

## **BUDGET MESSAGE FOR FISCAL YEAR 2015**

Mayor Weinbrecht and Members of Council:

Submitted herein, in accordance with the Local Government Budget and Fiscal Control Act, is the recommended annual budget for fiscal year 2015 for the Town of Cary. The budget is a plan that presents financial information summarized by major category of expense for each departmental budget and outlines the operations of the Town of Cary government and its component operating and capital programs. As required by State law, the budget is balanced and identifies methods of raising and spending funds for specific programs during the coming fiscal year. The recommended operating budget is \$209.3 million, a 3.7 percent increase over 2014. The recommended capital budget is \$51.2 million, a 51.1 percent decrease from 2014.

The recommended budget proposes neither an increase in the tax rate nor any debt beyond that previously approved. Although no tax increase is proposed for fiscal year 2015, it should be noted that in the fall of 2015 the Town will borrow the remaining \$40 million of debt approved by the voters in 2012. As explained to the voters in 2012, repayment of this additional debt will require a tax increase of two cents in fiscal year 2016.

The last six years have presented budgetary challenges for the Town. Along with the state and nation, Cary experienced fiscal stress as a result of the Great Recession. The severe downturn in the housing industry and steps taken by the Federal Reserve to limit the effects of the downturn had significant effects on Cary's revenues. As residential construction declined, so did the Town's revenues from building permits and sales taxes. Building permit revenue fell by more than half over the course of three years and sales taxes dropped by almost 10 percent. The Federal Reserve's reduction of its target interest rate to less than one percent caused a general reduction of interest rates for the types of securities in which the Town is allowed to invest its funds. As a result, investment income to the General Fund declined from a high of \$5 million in fiscal year 2007 to a low of under \$300,000 in 2013.

Unlike previous recessions, which affected Town revenues for one or two fiscal years and could be addressed by short-term measures, the recovery from the Great Recession has been slow. This slow recovery required that we make adjustments to our programs and limit new spending for several years. The Town eliminated positions, especially in areas like Inspections and Permits where workload decreased as a result of the housing downturn. Capital projects were delayed in order to reduce future debt service requirements. Existing debt was refinanced to take advantage of lower interest rates. Solid waste fees were raised to increase the cost recovery rate for collection services. The Town was prudent with the use of its resources and only adopted fee increases when they were necessary to sustain consistent service delivery and financial condition. This conservative approach allowed the Town to maintain a sound fiscal position through the recession without the need for a tax increase to close the gap between spending and revenues.

As part of our efforts to better address the service needs of our citizens, we examined the structure of our organization last year and implemented a number of changes designed to increase our efficiency and effectiveness. The rapid growth over the last two decades of both the Town's population and services desired by its citizens resulted in a marked increase in the volume and complexity of internal and external regulations. Because many of these services and regulations were implemented by a number of different departments, the greater complexity within a flat organization structure led to problems with internal communication, coordination, and problem resolution.

To address these concerns, the Town implemented a new organization structure in November of 2014 with the goals of:

- Focusing on customer service
- Strengthening organization-wide strategic focus
- Providing better accountability through defined roles, responsibilities, and lines of authority
- Allowing for more-timely decision-making

To accomplish these goals, the new structure organizes the Town's departments and operations into three functional areas:

