



# TOWN *of* WAKE FOREST

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May 5, 2020

Honorable Vivian Jones, Mayor  
Honorable Liz Simperts, Mayor Pro-tem  
Honorable Jim Dyer, Commissioner  
Honorable Chad Sary, Commissioner  
Honorable Bridget Wall-Lennon, Commissioner  
Honorable Adam Wright, 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, 2020. 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) 2021.

## **INTRODUCTION**

As we enter FY 2021, we do so under a blanket of uncertainty. The public health crisis that has affected us since March has caused our community and nation to change. From mass closures and cancellations to the increasing daily numbers of infected and deceased people have become a part of daily life that no one expected as we began a new decade only a few months earlier.

While there is still uncertainty and questions, there are also many examples of hope and testaments of resiliency. Most high school seniors will not be able to make the traditional walk across the stage and receive their diploma, but they are still moving forward with virtual graduations/events and looking forward to college, trade schools or entering the work force. Restaurants have changed their business model to adapt to new requirements including curbside pick-up. Although our current situation is a public health crisis, it also affects local government operations. We have had to embrace teleworking, close facilities and cancel popular events that serve to enhance the quality of life for our citizens.

How do we move forward? This question has been asked many times and still continues today. As a community, words such as pandemics, stay-at-home orders, social distancing and PPE's were not in our everyday vocabulary as they are today. However, words and phrases such as zoning, land-use, taxes infrastructure, potholes and inspections are still as relevant as they were in March and these services of local government have been and must continue moving forward. Our role is to provide as much normalcy as we can and continue providing services and innovation that makes Wake Forest what it has always been...a growing, vibrant community that retains its small-town feel.

Most of the projects from the 2014 bond referendum have now been completed. This year we celebrated the opening of the Senior Center and the Joyner Park Community Center. Many road projects were completed, including the downtown streetscape project. The Priority Pedestrian Project along

Wait Avenue is in its last phase and the Ligon Mill Road Intersection Improvements have begun.

This has also been a revaluation year for Wake County and its municipalities. During this process we have to determine what our revenue-neutral rate is and then recommended a tax rate. A detailed description and process used to determine the revenue neutral rate is located within the budget document. The Town of Wake Forest revenue neutral rate is .04625 cents. Our current tax rate is .052 cents. It is recommended the Board of Commissioners adopt a rate of .0495 cents which will address the following major initiatives:

- **Fire Department** – This rate is inclusive of the Wake Forest Fire Department becoming a department of town government. It also provides for the support personnel in various town departments, as described in the Merger Feasibility Study. While the study suggested a possible increase on the tax rate between .02 and .03 cents, the actual impact is a little less, in part due to property revaluations this year.
- **Transportation** – The rate is also inclusive of a dedicated cent and a half (.015) for transportation needs. As we discussed at the retreat and due to revenue shortfalls at the State because of COVID-19, revenues from the NCDOT are continuing to decline and projects have been delayed or canceled in our community. As a Town, we will need to step in and provide the funding and improvements where NCDOT cannot or provide matching funds at an increased monetary value that will move our projects up in priority with the State. If we do not, needed improvements will continue to be delayed and congestion issues will not be addressed. This .015 cent will yield over \$996,000 per year. It will be designated for safety improvements that meet standard engineering principles and NCDOT thresholds as well as projects identified in our CTP and CIP. Any access management studies required before a project can be initiated would also come from this fund.
- **Housing** – There has been much discussion around affordable and workforce housing. The Town has participated in some initiatives through a public/private partnership. Part of the recommended tax rate includes a half cent (.005) to fund these initiatives and provide a staff person to administer. It is not recommended the Town enter into the housing business. We do not have the capability or systems in place. However, these funds can be used for more public-private partnerships focused on infrastructure and in conjunction with Wake County and their funding sources to fill this unmet need within our community. The first step is to develop a housing plan with parameters. The recommended half cent will generate in excess of \$332,000 per year.

