

**TOWN OF CARY  
FISCAL YEAR 2005 UTILITY CAPITAL IMPROVEMENTS BUDGET  
REVENUE SOURCES**

Revenue sources and historical trends for the Fiscal Year 2005 Capital Improvements Budget are discussed below. Revenue sources are grouped by the funds to which they are assigned. Graphs are included for the major revenue sources. Each graph presents nine years of actual data, FY 2004 estimated revenues and FY 2005 budgeted revenues.

**UTILITY CAPITAL RESERVE FUND**

The Utility Capital Reserve Fund serves to collect and distribute funding for Utility related capital projects including the following:

**Water**

- Water Lines
- Water Storage Tanks
- Water Plant Expansions

**Sewer**

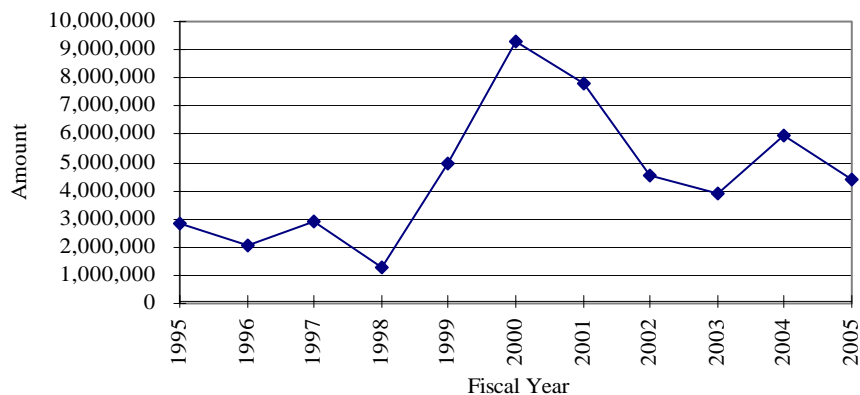
- Sewer Lines
- Pump Stations
- Studies
- Water Reclamation Facility Expansions

• **Debt Proceeds: \$10,097,418**

The FY 2005 Utility Capital Improvements Budget reflects \$10,097,418 in debt proceeds as a funding source for sewer projects. These funds are appropriated as follows:

- \$5,865,000 for the West Cary Pump Station and Force Main project,
- \$1,500,000 for the North Cary Water Reclamation Facility - Odor Control project,
- \$1,200,000 for the Thermal Biosolids Dryer – South Cary Water Reclamation Facility Digester project,
- \$ 638,300 for the replacement/rehabilitation of existing sewer mains,
- \$ 490,542 for the White Oak Creek Interceptor and Pump Station Elimination project, and
- \$ 403,576 for the Bachelor Branch Interceptor and Pump Station Elimination project.

• **Development Fees (Water and Sewer): \$4,395,275**



Water and Sewer Development Fees were created in FY 1999 to replace water and sewer acreage and connection fees. The figures on the above graph include acreage and connection fee revenues for years prior to FY 1999.

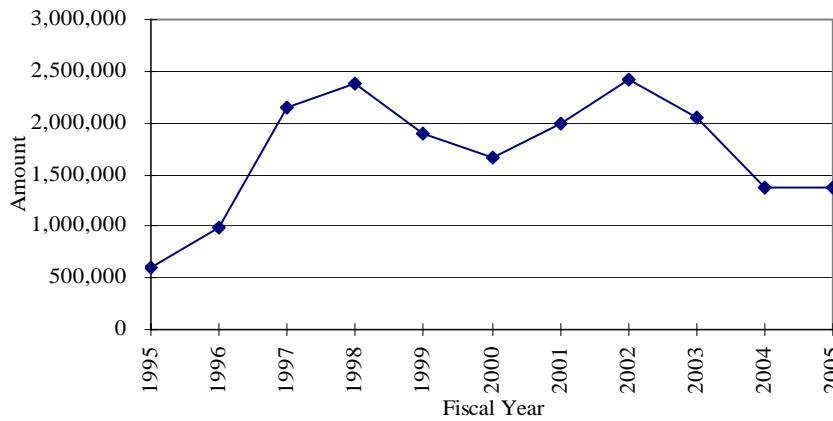
Water and Sewer Development Fees are levied against all taxable property at the time of permit issuance in order to help cover costs associated with water and sewer infrastructure and/or capacity needs. Rates associated with these fees vary based on residential, commercial, and multi-family development and the square footage of single-family dwellings.

In February 2004, Town Council voted to decrease all development fee charges (Water, Sewer, and Transportation) by 30% effective March 1, 2004. The decision to decrease these fees was based upon a desire to help spur declining levels of development within the Town. While the Town experienced double-digit growth in the 1990s, growth dropped to only 3% in FYs 2003 and 2004.

