



TOWN *of* WAKE FOREST

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May 1, 2012

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, 2012. 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) 2012-13.

INTRODUCTION#

For the past three years, we have suffered through what I referred to as a “long, harsh winter” when it comes to the economy. High unemployment, continually rising commodity prices on such things as gas and food, budget problems at the state and federal level, natural disasters, political unrest abroad, European countries in budget meltdowns, and stock markets bouncing around like ping pong balls have all contributed to a state of economic chaos throughout the world. Locally, slowed growth in property values, depressed sales tax revenues, and rising costs of resources are making it difficult for local governments to provide the services their citizens expect.

The use of the term “long, harsh winter” was my way of illustrating that the economic downturn will be both tough to deal with and may last awhile; but, that it will come to an end as winter always does. What many economists are now saying leads me to believe that this condition is not temporary but is what scholars refer to as a “paradigm shift.” A paradigm shift is a permanent change in conditions. The status quo no longer applies. There is now a new reality.

What does this “new reality” mean to local government and the services we provide? It means we cannot do things the way we have always done them. Old benchmarks of staffing levels, frequency of service delivery, and historical revenue growth projections will no longer be valid. We will have to focus on our core services and what are acceptable levels of service delivery for those services. Prioritizing our mission will be even more critical. We will be tasked to be even more creative when it comes to stretching revenues. We will be forced to make some difficult and politically unpopular decisions more often than in the past.

Wake Forest is well positioned to embrace this “new reality.” For years we have operated more efficiently than many of our sister municipalities. Previous Town Boards have made prudent decisions when it comes to managing our financial resources. We have annually prioritized goals to accomplish our mission in serving the citizens of Wake Forest. Decisions to embark on new projects and ventures have been deliberate and well thought out. We must continue to do all these things if Wake Forest is to continue to succeed in the “new reality”.

BUDGET EMPHASIS

Facing the “new reality” will require us to focus on financial sustainability. We must continue to focus 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, while continuing to be conservative in our revenue projections and prudent in our use of reserves. At the January 2012 Town Board planning session, the Board set goals which embrace this focus on financial sustainability. We have strived to meet those goals with this budget. This budget emphasizes the wise use of our resources to protect our infrastructure and our dedicated employees. We recommend maintaining property tax and electric utility rates at current levels, recognizing the financial stress that the public faces during these economic times. As always, the critical areas on which this budget focuses are personnel and capital.

As I stated last year, when compared to other municipalities in the area, we are a “lean” organization. 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. Pressure to maintain our high quality of municipal services, particularly in the area of Public Safety, will require us to add seven positions this coming year. Five positions will be added in the Police Department, one in the Information Technology Department and one in the Public Facilities Department. The Town Board recognizes the value of its biggest asset, the Town employees. The Board set as one of its top priorities at the January planning retreat to reinstate full merit pay. They also set reinstatement of the career ladder in the three departments affected as another top priority. Both have been restored in this budget. The other important piece of our Pay and Classification Plan, annual market adjustments, has been included as well. Market adjustments, merit funds and the career ladder are critical to the Town to provide and maintain a Pay and Classification Plan which gives the Town the ability to recruit and retain quality employees.

Over the past three budget years, we have significantly reduced expenditures on capital projects to help deal with the economic realities. We have again significantly curtailed our capital expenditures this coming year as compared to our approved Capital Improvements Plan. 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 \$2.2 million is budgeted for capital items in the General Fund which is 29% decrease from the current budget. In the Electric Fund, approximately \$0.84 million is budgeted which is a 24% decrease from the current budget. Funding sources used include current revenues, capital reserve, installment purchase and fund balance. It should be noted that use of reserves and fund balance was decreased in this budget in keeping with the financial sustainability effort.

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 \$3,792,780,625(Wake County) and \$55,941,511(Franklin County) and a collection rate of 96.75%, is \$18,990,560. 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.

