



May 11, 2017

Dear Mayor Weinbrecht and Members of Town Council:

This budget letter of transmittal, my first as Town Manager, is to serve as a reminder of my appreciation to those who have created the Cary we know today. Cary's success is not a result of good fortune or happenstance, but rather the result of visionary planning and brilliant execution. This letter is also designed to set the stage for our budget discussions during a period of renewal as we "imagine" a community and organization built for sustained success.

Years of judicious resource management combined with investments in quality of life initiatives allow me to report that the Town enters the 2017-2018 Fiscal Year in a strong financial position. The 2018 Budget provides the necessary resources for our community's continued prosperity, or more simply put...

To Keep Cary Great.

This Budget builds upon past practices while also providing a platform to launch future-orientated service delivery models. It has been designed to shift the organization away from an "event" orientated process to one that allows for on-going budget decision-making by the Town Council.



Organizations that enjoy enduring success have core values that remain fixed while their strategies and practices adapt to a changing world. In January, the vision for the future – The Cary Community Plan (Imagine Cary) – was adopted. Imagine Cary, which embraces our values, shall serve as a blueprint for the future that Cary wants to achieve.

TOWN ACCOLADES

ONE OF THE TOP PLACES TO LIVE IN THE U.S. –
Money Magazine

BOND RATING
AAA
Moody's, S&P and Fitch

GOLD MEDAL AWARD
National Parks & Recreation Association

BEST PLACE TO FOREVER BUY A HOME
goodcall.com

#1 BOOMTOWN OF 2016
smartasset.com

SAFEST CITY IN THE NATION
247wallst.com

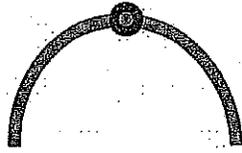
SAFEST CITIES TO RAISE A CHILD
safewise.com

2ND MOST SUCCESSFUL CITY IN THE U.S.
zippia.com

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Keeping Cary Great (Staying at the Top of Arc):



Operationalizing Imagine Cary

Today's world is complex and unpredictable. To take advantage of this never-ending succession of challenges and to stay on top, we must operationalize Imagine Cary well beyond its land-use components. This will allow us to align our internal processes and subsequent delivery of services to help us realize the future as envisioned by our community. It is about identifying and modifying policy gaps (i.e. land development ordinance) as well as operational ones.

As it relates to our budget processes, there are three refinements that must be made to achieve alignment with Imagine Cary:

1. Preparing multi-year forecasts for the General Fund;
2. Initiating an on-going or rolling review of our budget forecasts; and
3. Developing a "Project and Service Catalog" to effectively manage the organization and lead into the future.

However, before additional information is provided on these recommendations, the Town's cultural objectives must be examined. **Culture drives everything we are trying to accomplish** — planning, innovation, execution — and, ultimately, it drives results. Our culture is either propelling us forward into the future or stifling progress. Thus, our discussion must begin here.

Culture: Imagining a Boundryless Organization

Transformation can only happen at organizations with cultures that are ready for it. There is excitement growing at the Town that comes from innovating, creating and sharing success with others. We are cultivating an insatiable desire to learn and beginning to **unleash the untapped reservoir of talent** found throughout the organization and community.

If one person doesn't count, then none of us counts.

THE PURPOSE OF IMAGINE CARY

The plan should serve multiple purposes:

1. As a guide for public decision making related to development proposals;
2. For coordinating planning efforts between the Town and adjacent jurisdictions;
3. For planning for future service and facility needs;
4. For qualifying for state and federal grant programs;
5. As a marketing tool used to showcase the key initiatives that will continue to maintain Cary's competitive edge as a premier community to live, work, play, learn, and raise a family; and
6. As a guide for establishing annual work plans for Town departments

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We must hold an unwavering commitment to the individual employee's self-determination by providing an atmosphere in which people can reach their full potential.

This starts by encouraging authenticity and individuality and recognizing that all great teams successfully balance the unique needs of the individual with the collective goals of the organization.