It is important to remember we are dealing with an economic downturn as the result of a public health crisis and not a problem with our economic system as in 2009. We must continue to provide a budget that invests in solutions and does not throw money at problems. This management and policy philosophy in concert with the strategic plan lay the foundation of how our budget should be shaped to address the needs of our community. The strategic plan is reviewed monthly with staff and is provided to the BOC on a quarterly basis. Listed below are the four goals of the strategic plan and a summary of key initiatives and its relation to the budget:

- **Economic Development** – As a result of the efforts to continue to lift the profile of Wake Forest as an optimal place to locate and grow a business, it was announced earlier this year that Loading Dock would be establishing a presence in Wake Forest for the location of an incubator and coworking facility. This project was the result of a year's long process between Loading

Dock, property owners and ED staff. It will result in the upfit and remodel of an existing warehouse building along South White Street. This space will provide a need that was identified by our entrepreneurial community for idea sharing and flexible working space. ED staff will continue the ongoing partnership with Loading Dock once they arrive in Wake Forest.

Construction is set to begin on a number of flex space buildings by Merritt properties adjacent to our industrial park. Many of our existing businesses have cited space constraints as their biggest issue. ED staff worked to assist in the rezoning of this property and worked with the developer to design a product to meet the needs of our existing businesses and potential new clients to the area.

The NC Wireless Research Center continues to put Wake Forest on the map. Many of the grants and partnerships they have acquired are resulting in leading edge discoveries that will benefit our state and nation. Staff is currently working with the Center on the implementation of a recent grant they received in the area of drone development. This further strengthens the relationship between the Town and Wireless Research Center.

Due to the resulting economic uncertainty with COVID-19, there is some uncertainty of what product will be in demand when this economic sector returns. As a result, I have asked staff to take a measured pause on the SunTrust lot and the tech park partnership with the Seminary until we get a better understanding of this economic sector. Both of these projects are still at phases where they can be modified if needed to meet demand and it is wise for us to pause and see what the future is before we continue with these two important projects.

In this year's recommended budget, economic development department funding has been taken out of the general fund and been established in the Wake Forest Business and Industry Partnership Fund (WFBIP). Similar to the Renaissance Centre fund, a transfer from the general fund into the WFBIP is shown to account for personnel and departmental operations that were previously housed in the general fund

The Renaissance Centre for the Performing Arts 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 are continually being added and refined at this important cultural site within our community.

- ***Enhance a Safe and Connected Community*** –Contract negotiations are underway to select a consultant for the update of the 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. Funding for stormwater initiatives as well as a review of further improvements to road connectivity are also included.

- ***Culture that reflects our values:*** The budget continues to allocate funds for merit increases. Our continued involvement in the North Carolina Health Insurance Pool serves us well. Premiums will not increase for the second straight year. Additionally, we have been able to accumulate reserves of \$1 million that will assist us in the event we experience high claims in a given year.

Staff is the most important asset we have. Many of them interact with the community daily and are ambassadors to our 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.

This is more important now than ever before. Although we are in an economic downturn, we are always projecting revenue and planning expenses out past our current budget. This allows us to be flexible in the movement and assignment of programs and services when unanticipated events like the current pandemic arise.

## REVENUE SUMMARY

As previously stated, the recommended tax rate for the coming year is \$0.495. This is based on an estimated tax base of \$6,648,652,175 (Wake County) and \$127,788,435 (Franklin County) and a collection rate of 98%. The total budget for the Town of Wake Forest, inclusive of all funds, is \$86,645,395.

The recommended tax rate for the Downtown Municipal Service District is \$0.14 per \$100 of assessed value. The revenues from this service district aid in offsetting debt for the Downtown Streetscape project, facade improvements and other costs as they arise.

Due to the effects of COVID 19, we have projected a 5% or \$422,500 decrease in sales taxes. Vehicle taxes and fees are projected to remain flat. A 3.7% increase in the sale of power for the Electric Department is projected for growth in the system. There is an electric rate study ongoing that should be presented to the Board in August. Any rate adjustments approved as a result would not be effective until October.

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, \$812,400 of fund balance is appropriated. These funds are earmarked for one-time capital purchases. Typically, due to our conservative budgeting, this amount may not be needed, but does provide to balance 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.

