



June 3, 2019

Mayor James Roberson
Mayor Pro Tempore Randy Young
Councilor Jessica Day
Councilor Mark Swan
Councilor Russell Killen
Councilor Pete Mangum

FISCAL YEAR (FY) 2019-2020 BUDGET MESSAGE

Mayor Roberson and Town Council:

Submitted for your consideration is the proposed budget for the fiscal year beginning July 1, 2019. This budget has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act (G.S. 159-8(a)). The budget is balanced and identifies all revenue and expenditure estimates for Fiscal Year (FY) 2019-2020 per G.S. 159-8(b).

REVIEW & ACCOMPLISHMENTS

According to the U.S. Census Bureau, the Town of Knightdale grew more than 10% over the last year. Our Town is currently the fastest growing municipality in Wake County with approximately 17,423 residents. While this growth continues to improve the quality of life for our citizenry, it presents significant challenges in meeting the service demand needs for a jurisdiction undergoing such significant growth.

Knightdale continues to maintain its historical commitment to fiscal responsibility. This commitment to financial stewardship is the foundation of the Town's numerous successes in capital projects and quality service delivery. The General Fund is the chief operating fund of the Town of Knightdale. The FY2018 Audit reported an unassigned, general fund balance of \$4,073,919 or 25% of total general fund expenditures for the fiscal year. General Fund health continues to be strong for Knightdale. Property tax revenues increased 7.2% while sales tax revenue increased by 3.5% in FY2018.

The Town operates a Capital Reserve Fund designed to proactively meet the capital needs necessitated by the growth of the area. Capital Reserves are funded by a dedication of \$0.025 of the tax levy as well as any General Fund revenues in excess of 40%. For FY2018, the Capital Reserve Fund had an end-of-year balance of \$2,348,068 with \$502,829 restricted for local street improvements. This fund was utilized to benefit the following projects: Splash Pad - CDBG grant match, Knightdale Station Park – Phase III, new Public Works Facility, and early retirement of park debt.

Knightdale no longer owns or operates a water and sewer utility. The Town's Utility Fund is literally a shell of its former self as a utility merger agreement with the City of Raleigh Utility was completed in

FY2018. The Raleigh Public Utilities Department provides water and sewer service to approximately 195,000 meters serving approximately 570,000 residents in Raleigh, Garner, Wake Forest, Rolesville, Knightdale, Wendell, and Zebulon. The merger ensures water and sewer capacity for Knightdale to meet the Town's current and future needs. Town residents began paying City of Raleigh water and sewer rates effective July 1, 2018. For FY2018, Raleigh transferred \$151,789 to Knightdale to fund water and sewer debt which could not legally be transferred in the merger.

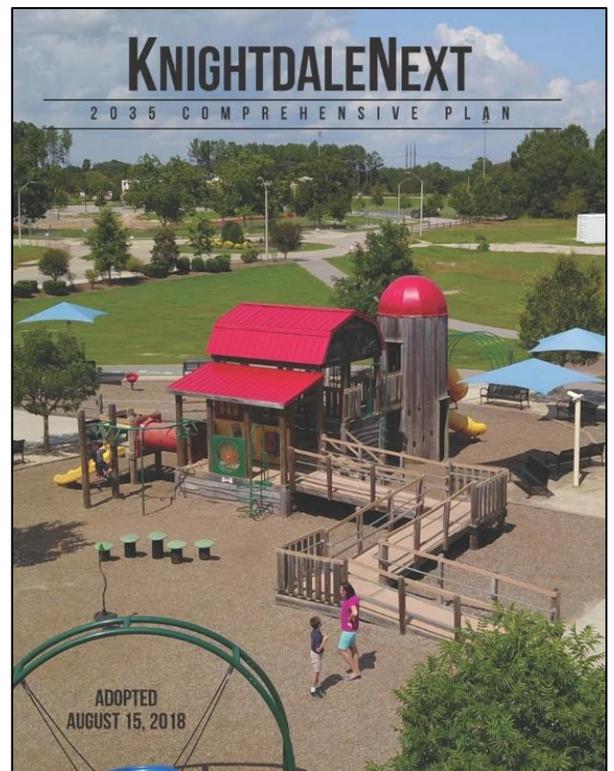
Knightdale operates two, primary programs funded through restricted revenue sources, the North Carolina State Street-Aid (Powell Bill) Program and the Stormwater Utility Fund. Both programs are essential in meeting the increasing needs of the Town's urbanizing environment. Powell Bill funds are generated from the State's Gasoline Tax through which a percentage of revenues are returned to municipalities. These funds are limited to maintaining, repairing, construction, reconstruction, or widening of local streets. In FY2018, Powell Bill funds were \$356,272, an increase of 2.11% over the previous fiscal year. The primary use of these proceeds is for the Town's annual repaving program. Approximately 13,000 linear feet of local right-of-way was repaved in FY2018.

