



# TOWN *of* WAKE FOREST

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May 3, 2016

Honorable Vivian Jones, Mayor  
Honorable Jim Thompson, Mayor Pro-tem  
Honorable M. Greg Harrington, Commissioner  
Honorable Brian Pate, Commissioner  
Honorable Anne Reeve, Commissioner  
Honorable Margaret Stinnett, Commissioner

Mayor and Board of Commissioners:

Submitted for your consideration is the proposed budget for the Town of Wake Forest, North Carolina for the fiscal year beginning July 1, 2016. This budget has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act. The presented budget is balanced and identifies estimates for all revenues and expenditures for Fiscal Year (FY) 2016 – 2017.

## INTRODUCTION

Wake Forest continues to grow! With the adoption of this budget, our population will be near or at 40,000 residents. Our regional location, quality of life and small town atmosphere continues to make Wake Forest a destination for people and businesses moving into our region.

The strategic plan lays the foundation of how our budget should be shaped in moving forward as a Town to address the needs of our community. Listed below is an identification of the four objectives of the plan and a summary of how this budget addresses each objective:

- **Economic Development** – This budget creates an economic development division within Town Administration. We have hired a Director and part-time coordinator to fill the economic development role. It is the Town's desire to have a more active, direct role in the development and retention of jobs within our community and our partners at all levels play a critical role in this initiative. It is extremely important that any investment we make has a philosophy of strategic public investment to spur private development/redevelopment.

As the updated Renaissance plan is completed this calendar year, there will be short-term and long-term projects identified. It is the hope these projects will guide our downtown and surrounding areas to continue to be a vibrant hub for the Town. Funds are also included to continue the many events downtown focused on bringing more people to our central business district.

While our efforts focus on attracting new investment within our community, we should ensure this focus is in keeping with the values of the community. Of equal importance is a focus on recruitment of jobs that will be of interest to the youth of Wake Forest so they can remain and/or return to the community after receiving their education.

At the midyear retreat in September, staff was directed to review the Board's salary. This recommended budget increases the Mayor's salary to \$10,000 and the Commission's salary to \$8,000. This is more in line with other communities in the County such as Apex.

- **Enhance a Safe and Connected Community** – Several initiatives are planned for the upcoming budget year to enhance this objective. The update of our Transportation Plan is budgeted to start this year. This plan will not only look at prioritizing and identifying our road improvement needs, but will also take our other multi-modal plans (i.e. bike, pedestrian, etc.) and combine them into one document. This document will contain a plan for the community that addresses all of our multi-modal needs.

This year's budget also includes a recommendation to establish a traffic unit within the police department. As our Town continues to grow, so do calls for service. This new unit will allow us to focus on traffic issues, but will also free up the patrol division to allow them to respond to the increasing calls for service.

Our Parks, Engineering and Planning Departments contain items in their budgets that allow for connectivity and maintenance of our sidewalk system and greenways. At your retreat in January 2016, we discussed issuing debt to address some of our road maintenance and connectivity issues collectively rather than trying to "piece meal" them each year. This budget has funds to begin the preliminary engineering process and to secure bids to begin the work. As you are aware, this new debt will require a funding source as we move into the following fiscal year (FY 17-18).

We will also be establishing a system to provide better information to the community on how we are doing with the services we provide. This dashboard will be available on our website and will include information on finances, public works, police, etc. As we progress with this feature, more information will continue to be added to make town government more transparent.

In conjunction with this effort, a Popular Annual Financial Report (PAFR) will be introduced. This will be a concise, easy to read report about the Town, similar to an annual report. It will include pertinent, easy to read financial data, as well as accomplishments and goals for the coming year. Many people want to know what is going on, but want it in a concise, simplified format. It is intended that the PAFR will meet this need.

- **Culture that reflects our values:** The budget continues to allocate funds for merit increases and retain our same benefits package. We were able to lower family premium payments and deductibles. While some local governments experienced large increases in medical insurance renewals, we have a modest 3.2%.

Staff is the most important asset we have. Many of them interact with the community on a daily basis and are our ambassadors to the residents. The budget for each department allocates training to ensure our employees are up to date on the latest technology and trends to ensure we give our community what it expects and deserves...exemplary municipal services.

- **Enhanced fiscal strength:** Alongside land use policy, our financial strength is key to a vibrant growing community. It is important we remain financially sound, so that our residents and business owners feel confident in our ability to manage and use the resources they provide. Our financial health is also important as we seek to attract new businesses to our community. A financially sound government ensures the new businesses that we are able to fulfill basic municipal and quality of life needs for them and their employees. Funds are included for additional auditing purposes to ensure our financial policies, procedures and internal controls are the most up-to-date and secure to prevent fraud in this growing age of technology.

## REVENUE SUMMARY

The recommended tax rate for the coming year is \$0.52. This is based on an estimated tax base of \$4,556,608,000 (Wake County) and \$66,880,000 (Franklin County) and a collection rate of 97.5%. The revenue for the General Fund funded by the tax rate is \$23,441,085. 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, façade improvements and other costs as they arise.

It is important to note that this was a revaluation year in Wake County. As such, we are required to calculate the revenue neutral tax rate. That rate is \$0.531. In order to remain revenue neutral, we would need to increase our tax rate by \$0.011. Some municipalities in the county are choosing to increase their tax rates to remain revenue neutral. By keeping it at the same rate as last year (\$0.52), the recommended budget had to be adjusted by approximately \$400K for the loss of potential revenue.

