
FY 2020 Recommended Budget Executive Summary

OUR GUIDING VISION

The Town of Cary is focused on meeting the needs of its citizens and achieving the goals of our guiding policy document, the Imagine Cary Community Plan which can be found here: <http://www.townofcary.org/projects-initiatives/cary-community-plan>. This plan, which was adopted in January 2017, is the result of several years of work, unprecedented community input and dozens of meetings and community workshops. It sets out a long-term vision, policies and strategic actions for our community with a time horizon out to the year 2040. The document consolidates and replaces several individual plans that guided Cary's growth over the past 20 years and covers the entire planning area of Cary, an area of nearly 53,000 acres. The Imagine Cary Community Plan is the road map to our future, and Cary's annual budget sets forth the funding needed to make our plans reality.

THE PROCESS

January through March of each year marks the point where budget requests and analysis are reviewed and discussed, and recommendations are formed. The process begins with the development of the Department Director Recommended Budget which is presented to the Town Manager for consideration. Department Directors balanced their recommended FY 2020 operating and capital budgets by working together to understand estimated revenues and budget requests. The group challenged themselves to ask "why" in their decision-making:

- Why do we need this?
- Why do we do this?
- Why does this matter?



While early conversations began as technical evaluations of specific accounts for reduction opportunities, conversations quickly elevated to service level discussions, affordability and financial sustainability. The group sought to understand connections between requests and services at a deeper level, but the tight development schedule left little time for in-depth study. Demonstrating their commitment to the future, the team developed plans to explore service levels and affordability year-round.

This year's budget development process is the second year in which Department Directors worked together to craft and present recommended operating and capital budgets to the Town Manager. This evolving process emphasizes the importance of collaboration to find efficiencies across departmental boundaries. It also challenges the team to actively participate in the Town's financial planning.

The Department Director team presented their recommendations to the Town Manager on April 15, 2019. The Town Manager reviewed the materials and incorporated adjustments to form the Town Manager's Recommended FY 2020 budget which was presented to Council on May 9, 2019. Council work sessions on the budget will occur in May and June along with two public hearings.

While budget public hearings are formal channels for receiving public comment, citizens are encouraged to share their budget input with the Town throughout the year using whatever communication channel is most convenient to them. We use social media, the BUD newsletter, the Town's website, and our "on-hold" phone messaging to remind citizens of our interest in their participation.

FY 2020 budget adoption is slated for June 27, 2019. North Carolina state law requires local governments to adopt the next fiscal year's budget by June 30 of each year.

BUDGET SNAPSHOT

The FY 2020 Town of Cary Recommended Budget totals \$335.9 million supporting both operating and capital spending. Operating expenditures of \$261.3 million increased 3.5% when compared to the prior year budget while capital expenditures of \$74.6 million are down approximately 22%. The property tax rate of \$0.35 per \$100 of assessed valuation remains unchanged.

It is important to highlight two fee increases included in this budget, those being: sanitation and recycling fees and utility rates.

The monthly sanitation and recycling fee to increase from \$17 to \$19.50

The FY 2020 solid waste and recycling fee increased \$2.50/month over FY 2019's rate of \$17 bringing the monthly charge to \$19.50. This extra \$2.50 per month will generate approximately \$1.5 million annually to help maintain the Town's well-loved recycling program. The program is budgeted to cost more to maintain due to a policy implemented in January 2018 by China, a leading consumer of US recyclables. China's National Sword policy stringently regulates the quality of recyclables entering China by allowing only 0.3% of the materials received to be deemed non-recyclable or a contaminant. Cary's contamination rate is currently 12% while the average contamination rate among communities and businesses is approximately 25%. Where once the Town received revenues for our recycled materials, we are now not only paying to dispose of them, but the cost is rapidly escalating. The FY 2020 recycling budget is \$968,000 or 46% higher than adopted FY 2019. Even with the fee increase, 15% of the Town's sanitation collection and recycling service is still subsidized by operating funds. A consideration for the future includes phased fee adjustments so that ultimately 100% cost recovery is achieved.