The Stormwater Utility Fund was funded by a \$2.00 monthly, residential unit fee that generated \$302,204 in FY2018. This proactive program is designed to manage the increasing stormwater facilities in Knightdale as a result of the Town's increasing impervious areas.

The Town's total debt decreased by \$2,038,226 (20.41%) in FY2018.

For FY2019, several significant projects were initiated and/or completed:

- Completion of Knightdale Station Park, Phase III construction, including a Veterans' Memorial, and Performance Stage.
- Completion of the KnightdaleNext 2035 Comprehensive Plan.
- Initiation of construction of Knightdale Station Park Splashpad.
- Initiation of construction of Harper Park renovations.
- Initiation of construction of new Public Works Facility.
- Award of a \$1,000,000 Hospitality Tax Small Capital Projects Grant from Wake County for a future, soccer complex.



Comprehensive Plan Cover

FY2019-2020 BUDGET

As in previous years, the major emphasis of FY2020 Budget is to maintain quality service-delivery levels and to meet expanding capital needs. Staff maintains our annual commitment to a budget development process that focuses on working within the limits of our existing revenue sources. Our responsibility is to be conservative in our revenue projections and subsequent budgetary recommendations to ensure prudent use of town funds. Knightdale is committed to developing and maintaining a strong financial position.

ORGANIZATIONAL GOALS

Wake County was the 20th fastest growing county in the United States in 2017. Our county averaged 63 new residents per day over the last year. Growth pressures at this level have had significant impacts on the county's municipal landscape. The Knightdale Town Council recognizes that our community is undergoing a period of historic development. To better navigate the opportunities and challenges this dynamic change presents Knightdale, Fountainworks, Inc. was hired to guide the Town through the development of a formal strategic plan in 2019. As one of the top-ten fastest growing communities in North Carolina, the Town of Knightdale desires to have a strategic plan to guide its work at a high level. The strategic plan will include key elements, including:



- Vision
- Mission
- Core Values
- Strategic Focus Areas
- Short Term and Longer Term action plans
- Performance Metrics

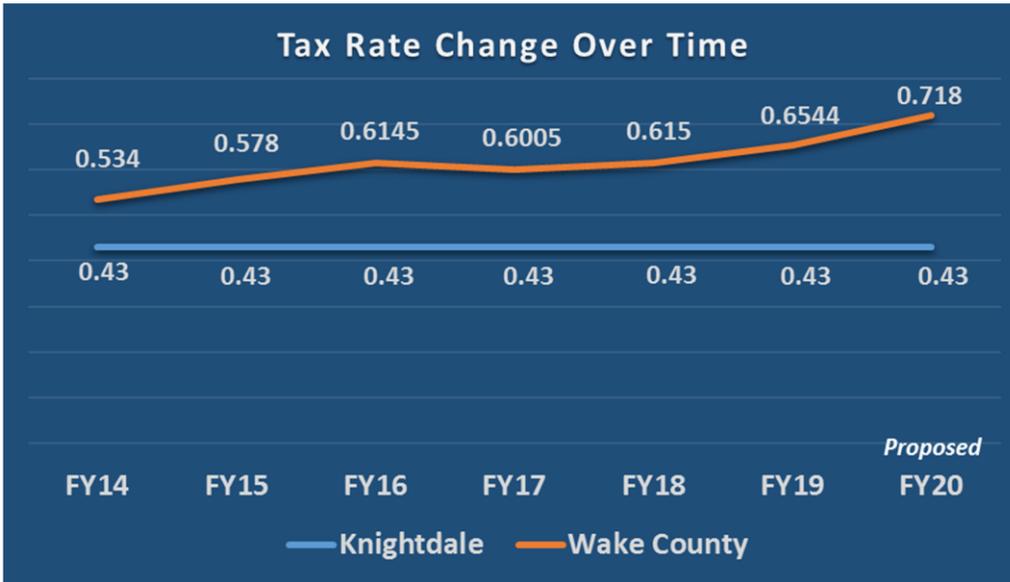
The Knightdale Strategic Plan will establish the decision-making framework that can guide the Town Council in future years. It will be forward looking and also guide work throughout the year, but will be nimble and responsive to changing needs. The plan will develop strategic focus areas around those issue areas the Town Council can influence. While the majority of the plan is focused on longer-term strategies, developing action plans for accomplishing those priorities will help put the plan into action.

