



TOWN *of* WAKE FOREST

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May 3, 2022

Honorable Vivian Jones, Mayor
Honorable Jim Dyer, Mayor Pro-tem
Honorable Chad Sary, Commissioner
Honorable R. Keith Shackelford, Commissioner
Honorable Nick Sliwinski, 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, 2022. 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) 2023.

INTRODUCTION

As we begin a new fiscal year, there are many challenges and opportunities that await. The updated Community Plan has been approved providing a guide for growth over the next 10 to 20 years. The Community Plan contains a work program that list many projects and new initiatives throughout the life of the plan. While some of the projects enhance or modify an existing service or program, other projects have the potential to create new opportunities that must be planned, financed and staffed.

The Renaissance Centre and our Nationally Accredited Parks, Recreation and Cultural Resources Department continue to reinvent itself on an ongoing basis to meet the expectations of our citizens. New and returning programs, post COVID, have far exceeded our expectations and will require additional resources in the coming years to meet the demand for these programs.

The Fire Department has attained a Class One ISO rating which could result in insurance savings to many of our commercial business owners. Our Police Department recently received its reaccreditation from CALEA, following its normal three-year review. This accreditation signifies the Department's policies and procedures meet national standards and is a sign of our proactive approach to policing. We continue to maintain our Triple, Triple A rating from the three credit rating agencies signifying the fiscal soundness of our financial system. The Town was also named a best-in-class employer this year based on factors such as compensation, benefits, low turnover rates and management.

Our Development Services Team (Planning, Inspections and Engineering) continue to face increasing demand for their services. As the Community Plan, Affordable Housing Plan, etc. enter the implementation phase, our Planning Department will require further support to ensure resources are available to assist them in implementing these important initiatives. All three departments continue to remain at the top of local governments in the triangle as it relates to responsiveness and services provided to their customers.

Only one project remains from the 2014 bond referendum and it is in the final closeout phase. During the Board's annual retreat this year, staff received approval to move forward with debt modeling and planning for a November bond referendum with projects addressing several needs within the community at a cost of approximately \$75 million. These potential projects will allow us to continue making needed improvements to our infrastructure network and provide more quality-of-life features to our parks and greenway systems.

We must continue to provide a budget that invests in solutions. 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 five goals of the strategic plan and a summary of key initiatives:

- ***Sustaining Excellent Town Services*** – Funding has been included to provide performance-based merit increases for staff. For the fourth consecutive year, no insurance premium increases are needed. The budget does provide additional funding to adjust pay across the board for all full-time and permanent part-time employees. One of the Town goals has always been to remain an employer of choice. As we look at other governments in the area, they are addressing employee salaries during this budget year. To stay competitive and retain our highly skilled team, the budget recommends a 5% increase for anyone making \$65,000/yr and below. Anyone above \$65,001/yr would be awarded 2.5%. We are working to ensure we have succession plans in place in each department and providing training opportunities to our employees. Staff is currently in the process of identifying sites for an additional fire station. Increasing land cost and development necessitates we move forward with the additional station to maintain acceptable response times. We are hopeful land will be purchased during the fiscal year using some of our fire impact fees.
- ***Creating Accessible Housing Opportunities***: Fifty thousand dollars (\$50,000) is once again included in the recommended budget to assist with renovations and rehabilitation of homes in the northeast community in accordance with the adopted Northeast Area Community Plan. The initial year has seen a lot of demand for the program. The affordable housing plan is nearing completion and will include recommended strategies to continue addressing our affordable housing challenges. Current home prices and cost increases in material and labor for renovations have continued to make this goal more critical and more challenging to achieve. Working with the Wake County Housing Authority and HUD to address the need to update and reimagine our public housing remains a goal; however, we acknowledge it will be a long-term process.