Utility rates are recommended to increase two percent

Recognizing that increases in the Town's sanitation and recycling costs and fees are higher than anticipated in FY 2020, staff recommends a two percent utility rate increase rather than the previously projected three percent. The Town is committed to providing the highest quality, safest drinking water and utility services while keeping the financial impacts to our consumers in mind. This commitment is evident through our continued efforts to eliminate large utility rate increases by implementing annual three percent rate increases in accordance with our ten-year financial forecasting model. While two percent rate increases are not sustainable, a one-year pause will not negatively impact our water quality or overall service provision.

Other fee adjustments

In addition to the two fee increases noted above, several smaller increases and/or adjustments are recommended. The most notable of these are a number of PRCR fee adjustments which are recommended for clarity and uniformity.

The Town of Cary's FY 2020 recommended operating and capital budgets include the resources needed to "Keep Cary Great" by maintaining current operations, caring for our existing infrastructure, and constructing several key transportation and PRCR capital projects. Cary earned high marks for value of services for tax dollar, overall quality of life and overall quality of services in our most recent biennial citizen survey conducted in the spring of 2018. Maintaining this position does come at a cost, and the Town faces financial pressure in the near term as our infrastructure is aging, maintenance costs are increasing and the demand for new infrastructure and services in developing and redeveloping areas of Cary continues to exist.

ECONOMIC OUTLOOK AND FINANCIAL PRESSURE POINTS

Cary and the Raleigh-Durham, Research Triangle Park region continue to outperform the nation with strong home price growth, job growth, personal income growth and population growth. In August 2017 the personal finance website WalletHub compared 300 of the best real estate markets in the country and Cary, who ranked fourth, was the only East Coast municipality to crack the top ten. Cary's median owner-occupied home value of \$323,000 for the 2013 – 2017 timeframe reflects the fact that in the last ten years, Cary has experienced some of the highest home appreciation rates of any community in the nation (Source: US Census Bureau).

Cary's median household income (stated in 2017 dollars) of \$97,755 is reflective of its highly educated citizenry of which 65.4% has a bachelor's degree or higher (Source: US Census Bureau). As of February 2019, Cary's unemployment rate was 3.7% (Source: US Bureau of Labor Statistics). A highly educated population, proximity to the Research Triangle Park and three major universities (the University of North Carolina at Chapel Hill, NC State University and Duke University) have made Cary an attractive location for business in the information technology, life sciences and clean technology fields. In addition to being attractive to businesses, amenities such as Bond Park, Koka Booth Amphitheatre, and a revitalized downtown with a bustling social scene led Money magazine to rank Cary #5 on its "2018 Best Places to Live" list.



Over the last 60 years, Cary has been on an upward path. The vision and direction provided by Council over that time led to the creation of development guidelines, community programs, and public amenities that have made Cary great and branded it as a premier suburban community. People and businesses across the country and world were attracted to that brand and came here to build their professional lives and families. The growth generated by Cary's distinctive community amenities was tremendous, with the Town's population doubling over the last 20 years. Under incredible pressure, Town staff developed the facilities and infrastructure needed to keep up with growth.

The improvements that the Town made to its physical environment and public amenities were paid for primarily through revenue growth generated by the expansion of the community. It is hard to overstate the effect this growth had on the fiscal health and outlook of the Town. The Town's General Fund budget has more than quadrupled during the last 20 years, but property owners pay little more in taxes now than they did at that time. Even during the Great Recession, when local governments throughout North Carolina and the nation were making deep cuts in their budgets that resulted in service reductions, layoffs, pay freezes, and large benefit cuts, Cary had sufficient growth to avoid these measures.