The foundation of the Knightdale Strategic Plan will incorporate input from the Town's leadership team, employees, businesses, and residents.

REVENUE SUMMARY

PROPERTY TAXES

Town staff is not recommending an increase to the ad valorem (property) tax rate for FY2019-20. The property tax levy, based on a tax rate of \$0.43 per \$100 dollars assessed, generates approximately \$8,041,782 based on a total property valuation of \$1,875,255,814. Property tax revenue will increase 6.52% from the previous fiscal year. The Town of Knightdale has not raised property taxes for the previous seven years. In contrast, Wake County has increased property taxes over 34% during this same period. For FY2019, Knightdale offered the 4th lowest property tax rate of the twelve municipalities in Wake County.



Property Tax Rate Change Knightdale versus Wake County

Rank	Municipality	Tax Rate
1.	Cary	0.35
2.	Morrisville	0.39
3.	Apex	0.415
4.	Knightdale	0.43
5.	Holly Springs	0.4325
	Fuquay Varina	0.4325
6.	Raleigh	0.4382
7.	Rolesville	0.48
8.	Wendell	0.49
9.	Wake Forest	0.52
10.	Garner	0.5325
11.	Zebulon	0.592

FY 2018-19 Property Tax Rates

SANITATION & RECYCLING

Town staff is recommending an increase to the monthly recycling fee for FY2020 due to significant changes in the global market for recyclables. The current rate of \$3.75 will increase to \$4.73 with Waste Industries, Inc. for the upcoming fiscal year. Staff is not recommending an increase to the current, solid waste collection fee of \$11.08.

WATER & SEWER

The Town of Knightdale completed its Utility Merger Agreement with the City of Raleigh in FY2018. The merger allows Knightdale to provide improved, water and sewer services at the lowest possible cost to our citizens. It also ensures adequate water and sewer capacity for current and future needs.

For FY2020, the Raleigh City Council approved an 11% increase to the wastewater (sewer) base charge. This monthly increase results in a \$0.75 for most residential customers utility bills. The increased sewer fee applies to all residential customers with a 5/8" water meter, which includes almost all single-family residential customers.

STORMWATER

Knightdale will continue to operate a Stormwater Utility Fund in FY2020. Staff is not recommending an increase in the monthly, unit fee of \$4.00. The estimated revenues for the upcoming fiscal year are \$769,898.

FEE SCHEDULE

Staff will continue to utilize a comprehensive fee schedule for all Town services in FY2020. A comprehensive fee schedule has been an effective tool for our stakeholders to centrally access all town-related fees. Additional minor changes are proposed in the fee schedule for the upcoming fiscal year to the following service delivery areas: Off-Duty Police Officer Rate, Recreation Rental Fees, and several Development Service Fees.

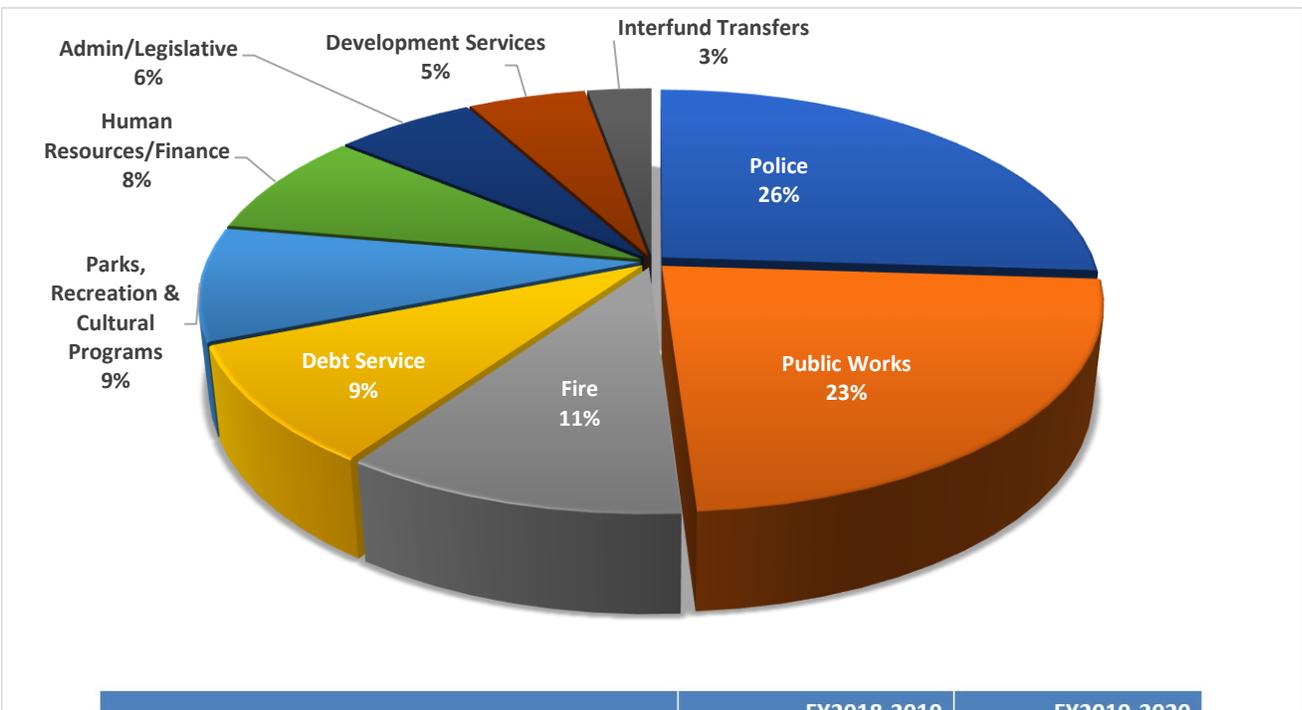
The Town of Knightdale places a greater emphasis on reduced rates for town residents versus non-tax paying users of the Town's programs and services.

