



TOWN *of* WAKE FOREST

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May 7, 2019

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, 2019. 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) 2020.

INTRODUCTION

A brief drive around our community illustrates how much is happening in Wake Forest. One of the most noticeable endeavors is the amount of Town construction projects that are occurring. A major focus of last year's budget was to move several of these projects forward to construction and completion, with special emphasis on the 2014 voter approved projects. Many of these projects are complete or will be completed over the summer months. Some of these include Holding Park pool, Joyner Park Community Center, Northern Wake Senior Center expansion, Streets Resurfacing project, Stadium Drive Complete Streets project, and the Priority Pedestrian Corridor Project. In addition, the Downtown Streetscapes Project has started which will continue the White Street Streetscape from Elm Street to Holding Avenue. This project will also transform Owen Avenue into a Festival Street.

Over the past three years, an effort to increase staffing has occurred that would provide the Town with the ability to better meet the service level of a growing community. Almost all departments have received additional personnel, as they work to keep pace with expected service levels and the growth the Town is experiencing. This year there are fewer positions being recommended in the General Fund as our focus turns to getting the completed projects opened, staffed and operational so that our citizens and visitors alike can enjoy Wake Forest.

The strategic plan lays the foundation of how our budget should be shaped to address the needs of our community. In January of this year, the Board met and reaffirmed the goals of the strategic plan. The Board also worked with senior management to identify existing and new strategies that should be added or removed in looking at the next two years. Listed below are the four goals of the strategic plan and a summary of how this budget addresses each:

- **Economic Development** – Staff negotiated an agreement with the Seminary for the marketing and development of land located along Stadium Drive near the intersection with Capital Boulevard. The agreement formed a partnership where the Town, acting through the Business and Industry Partnership (BIP), and the Seminary will market and jointly fund any required studies to make this site one of the best locations for technology in a live-work-play environment. The site is currently undergoing site certification through our partnership with Electricities. This process will certify to prospective buyers that the site has been through certain baseline analysis such as surveys, environmental testing, basic civil engineering work, etc. and is ready to be developed.

Entrepreneurship continues to gain ground supported by a couple coworking locations in the downtown area. In addition, work continues by the BIP to negotiate a partnership between prospective property owners and existing incubators currently outside of Town to establish a presence within Wake Forest. This will allow technology start-ups or those entrepreneurs looking at options for technology to gather to work and brainstorm ideas and new processes with each other and with local partners such as the Wireless Research Center.

Downtown continues to thrive with the opening of several new businesses and a very low vacancy rate. New infill development with the Retreat at Renaissance and Powerhouse Row will add a much-needed residential density to our downtown. With the purchase of the SunTrust building, the Town is working with the School of Government in Chapel Hill through the Development Finance Initiative (DFI) to establish a vision for the site that meets the needs of our citizens and downtown business owners. This vision will be used as DFI works to develop an agreement between the Town and potential developers to redevelop this critical downtown corner.

The Renaissance Centre for the Performing Arts has completed its renovations. It is experiencing a new level of activity. Many programs and events are being offered in both the Grand Hall and classrooms for people across the age spectrum. Performances at the Centre are conducted by local and world-renowned talent. New programs such as Multicultural Arts day, the Film Festival and the STEM Fair were new events this year that were very successful and are already being planned for next year.

- **Enhance a Safe and Connected Community** –The update to the Comprehensive Transportation Plan is going very well. Soon, public hearings will be held to receive comments on the progress of the document and to solicit further input. This plan will be vital to moving our transportation needs forward to ensure all modes of transportation remain relevant, connected and utilize the best resources available to keep the public moving.

This year will begin the update of our Community Plan. This is one of the most important planning initiatives a community can undertake. It establishes the vision of the Town and reviews issues such as land use, which plays a critical component in the zoning matters that appear before the Board. Many of the policies put forth and adopted by the Board have their origins in the Community Plan. Public participation is critical to the success of this plan to ensure that as many voices as possible are heard so that it can truly be a plan for the community.

There are funds in the budget to address mobility issues such as new sidewalk installation and

repair of existing sidewalks. Parks and Recreation requests are recommended to be funded that address field conditions at Flaherty Park as well as renovations to the heavily used dog park.