Growth has been the predominant feature of our past, but our future will look different. Our prior growth took place primarily in undeveloped areas where vacant land could easily be converted into residences and commercial areas. As these areas developed, much of the transportation and utility infrastructure needed to serve them was paid for by developers. The amount of land available for large scale residential and commercial projects is now far more limited.

Within Cary's planning jurisdiction, approximately 14% of the land remains developable. For a community that has succeeded over the past several decades through the facilitation of high quality new developments on undeveloped land, this is a significant change. As the Town's high quality of life has been historically funded by revenues generated from growth, the Town will need to adjust its financial model to maintain Cary's quality of life and seek every opportunity to minimize cost.

The Town is changing from a growing community to a maturing community. The Town's revenue growth is slowing compared to the "boom" years of the 1990s and early 2000s, and we are facing increasing infrastructure maintenance, renovation, and replacement needs. During our high growth years, much of our infrastructure was new and required little maintenance to keep in excellent condition. With the passage of time, more of our facilities and infrastructure are reaching the age where higher levels of maintenance are required. These two trends place a strain on our financial resources and informed recommendations for the FY 2020 operating and capital budgets.

TOWN OF CARY ASSESSED VALUATION ANNUAL GROWTH

Fiscal Year	Assessed Valuation	\$ Change From Prior Fiscal Year	% Change
2010	\$20,397,595,898	\$701,550,066	3.6%
2011	20,680,181,321	282,585,423	1.4%
2012	21,112,544,774	432,363,453	2.1%
2013*	21,557,354,633	444,809,859	2.1%
2014	22,552,761,282	995,406,649	4.6%
2015	22,800,436,078	247,674,796	1.1%
2016	23,654,829,667	854,393,589	3.7%
2017*	25,851,827,109	2,196,997,442	9.3%
2018	26,414,089,961	562,262,852	2.2%
2019 Estimated	26,727,440,241	313,350,280	1.2%
2020 Recommended	27,655,105,731	927,665,490	3.5%

*FY 2012 and FY 2016 were Wake County revaluation years. Revenues on revalued property for Cary residents were recognized in FY 2013 and FY 2017 receipts.

With the Imagine Cary Community Plan as its guide, the Town is turning its tax base growth focus toward infill and commercial and residential redevelopment opportunities as our primary strategy for fiscal sustainability. However, the [Eastern Cary Gateway Special Planning Area](#) presents the Town with a key economic development opportunity to create a new high density mixed use center with a focus on employment uses on one of the last remaining large undeveloped sites near Interstate 40 with existing and future access to transit, and close proximity to NC State University, the PNC Arena, Raleigh and Downtown Cary.

The Eastern Cary Gateway serves as one of the main regional gateways into Cary and is accessed via two Interstate 40 interchanges located on the Town's eastern border. Nearly 50% of commuters entering and leaving Cary each day for work travel through this area. On April 2, 2019, the State of North Carolina sold a 92 acre parcel it owned in this special planning area along Interstate 40 to Columbia Development to develop [Fenton](#), an \$850 million mixed-use project, on the site. Fenton will offer over 2.5 million square feet of retail, office, restaurant, hotel and multi-family space anchored by two major tenants: a 125,000 square foot Wegmans Food Market and a 36,000 square foot boutique theater.



The Fenton development meets the vision outlined in the Imagine Cary Community Plan for this area as it:

- creates a vibrant economic, destination and gateway center,
- focuses on employment
- serves as a revitalization catalyst for the area

While the project will take several years to complete, grading is anticipated to begin in late spring 2019.