EXPENDITURE SUMMARY

GOVERNMENT SERVICES

The General Fund is the funding mechanism for government services that most commonly affect our citizenry on a daily-basis. For most municipal governments, the largest government service appropriations are in Public Safety (Police and Fire) and Public Works. For FY2020, Knightdale Public Safety represents 37% of the General Fund's expenditures. The FY19 Wake County average for public safety services is approximately 35% for municipal governments.

Knightdale Public Works is primarily responsible for construction management oversight, maintenance of public facilities/properties, and the maintenance of local right-of-ways. Public Works operations represent 23% of our General Fund's expenditures for FY2020. A sample set of similar Wake County municipalities show the average investment for public works at approximately 19% for area municipalities. The FY2020 departmental appropriations are as follows:



	FY2018-2019	FY2019-2020
Police	\$3,650,462	\$4,025,480
Public Works	3,042,426	3,263,847
Fire	1,392,934	1,657,112
Debt Service	1,427,678	1,518,578
Parks Recreation & Cultural Programs	1,466,735	1,399,696
Human Resources/Finance	957,534	1,058,285
Administration/Legislative	962,982	995,073
Development Services	683,009	709,813
Interfund Transfers	438,715	458,987
Miscellaneous	29,750	-
Capital Outlay	1,701,169	1,292,558
Total	\$15,753,394	\$16,379,429

DEBT SERVICE

For FY2020, debt service represents approximately 9% of the total General Fund. The Town Council adopted a Debt Service Policy in 2018. The policy limits the Town's annual debt capacity to no greater than 11% of the current, fiscal year's revenue projection. The debt commitment for the upcoming fiscal year is as follows:

Outstanding Principal at 6/30/19	\$11,027,205
Debt Service for FY20 (Principal and Interest)	\$1,518,578
Percentage of FY20 General Fund Expenditures	9.27%
Debt Policy Limit 11% of General Fund Expenditures	\$1,801,737
Remaining Debt Capacity at 6/30/19*	\$283,159

Knightdale has the following annual principal and interest requirements for debt service for the upcoming fiscal year:

General Fund Debt Service

Debt Name	FY2020 Payment	Completion Year
Finance Software	\$16,192	FY2020
Public Improvement Bonds	\$56,993	FY2022
Harper Park Lighting	\$22,950	FY2023
Fire Pumper	\$60,645	FY2023
Public Safety Building	\$168,342	FY2021
Knightdale Park, Phase 1	\$403,233	FY2028
GO Parks and Rec GO Bonds	\$239,400	FY2029
Public Works Facility	\$305,573	FY2029
Knightdale Station Park, Phase III	\$245,250	FY2029

Water/Sewer Fund Debt Service

Debt Name	FY2017-18 Payment	Completion Year (fiscal year)
2002 Water & Sewer Bonds	\$159,581	FY2022

PERSONNEL

Personnel expenditures for FY2020 are \$5,730,161 which represents 35% of the Town's total budget for the upcoming year. The breakdown of personnel-related costs are as follows:

Salaries	\$5,557,512
Longevity	68,479
Merit (2% available for all departments)	104,170
Total Salaries	\$5,730,161

The FY2020 Budget creates the positions listed below to assist in meeting the growing needs of the Town. The additional positions will expand the Town's workforce to 89 full-time employees.

