



June 1, 2020

Mayor James Roberson  
Mayor Pro Tempore Jessica Day  
Councilor Randy Young  
Councilor Mark Swan  
Councilor Stephen Morgan  
Councilor Ben McDonald

## **FISCAL YEAR (FY) 2020-2021 BUDGET MESSAGE**

Mayor Roberson and Town Council:

Submitted for your consideration is the proposed budget for the fiscal year beginning July 1, 2020. 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) 2020-2021 per G.S. 159-8(b).

### **REVIEW & ACCOMPLISHMENTS**

According to the U.S. Census Bureau, the Town of Knightdale grew more than 10% last year and averages 8% over that past four years. Our Town is currently the fastest growing municipality in Wake County with approximately 19,671 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 FY2019 Audit reported an unassigned, general fund balance of \$5,099,076 or 32.4% of total general fund expenditures for the fiscal year. General Fund health continues to be strong for Knightdale. Property tax revenues increased 6.5% while sales tax revenue increased by 11.7% in FY2019.

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 FY2019, the Capital Reserve Fund had an end-of-year balance of \$2,748,981 with \$504,071 restricted for local street improvements. In FY2020, this fund benefitted the following projects: debt service for Knightdale Station Park – Phase III, partial funding of Development Service's UDO update, Mingo Creek Greenway Extension grant-match funding, Wake Stone Athletic Park, and seed money for the Fire Capital Project Fund.

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 198,000 meters serving approximately 600,000 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 FY2020, Raleigh transferred \$159,581 to Knightdale to fund water and sewer debt which could not legally be transferred in the merger. This debt will be completely paid off in by FY2022.

Knightdale operates two, primary programs funded through restricted revenue sources, the North Carolina State Street-Aid (Powell Bill) Program and the Storm Water 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 FY2019, Powell Bill funds were \$370,821, an increase of 4.1% over the previous fiscal year. The primary use of these proceeds is for the Town's annual repaving program. The Town currently has around \$840,000 of Powell Bill reserves available for paving projects.

The Storm Water Utility Fund is funded by a \$4.00 monthly, residential unit fee that generated \$709,315 in FY2019. This proactive program is designed to manage the increasing stormwater facilities in Knightdale as a result of the Town's increasing impervious areas. Major ongoing capital projects for this fund include a Storm Water Master Plan and an environmental pond rehabilitation.

The Town's total outstanding debt at June 30, 2020 will be \$11,891,520, an increase of \$864,315 over this same time period last year. This increase is mostly related to the Wake Stone Athletic Park, which is currently under construction. Debt service (both principal and interest) budgeted for FY2020 is \$1,729,891, an increase of \$211,313. The Town debt service as a percent of general fund expenditures is 8.57%, well below the Town's debt policy of 11%.

For FY2020, several significant initiatives were initiated and/or completed:

- Opening of Knightdale Station Park Splashpad.
- Dedication of new Public Works Facility at 1102 Great Falls Court.
- Initiation of construction of Wake Stone Athletic Park on Forestville Road with project to be completed by late summer.
- Continuation of Mingo Creek Greenway Extension project.
- Creation of a Fire Capital Project Fund for future expansion and purchase of new ladder truck.
- Consolidation agreement with Eastern Wake Fire-Rescue Department effective for July 1, 2020.



*New Public Works Facility*

- Police Department reaccreditation with nationally recognized Commission on Accreditation for Law Enforcement Agencies (CALEA).
- Expanded bus service to Raleigh with new route allowing for more transfer opportunities to multiple routes.

## **FY2020-2021 BUDGET**

As in previous years, the major emphasis of FY2021 Budget is to maintain quality service-delivery levels and to meet expanding capital needs. Staff maintain 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.

This year presented unique opportunities for the budget-development process that included the fire consolidation with Eastern Wake Fire-Rescue Department, progress in expansion needs for the Knightdale Fire Department, a tax revaluation, and challenges surrounding the COVID-19 pandemic.