The FY 2004 estimated revenue figure of \$5,937,009 represents a 51% increase from the prior year. This increase is likely attributed to the following factors: the development of a 300 unit apartment complex permitted in the Spring of FY 2004, as well as the decrease in development fees which may have helped create a small spike in permit issuance.

While the intent of decreasing development fees is to spur development, the full impact of the change cannot precisely be determined at this time. FY 2005 budgeted revenue is 26% less than that estimated for FY 2004. In the event of increased levels of development and respective Water and Sewer Development Fee revenues in the future, changes in funding can be initiated to ensure that all incoming funding is utilized to the highest degree possible.

- **Interest Earned: \$1,380,881**



Interest Earned revenue represents the amount of money the Town earns on its invested funds held within the Utility Capital Reserve Fund. These earnings are allocated between Water and Sewer projects based on existing project funding levels with Water projects receiving 75% of this income and Sewer projects receiving 25%.

FY 2004 interest revenue is estimated to be less than the amount collected in the three previous fiscal years due to the general decline in economic conditions reducing the available rate of return on investments. FY 2005 Interest Earnings are budgeted to remain constant with FY 2004 estimated earnings of \$1,380,881. While current economic trends indicate that interest rates will increase slightly in FY 2005, it is too early in the reported economic rebound to assume that these trends will have much, if any, impact on interest earnings within the Utility Capital Reserve Fund.

## TOWN OF CARY FISCAL YEAR 2005 GENERAL CAPITAL IMPROVEMENTS BUDGET REVENUE SOURCES

The General Capital Reserve Fund serves to collect and distribute funding related to General Government focused capital projects including the following:

### Transportation

- New roads
- Road widening
- Repaving
- Sidewalks

### Fire

- Fire stations
- Pumper trucks
- Aerial ladder trucks

### Parks, Recreation and Cultural Resources

- Community centers
- Greenways
- Parks

### General Government

- Vehicle replacements
- Town government building construction/expansion

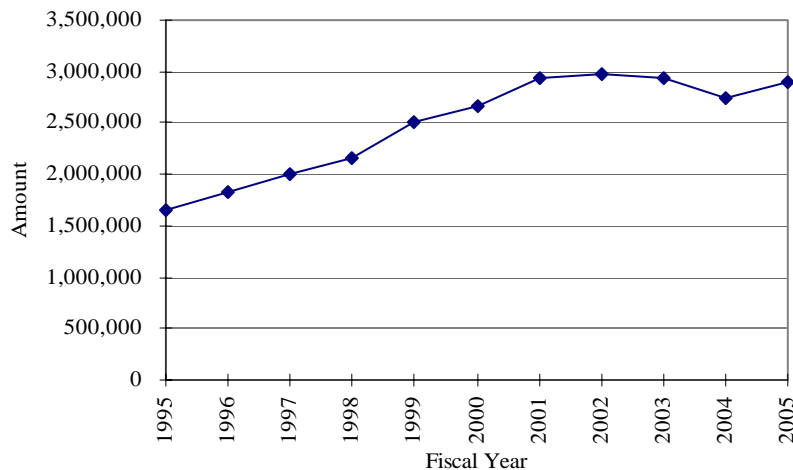
### • Unrestricted General Fund Transfer: \$980,000

Unrestricted Fund Balance Transfers come from the General Fund and are generally used to support projects for which funding cannot be dedicated from other sources. General Fund transfers to General Government projects in FY 2005 total \$550,000. These funds will support continued work on the Operations Center Expansion. A \$360,000 General Fund Transfer will be made to the Parks, Recreation, and Cultural Resources category to support the final phases of the White Oak Creek Greenway project. Lastly, a \$70,000 General Fund transfer has been budgeted within the Transportation project category to serve as matching funds related to a North Carolina Department of Transportation grant focused on implementing pedestrian improvements in the vicinity of Cary High School.

### • Utility Fund Transfer: \$1,000,000

Effective FY 2002, water rates were increased 3.1% for a typical 7,000 gallon per month residential customer. Each year, the income from this increase falls to the Utility Fund Fund Balance. The following fiscal year, that \$1,000,000 is then transferred to the Open Space Acquisition project. The proceeds from this rate increase are restricted to helping fund Cary's Open Space Initiative. An initial transfer of \$11.1 million in FY 2002 served as "seed money" for the Open Space initiative. The annual \$1,000,000 transfers began in FY 2003.