- Assistant Fire Chief
- Fire Inspector
- Police Officer (grant award dependent position)
- Police Records Clerk
- Stormwater Technician

A 2% merit pool is recommended for all departments for FY2020. The Town's merit program is a consideration of each employee's annual review. The program is designed to recognize and reward employees who exceed the Town's performance expectations. While the Town does not offer annual cost of living adjustments (COLA) for employees, it conducts a bi-annual, salary survey of all positions to maintain market competitiveness. This proactive measure is designed to attract and retain qualified professionals. The next survey will be conducted in FY2020 and subsequent position alignments implemented in FY21.

The Town will not see an increase in employee healthcare costs for FY2020. Health benefits will cost \$700 per month, per employee. This monthly funding includes a choice of two health plans as well as dental and vision coverage at no cost to the employee. The Town's healthcare program also includes for all employees, voluntary participation in the town's annual health screenings. We are continuing to offer a lower deductible by embedding a Health Reimbursement Account (HRA) option as well as funding each employee's medical Flexible Spending Account (FSA) with \$500.

The FY2020 employer contribution retirement rates are 8.98% for general employees and 9.7% for police officers in FY2019. The Town will continue to fund 5% in the NC 401(k) Plan for all full-time employees as well.

CAPITAL PROJECTS AND IMPROVEMENTS

The FY2020 General Fund Budget creates funding for the following major projects:

Mingo Creek Greenway Extension (\$2,572,000)

The extension of the Mingo Creek Greenway is approximately a 1-mile connector that will link Mingo Creek Park with Knightdale Station Park.



Mingo Creek Greenway Extension

The Mingo Creek Greenway Extension is grant funded by \$2,058,000 through the Locally Administered Project Program (LAPP) as part of the Capital Area Metropolitan Planning Organization (CAMPO). The Town's portion of this project is approximately \$514,000.

Public Works Facility (\$2,850,000)

The future Public Works Facility is located at Bozeman Drive and is currently under construction. The project has an anticipated completion date of August 2019. The project was awarded under the design-build statutory authority, GS 143.128-1A in 2017. The new facility will feature:

- 7,750 sq. ft. of office and warehouse space
- 4,800 sq. ft. - fleet maintenance shop
- 6,000 sq. ft. of open air, covered equipment storage

Forestville Road Athletic Park, Phase 1 (1,000,000)

Phase 1 of the project includes five (5) regulation soccer fields. The project also includes new road construction into the site, on-site parking, and improvements to Old Crews Road. Sidewalk and walking trails will be constructed as well to complement the site. A new maintenance facility and appropriate stormwater facilities complete the first phase of the project.

The Forestville Road Athletic Park project is grant funded by \$1,000,000 through Wake County's Hospitality Tax Small Capital Projects Fund.

The FY2020 Stormwater Fund Budget creates funding for the following major projects:

Stormwater Master Plan (\$100,000)

For FY2020, the Town will develop a Knightdale Stormwater Master Plan. The purpose of the master plan is to propose a framework for Stormwater Management for the next 10 to 20 years.

Environmental Pond Project (\$100,000)

The Knightdale Environmental Pond serves as a recreation amenity as well as a major stormwater facility. For FY2020, the Town will dredge the pond to remove sedimentation and restore the pond to its original condition to improve functionality and attractiveness.

SUMMARY

The Town of Knightdale was productive and made significant accomplishments toward several projects while maintaining fiscal responsibility during FY2019. As in previous years, the town's current needs are similar to those of other suburban jurisdictions in the Triangle area. Knightdale is fortunate to enjoy close proximity to Raleigh as well as I-87 and I-540. The accessibility afforded by these transportation corridors in conjunction with the abundance of amenities in the capital area continue to be attractive assets to current and future residents of Knightdale. The continued, rapid development of Eastern Wake County will greatly impact our town for the foreseeable future. The Town Council and staff will dedicate the necessary resources to strengthen Knightdale's regulatory environment in order to ensure an increasing quality of life for our citizenry.

The FY2020 Town of Knightdale Budget provides the financial resources to continue to facilitate positive change in greater Knightdale. It improves existing service levels while providing the funding necessary to strengthen our regulatory environment, invest in capital needs, and renovate town-owned properties. This budget attempts to limit expenditures wherever possible but at the same time recognizes the needs of our community.

Respectfully submitted,

A handwritten signature in cursive script that reads "William R. Summers".

Bill Summers, ICMA-CM
Town Manager