



TOWN *of* WAKE FOREST

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May 1, 2018

Honorable Vivian Jones, Mayor
Honorable Greg Harrington, Mayor Pro-tem
Honorable Brian Pate, Commissioner
Honorable Anne Reeve, Commissioner
Honorable Liz Simperts, Commissioner
Honorable Bridget Wall-Lennon, 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, 2018. 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) 2019.

INTRODUCTION

This budget year has an emphasis on major capital projects. There has been strong importance placed on moving forward with projects that were approved as part of the 2014 bond referendum and/or is associated with grant funding. As a result, we are preparing to issue debt in excess of \$16 million. In addition, several strategic policy decisions have been made that has increased our debt capacity. A review of the latest CIP project tracker shows several infrastructure projects in the design phase. Some of these include: Downtown Streetscape Improvements, Richland Creek Stream Repair, Fiber Infrastructure and others. Reviewing the same document shows twelve (12) projects in the bid or construction phase. Some of these projects include: Stadium Drive Complete Streets, Holding Park Aquatic Center, Joyner Park Phase II, Street Maintenance project, Road Connections and many others.

Over the coming months, there will be a noticeable increase in the amount of roadwork being performed on local streets. Those projects coupled with the construction of the Senior Center, a new pool and the Joyner Park Community Center will provide residents with new amenities, smoother roads and quicker connections in some areas of Town. This will also challenge staff to ensure projects are completed on time and plan for the appropriate maintenance once completion has occurred.

As you recall, we moved to a system where we alternate public safety and general services position requests. During last year's budget process, the emphasis was placed on non-public safety positions. This year's focus has been on public safety in two distinct areas. First, to ensure continued and appropriate response times to citizen calls and to implement succession planning for the upcoming retirement of several officers at the rank of Lieutenant and above.

The strategic plan lays the foundation of how our budget should be shaped to address the needs of our community. In January 2017, the Board met and reaffirmed the goals of the strategic plan. Staff

updated the objectives and created a vision and mission statement approved by the Board in August of last year. Listed below are of the four goals of the strategic plan and a summary of how this budget addresses each:

- ***Economic Development*** – Staff continues to progress on the establishment of a live-WORK-play technology center. This type of project is a journey and requires a long-term vision and the patience to reach the objective. Progress is being made. Over the last 15 months, discussions have been held with various property owners and we have focused in on one property. After discussing several different partnering options with the property owner, the Town, the Wake Forest Business and Industry Partnership (WFBIP) and the property owner are now partnering on a land use plan. Upon completion of the plan, a visual and much clearer understanding of what is possible on this property will be produced. This will assist in confirming that everyone shares the same vision and will help in the marketability of the property. Funds continue to be added in the Economic Development Budget to aid staff in this critical endeavor.

Entrepreneurship is a new program in the early stages of development. There is a growing community of entrepreneurs within Wake Forest that is reflective of the triangle region's ability to attract the best technological minds. The Town and WFBIP have worked to foster an environment of connectivity, creativity and mentorship that focuses on the technology entrepreneurs within our community, especially the "spare-room" entrepreneurs. A cornerstone to this approach will be the establishment of incubator space to funnel regional start-ups and entrepreneurs to Wake Forest to expand their businesses. We are currently negotiating with property owners to enter into a public-private partnership for an incubator. Funding to promote events/speakers and to begin the partnership with existing providers to implement this new strategy have been included.

Due to the recent purchase of the SunTrust building, funds have been added to our debt service to provide for repayment of the loan. The acquisition of this property provides the town the ability to be strategic and deliberate in what type of development occurs on this property. During the Renaissance Plan update, this property was identified as one of the key pieces to the continued successful development of downtown. The downtown streetscape project coupled with the private development known as Power House Row will redefine South White Street for years to come. Many new businesses are poised to enter our downtown retail center in the coming year. Funding has been appropriated to assist downtown development staff in the facade improvements grant program and to continue our successful downtown event programming.

