



June 7, 2021

Mayor Jessica Day
Mayor Pro Tempore Mark Swan
Councilor Randy Young
Councilor Stephen Morgan
Councilor Ben McDonald
Councilor Latatious Morris

FISCAL YEAR (FY) 2021-2022 BUDGET MESSAGE

Mayor Day and Town Council:

Submitted for your consideration is the proposed budget for the fiscal year beginning July 1, 2021. 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) 2021-2022 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 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 FY2020 Audit reported an unassigned, general fund balance of \$4,733,905 or 30% of total general fund expenditures for the fiscal year. General Fund health continues to be strong for Knightdale. Property tax revenues increased 5.7% while sales tax revenue increased by 6.2% in FY2020. Increases are projected to be even higher in FY2021.

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 FY2020, the Capital Reserve Fund had an end-of-year balance of \$1,702,958 with \$504,071 restricted for specific purposes. In FY21, this fund benefitted the following projects: debt service for Knightdale Station Park – Phase III, the Fire Capital Project Fund, and improvements to Town parks.

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 FY2021, Raleigh transferred \$147,699 to Knightdale to fund water and sewer debt which could not legally be transferred in the merger. This debt will be completely paid off with the FY22 budget at which time, the Town will cease having this water utility fund.

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 FY2021, Powell Bill funds were \$407,818, an increase of 5.4% over the previous fiscal year. The primary use of these proceeds is for the Town's annual repaving program. The Town currently has over \$950,000 of Powell Bill reserves available for paving projects.

The Storm Water Utility Fund is currently funded by a \$4.25 monthly unit residential and commercial fee that generated over \$640,000 in FY2020. This proactive program is designed to manage the increasing storm water facilities in Knightdale because of the Town's increasing impervious areas. Major ongoing capital projects for this fund include a Storm Water Master Plan, environmental pond rehabilitation and drainage fixes to Harper Park. This March, Council was presented a capital improvement plan of future storm water capital needs. Because of this and the growing storm water demands of the Town, Council pre-authorized a storm water fee increase to \$6.75. That increase has been incorporated into the FY2022 budget ordinance.

The Town's total outstanding debt at June 30, 2020 was \$12,328,869, an increase of \$861,034 from the previous year. This increase is mostly related to the Wake Stone Athletic Park, which has significantly been completed. Debt was increased in FY21 due to the \$1,000,000 financing needs related to a new Fire ladder truck. Debt service payments for this vehicle are reflected in the FY22 budget.

For FY2021, several significant initiatives were initiated and/or completed:

- Renovations to Town Hall.
- Near completion of Wake Stone Athletic Park on Forestville Road.
- Continuation of Mingo Creek Greenway Extension project.
- Consolidation with Eastern Wake Fire-Rescue Department nearly doubling the size of Knightdale Fire Department.
- Creation of a Fire Capital Project Fund for future facility expansion.



- Purchase of new Fire ladder truck and addition of new, 10-man Fire company.
- Implementation of a Knightdale Plans and Permit online portal that streamlines the application process for all Development Services-related projects and allows for real-time updates to clients and expedites the plan review process.



- Police Department reaccreditation with nationally recognized Commission on Accreditation for Law Enforcement Agencies (CALEA)
- Re-opening of Town's Environment Park after extensive rehabilitation initiatives.
- Expanded bus service to Raleigh with new route allowing for more transfer opportunities to multiple routes.

FY2021-2022 BUDGET

As in previous years, the major emphasis of FY2022 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.

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, and challenges surrounding the programmatic impacts from COVID-19.

ORGANIZATIONAL GOALS

With a population density having increased over 27% in the last 10 years, Wake County is the second most populous county in North Carolina, only slightly smaller than Mecklenburg County. 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 started work on developing a formal strategic plan in 2019. As one of the top-ten fastest growing communities in North Carolina, the Town of Knightdale desires 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 establishes the decision-making framework that continues to guide the Town Council. It is forward looking, and guides work throughout the year but is nimble and responsive to changing needs. The plan develops 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 help put the plan into action.

To complement the Knightdale Strategic Plan, the Town uses an Annual Implementation Plan to outline the capital investments and other initiatives that the Town Council aims to accomplish in the current fiscal year. These investments are identified, prioritized, and mutually agreed upon as part of Council's annual retreat and are a component of the Town's Capital Improvement Program (CIP).