- Development Services
- Infrastructure
- Operations and Public Safety

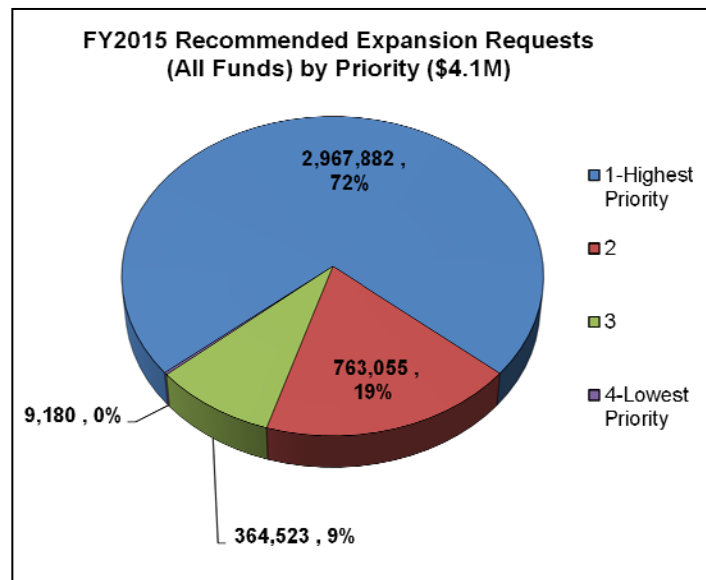
Each of these areas is now overseen by a deputy or assistant manager in order to reduce the time that I must spend addressing operational issues, thereby leaving me more time to focus on strategic decisions. These changes in the organizational structure did not require the addition of positions beyond the number approved as part of the FY 2014 adopted budget.

Over the past two years, the pace of the economic recovery has begun to improve at both the national and state levels. Job growth and housing construction in the Raleigh-Cary metropolitan area have been particularly strong. As a result, we are able to make cautious steps towards enhancing our service levels. While economic conditions have improved, the Recommended Budget for fiscal year 2015 continues to embody a conservative budget approach using basic business principles to guide decisions now and in the future for the provision of our core municipal services.

Our budget development process always has focused on continuing to provide high quality services and moving towards meeting Council's goals for the community. As in prior years, our organization is guided by the Town's mission statement and statement of values. For fiscal year 2015, we also are guided by the Priority Based Budgeting (PBB) Goals and Practices adopted by the Town Council at its January 2014 council-staff retreat. At the retreat, the Council adopted the following goals for what the Town should provide to its residents:

1. Attractive, Well-Planned & Livable Community
2. Economic Vitality & Development
3. Effective Transportation & Mobility
4. Quality Cultural, Recreational & Leisure Opportunities
5. Reliable, Sustainable Infrastructure
6. Safe Community

PBB provides a comprehensive review of the entire organization by identifying every program offered by the Town, determining the costs of each program, and evaluating the relevance of programs to the Town's Goals and Practices. All 501 programs are ranked based on their relevance and divided into four priority tiers, with Tier 1 programs having the highest priority for achieving the Town's goals. The chart below shows that the service expansion requests in this budget provide resources primarily to the Town's higher priority programs:



The \$4.1 million of expansion requests in the Town's operating budget include 25.5 new positions. The requests are directed towards implementing the PBB Goals for the community. Highlights of the operating budget expansion requests and the goals that they address are shown below:

#### **Attractive, Well-Planned and Livable Community**

- Improve the visual appeal of city streets by adding landscaping to existing medians - \$150,000
- Enhance roadside maintenance in western Cary by adding two facilities maintenance workers to perform mowing, pruning, edging, litter control, and landscaping services - \$134,331
- Maintain solid waste and leaf collection performance as workload increases by adding a new solid waste collection route and purchasing an additional leaf collection truck - \$106,780
- Boost the Town's ability to resolve zoning complaints and maintain the character of neighborhoods and commercial areas by adding zoning compliance officer - \$42,332

#### **Economic Vitality and Development**

- Facilitate business development in downtown by creating a small business incentive loan program - \$120,000

#### **Effective Transportation and Mobility**

- Make spot improvements in the level of service of for Town intersections and streets - \$250,000
- Enhance the convenience of public transportation by extending C-Tran evening service hours from 8:00 p.m. to 10:00 p.m. - \$139,620
- Improve the capacity of public transportation by increasing the size of buses on two high traffic routes where all seats frequently are in use - \$28,823