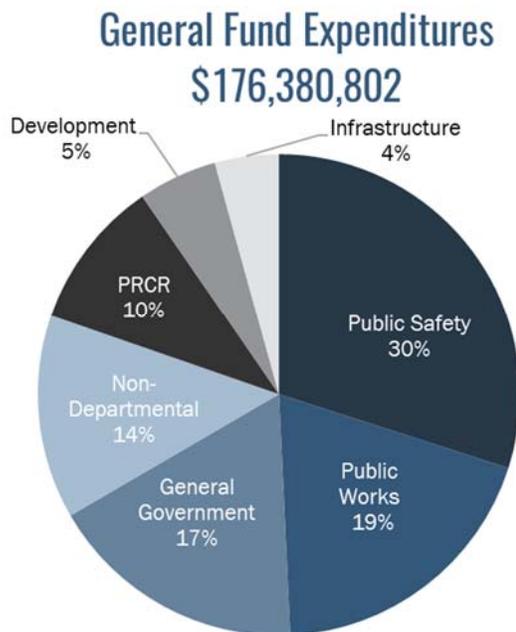
Artist rendering courtesy of Columbia Development www.fentonnc.com

FY 2020 OPERATING BUDGET DETAILS

Beginning in FY 2018, the Town adopted a rolling budget approach where annually a base operating budget is adopted in accordance with state law that supports the continuation of services at existing levels. As a part of budget development, revenues and expenditures are balanced and an amount of funding within the balanced budget is identified to use during the fiscal year to fund requests for new initiatives, positions or services. Reserving funds for this purpose acknowledges that the Town will need to address emerging issues and opportunities throughout the year rather than delaying them for consideration in the next year's budget process. Any requests for new services, initiatives or positions are considered by Town Council at quarterly meetings held throughout the course of the fiscal year or during a regular council meeting.

The FY 2020 Recommended Budget for the Town's three major operating funds are discussed below. Financial summaries for smaller funds such as Fleet, Health and Dental, Community Development, Economic Development, Emergency Telephone System (911) and Insurance and Bonds may be found in the "Other Funds" section of this document.

GENERAL FUND



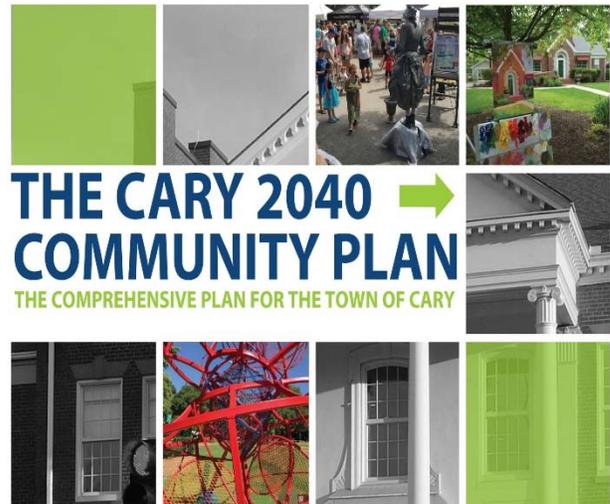
The General Fund supports most of the Town's operations including Police, Fire, Transportation and Facilities, Parks, Recreation and Cultural Resources, Public Works, Planning, Inspections and Permits, Development Services and various administrative functions such as Finance, Human Resources, Information Technology, the Town Manager's Office, the Town Clerk's Office, Legal and Town Council. FY 2020 Recommended General Fund operating budget expenditures (excluding transfers to capital projects) total \$176,380,802 which is 3.8% greater than the prior year budget.

The Recommended Budget's highest priority is maintenance from both the service provision and infrastructure perspectives. No new positions are recommended in FY 2020. Our organization is transforming culturally and functionally. We are slowly eliminating traditional work silos and operating collaboratively across departments and divisions. This approach has caused our organization to rethink the work we currently do and how we do it before considering the creation of new positions.

Approximately \$484,000 is included in the FY 2020 recommended budget for new initiatives, and \$200,000 of this amount supports an initiative to update the Town's Land Development Ordinance (LDO). The Town's existing development regulations were written for a scale and intensity of development typical of expansion and greenfield. The Imagine Cary Community Plan identifies several

strategic locations for greater development intensity. This new scale of development (recommended for Destination Centers and Commercial Mixed-Use Centers) is not specifically addressed in existing rules and regulations which limit flexibility and creative solutions for infill and redevelopment sites.