The Renaissance Centre for the Performing Arts is completing its renovations. The renovation, funded in part by Wake County, will allow the Centre to compete with other venues in our area. There is a demand for meeting space within our community and this will help to meet some of that demand. In addition, it will be much more than an event space. It will be a venue for cultural and artistic expression through plays, classes, music and other events that reach across the age spectrum of our community. Funding for this Centre is in accordance with past Board Policy

- ***Enhance a Safe and Connected Community*** –The update of our Transportation Plan has begun. This plan will combine all modes of our transportation network and provide us a new blueprint as we seek future funding for infrastructure improvements.

Our Parks and Community Development Departments contain items in their budgets that allow for connectivity and maintenance of our sidewalk system and greenways. Of particular note this year, is that we have allocated funding in debt service to pay for the street maintenance program and the road connections project. In order to adequately fund this program, it is recommended the vehicle registration fee be increased by \$10 per vehicle. This added revenue source has been discussed in past Board retreats as a way to offset the cost of our robust road maintenance program along with future transportation improvements.

Smith Creek Soccer Center has also been scheduled for much needed surface repairs. Like all our parks, the Soccer Center is used weekly by our citizens in both competitive and leisure play. Although there is a strong desire to replace the portable bathrooms with permanent structures, we should wait until revised flood plain maps are issued to ensure any permanent structures are out of the flood plain.

The budget recommends the establishment of a second traffic unit. An initial unit was funded in 2016 and we are seeing positive results from this unit. Overall traffic accidents have been reduced and more specifically reductions have been noted at intersections designated as hazardous due to accident frequency. An additional unit will allow seven days a week coverage by the traffic unit and also allow more attention to be focused on areas needing proactive traffic enforcement without pulling patrol officers from their patrol duties.

- ***Culture that reflects our values:*** The budget continues to allocate funds for merit increases. Our medical insurance will increase 9.5%. Although we will still continue to pay 100% of the employee's coverage, family and spousal coverage will increase. In an effort to control future increases in our health insurance premiums, the Board has authorized us to join the North Carolina Health Insurance Pool (NCHIP) effective July 1. This partnership of municipal and county governments will afford the Town the ability to move toward a self-funded model which will help in our design and implementation of benefits as we seek to control the cost of health care.

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

- ***Maintain Fiscal Strength:*** Alongside land use policy, our financial strength is key to a vibrant and 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. A financially sound government ensures that we can fulfill basic municipal and quality of life needs for our residents. This budget maintains our policy regarding reserves/fund balances. No fund balance has been allocated for recurring operating costs.

In addition, we are still maintaining our capital reserve fund in anticipation of any project shortfalls. We continue to forecast our CIP projects and operating revenue out five years so that we can appropriately plan to maximize resources.

REVENUE SUMMARY

The recommended tax rate for the coming year remains at \$0.52. This is based on an estimated tax base of \$5,147,038,465 (Wake County) and \$106,486,250 (Franklin County) and a collection rate of 98.0%. The current year's revenue for the General Fund funded by the tax rate is \$26,771,960. The tax rate can be broken down into \$0.41 (\$0.085 of which is for debt service) 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 last year. The revenues from this service district aid in offsetting debt service for the South White streetscape project, facade improvements and other costs as they arise.

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, \$1,591,145 of fund balance is appropriated. 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.

As stated earlier, this budget recommends an increase to the vehicle registration fee of \$10 to offset debt payments for our transportation projects. Since our 2015 retreat, we have discussed increasing the vehicle registration fee as an avenue to help offset the cost associated with our road maintenance program, when it was implemented this year. While staff has been able to avoid the anticipated two cents tax increase that was associated with the 2014 bond referendum, an increase in the vehicle fee will provide resources for funding transportation debt.

EXPENDITURE SUMMARY

Personnel

Departmental requests this year totaled twenty (20) positions. The budget recommends the authorization of sixteen (16) full-time positions. Most of these positions are in the Police Department and are as follows: Four (4) corporals to split the town into districts for quicker response times; one (1) corporal to assist in officer training and recruitment; one (1) Sergeant and four (4) officers to comprise a second traffic unit; one (1) Lieutenant to oversee the two traffic units; one (1) Administrative Captain and two (2) administrative positions.