That's the value of the developing culture at the Town of Cary—a culture that breeds an endless search for ideas that stand or fall on their merits rather than on the rank of their originator, a culture that brings 'every mind into the game'.

We will find, challenge and reward people by making it safe to work outside of one's department, to iterate and adapt ideas, and, ultimately, to run experiments. This requires a respect for authority but a disdain of bureaucracy.

Success means recognizing that the decision-making hierarchy and communication structure in organizations are two different things. Members of any department should be able to approach anyone in another department to solve problems. It also means that directors and managers need to learn that they don't *always* have to be the first to know about something going on in their areas of responsibility.

The challenges of the future involve technology, speed, and hyper competition. Those factors will accelerate and intensify as time goes by. Projects increasingly require information and process sophistication from many fields. To excel in a complex and uncertain environment, people need to work together in new and unpredictable ways.

Successful municipalities often become impressed with how big they are and at the same time nervous about the need to control their size, for fear of losing what made them "big" in the first place. Further complicating this, they become increasingly risk-adverse and driven by a fear of failure as opposed to being driven by opportunity.

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This often leads to layers, structure and more bureaucracy and eventually stifled and frustrated people.

I see size differently. I understand its inherent limitations—on speed and on clarity of communications, among other things—and we fight every day to recreate the agility and spirit that drove Cary's creation. But I appreciate the one huge advantage size offers: the ability to take big swings, to live in the future.

Processes: Reimagining the Budget Process

Some of the same processes, policies and procedures that built Cary's uniquely well-oiled machine now serve as potential obstacle to ensuring the long-term success they were intended to serve. To keep Cary great, we must continuously learn and adapt to new conditions, **adopt new technological tools, and abandon obsolete business practices** that will drive our work—and the success of our community – for years to come.

Many organizations struggle with the inherent structural conflict between strategy and organizational design. The Town of Cary is no different. A successfully linked strategic planning/budgeting process depends not only on integrating while deemphasizing our departments, but also on reconciling long-term goals with the short-term realities of the Annual Budget.

Strategic planning is a future-oriented, visionary, and proactive process in which accuracy and currency of information are of secondary importance. Budgeting is a conservative process, oriented toward the present and past; accuracy and currency of information are of primary importance. The two processes are structurally different and must be managed separately, yet they must also be synchronized.

General Fund: Moving to Multi-Year Projections

New for the 2018 Budget are revenue and expenditure projections for the General Fund for years 2019 and 2020. By viewing our General Fund in a manner similar to our Capital Budget, it allows the Town Council to more easily identify the long-term impact of operating decisions.

QUARTERLY REVIEW OF THE 2018 BUDGET	
DATE	ACTIVITY
October 24	Mini-Retreat Q1 Review
	Budget Update & Adjust
January, 2018	Retreat Q2 Review
	Budget Update & Adjust
April, 2018	Mini-Retreat Q3 Review
	Budget Update & Adjust
August, 2018	Q4 Review Annual Report Presented

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This is of critical importance in an environment of slower growth.

Our approach will be a "living" strategy, evolving and adapting every year in function of the changes around us. Perspective will be gained each quarter as additional progress is made refining this system. While Imagine Cary's broad direction is intended to last for multiple years, we will continue to pursue an annual cadence of revisiting and refining our three-year rolling strategy, allowing for changes every year and larger course corrections when required. We will also maintain the practice of communicating our strategy to the organization.

Updating Projections: Rolling Forecasts

The problem with traditional budgeting is that it often creates a sense of inflexibility that limits an organization's agility and responsive in today's ever-changing environment. The current annual budget process has many elements of a fixed contract—which positions the Budget itself as the goal as opposed as to serving as a management tool.

Many organizations seek to mitigate some of the budgeting problems noted above by implementing a form of forecasting that allows managers to update budgeted numbers with actual results from past periods. The forecasts are used to predict what may happen in the future, often seeking to confirm whether pre-determined annual financial and operational targets will be met.