Our reimagined LDO framework will incorporate visual formatting and substantive content changes initially focusing on the Town Center District and Downtown Special Planning Area (SPA). With a focused and intentional process, we can address the urgency of development pressures in the Downtown SPA and use this work to set the foundation for a more complete alignment of the LDO with the full Imagine Cary Community Plan on a Town-wide basis.



Of the remaining \$284,000 for new initiatives, \$75,000 supports network security upgrades to enhance protection of our internal computer network from ransomware and other attacks. Remaining funds are directed to a number of opportunities including:

- the purchase of five drones and their related operating costs for use in functions such as crash reconstruction, emergency response and surveying
- operating funds for the potential management of the Public Safety Training Center currently managed by Wake County Fire Services. While Wake County has offered to transition this function to Cary, a final decision is not expected to be made until after July 1, 2019
- contracting for a one-year pilot trolley service operating monthly in Cary's downtown

Other priorities within this Recommended Budget include an increased focus on employee training and development and continued implementation of new technology to improve our efficiency and engage more effectively as an organization and with our citizens.

One example of a technology commitment included within the budget is the appropriation of \$320,000 to further the Town's Smart Cities program. A "smart city" is one that collects data with different types of electronic Internet of Things (IoT) sensors and uses that information to efficiently manage assets and resources. This year's funding will enable Cary to establish components integral to the implementation of a Strategic Action Plan utilizing smart technology, data governance and analytics

The FY 2020 Recommended Budget assumes a 3.5% average merit increase for employees based upon individual performance throughout the year. This amount is one percent less than what was budgeted in the prior year. Additionally, no increases to employee or Town health insurance premiums are recommended in FY 2020. While our organization's health and dental claims experience has been steady for the past year, health care costs are dynamic and unpredictable. Our good fortune regarding this year's premiums is likely not sustainable and certainly not guaranteed into the future.

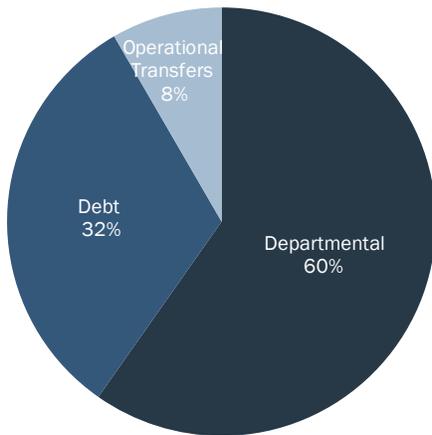
Included within these budgeted expenditures is \$1,153,486 reserved for emerging opportunities and Council-identified initiatives to be discussed at FY 2020 quarterly meetings in the spirit of the rolling budget process.

UTILITY FUND

The Utility Fund supports operations of the Town’s water and sewer systems. FY 2020 recommended utility fund operating budget expenditures (excluding transfers to capital projects) total \$72,929,293 which is 3.7% greater than the prior year budget.

Much like the General Fund, an increased focus on employee training and development and implementation of new technologies are priorities in the recommended Utility Fund budget. Additional funding was also included to address increasing chemical costs at the Town’s three water reclamation facilities and the water treatment facility.

