

**TOWN OF CARY
CAPITAL IMPROVEMENTS BUDGET MESSAGE
FOR FISCAL YEAR 2005**

Mayor McAlister and Members of Council:

The Capital Improvements Budget for the fiscal year of July 1, 2004 to June 30, 2005, and Capital Improvements Plan for fiscal years 2006 through 2015 for the Town of Cary, North Carolina are submitted herein as originally recommended and modified by Council before adoption on June 24, 2004.

The Capital Improvements Budget/Plan Process

Each year, staff prepares a Capital Improvements Budget and a long range Capital Improvements Plan for Town Council's consideration. The Capital Improvements Budget (CIB) and Plan (CIP) are recommendations to Town Council regarding the capital projects necessary to meet their policy direction in the areas of service delivery, infrastructure maintenance and development, regulatory compliance, facilities planning and development, and projects needed to further enhance the quality of life in Cary.

The CIB also identifies revenue sources and recommendations for project funding. Projects included in the CIB/CIP are typically assets with a value of more than \$25,000 and a useful life of over three years. Exceptions have been made to this rule on occasion for practical reasons.

The CIB contains appropriation and budgeted expenditure estimates for each FY 2005 project and sets forth anticipated levels of expenditures for fiscal years 2006 through 2015. Figures noted for fiscal years 2006 through 2015 are planning figures only and are not appropriations for those years. All amounts beyond FY 2005 are staff's best estimate of future project need and cost. These figures are in no way definite. Projects will be adjusted, and in some cases deleted, as situations and needs change throughout the course of the ten-year planning period.

Capital projects are grouped under the following categories:

- Water
- Sewer
- Transportation
- Fire
- Parks, Recreation and Cultural Resources (PRCR)
- General Government (General Gov't)

Fiscal Year 2005 marks the fifth year in the development of a rolling ten-year capital improvements document. A ten-year planning tool of this magnitude has two significant benefits. First, it assists the Town in identifying potential projects necessary to meet the long-term goals of the community. Second, it gives Town Council and staff a view of future infrastructure needs and assists them in understanding the level of funding necessary to fulfill those needs.

The farther out into the future one examines the ten-year capital improvements plan, the more question there is as to whether specific projects will actually occur. Staff annually evaluates each project and makes recommendations during the CIB/CIP development process regarding the necessity of future projects. Actual project funding decisions are only made for the upcoming budget year. Projects in the FY 2005 CIB are adopted into the applicable project ordinance. This distinction means that any project-related contract entered into by the Town is considered a continuing contract for which funds are considered obligated throughout the term of the project.

The capital budgeting process occurs prior to the development of the Operating Budget. Formulating the Capital Improvements Budget and Plan prior to the Operating Budget allows project-related operating impacts to be incorporated into the annual Operating Budget. The Capital Improvements Budget Process also projects the operating impacts of staffing, operating, maintenance and start-up costs for all projects within the CIP, not just for those projects with operating impacts expected in the coming fiscal year. These techniques provide information to Council regarding recurring costs and estimated total resource needs throughout the multi-year forecast.

Projects selected for the Town of Cary CIB/CIP are those that meet the standards of the overall Goals and Initiatives set by Town Council.

Town of Cary Goals

- Achieve a well-planned community using innovative and proactive planning approaches and techniques
- Ensure that roads, water and wastewater facilities, parks, and other infrastructure exists for the existing citizens and for the future needs identified in the comprehensive plan
- Achieve a stable and strong financial position by accurately estimating, prudently allocating and managing financial resources
- Achieve a high level of service to the citizens in a prompt, reliable, responsive, and cost effective manner

Each project category (Water, Sewer, Transportation, Fire, PRCR, and General Government) also has specific goals that enhance those set for the Town as a whole. These goals are presented in the specific category discussions appearing in the latter portion of this message.

Capital Improvements Funding Goals

The following strategies are employed when making project funding decisions.