It is prudent fiscal policy to be conservative in our projections of those revenues that 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, \$1,161,500 of fund balance is appropriated. All of these funds are earmarked for one time capital purchases. To continue to remain a financially strong and sustainable community, it is important to wisely use our fund balance, which includes not using it to supplement recurring operating costs. Our fund balance remains at the newly adopted policy level. A healthy fund balance is needed in case of emergencies and unexpected expenditures. This will also allow us to benefit from low interest rates when we borrow money.

## EXPENDITURE SUMMARY

### *Personnel*

Last year sixteen (16) positions were requested with none approved. This year departments requested in excess of thirty (30) positions. Although they are all justified, we simply cannot fund this many requests. The recommended budget recommends the hiring of fourteen (14) new positions and the conversion of two (2) part-time positions into full-time positions.

## ***Capital Outlay***

Capital funding will increase in both the General Fund and in the Electric Fund. In the Electric Fund, system improvements and the final phase of the load management/outage management system are planned. Installment purchase proceeds are being planned for an excavator, bucket truck and 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 15 replacement police cars, street sweeper, garbage truck, and vehicles for new positions. Capital reserve funds will be used for funding needs such as the pickle ball courts, athletic fence replacement and an update to the Recreation Impact Fee program. Fund balance utilized this year focuses on one time/non-recurring capital items such as items in the MIS Department, design of the Operations Center, HVAC replacement at CID and the Flaherty Park Dam Design to name a few. The Board's policy 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***

Debt service for this year is \$4,507,525, which is 11% of the general fund expenditures – less than the town's fiscal policy (15%). 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***

Funding levels for the Wake Forest Fire Department are recommended to remain at current levels. The cost share study has been completed by Wake County. A new formula has been proposed at the staff level and provides a solid foundation for allocation of future funding. We are awaiting Wake County Board of Commissioners approval on this item, hopefully before the new budget year begins. Under the new formula, the fire service could see an increase in County funding.

Due to the changes in economic development, the Town joined the Chamber of Commerce at the Board of Advisor level, which is the highest membership category provided. This budget retains funds to continue that membership. It is recommended the Fourth of July Committee, Resources for Seniors and the Birthplace Museum receive funding at the same amounts as last year.

While nonprofits provide a needed service to the community, it is often difficult to decide which ones to fund. When looking at funding it is important to review the mission of the non-profit and how that fits into the service of the Community and values set by the Board. This must be balanced with revenues available and the requirements of the Town to provide basic services to its citizens.

## **FUTURE NEEDS AND ISSUES**

As we look to close the books on our current budget year and open new ones for the upcoming year, it is extremely important we look to the future and prepare now for the needs of the community and Town operations over the coming years.

- **Economic Development** – The Futures Fund has a limited amount of money. Although loans made eventually replenish the funds through interest payments, it is not at a rate to sustain for a long period. We have already seen many requests for these funds and I am sure we will see many more. As we work over the next year to build our economic development program, the Board will be asked to provide direction on the future of that fund. Specifically, whether we should establish some type of recurring revenue source dedicated to this fund to prepare us for future request of relocating or expanding businesses.
- **Personnel** – You are aware they were many requests for personnel this year. As we continue to grow, so will the demand for services. Additional staff requests should be expected and some will be required to meet the increasing demand. We will also continue to review different technology capabilities to assist us in being more efficient at our tasks and hopefully minimize some additional staffing needs.
- **Debt** – Currently, eleven (11) percent of our general fund expenditures is for debt service (roughly \$4.5 million). There are some facility needs within the Town as well as projects approved during the voter referendum in 2014 that are yet to be funded. As our digest continues to grow at around 4% per year, coupled with the needs of the Town to maintain current levels of service, there is concern regarding our issuance of future debt. Although the 2014 bonds referendum included the knowledge that it may require as much as a \$0.02 increase in the tax rate, staff has worked diligently to not require its use. Some of the projects that have yet to be completed, such as Joyner Park could require significant staffing additions. Due to the operating impact on what has been approved for future debt issuance, the Board and staff may have to look closer at implementing an increase in the tax rate to fund the remaining 2014 bond projects that have not been issued.
- **Financing/Budget** – As we move into next year, staff will be preparing five-year revenue projections to assist management in a more comprehensive overview of our future resources and how they can be utilized in the most effective manner possible. You will also see the current tax rate split between debt and general operations (at least). This will allow the Board to see a clearer picture of what it required through tax rates to pay debt service and how the future issuance of debt will affect that dedicated rate.

## SUMMARY

This budget attempts to continue the objectives of our strategic plan. It also represents a fundamental philosophy of being conservative on our revenue projections and maintains fiscal constraint in our expenditures. This principle means that not every need can be fulfilled, but we will work effectively and decisively with the resources that are allocated.

As I close out my first year as Town Manager, I cannot fully express in words how excited I continue to be. You, along with the staff and community have been very welcoming and accommodating, making a move like this less stressful. I want to thank the Department Directors and Antwan Morrison for all their help and assistance in the budget process. I also want to specifically thank our Finance Director, Aileen Staples, for her dedication and expertise as she assisted me in navigating my first budget process for the

Town. Her financial principle and expertise are key to this budget. In closing, I would to thank each of you for your sound financial policy. Without this, Wake Forest would not be the great place it continues to be. Please let Aileen or I know if you have any questions or need additional information as we move through the budget process toward adoption in June.

Respectfully submitted,



Kipling D. "Kip" Padgett, ICMA-CM  
Town Manager