Rounding out the overall framework for the direction of the Town of Knightdale, the Town also provides an Annual Performance Management Report. The report demonstrates what the Town is doing to achieve the Focus Areas' objectives as viewed through a service delivery lens. The report provides insight into service delivery efficiency and effectiveness.

The Knightdale Strategic Plan, Annual Implementation Plan and Annual Performance Management Report can all be found on the Town website at <https://www.knightdalenc.gov/government/knightdale-strategic-plan>.

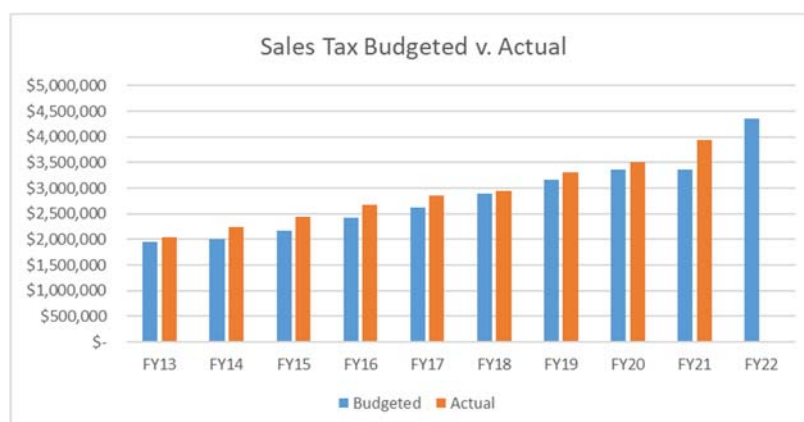
REVENUE SUMMARY

PROPERTY TAXES

Town staff recommend a tax rate for FY2021-22 of .42 per \$100 of assessed value, the same rate as the previous year. This would generate estimated revenues of \$10,561,463 based on a total assessed value of \$2,528,422,619 after estimated appeals and a collection rate of 99.5%.

SALES TAXES

The second highest revenue stream for the Town, sales taxes are less stable than property taxes and can be more volatile during times of economic instability. As a result of COVID-19, Town staff recommended no increases to budgeted sales tax revenues in FY21. This revenue was not impacted by the pandemic as shown by the chart below, and staff have reverted to budgeting according to trend information. Sales tax growth has averaged 9% annually over the past 10 years. Staff budgeted \$4,357,575 for FY2022.



SANITATION & RECYCLING

Town staff renegotiated the GFL contract for sanitation and recycling resources in FY2021. As a result, Town staff recommends no increase to the monthly solid waste collection fee and recycling fee for FY2022. The current rate is \$11.75 for solid waste collection and \$4.80 for recycling. Also, because of the renegotiation, trash pickup services will change to a two-day operation instead of just one day per week. It is believed this will allow for enhanced servicing of residences.

VEHICLE FEE

Because the Town is experiencing tremendous growth and it is hard to maintain a sufficient transportation infrastructure, the Town in FY2021 increased the vehicle tax fee from \$15 to \$30. Town staff recommends this fee stay at \$30 in FY2022 with proceeds designated for transportation initiatives. Staff also recommends any excess proceeds roll into future years and be earmarked for transportation requirements.

STORM WATER

Knightdale will continue to operate a Storm Water Special Revenue Fund in FY2022. Staff recommends an increase in the monthly unit fee to \$6.75 from \$4.25. The increased revenues will be used for expanded capital needs of this fund and is consistent with Council wishes from the storm water capital improvement plan presented in March 2021.

FEE SCHEDULE

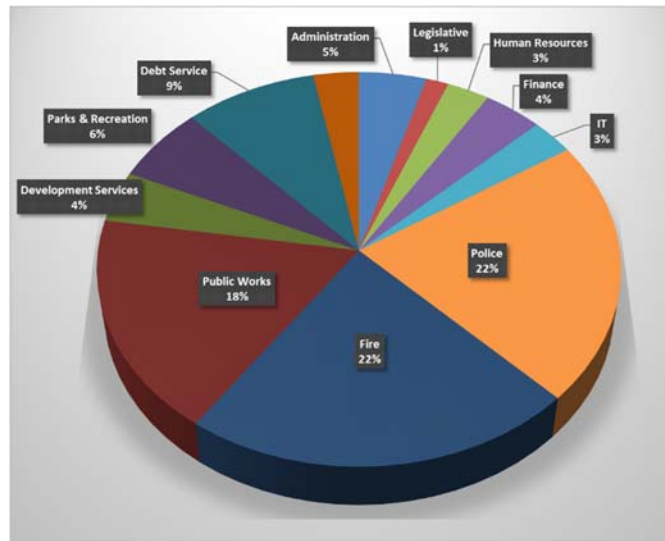
Staff will continue to utilize a comprehensive fee schedule for all Town services in FY2022. A comprehensive fee schedule has been an effective tool for our stakeholders to centrally access all town-related fees. Some adjustments have been made to Development Services and Parks & Recreation fees consistent with the needs of the organization. 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. The fee schedule reflects this.