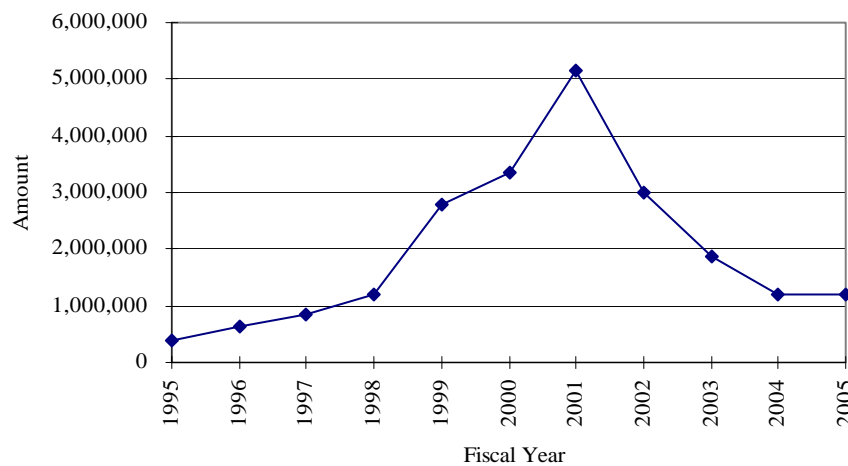
### • Powell Bill: \$2,888,220



Powell Bill funds are received from the State of North Carolina. These revenues are based on gasoline sales in the State of North Carolina and are distributed according to a two-part formula. The number of non-state street miles within the Town comprises one quarter of the formula (currently projected to be 343.64 miles in FY 2005), while three-quarters of the formula is calculated on a per capita basis. The North Carolina League of Municipalities provides estimates for the statewide population and mileage rates. These rates are applied in conjunction with the Town's projected non-state street miles and population to derive the estimate of future receipts.

Powell Bill revenues are restricted to certain types of transportation projects. These revenues are distributed in October of each year. As such, FY 2004 revenues represent actual receipts. FY 2005 revenues are expected to be 5% higher than actual FY 2004 receipts. This increase is the result of three main factors: a modestly improving economy, higher gasoline prices, and the return of \$25 million of the \$125 million that the Governor of North Carolina borrowed from the State's Highway Trust Fund to balance the State of North Carolina's FY 2003 Budget.

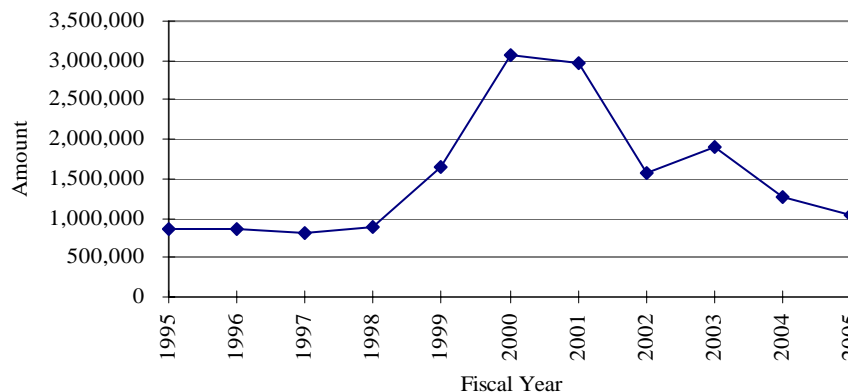
- **Interest Earned: \$1,198,027**



Interest Earned represents the amount of money the Town earns on its invested funds held within the General Capital Reserve Fund. These earnings are categorized as unrestricted but must be used to fund General Capital projects.

FY 2004 interest revenue is estimated to be less than the amount collected in the three previous fiscal years due to the general decline in economic conditions reducing the available rate of return on investments. FY 2005 Interest Earnings are budgeted to remain constant with FY 2004 estimated earnings of \$1,198,027. While current economic trends indicate that interest rates will increase slightly in FY 2005, it is too early in the reported economic rebound to assume that these trends will have much, if any, impact on interest earnings within the General Capital Reserve Fund.

- **Transportation Development Fees: \$1,027,980**



Transportation Development Fees are impact fees charged by the Town at the time of permit issuance for construction and improvement of thoroughfares needed to support new development within the Town. This fee was added during FY 1990 with permission of the North Carolina General Assembly. Funds from this revenue source are restricted to specific types of growth related street projects.

In February 2004, Town Council voted to decrease all development fee charges (Water, Sewer, and Transportation) by 30% effective March 1, 2004. The decision to decrease these fees was based upon a desire to help spur declining levels of development within the Town. While the Town experienced double-digit growth in the 1990s, growth dropped to only 3% in FYs 2003 and 2004.

The FY 2004 estimated revenue figure of \$1,259,795 represents a 34% decrease from the prior year. Upon initial review, this estimate appears to be low, especially if compared to estimated Water and Sewer Development Fee income for FY 2004. Water and Sewer Development Fee income for FY 2004 is expected to recognize 51% more in revenues than experienced the prior year.