- ***Fostering a Safe, Diverse, and Welcoming Community:*** The budget, through the American Rescue Plan (ARP) funding, targets specific work programs identified through the Northeast Community Plan update. Specifically, better Wi-Fi access in our parks and community centers as well as targeted programming and better connectivity of sidewalks and roads. Our Communications Department is currently evaluating firms to assist in developing gateway and wayfinding signage throughout the community to enable residents and visitors to enjoy more of our amenities. Advisory Board staff liaisons have been asked to identify opportunities to make events more inclusive within our community.
- ***Investing in Transportation and Infrastructure:*** Funding continues to be allocated for sidewalk repair and expansion. Also included is funding to address stormwater and road repair issues. The proposed bond referendum allocates significant funding for road and greenway improvements/expansions. We continue to participate in public/private partnerships which help to make our transportation network more efficient while at the same time utilizing contractors currently on site to minimize cost, such as the work on Ligon Mill Road completed on our behalf by the contractor working for Wegman's. ARP funding has also been programmed to provide significant funding for stormwater improvement projects.
- ***Advancing Community and Economic Prosperity:*** The budget provides funding for an entrepreneur in residence program at Loading Dock. This program allows a successful entrepreneur to be available at specific times to meet with other entrepreneurs to provide one-on-one advice and mentoring. This program combined with funding the Town provides to Launch Wake Forest and a new entrepreneurial program for youth at the Chamber illustrates the Town's commitment to fostering an entrepreneurial environment within our community. The connected community's partnership between the Town, Wireless Research Center and the DuBois Center was allocated funding outside the traditional budgeting process; however, it will extend into the new fiscal year. The program's mission is to provide training and certifications in the information technology field to citizens who may have traditionally not had access to these opportunities.

REVENUE SUMMARY

The recommended tax rate for the coming year is \$0.495. This is based on an estimated tax base of \$7,267,878,800 (Wake County) and \$153,924,300 (Franklin County) and a collection rate of 98.5%. Collection rates over the past five years has been 99.7% or higher, but it remains prudent to be more conservative in our projections. The total budget for the Town of Wake Forest, inclusive of all funds, is \$98,872,075.

The recommended tax rate for the Downtown Municipal Service District remains at \$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.

Sales tax revenue for the current year has been higher than expected due to the release of the 2020 census numbers and increased sales activity. A 4.3% increase from FY2022 estimates is budgeted. Vehicle taxes and fees are projected to increase approximately 21.6%. Part of this increase is due to a recommended increase in the vehicle tag fee by \$5.00, which will be discussed later in the memo. A

4.8% increase in the sale of power for the Electric Department is projected for growth in the system. Our electric fund has been challenged this year due to two issues: 1) the delay in increasing the electric rate to cover operating expenses, and 2) the increased cost of supplies due to material shortages and supply chain issues. As prices have yet to level off, we will need to closely monitor this fund. It is important to remember our electric system is an enterprise fund and should be self-supporting based on the revenue generated.

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, \$1,732,770 of fund balance is appropriated. These funds are earmarked for one-time capital purchases. 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 above the 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

The budget recommends the funding of twelve (12) full-time positions. The positions are:

- Grant Compliance Manager (Finance) – Utilizing ARP funds, this position will be responsible for compliance and reporting of our \$14.7 million allotment of funding from the American Rescue Plan Recovery Act (ARP). Additionally, this position will fill an important gap in the application and monitoring of available grants across all departments.
- Code Enforcement Supervisor (Inspections) – Our non-residential development continues to grow and is challenging our existing inspectors to keep pace with the requirements to review new commercial and institutional construction as well as perform the annual inspections that are required in these types of facilities. This new position will manage our commercial fire inspection program and assist the current staff members.
- Fire Training Officer – We currently have one training officer to maintain the records and requirements of the fire staff. Our ISO 1 designation as well as specialized areas in water rescue, arson investigation, aviation, etc. require more training, time, and structure.
- CIP Manager (Engineering) – Utilizing ARP funds, this position will be responsible for managing the construction projects associated with our \$14.7 million allotment of funding from the ARP. This position will also assist in the management of projects resulting from the November bond referendum, as well as other town owned infrastructure projects.