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 FY2022, Knightdale Public Safety represents 44% 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 rights-of-way. Public works operations represent 18% of our General Fund's expenditures for FY2022.



The total general fund budget for next year is \$21,953,231. This is an increase of \$1,772,329 or 8.8% from the prior year.

GENERAL FUND	Current FY2021 Adopted	FY2022 Proposed	\$ Change	% Change
Salaries & Benefits	\$ 10,512,947	\$ 11,371,975	\$ 859,028	8.2%
Operating	5,866,919	6,465,624	598,705	10.2%
Capital	1,471,145	1,671,500	200,355	13.6%
Debt Service	1,729,891	1,818,632	88,741	5.1%
Interfund Transfers	600,000	625,500	25,500	4.3%
TOTAL GENERAL FUND	\$ 20,180,902	\$ 21,953,231	\$ 1,772,329	8.8%

The FY2022 departmental appropriations are as follows.

GENERAL FUND	Current FY 2021 Adopted	FY 2022 Proposed	\$ Change	% Change
Expenditures				
Operations				
Administration	841,945	926,775	84,830	10.1%
Legislative	212,254	307,287	95,033	44.8%
Human Resources	413,643	584,352	170,709	41.3%
Finance	745,008	808,608	63,600	8.5%
Information Technology	447,214	595,256	148,042	33.1%
Police	4,079,644	4,369,440	289,796	7.1%
Fire	4,349,010	4,535,891	186,881	4.3%
Public Works				
Operations	898,224	1,262,204	363,980	40.5%
Sanitation	1,220,273	1,244,500	24,227	2.0%
Grounds	749,592	733,544	(16,048)	-2.1%
Streets	329,850	346,980	17,130	5.2%
Development Services	725,197	851,872	126,675	17.5%
Parks & Recreation	1,368,012	1,270,890	(97,122)	-7.1%
Debt Service	1,729,891	1,818,632	88,741	5.1%
Interfund transfers out	600,000	625,500	25,500	4.3%
Operations Total	18,709,757	20,281,731	1,571,974	8.4%
Capital				
Mission Critical	858,055	1,246,000		
Operation Enhancement	613,090	425,500		
Capital Total	1,471,145	1,671,500	200,355	13.6%
Expenditures Total	\$ 20,180,902	\$ 21,953,231	\$ 1,772,329	8.8%

STORM WATER SERVICES

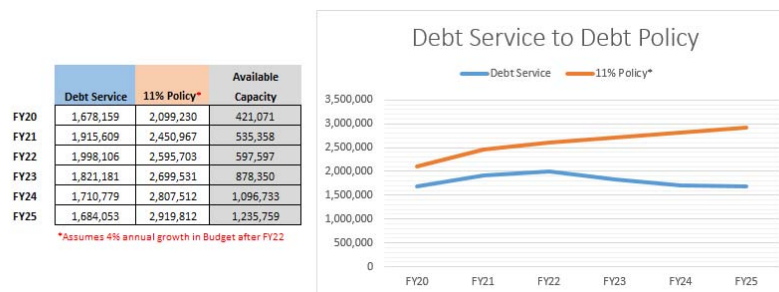
Since storm water initiatives are funded with a designated fee, these services are managed through a special revenue fund. For FY2022, this fund's appropriations are as follow:

STORM WATER FUND	Current FY2021 Adopted	FY2022 Proposed	\$ Change	% Change
Revenues				
Storm water fees	\$ 653,000	\$ 1,060,650	\$ 407,650	62.4%
Investment earnings	7,500	500	(7,000)	-93.3%
Fund Balance Used/(Gained)	369,378	(100,243)	(469,621)	
Revenues Total	1,029,878	960,907	(68,971)	-6.7%
Expenditures				
Salaries & Benefits	265,325	349,030	83,705	31.5%
Operating	278,053	304,377	26,324	9.5%
Capital	486,500	307,500	(179,000)	-36.8%
Expenditures Total	\$ 1,029,878	\$ 960,907	\$ (68,971)	-6.7%

DEBT SERVICE

For FY2022, debt service represents 9% of the total General Fund. The increase is mostly related to \$1,000,000 in new debt for the Fire ladder truck. In FY2022, the Town has budgeted proceeds in the amount of \$241,000 for the purchase of a new automated leaf collection truck. Debt service payments on this loan will not start until FY2023.