When this approach is taken, the purpose of forecasting shifts dramatically. Instead of discussions about organizational direction the conversation quickly turns to one of performance evaluation.

Through our quarterly updates we may identify new and better ways to serve the broader goals of the community. We may choose to redirect resources from current work that matters less in relative importance when compared to new possibilities.

*"IF THE RATE OF
CHANGE ON THE
OUTSIDE EXCEEDS
THE RATE OF
CHANGE ON THE
INSIDE, THE END IS
NEAR."*

JACK WELCH

Services: Reimagining our Service Portfolio

Cary's multi-decade period of expansion not only increased the community's physical boundaries and tax base but also raised the bar and redefined for our citizens what a local government could be and the positive role it can play in their lives.

Cary Town Government has taken immense pride in saying "yes." Armed with abundant resources, our organization, flush with amazing talent, has created a multi-layered, multi-dimensional, and cherished portfolio of services. These services are backed by an implied turn-around time, which in Cary has come to mean *now*.

From fiscal year to fiscal year and based on our citizen's understandable appetite for more and better, lengthy discussions from the Council to the staff about new initiatives and assignments occurred.

Over time, and with a continuing funding stream, a focus on the legacy work that's still being done was, in fact, a practical in consequence, and in consequence of such proportion that there is no universal listing, catalog, or report that provides a global view of all our services and projects.

Without such basic information and without a future characterized by expansion, it is impossible for our citizens and our Town Council to make informed decisions built upon a bedrock of cost vs. benefit analysis.

As well documented in Imagine Cary, our revenue model is built for a high-growth community. If our financing structure (revenues and/or expenditures) is not addressed we will enter a period of structural imbalance.

We must solve this problem before it exists.

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IMAGINE CARY

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I firmly believe that once our citizens are armed with a greater understanding of our cost structure, combined with their direct knowledge of our citizen-driven standard of service excellence, they will elect to participate and continue to make that investment.

The work we do matters. Which work matters the most is an important discussion about relative value. The only way we get there is with scrutiny.

In my first year as Manager, I have found that the organization has lost sight of just how much time people are investing in legacy priorities. Questioning our priorities almost always brings to light significant work that managers aren't aware is being done or that's taking much more time than it should.

We can't move forward strategically with the Council and community without knowing the answer to this question with total clarity. The council's determination of a tax rate must be aligned with the level of services desired by the community.

To this end, our "Project and Services Catalog" will drive important conversations with your team of committed staff about choices, resources, and trade-offs. And the community and Town Council can attach value and meaning to the work being done by their Town. For the remainder of 2017, and likely for much of 2018, creating this dynamic catalogue will remain a top operational priority as we determine *what* we are doing and *why* we are doing it.

Summary

The Town of Cary is a 146-year-old large, award-winning, full-service municipality that has spectacularly managed growth over the years through high standards, innovation, partnerships, execution and commitment to our citizens. The Town of Cary is trusted – because we perform.

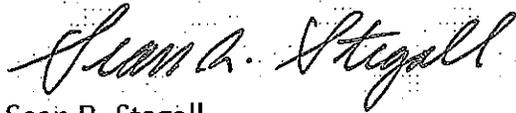
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Values bind the Town of Cary together and give us confidence in the future; it requires a personal commitment to excellence and a close linkage to the real world – particularly the citizen's world. Great ideas, and great people building their own dreams at the Town of Cary, will ensure that we continue to deliver.

It is an honor to work with such a committed and talented group of public servants. It is a privilege to serve a Town Council willing to guide us as the architects of a promising future in the face of slowing growth, increased competition from our neighbors and an uncertain regulatory environment.

I firmly believe that in Cary anything is possible. Our record of success is obvious for the world to see. Let us never sacrifice the future to ease the pain in the present. My colleagues and I are grateful for your continuing trust and support. Our best days lie ahead.

Sincerely,



Sean R. Stegall
Town Manager

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