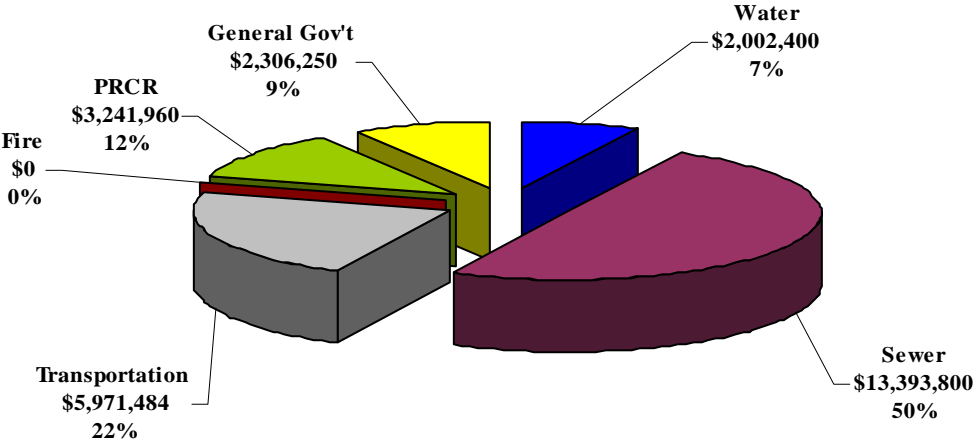
- Develop a ten-year plan to anticipate future funding needs and provide a basis for development fees to quantify growth's impact on the system while generating revenue to help offset the impact of development
- Provide for inflationary increases by adding a minimum of 5% per year to project costs
- Develop staffing, operating, and maintenance budget impacts for all applicable capital projects
- Provide General Fund contributions when needed to targeted areas (i.e. PRCR, General Government projects)

- Achieve a healthy balance of funding by utilizing restricted revenues before unrestricted revenues whenever possible
- Choose the type of debt funding for financed projects that:
 - provides the most advantageous interest rates
 - has the lowest issuance cost
 - best matches the type of debt to type of project
 - meets the overall needs of the debt plan
- Issue debt when funds are needed for projects, not before
- Use debt or development fees for projects (or portions thereof) that provide value to future citizens
- Combine debt sales to minimize issuance costs
- Maintain a reasonable debt burden to ensure that the Town has debt capacity for future needs

The Capital Improvements Budget and Plan is a well orchestrated process that melds Town goals, infrastructure needs and funding mechanisms into a course of action for the future.

FY 2005 Capital Improvements Budget/Plan Overview

**FY 2005 CIB PROJECT EXPENDITURES
OF \$26,915,894
(BY CATEGORY)**



The \$27 million Fiscal Year 2005 Capital Improvements Budget reflects a 56% decrease from the FY 2004 CIB. Annual appropriations decreased in five of six project categories when compared to the FY 2004 CIB. This significant budget reduction embodies the Town's approach to addressing the following trends, realities, and economic factors affecting the Town of Cary:

Population growth and related tax base development within the Town are at all time lows.

Over the past few years, the Town has successfully implemented growth management measures to slow the double-digit population growth experienced during the 1990s. This initiative was extremely effective in dropping the growth rate from an average of 11% during FYs 1994 – 1998 to a forecasted 2.1% for FY 2005. While the success of this program has allowed the Town to turn inward and focus on infrastructure needs created by explosive growth, its effectiveness has negatively impacted the Town's ability to generate revenue through growth dependent sources – such as development fees and new tax base. With expenditure rates outpacing the ability to generate revenue, the Town has appropriated from capital reserve fund balances for several fiscal years in order to fund needed capital improvements. This approach was taken again in FY 2005. \$11,405,834 or 42% of the \$26,915,894 FY 2005 Capital Improvements Budget is funded with Utility or General Capital Reserve Fund Balance dollars.

In February 2004, the Cary Town Council approved a 30% decrease to all development fees (water, sewer, and transportation) effective March 1, 2004. It is the Town's belief that this action will help encourage both residential and commercial tax base development. However, it is too early to determine how fast growth will occur and exactly what its effects on growth-related revenue will be. While estimates for FY 2004 development fee revenues indicate a slight increase, the FY 2005 forecasts are somewhat conservative to prevent overcommitting resources that have yet to be realized.