- **Culture that reflects our values:** The budget continues to allocate funds for merit increases and our medical insurance costs will not increase this year. As you will see from the last year's budget message regarding NCHIP, *"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."*, and we are already reaping the benefits we sought after only one year in the program.

We were asked by employees to look at lower cost options for dependents on health insurance. The Town pays for employee coverage, but they are responsible for dependents. This budget adds another health insurance option with lower premiums for dependent coverage. Due to the lower premiums, the deductible and out of pocket costs will increase for this plan, but the employee will have more control over those costs.

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.

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 five years out 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 \$5,547,000,000 (Wake County) and \$111,775,000 (Franklin County) and a collection rate of 98.0%. The current year's revenue for the General Fund funded by the tax rate is \$28,837,100. The tax rate can be broken down into \$0.41 (\$0.0875 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 for the Downtown 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, \$2,192,500 of fund balance is appropriated. These funds are earmarked for one-time capital purchases along with a small amount to balance the budget. Typically, due to our conservative budgeting, this amount may not be needed, but does assist with balancing the budget until final revenues are accounted for next fiscal year. 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

Departmental requests this year totaled twenty (20) positions. The budget recommends the funding of three (3) full-time positions. Two of these positions are needed for the new Joyner Park Community Center. The third position is a Construction Inspector for Public Works.

The budget also recommends the authorization of three additional positions that will not be funded at present. Two of these positions will be funded upon the retirements of staff within Planning and Finance that will occur this fiscal year. This will provide staff the flexibility to realize cost savings by hiring positions at or near minimum on the pay scale. The third position will be an opportunity to convert a PT position into FT in the Downtown Development department at the beginning of the calendar year 2020.

Three additional positions in the Electric Division have been recommended that address our growing public power system. Recommended are an Administrative Assistant for the new Unicon Drive location, a Meter Assistant and a Groundsman.

Due to a mandate from the State Treasurer's Office, retirement contributions to the Local Government Employees Retirement System (LGERS) have increased more than the State had predicted. This increase is \$200,000 more than anticipated. Based on new projections this will continue to increase at a higher rate in order to keep the retirement fund solvent.

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 replacement vehicles and equipment. 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 that have passed their life cycle. Capital reserve funds will be used for funding needs such as storm water repairs, technology capital needs, dog park improvements, athletic field improvements, and improvements to the Jones Street Parking Lot in downtown. 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 14% of the General Fund expenditures. The debt service fund tax rate is \$0.0875. All general fund debt is placed in this fund. As you are aware from last year's budget, this increase in debt service is due to the current construction projects on going that have been approved by the Board and through the 2014 voter referendum.

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 that the Wake Forest Birthplace Museum and Chamber of Commerce receive funding at the same levels as last year and a slight increase for Resources for Seniors due to the newly expanded Senior Center coming on line this summer.

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*** – Only six positions were fully funded this year. As you are aware, there is a need for more staffing that will be evaluated each year along with need and revenue projections.
- ***Debt*** – With the exception of our fiber project, all debt obligations have been issued. As you recall from our debt model, this will limit our ability going forward to issue new debt and stay within our policy.
- ***Legislative Action*** – Because we are a creature of the State, action of the General Assembly could create unanticipated (and unfunded) mandates.
- ***LGERS*** – Due to the recent action of the Retirement Board, contribution rates have increased more than original projections. This is expected to continue over the next two - three years and could have a large impact on future budgets.
- ***Fire Department*** – A study is currently underway to determine if the fire department should come under the Town's umbrella. If the decision is made to move this initiative forward, the financial impacts are yet to be determined.

SUMMARY

This budget attempts to continue the goals 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.

This year, all debt associated with the above-mentioned projects have come on line. This debt, associated with the unexpected increase in retirement cost by the LGERS, has made this budget challenging to compose. Whether a community is growing or not, there are always challenges. I believe this budget meets the challenges of this growing, vibrant community and allows Wake Forest to continue to thrive in its delivery of services to our residents. 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,

A handwritten signature in black ink that reads "Kip Padgett". The signature is written in a cursive, flowing style.

Kipling D. “Kip” Padgett, ICMA-CM, CPM
Town Manager