town also faces a significant bond issue this year to help build much-needed streets, greenways and parks facilities. These are two key factors in focusing on our core services and trying to acquire that “financial second wind”.

As part of its strategic planning process, the Town Board set four key goals for the organization. One of those goals was “financial sustainability.” Now more than ever, we must focus on financial sustainability in preparation for the next round of bond projects and the construction of a new fire station. Collectively, these projects will enable the town to maintain its outstanding level of service to its citizens.

One of the greatest challenges we face is balancing our commitment to careful and prudent decision-making, while focusing on the provision of core services and the continuation of current service levels.

In addition, prioritizing how we utilize additional resources is critical as we make long term plans for capital investments.

BUDGET EMPHASIS

Despite the appearance of renewed fiscal growth and other positive changes in economic conditions, we must continue to focus on financial sustainability through conservative revenue projections and the prudent utilization of current resources. Our emphasis must continue to be on leveraging our existing assets, services and programs while limiting new initiatives. We must also continue to place our emphasis on maintaining current levels of service to our citizens. As noted in the introduction, the Board's strategic planning effort establishes four broad goals which collectively set the tone for Wake Forest's future. This budget endeavors to achieve those goals by maintaining current service levels, protecting our infrastructure and providing for our dedicated employees. Recognizing that the financial stress residents feel is ever present, we recommend a minor increase in the property tax for fire services, while maintaining electric utility rates at current levels. 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 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. Last year we took a major step toward maintaining our current service levels by hiring 16 new employees. This year, although we are limiting the number of new employees, we believe each is necessary to maintaining services at the level our citizens expect. We are recommending five positions be added. Wake Forest has been very successful in developing its greenway and pedestrian systems, particularly through grants. As a result, we are feeling pressure to add employees to continue this effort. One employee in Planning will be added as a transportation planner to assist in the grant programs. This will be done in conjunction with reclassifying the present planner in charge of transportation projects to a supervisor level. On the greenway maintenance side, Parks, Recreation and Cultural Resources needs two additional maintenance specialists to focus on maintenance. With the acquisition of additional buildings like the Renaissance Centre, one additional building maintenance position is being funded. Finally, with the ever-increasing demands to communicate with our citizens, particularly through social media, one additional communications specialist is recommended for funding. One of our goals in the strategic plan is 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 bond election in November 2014. These bonds will help fund our critical capital needs for the near future. The focus continues to be on those capital expenditures that preserve our capital assets and allow us to maintain services at current levels. Approximately \$1.8 million is budgeted for capital items in the General Fund which is a 10% decrease from the current budget. In the Electric Fund, \$1.35 million is budgeted which is a 50% increase over 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 \$0.52 per \$100 of assessed value, an estimated tax base of \$3,879,200,000(Wake County) and \$59,867,000(Franklin County) and a collection rate of 97%, is \$20,452,855. The tax levy includes \$1,573,745 for vehicle tax collections at a 99% collection rate under the new state collection process. The tax rate increases one penny to cover operating costs for Fire Station 4. The tax rate can be broken down into \$0.41 for Town services and \$0.11 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 offsetting debt service for the South White streetscape project and façade improvements as they arise.

Electric rates will remain the same for this coming year. Originally, NCEMPA was planning for a 3% wholesale rate increase in January 2015 but due to the discussions between Duke and NCEMPA about generation assets sales, that rate increase has been delayed. 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, \$1,383,860 of fund balance is appropriated. Two thirds of these funds will cover one time capital purchases while the remaining \$418,490 was used to balance the budget and eliminate the need for an additional penny increase in the tax rate. To continue our efforts for financial strength and sustainability (major goal of our strategic plan), it is important to prudently use our fund balance. 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 in 2015. A portion of revenue requirements in the General Fund is being met by interfund transfers in the amount of \$281,000. Again, this is a similar level of use when compared to the current year.

EXPENDITURE SUMMARY

PERSONNEL

As stated earlier, five (5) new positions are recommended for funding. The success of our greenway efforts has put pressure on both the planning and maintenance side of the ledger. An additional transportation planner will assist in the monitoring of our many grants. Two maintenance workers in Parks, Recreation and Cultural Resources will focus on greenway maintenance. An additional maintenance worker in Public Facilities is needed to keep up the level of service in maintaining all of the town facilities. Finally, an additional communication specialist is needed to keep the town's communication efforts at its current level of excellence. There were many additional requests for positions that were justified. But in an effort to avoid a tax increase we have delayed those requests another year. These five are the most critical.

No COLA is recommended. Health insurance premiums are funded with a 20% increase. Performance pay (merit) funds are included. Pay and classification changes are also recommended.

CAPITAL OUTLAY

Capital funding decreases slightly in the General Fund but increases significantly in the Electric Fund. The increase is due to our smart metering initiative. Our focus in the General Fund is on those items that are most critical to maintaining our capital assets. We relied on installment financing, capital reserve funds and fund balance. 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 such as the cemetery landscaping plan, K-9 units in Public Safety and equipment needs in the Parks, Recreation and Cultural Resources. Fund balance utilized this year focuses on one time/non-recurring capital items such as renovations at the Community House, various park restrooms and HVAC replacements at various locations; software upgrades; brine sprayer; gateway projects; and equipment needs in Public Safety. As part of our focus on maintaining what we have, funds from fund balance have been provided to assess our greenways to make sure they are safe and enjoyable for the public. 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

There are not any significant changes in debt service as we prepare for the November 2014 bond election. Full year of debt service for various financings in FY 13-14 include: Holding Park pool improvements, purchase of Wake Forest Renaissance Centre and revenue bonds issued for JB Cole substation and N Main Street lighting projects. 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

The Wake Forest Fire Department requested a \$0.02 increase in the tax rate for their services, however a \$0.01 increase is recommended for FY 2014-2015. These additional funds are needed to cover operating costs of the new Station 4 that will be built this year. Hopefully, pressure can be brought to bear on the County to provide some funding since the station will benefit service levels in the county areas around Falls Lake.

The Chamber of Commerce and some of the other currently funded outside groups are recommended for no increase. A slight increase is recommended for Resources for Seniors while the 4th of July Committee's request was less than approved in the current fiscal year. No new groups are recommended for funding.

FUTURE NEEDS AND ISSUES

For the past sixteen 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 last year by 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

The focus of this years' budget is looking after what we already have. It is important for us to catch that "second wind" from time to time. If we can't maintain what we have and not sustain the excellent levels of service and facilities our citizens are expecting, then we are failing at our mission. 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 2014-15 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,

Mark S. Williams
Town Manager