Operating Margin Within the General Fund is Decreasing and Debt Service is Increasing – Additional Reasons Why There are Fewer Dollars Available for Capital Needs

Operating Margin is the difference between revenues and debt service and expenses. When revenues are higher than debt service and expenses, margin is created. It is operating margin that provides ongoing funding for debt service payments and “pay-as-you-go” capital projects.

During the late 1990s, operating margin in the General Fund was comparatively high – providing room for higher amounts of debt service than previously experienced and considerable “pay-as-you-go” funding for capital projects. However, as operating margin begins to wane – current estimates show an estimated \$500,000 of operating margin being created in FY 2005 as opposed to \$19 million or \$20 million per year in the late 1990s and early 2000s, there is less flexibility for funding from the General Fund for capital projects. As such, the FY 2005 Capital Improvements Budget includes only a \$980,000 cash transfer from General Fund Fund Balance in support of General capital projects.

A major cause for decreased levels of operating margin over the past decade is the growing amount of debt service that has been absorbed within the General Fund with no tax increases. In fact, the tax rate was reduced by one cent in FY 2002, which is equivalent to about \$1.1 million less in annual revenue. Since fiscal year 1994, three bond referendums have been approved by the voters authorizing \$242 million of general obligation debt with the understanding that the potential tax increase resulting from all of that debt could be as much as 14 cents on the tax rate once all the debt is issued (all rates have been adjusted for property revaluation impacts in 2000). Up to and including the FY 2005 budget, \$113 million, or 47% has been appropriated to various street and park projects. Unless other revenue growth rebounds dramatically in the next year or so, which is not

currently anticipated, it is very likely that some portion of the tax increases related to these bond referendums will need to be instituted in the coming years to help pay the respective debt service.

The ability for the Town to look toward the General Fund as a significant funding source for future capital improvements budgets is minimal. While efforts are being made to rejuvenate growth within the Town, it will take some time for these efforts to make a notable impact on revenue generation. The Town's ability to use the "pay-as-you-go" approach to capital funding will likely be limited to small contributions for the next several fiscal years.

Increasing debt service is a second reason as to why the Town now has less flexibility in funding projects with available cash. During the early 2000s, interest rates fell dramatically. While this trend negatively impacted the Town's interest income, low interest rates made debt assumption more affordable. As such, the Town optimized this situation by gaining voter approval for a total of \$160 million in General Obligation Debt for Transportation and Parks Recreation, and Cultural Resources projects. Utilizing this low interest debt to fund needed roads and parks projects provides the Town with an additional project funding option. With this option comes the reality that the related debt must be repaid. Repayment of these funds, or debt service, is a primary focus of the General Fund. While General Fund debt service is forecasted to decrease slightly in FY 2005 compared to the FY 2004 Budget, it is anticipated to increase by 41% or \$4.2 million in FY 2006. With this increased pressure being placed on the General Fund, there will be little funding available for "pay-as-you-go" transfers to capital projects.

In sum, the factors noted above (decreased population growth, sluggish revenue growth, dwindling operating margin, and increasing debt service) are eroding the funding sources typically utilized in Cary for capital budgeting. While the Town is taking action to encourage growth, it will still be some time before these efforts are realized in the form of notable revenue growth. To counteract the negative impacts of these factors, the Town's FYs 2005 – 2015 Capital Improvements Budget and Plan has been dramatically decreased from prior years. Projects selected for the FY 2005 CIB/CIP were chosen based on their adherence to Town Goals, their relationship to other projects already within the Plan, cost effectiveness, and overall benefit provided. Additionally, the following principles guided its development:

- Utilize as little debt as possible during FY 2005 to ensure that the Town fulfills the requirements of upcoming debt service without creating additional stress on the operating funds.
- The April 2003 General Obligation (GO) Bond referendum gave voter approval for the issuance of \$160 million in debt over the next seven years. \$130 million of this total was approved for Transportation projects, with the remaining \$30 million approved for Parks, Recreation and Cultural Resources projects.