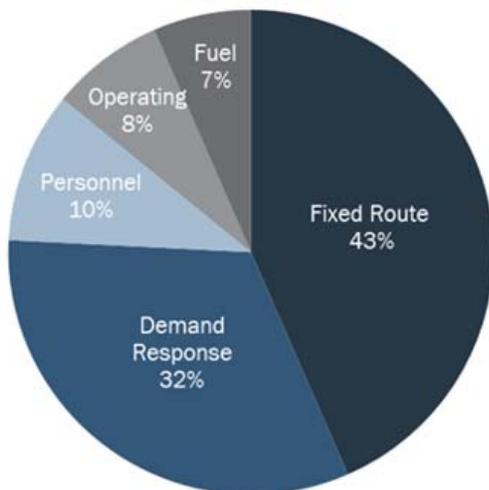
Utility Fund Expenditures \$72,929,293



The FY 2020 recommended budget also provides \$200,000 for remaining data gathering and analysis associated with an existing [opioid wastewater sampling project](#). The pilot phase of this work was funded through a grant received from Bloomberg Philanthropies. The Town committed to sharing aggregate data with public health officials and educators so that effective opioid awareness programs can be deployed and tailored to those at risk. While the grant phase of the work has concluded, a small amount of work remains to be done to fulfill our commitment to our research partners and to answer questions about contaminants in Cary wastewater. The \$200,000 will allow us to meet this commitment and allow the Town to evaluate the overall program over the course of the year to determine if this is a level of service that should be maintained.

TRANSIT FUND

Transit Fund Expenditures \$7,155,783



The Transit Fund accounts for revenues and expenditures associated with the Town’s GoCary transit service. FY 2020 Recommended Transit Fund operating expenditures (including \$1.6 million of general fund transfer support) total \$7,155,783 which is eight percent or approximately \$647,000 less than the prior year. This decrease is primarily attributed to the fact that the FY 2019 budget provided for a downtown feasibility study and one-time facility renovation costs that are not required in FY 2020.

The Wake County Transit Plan (WCTP) was presented in December 2015 as the strategic regional transit vision and was adopted by Wake County, the Capital Metropolitan Planning Organization (CAMPO) and GoTriangle in the summer of 2016. The WCTP guides future transit investment aimed at developing a robust, efficient regional transit system. In order to achieve these goals, the WCTP is funded through a number of resources including the one-half percent (1/2%) sales and use tax

approved by Wake County voters in November 2016. Federal, state and local funds, farebox revenues, the Regional Transit Authority Registration Tax and the seven-dollar Wake County Vehicle Registration Tax also support transit.

The FY 2020 Recommended Transit Budget includes the addition of a fixed route and bus stop improvements along Weston Parkway, the Park West Village shopping area and James Jackson Avenue. These enhancements are wholly funded by the Wake County Transit Plan.

FY 2020 CAPITAL BUDGET DETAILS

Staff prepares an annual capital improvements budget and a long-range capital improvements plan for Town Council's consideration. The capital improvements budget (CIB) and twenty year capital improvement plan (CIP) are recommendations to help meet Council policy direction and Imagine Cary community plan goals in the areas of service delivery, infrastructure maintenance and development, regulatory compliance, facilities planning and development, financial condition and to further enhance the quality of life in Cary. 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.

Typically, planned appropriations for the budget year (FY 2020) and five subsequent years (FYs 2021 – 2025) are limited to the amount of funding projected to be available in those years. Only the FY 2020 budget year is formally adopted by Council. Figures noted for fiscal years 2021 through 2040 are for planning purposes only and are not appropriations for those years.

While utility capital programming is tied to anticipated revenues over the six-year programming period, only fiscal years 2020 and 2021 are currently limited to projected revenues on the general capital side. Two factors weighed heavily into this one-time general capital planning decision:

- We are building a comprehensive inventory of our full maintenance burden for existing Town facilities.

Many Town facilities were constructed from the mid-1990s to mid-2000s and are now reaching the major maintenance portion of their lifecycles. While major maintenance programs have been in place for many years for roads and greenways, facility maintenance has focused more on routine needs. Facility assessments are being initiated to comprehensively document major maintenance schedules and fully identify facility maintenance funding needs.

- The Town will hold a Transportation and Parks general obligation bond referendum on October 8, 2019.

