



## TOWN OF KNIGHTDALE

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950 Steeple Square Court ● Knightdale, NC 27545  
Office (919) 217-2210 ● Fax (919) 217-2209  
ren.wiles@ci.knightdale.nc.us

May 27, 2009

Mayor and Town Council  
Knightdale, North Carolina

### Budget Message

Following is the proposed budget ordinance for Fiscal Year 2010. For the fiscal year ended June 30, 2010, (Fiscal Year 10), the General Fund budget is prepared with a tax rate of 40¢ per \$100 of assessed valuation, i.e. no tax increase. For discussion purposes, one cent on the tax rate, allowing for uncollected amounts, equals approximately \$113,000. The estimated tax base is \$1,162,100,000.

As you are aware, the Town of Knightdale is feeling the effects of the national recession. Most revenues have been budgeted as equal to Fiscal Year 09 or less. Property tax revenues make up approximately one half of the revenue for the General Fund. The budget has been prepared using the tax base estimates from the Wake County Revenue Department. This estimate was used because the Wake County Revenue Department acts as the tax collector for the Town of Knightdale on a contract basis. Thus this office has the most detailed information to make an estimation of the tax base for the coming year. Also, the estimates provided in the past have been very conservative.

The General Fund's second biggest source of unrestricted revenue is the Local Option Sales Tax revenue. This revenue has been budgeted at the same level for Fiscal Year 10 as was Fiscal Year 09. Normally, the growth in population and the county wide growth in retail sales locations would support an increase in revenue. As consumers respond to job lay offs and employment uncertainty, overall sales are dropping in Wake County. Management and staff will continue to watch this revenue stream and adjust as consumer impact, positive or negative, is identified.

With the conservative budgeting, \$152,243 of the fund balance in the General Fund is appropriated for the coming year.

Budget Message  
Town of Knightdale  
May 26, 2009

The budget for Fiscal Year 10 does not have a cost of living adjustment (COLA) for full time employees. Historically, the Town has provided a COLA based on the January Consumer Price Index (CPI). Because of falling fuel prices and other economic activity, the benchmark CPI was 0.0%. Also, no merit raises have been budgeted for Fiscal Year 10. Longevity payments for eligible employees have been included in the budget. No layoffs, furloughs nor pay cuts are proposed in the budget. Two positions are currently unoccupied in the Planning Department. The Planner II position is budgeted for the full year. The Permits Coordinator position is expected to remain vacant. The Town's contribution to employee healthcare is budgeted to increase from \$475 per month to \$514 per month per employee. This will allow most employees to maintain the same level of health care coverage and a flexible spending account.

Certain duties and expenses have historically been spread over all departments. Last year, building maintenance was centralized in the Public Works department. This happened in the last stages of budget preparation last year and was not fully budgeted in the Fiscal Year 09 Public Works budget. The necessary budget adjustments to fully account for buildings, grounds, and vehicle maintenance in the Public Works Department have been made for Fiscal Year 10. Maintenance allowance for specialized equipment is still budgeted in the respective departments. For example, fire truck maintenance is still budgeted in the Fire Division. Radar unit maintenance is budgeted in the Police Division. Also, the Finance Department is assuming the responsibility of computer software purchases, computer hardware, and licensing expense for all town departments.

The Fiscal Year 10 budget includes a \$23,000 contribution to the Triangle Transit Authority (TTA) to provide express bus service from the Rex Healthcare parking lot to the WakeMed campus in eastern Raleigh. The bus will continue, with limited stops, to the central bus depot at Moore Square in downtown Raleigh. Three trips in the morning and three return trips to Knightdale in the evening is the expected schedule.

In Fiscal Year 09, the Engineering Department became a division of the Planning Department for six months. In January 2009, the two divisions were split and both returned to separate department status. The Fiscal Year 10 budget shows the Engineering Department as a separate department.

No changes are proposed for the privilege license schedule. The fees for garbage and recycling services are expected to go to \$10.63 and \$3.75 respectively. This is based on a maximum potential increase of 5.9%. Knightdale continues to contract with Waste Industries to provide these services.

The proposed Budget Ordinance continues the financial policy of saving for capital expenditures. Following the delivery of audited financial statements to the town council, the finance director will review the fund balance available for appropriation in the General Fund (FBA). If the

Budget Message  
Town of Knightdale  
May 26, 2009

FBA is greater than 40% of the sum of general fund expenditures and transfers to other funds, less any proceeds from installment debt, the finance director will determine the difference between actual year end FBA and FBA at the 40% level. As appropriate, the finance director will make a transfer from the General Fund to the General Capital Reserve Fund to bring FBA down to the 40% level. This level is selected as slightly above the group average for towns with populations of 10,000 or more. See Section 13 of the Budget Ordinance for the full policy. Also, \$225,108 is budgeted to be transferred from the General Fund to the General Capital Reserve Fund. This is the calculated amount for 2¢ on the tax rate to be set aside as savings. This savings funds some of the projects accounted for in the Capital Improvements Plan and will minimize the amount of debt the Town has to issue in future years.

The budget ordinance for Fiscal Year 2010 also contemplates the creation of two new Special Revenue Funds. Over the past several years, the East Wake TV PEG channel has been growing in activities. During Fiscal Year 2009, operations settled into a general routine. In keeping with the Council's goal of transparency, monthly budget to actual reports were provided to the member towns. By establishing the EWTV activities as a separate fund, full financial reporting can more easily be done. The fact that the operation is entirely funded through restricted State money will be clearly disclosed. Also, the Town has made a commitment to fund a program for area students on short-term suspensions. The Town will fund \$10,000 towards providing a program for the students to attend during their suspensions. The bulk of the funding will be State or federal money. The program is expected to have a life of at least two years.

The Utility Fund is close to the goal of being a pass through account. All water and sewer fees collected are sent to the City of Raleigh or to developers under pre-merger agreements. The City of Raleigh decided during Fiscal Year 2009 to put the responsibility for the construction of the Hodge Road Siphon on Knightdale. This project will be accomplished with funds held from the time of the merger (when the project was assumed to start in a matter of months). Once that project is complete, any remaining funds will be transferred to Raleigh and the Utility Capital Project Fund will be closed. The Utility Capital Reserve Fund was closed during Fiscal Year 2009.

Respectfully submitted,

Ren E. Wiles  
Finance Director