At the time, staff set a guide of appropriating a maximum of one-seventh of each category's total available funding per year for the next seven years. This equates to \$18.5 million for Transportation projects and \$4.3 million for Parks projects per year from FY 2004 to FY 2011. \$18.5 million was appropriated for Transportation projects in the FY 2004 budget and \$4.3 million was appropriated for Parks projects that same fiscal year.

Based on the economic factors and fiscal realities pressuring the Town, the FY 2005 CIB does not include the issuance of GO bond funds in FY 2005 for Transportation or Parks projects. By eliminating full-scale bond funding in FY 2005, the Town is working toward softening the impact to the Town's General Fund in terms of the magnitude of future debt service payments.

- The FY 2005 Sewer CIB incorporates the issuance of \$10.1 million in Revenue Bonds during the fiscal year to support projects such as the West Cary Pump Station and Force Main and the North Cary Water Reclamation Facility – Odor Control project. While future debt service related to the issuance of these revenue bonds is of definite concern to the Town, utility rates provide flexibility in revenue generation that is not paralleled in the General Fund.
- Maximize the use of Capital Reserve Fund Balance
 - Utility Capital Reserve – The FY 2005 CIB contains a \$4.9 million appropriation from Utility Capital Reserve fund balance. Restricted fund balance constitutes \$4.2 million of the total fund balance appropriation, while unrestricted utility capital reserve fund balance provides the remaining \$682,000. Total Utility Capital Reserve fund balance at the close of FY 2005 is anticipated to be \$19.9 million with the majority of these funds restricted to future Water projects.
 - General Capital Reserve – Appropriations of estimated restricted fund balances available at the end of FY 2004 have been maximized to leverage currently available resources. The FY 2005 General Capital Improvements Budget includes \$6.5 million in appropriations from General Capital Reserve Fund Balance. \$3.3 million of this figure is Restricted General Capital Reserve Fund Balance, while the remaining \$3.2 million is Unrestricted General Capital Reserve Fund Balance. General Capital Reserve fund balance at the close of FY 2005 is expected to be \$4.3 million with the majority of those funds restricted to certain types of Transportation projects.
- Minimize Reliance on FY 2005 Capital Reserve Revenues to Support FY 2005 Funding Needs
 - The FY 2005 Capital Improvements Budget appropriates \$378,000 of incoming FY 2005 revenue in support of Utility Capital Reserve projects. The \$378,000 represents a reimbursement from the Town of Apex, North Carolina, for 23% of the cost of budgeted Cary/Apex Water Treatment Plant related projects. An agreement between the towns notes that the Town of Cary is to pay 77% of the costs associated with the Water Treatment Plant, while the Town of Apex is responsible for the remaining 23%.
 - \$3 million of anticipated FY 2005 revenue is directed toward General Capital Reserve projects. \$2.6 million of this figure is from anticipated Powell Bill funding – an intergovernmental revenue received from the State of North Carolina for the maintenance and construction of roadways and a fairly stable source of income for the Town.

- Limit transfers from the General and Utility Funds for Capital Purposes
 - The FY 2005 Capital Improvements Budget includes a \$1,000,000 transfer from Utility Fund Fund Balance in support of the Town’s Open Space Acquisition initiative. This represents no change from the FY 2004 amount transferred from the Utility Fund for this purpose.
 - A \$980,000 transfer is included in FY 2005 from the General Fund to the General Capital Reserve Fund in support of the following three projects:

Cary High School Pedestrian Improvements	\$ 70,000
White Oak Creek Greenway – Phases III & IV	\$360,000
Operations Center Expansion	\$550,000

The transfer amount of \$980,000 represents a 92% decrease from the \$12.6 million budgeted for transfer from the General Fund in support of FY 2004 General Capital Reserve projects which included \$5 million for an aquatics center and \$8 million for the USA Baseball facility at Thomas Brooks Park.