Non-public safety positions include a Zoning Enforcement Officer to assist in addressing violations of the Code of Ordinances and the UDO. Also included is a Marketing and Business Relations Associate to assist Town Departments as they continue to solicit sponsorships for our many events throughout town.

Over the past couple of years, we have tried to focus on providing appropriate staffing levels to a point where we can adequately meet service levels. After this year, staff believes we will be at a transition point where such large increases in staffing are not needed.

In past budget discussions, we have mentioned our OPEB and LEO obligations. OPEB, Other Post-Employment Benefits, is the obligation we have based on Town policy to provide life insurance and medical coverage for those employees who retire from the Town. This obligation is in excess of \$14 million. To be fiscally prudent and to prevent this number from rising, staff will be recommending that effective July 1, 2018, all **new** hires will not be provided with this benefit. We will be following other governments in the region who have taken this step. Our benefits package is still extremely competitive.

LEO, Law Enforcement Allowance, is mandated by state law and requires a local government to subsidize a retired law enforcement official's salary until the age of 62. Our current obligation is \$2 million.

While we have been paying these costs through pay-as-you-go, it is now prudent to set-up a Trust Fund with the State Treasurer's Office to begin setting funds aside to cover these future obligations. This step will assist us in meeting GASB requirements and maintaining our bond rating. The recommended budget will allow us to establish this trust fund.

Capital Outlay

Capital funding will increase in both the General Fund and in the Electric Fund. In the Electric Fund, system improvements and line construction are planned. Proceeds will also be used to purchase a 3-reel trailer and to replace a track hoe. 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 replacement police cars and vehicles for new positions. It is important to note that we want to keep this amount under the debt model as we settle in to the additional debt we are assuming. Capital reserve funds will be used for funding needs such as field renovations, roof replacements, sidewalk installation and storm water repairs. Also included are upgrades to the audio-visual equipment in the Board Chambers. Fund balance utilized this year focuses on one time/non-recurring capital items such as items requiring replacement and/or additional equipment for our Public Works crews, as well as Park Maintenance crews. 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 \$6.7 million, which is 15.4% of the General Fund expenditures. Debt service now has its own separate fund with a dedicated tax rate of \$0.085. All general fund debt is placed in this fund. This is a significant increase in the debt fund but is needed to cover the obligation from the 2014 bond referendum and other projects approved by the Board.

Fire Services/Other Agencies

Funding levels for the Wake Forest Fire Department are recommended to remain at current levels. A new cost sharing formula has been developed by Wake County, which increased the County share of funding for the Wake Forest Fire Department.

It is recommended the Fourth of July Committee, Resources for Seniors, the Birthplace Museum and Chamber of Commerce receive funding at the same levels as last year. However, based on recent publications by the School of Government and the League, we will be developing more formalized agreements with our funding partners.

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

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.

- **Personnel** – As you are aware, there 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 increasing demand. However, I expect future budgets to request less personnel. As stated earlier in the memo, we have been trying to catch up the past two years.
- **Debt** – This year we will be issuing a large sum of debt. As an AAA rated government, we receive favorable terms on our debt. However, our recently presented debt model illustrated our future obligations and our limitations going forward after this round of issuances.
- **Legislative Action** – Because we are a creature of the State, action of the General Assembly could create unanticipated (and unfunded) mandates.

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.

The Town is undertaking many capital projects over the coming months that will have significant impact on our Town. These are all positive projects that improve our quality of life and continue to make us a desirable place to live. Whether a community is growing or not, there are always challenges. I believe this budget meets the challenges of this growing, vibrant community and sets the stage to make Wake Forest a greater place tomorrow than the great place it is today. It truly is where “innovation meets opportunity”.

I would like to thank our department directors for their hard work and dedication in preparing this year’s budget. Our Senior Budget Analyst, Ben Blevins, has been instrumental in the development of this budget, especially in the area of performance management. I want to specifically thank our Chief Financial Officer, Aileen Staples, as we navigate the budget process. Her financial principles and

expertise are key to keeping us financially stable. In closing, I would to thank each of you for your sound fiscal 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, CPM
Town Manager