## **ORGANIZATIONAL GOALS**

With a population density having increased over 21% in the last 10 years, Wake County is the second most populous county in North Carolina, only slightly smaller than Mecklenburg County by 1,596 residents. 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 was rolled out in FY2020 and includes:



- 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 most 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 recommend a tax rate for FY2020-21 of .42 per \$100 of assessed value, a reduction of .01 from the previous year. This would generate estimated revenues of \$10,099,181 based on a total assessed value of \$2,422,963,277 after estimated appeals and a collection rate of 99%.

The tax rate recommendation results from this year being a revaluation year for Wake County and its municipalities. Done every four years as a way of re-equalizing real and personal property values, North Carolina General Statute 159-11(e) requires local governments to calculate the revenue-neutral property tax rate for comparative purposes. The revenue-neutral property tax rate was calculated by the Wake County Government based upon the formula per General Statute 159-11(e). The revenue-neutral rate is \$0.3536 per \$100 assessed value based on an average growth rate of 6.55%.

The Town of Knightdale has maintained a tax rate of .43 per \$100 of assessed value since FY2013-14.

### **SALES TAXES**

The second highest revenue stream for the Town, sales taxes are less predictable than property taxes and can be more volatile during times of economic instability. As a result of the COVID-19 pandemic, Town staff recommend no increases to sales tax revenues from those adopted in FY2020. The revenues from sales taxes are projected to be \$3,360,000 in FY2021.

### **SANITATION & RECYCLING**

Town staff is recommending an increase to the monthly recycling fee for FY2021 due to significant changes in the global market for recyclables. The current rate of \$4.73 will increase to \$4.80 with GFL (Green for Life) for the upcoming fiscal year. Staff is also recommending an increase to the current, solid waste collection fee to \$11.75 from \$11.08.

### **VEHICLE FEE**

Since the Town is experiencing tremendous growth, it is hard to maintain a sufficient transportation infrastructure. Town staff is therefore recommending the current vehicle tax fee of \$15 be doubled to \$30. All revenues from the fee increase will be designated for transportation initiatives.

### **STORM WATER**

Knightdale will continue to operate a Storm Water Utility Fund in FY2021. Staff recommend an increase in the monthly, unit fee to \$4.25 from \$4.00. The increased revenues will be used for expanded capital needs of this fund.

### **FEE SCHEDULE**

Staff will continue to utilize a comprehensive fee schedule for all Town services in FY2021. A comprehensive fee schedule has been an effective tool for our stakeholders to centrally access all town-related fees. Other than those fees outlined above, no additional fee recommendations are being made.

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.