The Board will address the needs for water and sewer rate adjustments as a separate issue. Since the merger with Raleigh, water and sewer is no longer a part of the Town's annual budget. Rates will have to be adjusted to keep the merger transition on track for completion by 2014. Electric rates will remain the same for this coming year. At the present time, NCEMPA is not contemplating a change in wholesale rates until 2015. There are no other significant changes in fees.

Due to the current economic conditions, 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, \$921,000 of fund balance is appropriated. These funds will cover one time capital expenditures. This is a 42% decrease in use of fund balance from the current year. To support our efforts for financial sustainability, it is important to reduce our use of fund balance and allow it to recover. 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. A portion of revenue requirements in the General Fund is being met by interfund transfers in the amount of \$243,500. This amounts to a 70% reduction in transfers from the current year.

EXPENDITURE SUMMARY#

PERSONNEL

As stated earlier, seven (7) new positions are recommended for funding. Those positions are three Police Officers, a Crime Analyst and a Telecommunicator in Public Safety; a Facility Maintenance Specialist in Public Facilities and an IT Analyst in Information Technology. During economic downturns, demands on the Police Department increase significantly, particularly in areas such as property crimes. The five positions will help the department keep pace with these demands. The IT Department has seen its support of the MIS systems of the Town become more demanding as well, again particularly in the public safety area. The facility maintenance staff currently consists of one person. A second position is needed to help maintain the physical assets of the Town. The six (6) positions currently frozen which include a program coordinator for Cultural Arts in Parks and Recreation; a Senior Code Enforcement Officer and a Code Enforcement Officer in Inspections and three Powerline Technicians in Electric Distribution will remain frozen.

No COLA is recommended. Health insurance premiums will actually decrease 4.3%. This is a tribute to our employees' efforts to better manage their use of health insurance and their participation in our wellness programs. Performance pay (merit) funds and pay and classification plan maintenance funds are included.

CAPITAL OUTLAY#

Capital funding decreases significantly as compared to the current budget. Our focus is on current projects that have been designed or are under construction and need completion and those items that are most critical to maintaining our capital assets. We relied on installment financing, capital reserve funds and fund

balance, but at much lower levels than in the past. The installment financing will be discussed in the next section. Capital reserve funds will be used for funding the columbarium (carried forward from this year), the digital video systems, a utility vehicle for Parks and Recreation, cameras for Joyner Park, the mobile matrix sign, and downtown projects for Christmas lights and façade grants. Fund balance utilized this year focuses on one time/non-recurring capital items such as the dispatch center, Police Station renovations, Holding Pool renovations, and IT improvements. The past Boards' decisions of maintaining adequate fund balance and capital reserve funds affords us opportunities for flexibility in funding capital items especially during these tough economic times. Minor capital items have also been funded where needed.

DEBT SERVICE#

This will be the first full year of the debt service impact of the street resurfacing/paving and South White Streetscapes projects. The additional debt service is \$948,535. We have been able to meet this obligation without raising taxes. We are recommending system betterment financing in the Electric Fund for both the John B. Cole switchyard reconstruction and the North Main Street lighting projects. Debt service for other previous financings is allocated to the appropriate department or division. Installment purchase proceeds will be used to purchase vehicles.

FIRE SERVICES/OTHER AGENCIES#

The Wake Forest Fire Department is doing their part to hold down expenditures. They requested that their funding remain at the rate of \$0.10 per \$100 of tax value this year. It is anticipated that they will request an increase next year to help fund the construction and operation of the fourth fire station.

The Chamber of Commerce, the Downtown Revitalization Corporation and other currently funded outside groups are recommended for no increase. No new groups are recommended for funding.

FUTURE NEEDS AND ISSUES#

For the past fourteen 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. We have incorporated those 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.

The biggest challenge we face as I mentioned in the introduction is dealing with our "new reality." 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 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#

I said last year that budget was by far one of the toughest budgets to prepare in my eighteen year tenure as manager. Well its now nineteen years and I have found a tougher budget yet. Many worthwhile requests by Department Heads had to be cut. 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 2012-13 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