The recommended budget also includes removing the residential solid waste fee from the tax rate. In 2005, Wake Forest merged its water and sewer system with Raleigh. As a result, the town lost the ability to bill its customers for solid waste and decided to merge those cost into the tax rate effective 2008-2009. That cost is currently equivalent to 3.5 cents of the tax rate. The City of Raleigh now offers a billing service to its merger communities. It is important to separate this fee because solid waste service should be treated as a user fee. Currently, the taxes to support this service are also being paid by commercial taxpayers. The commercial taxpayer is also required to provide their own commercial solid waste services. In essence, the commercial tax base is subsidizing the residential solid waste collection. To resolve this inequity, the recommended tax rate has removed the embedded solid waste cost and a new user fee of \$21 per month for each user is established. In conversations with Raleigh, this new billing would begin in January 2021 to afford us the opportunity to educate everyone on this new policy.

## **EXPENDITURE SUMMARY**

### ***Personnel***

Departmental requests this year totaled twenty twenty-eight (28) positions. The budget recommends the funding of seventeen (17) full-time positions. Six (6) of these positions are a result of the fire department joining the Town.

The remaining eleven (11) positions are required to meet increasing service demands, unmet needs or to increase service delivery within the Town. Position hiring is staggered throughout the year to allow for preplanning among departments and in the case of this year, to ensure revenue assumptions are meeting projections.

Included is one additional position in the Electric Division to address our growing public power system.

Due to a mandate from the State Treasurer's Office, retirement contributions to the Local Government Employees Retirement System (LGERS) have increased and are projected to reach 12.55% for general employees and 14.17% for law enforcement by 2023. This year we are required to increase our contribution percentages from 9.05% to 10.25%. The impact this year is \$943,710. It is anticipated retirement contributions will continue to increase, but at a lower rate after 2023 as the state strives to keep the retirement system solvent.

### ***Capital Outlay***

Capital funding is planned for both the General Fund and in the Electric Fund. In the Electric Fund, system improvements and line construction are planned. No other capital outlay is planned in Electric. 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 funds will be used for funding needs such as new sidewalk construction, and facility improvements/repairs. The largest single item this year will be a \$1.4 million purchase for the Fire Department Aerial Drawn Ladder, which represent over half of the rolling stock funding. 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 \$6.8 million, which is 12.2% of the General Fund expenditures. The debt service fund tax rate is \$0.0775. All general fund debt is placed in this fund. A majority of debt service is due to construction projects that have been approved by the Board and through the 2014 voter referendum.

### ***Other Agencies***

It is recommended that Resources for Seniors, the Birthplace Museum and Chamber of Commerce receive funding at the same levels 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**

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 our community continues to grow and we enhance our services to citizens, personnel are a continual need and represent one of the largest expenditures for any agency.
- ***Debt*** – With the exception of our fiber project, all debt obligations have been issued. We are currently at 12.2% of general fund expenditures and our policy is 15%.
- ***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 and could have a large impact on future budgets.
- ***Fire Department*** – This year merges the WFFD as a new department under the Town. As we grow and expand our municipal footprint, the fire department will also need to grow through stations and personnel. Purchase of fire rolling stock is usually one of the largest capital expenditures of a local government outside of construction projects.

## 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 maintain 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. It is imperative that our budget invest in solutions and not throw money at problems.

Due to our budget philosophy and practices, I feel confident the budget presented is realistic and provides the resources needed to further the mission of the Town, in light of these unprecedented times. I hope this budget displays the positives of what we as a Town can accomplish for our citizens and the actions we take to remain an employer of choice for our staff. In these times, it is easy to focus on the negative and uncertainty, but I hope that you and the citizens of our community know their Town Government stands ready to continue meeting its needs within the resources allocated. 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. This has been a challenging process as our face to face meetings with department directors were replaced by phone calls and emails as we socially distanced, but everyone has risen to the occasion and has made the needed revisions to ensure a balanced budget. Finally, 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.

One final note...On behalf of the Town, I would like to extend our sincere welcome to the men and women of the Wake Forest Fire Department. Welcome to the family! We are glad you're here!

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