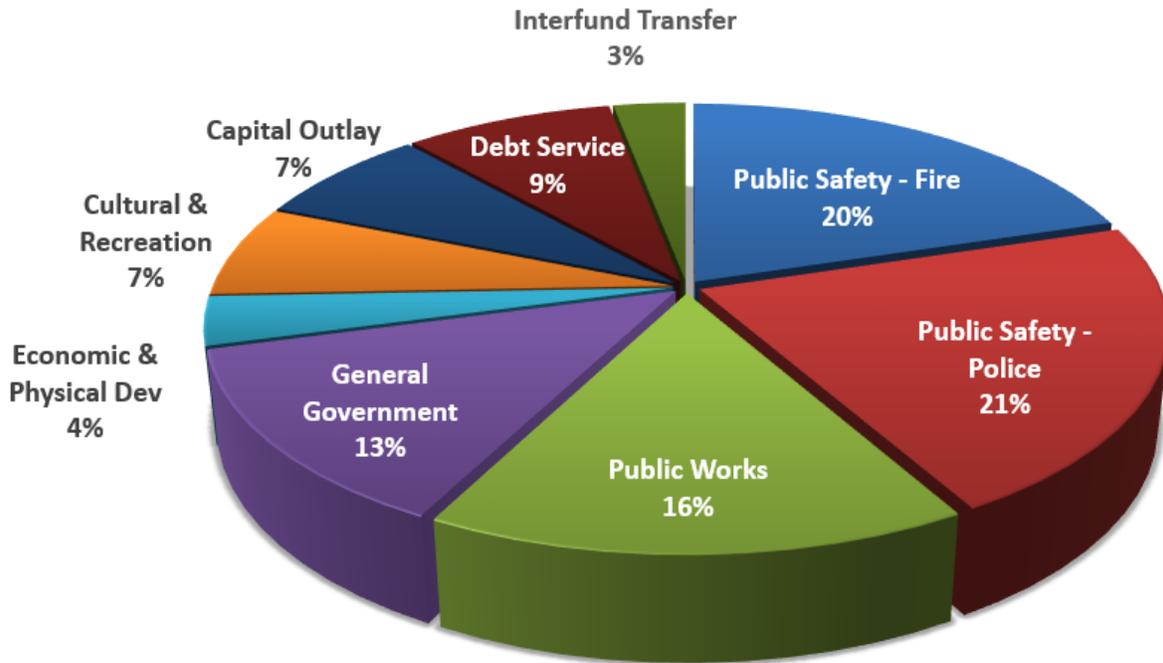
## EXPENDITURE SUMMARY

### GOVERNMENT SERVICES

The General Fund is the funding mechanism for government services that most commonly affect our citizenry on a daily basis. The total General Fund budget for next year is \$20,180,902. This is an increase of \$3,801,473 or 23.2% from the prior year. There are significant increases to the Fire Department budget for next year. Two factors relate to this increase. First is the consolidation with the Eastern Wake Fire-Rescue Department. The consolidation represents nearly half of the total budget increase for FY2021. This consolidation is fully funded by the County at \$1,850,453. Second is the expansion of the Knightdale Fire Department. The Department will be forming a new engine company during FY2021 with a new ladder truck that is expected to be delivered in late 2020.

GENERAL FUND	Current FY2020 Adopted	FY2021 Proposed	\$ Change	% Change
Salaries & Benefits	\$ 7,841,173	\$ 10,512,947	\$ 2,671,774	34.1%
Operating	5,268,133	5,866,919	598,786	11.4%
Capital	1,292,558	1,471,145	178,587	13.8%
Debt Service	1,518,578	1,729,891	211,313	13.9%
Interfund Transfers	458,987	600,000	141,013	30.7%
<b>TOTAL GENERAL FUND</b>	<b>\$ 16,379,429</b>	<b>\$ 20,180,902</b>	<b>\$ 3,801,473</b>	<b>23.2%</b>

For most municipal governments, the largest government service appropriations are in Public Safety (Police and Fire) and Public Works. For FY2021, Knightdale Public Safety represents 41% of the General Fund's expenditures.



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 16% of our General Fund's expenditures for FY2021.

The FY2021 departmental appropriations are as follows.

	FY2019-2020	FY2020-2021
Fire	\$1,657,112	\$4,349,010
Police	4,025,480	4,079,644
Public Works	2,865,331	3,197,939
Debt Service	1,518,578	1,729,891
Parks & Recreations	1,399,696	1,368,012
Administration	833,104	841,945
Finance	700,303	745,008
Development Services	709,813	725,197
Interfund Transfers	458,987	600,000
Information Technology	398,516	447,214
Human Resources	357,982	413,643
Legislative	161,969	212,254
<b>Capital Outlay</b>	<b>1,292,558</b>	<b>1,471,145</b>
<b>Total</b>	<b>\$16,379,429</b>	<b>\$20,180,902</b>

### DEBT SERVICE

For FY2021, debt service represents 8.57% of the total General Fund budgeted expenditures. 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 6/30/20	\$11,891,520
Debt Service for FY21 (Principal and Interest)	\$1,729,891
Percentage of FY21 General Fund Expenditures	8.57%
Debt Policy Limit 11% of General Fund Expenditures	\$2,219,899
Remaining Debt Capacity at 7/1/2020	\$490,008

## PERSONNEL

Total salary & benefit expenditures for FY2021 are budgeted at \$10,778,272 for all positions in both the General and Storm Water funds. This represents over 50% of the Town's total annual operating budget and is a 34.5% increase from the prior year.