#### **Quality Recreational, Leisure and Cultural Opportunities**

- Improve the cost effectiveness of the WakeMed Soccer Park by benchmarking its operations against similar venues and recommending changes in programming for the facility- \$25,000
- Adding recreation programming for participants with disabilities by converting the Therapeutic Recreation Specialist position to full-time - \$18,110

#### **Reliable, Sustainable Infrastructure**

- Identify cost-effective methods of increasing the rated capacity of the North Cary Water Reclamation Facility without the need to construct new facilities - \$350,000
- Improve the quality of Town building projects by adding an architect position that could better evaluate the functional needs of Town facilities and ensure that they are constructed and maintained in a cost effective and timely manner - \$105,036
- Accommodate increased maintenance workload at Town facilities due to the recent addition of over 46,000 square feet of space at The Cary Theater, Fire Station 8, and WakeMed Soccer Park by adding a facilities maintenance mechanic position - \$82,342
- Provide the operations and maintenance staffing needed to operate the new biosolids dryer at the Western Wake Water Reclamation Facility - \$128,444
- Provide the staffing needed to accommodate the additional workload associated with the Phase III expansion of the Cary/Apex Water Treatment Facility - \$56,888
- Ensure that the Town can meet its requirement to inspect all wastewater easements on an annual basis by adding a wastewater system technician position - \$88,723

#### **Safe Community**

- Maintain appropriate patrol levels and response times in northwest Cary as development increases by establishing a new police beat with six officers - \$575,940
- Improve the quality of fire code enforcement by adding two full-time permanent positions and discontinuing the use of part-time, temporary staff for these duties - \$82,925
- Improve the responsiveness of residential building inspections by creating a multi-trade unit dedicated to residential construction that is overseen by a new Code Enforcement Chief position - \$112,827
- Enable the Fire Department to provide rescue services in the event of a structural building collapse by purchasing necessary equipment - \$27,400

In addition to these expansion items in the operating budget, the \$51.2 million capital budget includes projects that will move the Town further towards its PBB Goals. Several of these projects are noted below:

### **Economic Vitality and Development**

- Make downtown a more appealing location to visit and do business through projects such as streetscape improvements and up fitting Town-owned property for sale or lease - \$450,000
- Design parking facilities near the new downtown library - \$400,000

### **Effective Transportation and Mobility**

- \$600,000 for sidewalk repairs and pedestrian improvements.
- \$30,000 to ease the use of pedestrian crossings by the disabled by moving signal buttons to more accessible locations.

### **Quality Recreational, Leisure and Cultural Opportunities**

- Add covered courts and improve the clubhouse at the Cary Tennis Park - \$4,058,000, of which \$1,000,000 will be provided by Wake County as part of the inter-local agreement for use of occupancy tax funds.
- Renovate existing courts at Cary Tennis Park and prevent future damage - \$300,000.
- Build a trailhead parking lot on White Oak Greenway near the site of the future Green Level high school - \$185,000

### **Reliable, Sustainable Infrastructure**

- Install over three miles of water pipe as the first phase of a project to move reclaimed water from the North Cary Water Reclamation Facility to the western pressure zone - \$8,100,000
- Connect the two existing sections of Morrisville Parkway on either side of NC 540 - \$6,000,000 (of which \$3,000,000 will be funded by the Capital Area Metropolitan Planning Organization)
- Street resurfacing and improvements - \$5,000,000
- Construct over 2.5 miles of new sewer line - \$2,930,000
- Install over three miles of redundant water line along SW Cary Parkway to ensure water availability if the existing main is out of service - \$2,400,000
- Build a water storage tank in western Cary to ensure adequate water storage in the western pressure zone - \$2,000,000
- Repair and rehabilitate aging water and sewer lines - \$2,200,000
- Improve the quality of raw water flowing to the Cary/Apex Water Treatment Facility by installing a water aeration system in Jordan Lake near the water intake - \$502,000