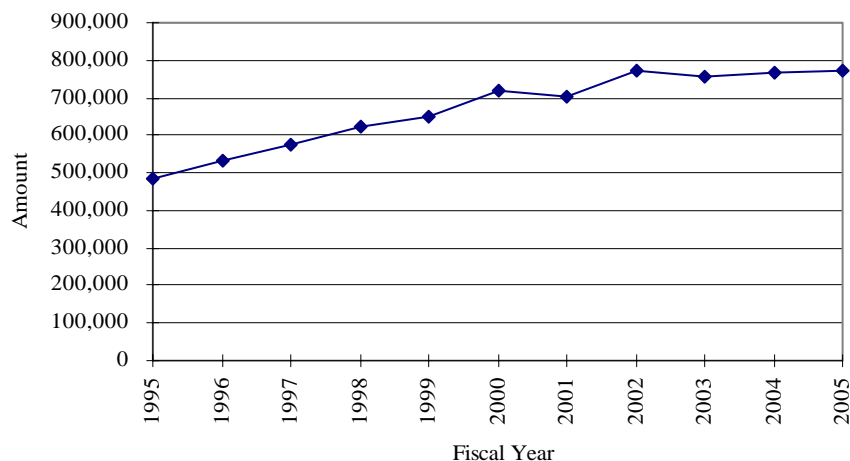
The disparity between Water and Sewer Development Fee income and Transportation Development Fee income is due to two factors: 1) Water and Sewer Development Fees are set at higher rates than Transportation Development Fees (both pre and post the 30% fee decrease), and 2) for most of FY 2004, Transportation Development Fee rates were determined by which of five zones a development was to be located within. Experience in FY 2004 showed that new development was primarily occurring in the Transportation Development Zones that charged the least.

When estimating FY 2004 Transportation Development Fee income, these factors were considered. Additionally, it is important to note that the Transportation Development Fee schedule effective March 1, 2004 contains three transportation development zones, each with their own rates. Again, it is still possible for development to primarily occur in one of the lower charging zones.

FY 2005 budgeted revenue for this source is \$1,027,980. This is an 18% decrease from estimated FY 2004. The primary reason for this decrease is the assumption that while the intent of decreasing development fees is to spur development, the full impact of the change cannot precisely be determined at this time.

Transportation Development Fee revenues will fluctuate as the economic climate and/or the level of permit activity changes. In the event of increased levels of development and respective Transportation Development Fee revenues in the future, changes in funding can be initiated to ensure that all incoming funding is utilized to the highest degree possible.

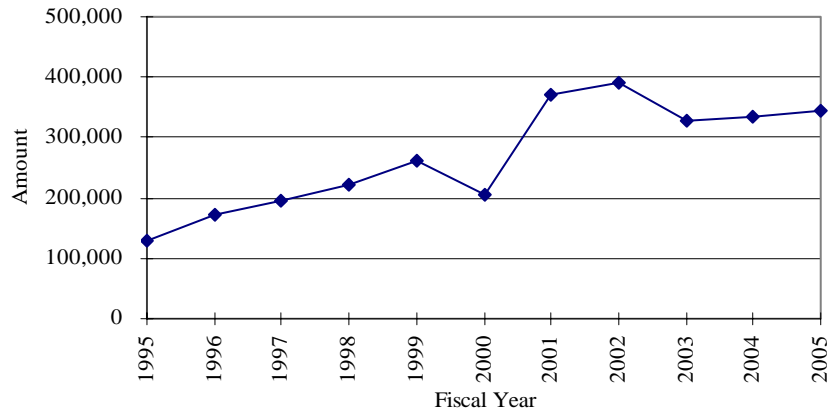
- **Vehicle License Fees: \$773,641**



Vehicle License Fee revenue is generated by the sale of vehicle licenses. Use of these funds is restricted to Transportation projects. The FY 2005 fee is \$15 per vehicle per year. This rate is consistent with that charged in FY 2004. \$5.00 of this \$15.00 fee is restricted to help fund the Town's Mainstream Transit Service. Therefore, the annual revenue generated by

that portion of the fee is budgeted in the Transit Fund. FY 2004 receipts, based on the \$10 portion of the fee, are projected to be \$765,981. The FY 2005 budget amount of \$773,641 is 1% higher than projected FY 2004 revenues.

- **Cable TV Franchise Fees (2%): \$343,489**



Cable TV Franchise Fees are paid to the Town under the Cable Television Franchise agreement. The Town receives five percent of gross annual revenues of which forty percent (or 2% of the 5%) is placed in the General Capital Reserve Fund. The remaining 3% is placed in the General Fund. The 2% funds are part of unrestricted earnings in the General Capital Reserve Fund. FY 2004 receipts are projected to be 1% higher than FY 2003 receipts. FY 2005 budgeted revenues show 3% growth over FY 2004 anticipated receipts.