The FY2021 Budget increases the Town's workforce from 89 to 118 full-time employees. Most of this increase is from 19 positions resulting from the fire department consolidation and an additional 10 positions related to a new fire engine company. Other positions being added are a detective and two officers for the Police Department and two Public Works maintenance workers. Some positions will be filled mid-year pending a financial condition assessment related to the COVID-19 pandemic.

A 2% merit pool is recommended for all departments for FY2021. 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. A salary study was performed in 2020 and has been incorporated into the FY2021 budget.

The Town will see no increase in employee healthcare costs for FY2021. 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. The Town continues 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 Town will continue to fund 5% in the NC 401(k) Plan for all full-time employees as well.

## CAPITAL PROJECTS AND IMPROVEMENTS

The Town updated its Capital Improvement Plan for FY2021. The General Fund provides a budget of \$1,471,145 to address the capital needs of the Town. The following are approved projects in FY2021:

<b>Mission Critical</b>		
P&R Maintenance Program Improvements	\$	250,000
Street Repaving Projects		247,500
3 Police Vehicles & Equipment - Current Personnel		155,600
Payroll, HR, and Time & Attendance Software		75,000
Flowers Street Infrastructure (20% Town Match)		68,255
Office 365 Email, One Drive Data Migration, with Licensing		46,000
3 Radio Base Stations for Police Headquarters		15,700
IDT Online Payment Module & GIS Integration		12,000
		<b>870,055</b>
<b>Operation Enhancement</b>		
Town Hall Renovations		285,000
3 Police Vehicles & Equipment - New Personnel		155,600
Landscape Specific Truck		63,000
Paving - Public Works Facility		42,000
Duke Energy Underground Charges Buyout		33,500
SharePoint Partnership Plan		21,990
		<b>601,090</b>
<b>Total</b>	<b>\$</b>	<b>1,471,145</b>

The FY2021 Stormwater Fund Budget creates funding for the following major projects:

Project Description	Estimated Cost
Environmental Park Rehabilitation	\$333,000
Harper Park Storm Water Upgrades	125,000
VenTrac Mower	28,500
<b>Total</b>	<b>\$486,500</b>

Ongoing capital projects funded by prior project ordinances are listed below. Other major capital project needs are expected to be addressed during the upcoming year.

Project Description	Budgeted
Wake Stone Athletic Park <sup>1</sup>	\$4,500,000
Mingo Creek Greenway Extension <sup>2</sup>	2,572,000
Fire Capital Projects Fund <sup>3</sup>	1,250,000
<b>Total</b>	<b>\$8,322,000</b>

<sup>1</sup> Partially funded by \$1,000,0000 Wake County grant.

<sup>2</sup> Grant funded by \$2,058,000 from Locally Administered Project Programs (LAPP) funds as part of the Capital Area Metropolitan Planning Organization (CAMPO)

<sup>3</sup> Previously approved ladder truck and equipment. Does not include new land and design costs estimated at \$1,000,000.

### CONTINGENCY BUDGETING

As a result of the COVID-19 pandemic, the country is facing economic uncertainty. The Town of Knightdale is no different and staff has taken precautions and built in budget contingencies in the event the economy takes a significant downturn. These contingencies totaling \$1,414,000 include:

- Ad valorem collection rate reduced to 99% from 99.5%, reducing property tax revenue projections by \$50,000.
- Sales tax revenues budgeted flat, reducing projected revenues by \$485,000.
- Some staffing and associated costs budgeted contingent on mid-year economic conditions, that could save up to \$333,000 in staffing and associated costs if gone unfilled.
- Capital requests over \$40K and considered operation enhancements on hold until mid-year economic conditions evaluation. This could save up to \$546,000 if not executed in FY2021.

## SUMMARY

The Town of Knightdale was productive and made significant accomplishments toward several projects while maintaining fiscal responsibility during FY2020. 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 FY2021 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