UTILITY CAPITAL IMPROVEMENTS BUDGET AND PLAN

Water and Sewer Capital Projects over the next eleven years, including the FY 2005 Budget and the FYs 2006 – FY 2015 Plan, total \$395 million. Funding these improvements while addressing the Town’s other infrastructure needs presents a significant challenge for the next several years.

WATER CAPITAL IMPROVEMENTS

The goals of the Water Capital Improvements Budget and Plan are:

- Provide water system customers with a safe, cost effective and adequate supply of treated water
- Ensure that a continuing sufficient capacity of treated water exists to serve the Town’s customers
- Ensure that facilities are provided for adequate transmission of existing and planned water demands at adequate pressure
- Provide for orderly development of the Town’s water treatment, storage and distribution systems
- Ensure that strict environmental and regulatory requirements are met in the design and construction of the Town’s water system
- Supplement water supply for non-potable uses with reclaimed water distribution lines and facilities

FYs 2005 - 2015 Water Capital Improvements Budget and Plan

The Water Capital Improvements Budget and Plan (FYs 2005-2015) includes \$122 million in projects. Projects scheduled throughout this period range in scope from upgrading water lines to expanding the Cary/Apex Water Treatment Plant.

The FY 2005 appropriation to the Water Capital Improvements Budget totals \$2,002,400. This is a 77% decrease from the adopted FY 2004 CIB. \$1,568,000 of the FY 2005 CIB is directed toward

water treatment needs, while the remaining \$434,400 addresses water line needs. These projects represent the continuation of an aggressive water project schedule that the Town has pursued for several years. Prior aspects of this schedule included the expansion of the Cary/Apex Water Treatment Plant to 40 million gallons per day (MGD). Work on another expansion of the Cary/Apex Water Treatment Plant is currently scheduled to begin in FY 2012 with the bulk of construction taking place in fiscal years 2013 and 2014.

With capacity and flow needs sufficiently addressed, FY 2005 water projects focus on the addition of a dewatering centrifuge and related chemical feed equipment at the Cary/Apex Water Treatment Plant, as well as the continued upgrading, widening, and laying of new water lines at various locations within the Town. The future years of the plan (FYs 2006 – 2015) concentrate on continued water line expansion, reinforcement, water tank construction, and the expansion of the Cary/Apex Water Treatment Plant to 56 MGD.

SEWER CAPITAL IMPROVEMENTS

The goals of the Sewer Capital Improvements Budget and Plan are:

- Provide adequate collection and treatment (reclamation) of wastewater produced by system customers to a level that meets or exceeds the permit limits issued by regulatory authorities as cost effectively as possible
- Provide sewer system customers with safe, cost effective and adequate disposal of wastewater
- Discharge treated wastewater from each reclamation facility in a manner that protects the receiving streams from pollutants and contamination
- Ensure that continuing sufficient capacity of wastewater collection and treatment exists to serve the Town's customers
- Ensure facilities are provided for adequate conveyance of existing and planned wastewater flows
- Provide for orderly development of the Town's wastewater collection and treatment systems
- Ensure strict environmental and regulatory requirements are met in the design and construction of the Town's wastewater system

FYs 2005 - 2015 Sewer Capital Improvements Budget and Plan

The Sewer Capital Improvements Budget and Plan (FYs 2005-2015) includes \$273 million in projects. Projects scheduled during this period range in scope from replacing sewer lines to expanding water reclamation capacity to serve western Cary.

The FY 2005 appropriation to the Sewer Capital Improvements Budget totals \$13,393,800. This represents a 10% increase from project funding in the prior year adopted CIB. \$5,865,000 of the FY 2005 budgeted total is directed toward the construction of the West Cary Pump Station and Force Main, \$3,508,500 addresses sewer line needs, \$2,370,300 funds collection system management and rehabilitation projects, \$1,500,000 funds odor abatement initiatives at the North Cary Water Reclamation Facility, while the remaining \$150,000 is directed toward an industrial pretreatment sampling manhole project and a feasibility study related to waste activated sludge pumping from the North Cary Water Reclamation Facility to the South Cary Water Reclamation Facility.