- Streets Crew – Funded with the recommended \$5.00 increase in the vehicle tag fee, this crew will be comprised of a crew leader and two construction workers. This three-man crew will provide quicker response to infrastructure issues reported from our residents through See/Click/Fix and other mediums. They will be able to respond quickly to road issues such as potholes, assist with litter control and right-of-way maintenance. This will allow our larger crews to focus on sidewalk construction, stormwater repair, paving, etc. Many times, current crews are pulled away from the larger jobs to address these small but important issues. This causes delays to these larger projects which has a ripple effect to the department's work program. Important to note is that we currently maintain 135 miles of roadways and infrastructure. Our staffing level in streets has not changed since we were managing 75 miles of roadway.
- Community Center Supervisor (Parks) – This position will convert a part-time position to full-time at the Wake Forest Community House. As our rentals and programming continue to increase, the need for a fulltime position is warranted. This was also done a few years ago at our other two community centers.
- Park Maintenance Specialist – The demands on our Parks, Recreation and Cultural Resources Department continue to grow along with our population. Special events at the parks, as well as increased maintenance to our parks and greenways requires additional staffing for our maintenance division. These two positions will allow the division to reorganize and create another crew.
- Downtown Program Assistant – Prior to COVID, we identified a need for another full-time event specialist to assist with our Downtown events. This position was postponed until we returned to normal activity for our events. This is currently a part-time position that will change to full-time.
- AV Tech Operations Specialist (Renaissance Centre) – Increased demand for the venue along with more technical productions has created a need for an additional AV Tech. This position converts an existing part-time AV Tech to full-time.
- Firefighter – The Town submitted a grant to assist in the funding of 15 additional fire fighters for the department. We will not know the result of that submittal until after the budget is presented and possibly adopted. To avoid inflating the budget, we have not included these positions in the recommended budget. If we are awarded the grant, a budget amendment will be needed.

Due to a mandate from the State Treasurer's Office, retirement contributions to the Local Government Employees Retirement System (LGERS) are increasing to 12.18% for general employees and 13.04% for law enforcement. The impact this year is \$568,000. Since 2018, our cumulative total to the retirement system has increased over \$2.4 million dollars due to state mandated increases and the addition of the Fire Department. LGERS still remains one of the best performing and solvent government pension plans in the Country.

Capital Outlay

Capital funding is planned for both the General Fund and the Electric Fund. Capital outlay in Electric will consist of improvements to the Unicon Drive facility that houses Wake Forest Power, line construction and system improvements. Additionally, part of Wait Avenue will have its power lines placed underground in accordance with our policy to eventually place all our lines underground in the Downtown area. 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 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 \$7.2 million, which is 11 % of the General Fund expenditures. The debt service fund tax rate is \$0.07. All general fund debt is placed in this fund. Most of the 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 the Birthplace Museum and Boys & Girls Club remain at their current funding levels. The Chamber of Commerce has requested an increase in their funding from \$12,000 to \$20,000. This provides for an integrated membership that supports both the Chamber and the Chamber Foundation. Additionally, the request will help fund an entrepreneur's academy for local youth.

Resources for Seniors has been a great partner managing the Northern Wake Senior Center by providing programming and other services to our Senior Adults. As more towns within the County build senior centers, the allocation provided from Wake County to support Resources for Seniors must be shared with others. The budget includes an increase in our contribution from \$5,000 to \$27,500.

While nonprofits provide a needed service to the community, it is often difficult to decide which ones to fund. 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.
- **User Fees** – The solid waste fee affects most of our residents. There is no recommended increase to this fee. Although transfer fees and other fees charged to the town for these services have increased, we have been able to absorb those costs. As we look at the next fiscal year (2024), increases may be recommended. We are averaging an additional 70 homes a month that we must provide refuse and recycling collections. Our Solid Waste Division also provides staff for leaf and limb pickup and those services are increasing with the addition of new homes.
- **Legislative Action** – Municipal governments are created by the State and action by the General Assembly could create unanticipated (and unfunded) mandates.

SUMMARY

As the Town looks to a voter referendum in November, it is important to note the 2014 voter referendum did not result in a tax increase, although a two-cent increase was projected to fund the projects. Staff and the Board have been able to absorb the debt service payments through natural growth in the tax digest, shifting projects out and not adding staff in certain years while asking current staff to take on more projects and programs

Over the past 8 years, we have seen tremendous growth and requests for additional services, programs, and activities. Additional resources have been added to address those demands. As we look to the November referendum, I would encourage you to keep in mind the debt service needs to fund new bond projects. As we continue to grow and plan for the growth that has not fully materialized, the current tax rate will be stressed to maintain the operating needs of the Town and staffing for the services that accompany. It will become more challenging to use the natural growth of the tax rate to fund new bond projects that are very much needed by our community. Additional funding to the debt service fund will be needed.

This budget continues 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 important that our budget invest in solutions.

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. 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. 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.

I would like to thank our Assistant Town Managers and 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 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. Finally, I want 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,

Kip Padgett

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