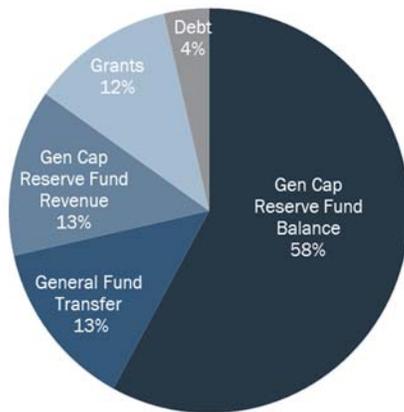
The referendum will include a mixture of new transportation and park projects, maintenance, capacity and enhancements to state transportation projects, and park update projects throughout Cary. Regardless of the referendum's outcome, project priority and funding options will shift throughout the first six years of the CIB/P.

With so many question marks affecting the first six years of our CIB/P, we focused our budget efforts on the near-term (FYs 2020 and 2021) and will work to bring more clarity to FYs 2022 and beyond over the course of the next fiscal year.

GENERAL CAPITAL

The general capital category encompasses Transportation, Transit, Fire, Parks Recreation and Cultural Resources, General Government and Downtown projects. The FY 2020 general capital improvements budget totals \$37,072,063 which is 29.3% less than the prior year. This overall decrease is primarily attributed to a \$21.5 million decline in transportation project funding. This drop does not reflect a change in service or maintenance levels. Rather, construction funding for four major Transportation projects simply aligned in a manner that led to atypical FY 2019 appropriations.

FY 2020 General Capital Revenues
\$37,072,063



It is important to note that while the Town is planning an October 2019 general obligation bond referendum in support of both new and existing infrastructure, projects potentially funded wholly by that referendum do not appear in our CIB/P as a vote has not yet been held. Should voters approve a portion or all of the referendum, those funds would be appropriated to projects mid-year 2020.

The FY 2020 recommended general CIB is primarily funded through \$23.5 million of general capital reserve fund balance and revenue appropriations. \$1.4 million of asset backed debt is recommended to fund the replacement of an aerial ladder fire truck. Grant funding of \$4.3 million for transit and PRCR projects, \$2.9 million of Wake County

Transit Plan funding for GoCary projects and a \$5 million General Fund transfer provide additional funds in FY 2020.

Of the \$37.1 million recommended for general capital projects in FY 2020, \$19.2 million, or 52% supports maintenance-oriented projects including:

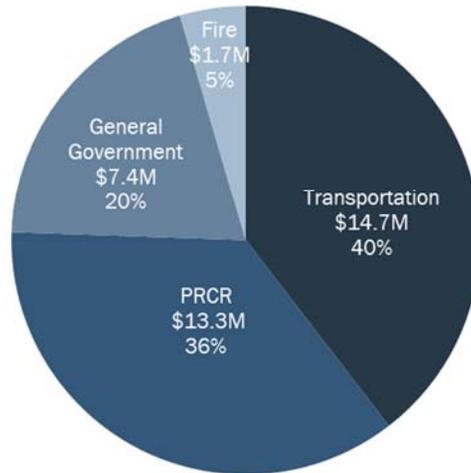
- \$5.4 million for street improvements
- \$4.4 million for greenway resurfacings, play area, tennis court and park renovations
- \$3.0 million for field, site and structure maintenance at the Cary Tennis Park, USA Baseball National Training Facility and WakeMed Soccer Park
- \$2.1 million for routine facility maintenance such as painting, roof and HVAC replacements and internal road resurfacings
- \$1.5 million for the replacement of an aerial ladder fire truck
- \$1.5 million for the replacement of sanitation and recycling trucks
- \$1.4 million for stormwater condition assessments, repairs and mitigation

The FY 2020 CIB also directs \$17.8 million, or 48% of the total budget, to new, enhanced or expanded infrastructure. Notable examples include:

- \$4.0 million for two western Cary parks. While construction of both the Carpenter Fire Station Road and McCrimmon neighborhood parks would likely rely on bond funding, the Town would direct developer payment in lieu revenue to reduce the amount of bond funding potentially needed
- \$2.8 million for construction of the Crabtree Creek Trail Weston Parkway Crossing (80% grant funded)
- \$2.2 million in design funds for a GoCary Regional Operations and Maintenance facility (100% funded with Wake County Transit Tax)

- \$1.8 million for sidewalk improvements
- \$1.7 million for construction of the Bond Park and High House Road street side trail segment of the Crabtree Creek Greenway (80% grant funded)
- \$1.0 million for reimbursements to the Wake County Public School System in compliance with new state statutes mandating that municipalities reimburse the school system for certain transportation improvements
- \$1.0 million in various GoCary transit system improvements including: bus stop improvements (solar lighting upgrades), transfer center upgrades and additional wayfinding signage

FY 2020 General Capital Expenditures
\$37,072,063

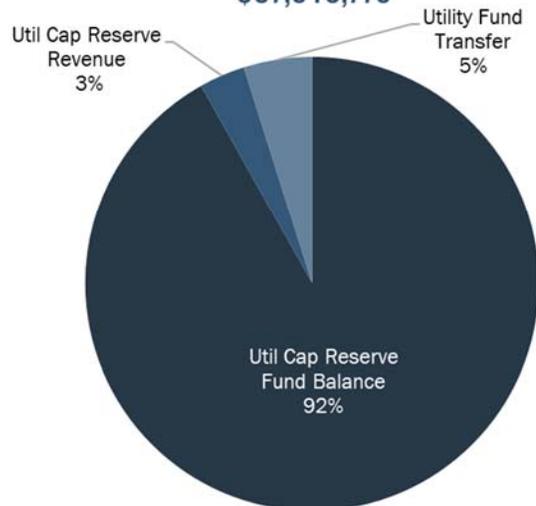


UTILITY CAPITAL

The utility capital category is comprised of water and sewer projects. The FY 2020 utility capital improvements budget totals \$37,513,775 which is 12.4% less than the prior year. Process improvements and basin rehabilitation at the Cary/Apex Water Treatment Facility and construction of the Winding Pine pump station, sewer line and force main accounted for the \$15 million increase the prior year. The FY 2020 utility capital budget concentrates on maintenance with 76% of budgeted funds directed to caring for existing infrastructure and 24% supporting expanding or enhancing assets.

The FY 2020 recommended utility CIB is primarily funded through \$34.5 million of utility capital reserve fund balance appropriations.

FY 2020 Utility Capital Revenues
\$37,513,775



Utility fund transfers of \$1.8 million and \$1.2 million in municipal partner reimbursements round out resources. No new revenue bond debt is needed to support FY 2020 projects.

A total of \$21 million is recommended for water projects in FY 2020. Just under one quarter of this amount, or five million dollars, focuses on upgrading, replacing and maintaining existing water lines. Another six million dollars support three separate water line reinforcements, while three million dollars replace ozone generators and implements structural and process improvements at the Cary/Apex Water Treatment Facility.

The sewer capital budget totals \$16.5 million with 30% or five million dollars of this amount directed to sewer system repair/rehabilitation. The Winding Pine pump station, sewer line and force main mentioned previously requires a final three million dollars in FY 2020 for project completion. Other significant projects funded this year include:

- \$1.5 million elimination of the Paramount pump station
- \$1.0 million conversion of the west Cary northern force main to reclaimed water
- \$1.0 million completion of aeration process upgrades to the North Cary Water Reclamation Facility

FINAL THOUGHTS

The FY 2020 recommended budget is another step along our path to make the Imagine Cary Community Plan reality. The process used to develop this budget built upon our organization's commitment to working collaboratively across departments to determine how best to maintain exceptional levels of service in an ever-changing fiscal environment. The common thread throughout the recommendations within this document is a resounding desire to enrich the lives of our citizens by creating an exceptional environment and providing exemplary services.

FY 2020 Utility Capital Expenditures \$37,513,775