The most significant appropriation within this budget is the construction of the West Cary Pump Station and Force Main. FY 2005 represents the final year of funding for this project, whose total cost is \$6.9 million. The focus of the project is the construction of a 13.7 MGD pump station and 12,000 linear feet of 36-inch force main.

The FY 2005 Sewer CIB/CIP continues to focus on the expansion of current facilities in order to maintain safe and adequate treatment of wastewater. Funds are included in the planning years to help address the water reclamation needs of western Cary.

GENERAL CAPITAL IMPROVEMENTS BUDGET AND PLAN

General Capital Projects over the next eleven years, including the FY 2005 Budget and the FYs 2006 – FY 2015 Plan, total \$298 million. Of this amount, \$162 million is planned for Transportation projects, \$28 million is directed toward Fire projects, \$63 million is included for Parks, Recreation, and Cultural Resources projects, and \$45 million is for General Government projects. Balancing funding for these projects with the needs of the Utility Capital Improvements Program will continue to prove challenging. As is the current process, future annual funding decisions will be based on funding availability aimed at achieving the highest priorities at that time.

TRANSPORTATION CAPITAL IMPROVEMENTS

The goals of the Transportation Capital Improvements Budget and Plan are:

- Provide capacity to improve levels of service on existing deficient roadways and to provide additional capacity in advance of growth
- Maintain efficient and safe traffic patterns
- Offer alternate means to move people, goods, and information
- Provide for the maintenance of infrastructure
- Prepare for projects in advance to reduce cost and provide time for sufficient community input

FYs 2005 – 2015 Transportation Capital Improvements Budget and Plan

The Transportation Capital Improvements Budget and Plan (FYs 2005-2015) includes \$162 million in projects. Projects scheduled during this period range in scope from sidewalk installation to major interchange modifications and road improvements.

The FY 2005 appropriation to the Transportation Capital Improvements Budget totals \$5,971,484. This is a 70% decrease from the adopted FY 2004 Capital Improvements Budget. Unlike FY 2004, General Obligation (GO) debt has not been utilized to assist with funding FY 2005 Transportation projects. As a result, the FY 2005 Transportation CIB is dependent upon restricted fund balance and revenue sources and a small General Fund transfer to address its funding needs. The decision not to appropriate available 2003 GO referendum dollars has been made to help reduce debt service loads in the near future.

Although the FY 2005 Transportation CIB is a fraction of recent fiscal year appropriations, great care was taken to prioritize and address FY 2005 Transportation needs within the Town. Road capacity and its effects were reviewed when deciding which road projects should be included in the

CIB/CIP. The underlying principles guiding the development of road capacity planning include widening rural, two-lane roads to an urban multi-lane standard. Timing is important to construct these projects as much as possible in advance of growth to meet Council direction and citizen expectations. The basic plan assumes widening to the Thoroughfare Plan cross-section with the addition of turn lanes at key intersections. Access control will be considered where appropriate to maintain an efficient system, and innovative traffic control concepts will be utilized as necessary. These tools will help reduce traffic congestion and provide capacity for future growth.

The most significant aspect of the FY 2005 Transportation CIB is the \$4.7 million appropriation for road capacity projects. These funds will be applied toward road widening, extension, and realignment projects throughout town.

Additionally, \$500,000 is included within the major maintenance category to address annual street improvements. This project is the primary means of accomplishing the overall repair and resurfacing of Town-maintained streets. Most major roadways within Cary are maintained by the state, while the Town maintains most residential streets. Street maintenance funding has grown over time from \$100,000 per year in the early 1990's to \$350,000 per year in the mid-1990's, to \$500,000 in FY 2005. The remaining \$800,000 will be directed toward alternate mode projects (such as annual sidewalk improvements and pedestrian improvements), traffic calming measures, and bridge and culvert repairs.