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 \$1,998,106, an increase of \$82,497 from the previous year.



PERSONNEL

Total salary and benefit expenditures for FY2022 are budgeted at \$11,721,005 for all positions in both the General and Storm Water funds. This represents 50% of the Town's total annual operating budget and is an 8.7% increase from the prior year.

The FY2022 Budget increases the Town's workforce from 123 to 127 full-time employees. See the chart below detailing position changes.

FY21 Positions: 118	<u>Positions Added During FY21</u>	<u>FY22 New Positions</u>
	Maintenance Worker I (1)	Senior Planner (1)
	Maintenance Worker II (1)	Construction Inspector (1)
	Police Officer (3)	Administrative Assistant (1)
	Human Resources Technician (1)	Maintenance Worker I (1)
	<u>Positions Eliminated During FY21</u>	
	Recreation Program Supervisor (1)	
	TOTAL Positions: 123	TOTAL Positions: 127

A 2% merit pool is recommended for all departments for FY2022. 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 biennial salary survey of all positions to maintain market competitiveness. This proactive measure is designed to attract and retain qualified professionals.

The Town will continue to provide excellent healthcare options for employees, funding benefit options at \$700 per month per employee. Medical premiums decreased this year by just over 10% on average due to growth and other factors, resulting in more affordable dependent coverage, while dental and vision premiums remained steady. While the employee's healthcare premiums are fully paid by the Town, the employee may elect to carry dependent insurance, paying for such with a pre-tax payroll deduction. The Town also offers annual health screenings in partnership with Wake Med at no cost to the employee. The Town continues to offer a lower medical deductible option by embedding a health reimbursement account (HRA) in one of two medical insurance options. Each full-time employee also receives a medical flexible spending account (FSA) funded with \$500. The Town will continue to fund each full-time employee's NC 401(k) Plan at 5% and will continue to offer life, accidental death and dismemberment, short-term disability insurance coverage.

CAPITAL PROJECTS AND IMPROVEMENTS

The Town updated its Capital Improvement Plan for FY2021. The General Fund provides a budget of \$1,671,500 to address the capital and strategic needs of the town. The following are approved projects in FY2022:

Mission Critical - Tier 1		
Town Hall - Elevator Replacement	\$	120,000
Comprehensive Transportation Plan		225,000
Fire Department Utility Truck & Upfit		62,500
Ongoing Police Vehicle Refresh		248,000
Landscape Specific Truck*		63,000
Street Repaving Projects		247,500
Automated Leaf Collection Truck		241,000
Forklift		12,000
Rotary Cutter ROW Mower		27,000
Total - Mission Critical		\$ 1,246,000
Operation Enhancement - Tier 2		
Town Hall Renovations	\$	140,000
Standard Specifications Manual		30,000
Public Art		15,000
Performance Dashboards - Power BI		50,000
Harper Park - Inclusive Playground		175,000
CelleBrite Investigative Tool		15,500
Total - Operation Enhancement		\$ 425,500
Total Capital Improvements		\$ 1,671,500

The FY2022 Stormwater Fund Budget creates funding for the following major projects:

Storm Water Fund CIP		
Tracked Skid Steer	\$	67,500
Regional stormwater initiatives		100,000
Truck (new personnel)		40,000
Stormwater Master Plan/Basin Modeling		100,000
Total	\$	307,500

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.

Capital Project Ordinances	Budgeted	Spent to Date
Wake Stone Athletic Park	\$ 4,500,000	\$ 4,473,323
Mingo Creek Greenway Extension	2,572,000	131,879
Fire Capital Projects Fund	2,433,363	1,793,998
Total	\$ 9,505,363	\$ 6,399,200

SUMMARY

The Town of Knightdale was productive and made significant accomplishments toward several projects while maintaining fiscal responsibility during FY2021. As in previous years, the town's current needs are like those of other suburban jurisdictions in the Triangle area. Knightdale is fortunate to enjoy 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 FY2022 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,



Bill Summers, ICMA-CM
Town Manager