### **Safe Community**

- Acquire land for a new fire station in southwest Cary so that a station can be constructed when needed - \$800,000
- Produce the architectural and engineering design for a new fire station on Walnut Street near Crossroads that would improve response times in the Crossroads area - \$750,000

In addition to these initiatives to meet the Council's goals for how the Town will serve the community, the Recommended Budget includes several projects that would help the Town better uphold its stated values of being open, ensuring access, encouraging involvement, and being accountable to its citizens. The budget includes \$305,000 to redesign the Town's website and make it fully accessible to mobile devices, as well as \$89,170 for a website content manager position to keep the website's features and content up-to-date. The \$80,000 in the capital budget for acquisition of Arcinfo software would enable the Town to develop open data access applications for its geographically based data. In addition, the budget includes \$64,400 for the

acquisition of council workflow software, which would allow citizens reading the online Council minutes to link to the portion of the Council meeting video when each item was discussed.

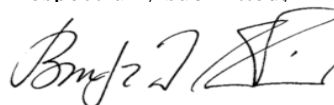
As part of the budget development process, the Town of Cary seeks input from the public beyond the public hearings required by law. During the month of February, the public was invited to make suggestions for budget priorities through email, letters, voicemail, and a public hearing. The Recommended Budget includes several proposals that address priorities noted by the public. The proposed extension of C-Tran operating hours addresses a need expressed by the public in February, as well as through rider surveys. Citizens expressed strong support through public comment for the Town's greenway system, and the capital budget includes funds for improvements to the Black Creek and White Oak Greenways. Funding for the Morrisville Parkway extension, street resurfacing, intersection improvements, and downtown development also respond to issues raised by public input in February.

While the fiscal year 2015 Recommended Budget does not include a tax rate increase, it does include two fee increases of note. The Town charges a variety of building and permit related fees which were raised for fiscal year 2014 for the first time in over a decade. A 5% increase is recommended for fiscal year 2015 to cover the cost of adding a Chief Code Enforcement Official (Residential) in Inspections and Permits, who would lead a multi-trade residential inspection division. This new group, which will be created using existing inspections staff, will focus on working with residential builders and homeowners. This reorganization would complete the transition from currently sending four single-trade inspectors (building, electrical, plumbing, and mechanical) to inspect each aspect of a residential project and instead, to sending one inspector who would be qualified to perform inspections in multiple trades. This increase in efficiency will continue the Town's goal of providing next day inspections. With two separate groups focused on the two areas of the State Building Code (commercial and residential), the department will be better suited to allowing a customer to choose between having the first available inspector respond to their request for service or having one inspector perform all phases of the inspection.

The Recommended Budget also includes increases in the water and sewer utilities rates that equate to a 3.7 percent increase in cost for a customer using 7,000 per month. This proposed rate of increase is below the 4.9 percent level that was projected for fiscal year 2015 at this time last year. This reduction in the rate of increase was made possible because construction of the Western Wake Regional Wastewater Reclamation Facility is expected to be at least ten percent below budget, which would save the Town and its customers over \$30 million. As it has been for the past several years, this year's recommended rate increase is the product of multi-year rate smoothing, which is designed to avoid large rate increases in years when debt must be issued for plant expansions, and to generate funds between such expansions that can be used to reduce the amount of debt that must be issued. Because of this rate smoothing, we currently project that utility will increase at an annual rate of less than four percent in each of the next ten years.

In summary, I believe that this budget will move the Town further towards the Council's stated goals and will do so in a fiscally responsible manner. The production of the Recommended Budget is truly a collaborative effort by our Town staff. Departments assess their needs and develop budget requests. The Finance Department develops our utility rate recommendations. The Budget Staff provides analysis of the departmental requests and coordinates the production of the budget. The Executive Team reviews requests and advises me as I make decisions about the budget. I wish to recognize and extend thanks to staff in all Town departments for their invaluable assistance during the budget process and express my appreciation to the Town staff that helped in preparing this budget.

Respectfully submitted,



Benjamin T. Shivar  
Town Manager