FIRE CAPITAL IMPROVEMENTS

FYs 2005 – 2015 Fire Capital Improvements Budget and Plan

The goals of the Fire Capital Improvements Budget and Plan are:

- Strategically locate fire stations in order to comply with the Standard of Coverage Policy and projected areas of growth
- Maintain or improve compliance with the Insurance Services Office Grading Schedule
- Plan for capital replacements

The Fire Capital Improvements Budget and Plan (FYs 2005-2015) includes \$28 million in projects. Projects scheduled during this period range in scope from constructing a training facility to building new fire stations and purchasing fire apparatus.

The FY 2005 Capital Improvements Budget does not contain an appropriation to Fire capital projects in FY 2005. Prior year capital improvements budgets have provided necessary equipment and facilities to meet the Fire Department's immediate needs through FY 2005. The Town's seventh fire station begins construction in FY 2005 with an anticipated opening date of November 2005. Prior year capital improvements budgets have also provided appropriations for the pumper truck to be located at the seventh fire station. In regards to other recent equipment and apparatus needs, funds were provided in the FY 2003 CIB for the purchase of a new aerial ladder platform truck, as well as the replacement of an aerial ladder platform truck and two pumpers.

The FY 2005 CIP does forecast the addition of five new fire stations and the relocation of Fire Station #2 during the FYs 2006 – 2015 time frame. The CIP also calls for the construction of a

training facility in FY 2006 and the purchase of several pieces of apparatus between FYs 2006 - 2015. All fire stations, pumpers, aerial ladder units, service trucks, and special response units (SRUs) requested in FY 2006 and beyond are based upon projected growth and the resulting need for fire protection infrastructure, *Standard of Coverage* criteria, *Grading Schedule* criteria, or the need to replace existing capital assets. The training facility, to be located within the town limits, is planned in FY 2006 at a cost \$1,405,000. This Town-owned and operated facility will help reduce the number of training trips taken to jurisdictions outside of Cary, such as the Shearon-Harris Fire Training Facility.

PARKS, RECREATION AND CULTURAL RESOURCES (PRCR) CAPITAL IMPROVEMENTS

FYs 2005 – 2015 PRCR Capital Improvements Budget and Plan

The goals of the PRCR Capital Improvements Budget and Plan are:

- Provide a balance of passive and active recreation facilities and programs which fulfill the current and future recreation needs of Cary residents
- Provide facilities and programs that respond to the diverse recreational needs of our residents, regardless of age or ability
- Establish public/private partnerships with developers, nonprofit organizations and local citizens to encourage park, greenway and bikeway development
- Establish intergovernmental partnerships with adjacent counties and municipalities, and the county school system to encourage joint development of park facilities
- Provide realistic and feasible strategies for the development and long-term maintenance of park, greenway and bikeway facilities and programs
- Encourage alternative transportation through greenway and bikeway development
- Provide park, greenway and bikeway facilities that are environmentally sensitive and cost effective

The PRCR Capital Improvements Budget and Plan (FYs 2005-2015) includes \$63 million in projects. Projects scheduled during this period include parks and greenway land acquisition, park renovation, park construction, and greenway development.

The FY 2005 appropriation to the Parks, Recreation and Cultural Resources Capital Improvements Budget totals \$3,241,960. This is an 81% decrease from adopted FY 2004 funding. The decrease in funding is primarily driven by the fact that this category's main source of funding over the past several fiscal years – transfers from the General Fund – is only contributing \$360,000 to PRCR projects in FY 2005.

The most significant aspects of the FY 2005 Parks CIB are the \$1 million appropriation to the Open Space Acquisition initiative and the \$1 million appropriation to the White Oak Creek Greenway – Phases III & IV project. The Open Space Acquisition appropriation represents the Town's commitment to preserving open space within Cary. The appropriation to the White Oak Creek Greenway – Phases III & IV project provides for the final phases of the extension of the White Oak Creek Greenway and the construction of a pedestrian underpass.

The remaining \$1.2 million of the appropriation for Parks, Recreation, and Cultural Resources capital projects in FY 2005 provides for greenway crossings, park and greenway renovations and design and construction work related to special facilities. General Obligation Bond funds were not utilized as a funding mechanism for any of the FY 2005 PRCR capital projects. Rather, capital reserve fund balance provides \$1.7 million (or 52%) of the \$3.2 million budgeted in FY 2005. Transfers totaling \$1.3 million (\$1 million from the Utility Fund for Open Space Acquisition and \$360 thousand from the General Fund for the White Oak Creek Greenway – Phases III & IV project) provide for 42% of the FY 2005 PRCR capital budget. The remaining 6% of the budget is funded via miscellaneous revenue to be generated in FY 2005.

The FY 2005 Capital Improvements Budget includes appropriations for parks, greenways, and recreation facilities that are all important components of both passive and active recreational opportunities that will enhance the lives of Cary citizens. The majority of FY 2005 projects fulfill recommendations of the 2003 Parks, Greenways, & Bikeways Master Plan. Other projects, including certain special facilities, are related to Town goals and initiatives.

GENERAL GOVERNMENT CAPITAL IMPROVEMENTS

FYs 2005 – 2015 General Government Capital Improvements Budget and Plan

The goals of the General Government Capital Improvements Budget and Plan are:

- To improve the efficiency of operations through the use of improved equipment and technology
- Maintain existing service levels through the addition of equipment to help serve existing and future citizens
- Plan for capital replacements based on maintenance records, service life, and overall condition/appearance
- Provide for both preventive and non-routine infrastructure maintenance requirements
- Provide for auxiliary facilities to support programs
- Provide the necessary space and amenities for staffing levels required to maintain and enhance Town services and programs

The General Government Capital Improvements Budget and Plan (FYs 2005-2015) includes \$45 million in projects. Projects scheduled during this period include streetscape and parking initiatives associated with the Town Center Area Plan (TCAP), expansion of the Operations facility, and culvert replacement.

The FY 2005 appropriation to the General Government Capital Improvements Budget totals \$2,306,250. This is a 16% decrease from adopted FY 2004 CIB funding. The most notable appropriation within the FY 2005 General Government CIB is \$1.2 million directed to the Special Facilities for Operations category. Projects within this category include the purchase of land for remote maintenance facilities, the expansion of the Town's Operations Center and the purchase of land to serve as a temporary disposal site for yardwaste/debris during storms and to serve as open space at other times during the year. The remaining \$1.1 million of the total appropriation focuses on culvert replacement, storm drainage, parking lot resurfacing, and streetscape improvements within the TCAP district.

SUMMARY

The FY 2005 Capital Improvements Budget and Capital Improvements Plan reflects planning completed over several years. Funds appropriated for the upcoming fiscal year are necessary in order to continue providing quality service to Cary's citizens, customers, and taxpayers. Out-year needs must be managed if citizens are to continue to enjoy the outstanding quality of life which the Town has been able to provide. In order to encourage a strong economy and keep property taxes at a moderate level, we need to continue to attract high quality residential and commercial development that will provide growth in the Town's tax base. The infrastructure must be in place and properly maintained to provide the services they will require.

This year's CIB/CIP presents the project structure necessary to meet the goals of the Town Council. This plan is based on the philosophy that new growth should help pay its own way and that current residents should not bear the entire brunt of paying for growth related infrastructure needs.

The one-year CIB and ten-year CIP were prepared with the best information available but are subject to change in future years as conditions and needs of the Town change. We view this as a flexible plan that will evolve with each year's budget process. Decisions will have to be made as the Town moves through the plan to determine if sufficient funding will be generated, or if projects should be delayed or deleted, in order to address any differences between funding availability and planned capital needs.

Much appreciation is due to the Town staff members who assisted in compiling this Capital Improvements Budget and Plan.

Respectfully submitted,

A handwritten signature in black ink that reads "William B. Coleman, Jr." with a stylized flourish at the end.

William B. Coleman, Jr.
Town Manager