

Budget Message.

For the Fiscal year ended June 30, 2008, the General Fund Budget is prepared with the tax rate remaining at \$0.50/ per \$100 of valuation.

Goals for FY08 and continuation effects of FY07. The following items are the highlights of the proposed budget.

Administrative

During the early part of FY07, the Town received a \$15,000 payment from Time Warner, Inc. in satisfaction of disputed cable TV franchise fees. Those funds became the “seed money” for what eventually would become East Wake Television (EWTV). The FY08 budget includes approximately \$85,000 in state funds to support East Wake TV. This is the cumulative amount of Knightdale’s share of state money, plus Wendell and Zebulon’s shares. Wendell and Zebulon will transfer their shares of funds to Knightdale under an interlocal agreement. A separate division has been established in the Administrative Department to track EWTV operations. Because of the funding source, spending on this will be held to match actual funds available.

Parks and Recreation

During most of FY07, the Wake County Public School System (WCPSS) operated on the assumption that four public schools in the Knightdale area would convert to year round calendars in the 2008 school year. In anticipation of this, the Knightdale Parks and Recreation Department developed a program for area residents to provide opportunities for the children during their breaks, or “track out” times. Using their experience with summer camps, the Parks and Rec. staff were able to structure a program expected to be fully self-supporting through fees. At this writing, WCPSS is involved in litigation leaving the future of the FY08 year round program very uncertain. Because of this uncertainty, no budgetary adjustments have been made at this time. Expected fees and costs are approximately \$794,000.

Fire Department

The Town of Knightdale’s Fire Department is entering its fifth year. Some of the initial equipment purchased at the start up time are beginning to show wear and tear. This budget proposal includes funding for replacement pagers, turn out gear, and a new rescue pumper. Additionally, there will be a separate capital project for the construction of a fire station on the western side of Knightdale. This will be budgeted outside of the annual budget.

Other spending items

Prior to the merger of the Knightdale and Raleigh water and sewer systems, the Town of Knightdale entered into multiple agreements with developers in the area. While specific

terms will vary from agreement to agreement, there is a general theme. To provide for adequate sewer lines and capacity, the Town of Knightdale agreed to reimburse the developers for the additional costs to install sewer lines larger than what may be currently required. This was done in the public interest of installing infrastructure designed for the anticipated growth of the town. It is expected that several of these projects will be completed and certified for reimbursement during FY08. Those items appear as *Infrastructure reimbursement* in both the General Fund and the Utility Fund.

Utility Fund and Utility Capital Reserve Fund.

While Knightdale no longer operates a water and sewer operation, these funds remain active for several purposes. As part of the merger agreement, Knightdale still collects water and sewer related fees and charges. Based on the merger agreement or a developer agreement, referenced above, the money collected may be remitted to the City of Raleigh or to a developer for the cost difference of installing oversized sewer infrastructure. Also, as part of the merger agreement, Raleigh provides Knightdale the funds necessary to make debt service payments as water and sewer debts come due. The Finance Department staff feels that maintaining these funds provides internal controls and improved information which outweighs the general accounting guideline of maintaining as few funds as possible.

Fund Balance Appropriated

The budget ordinance makes a distinction in fund balance from restricted funds (Powell Bill) and from general sources. The appropriation of Powell Bill funds is to fund the expected payment under a developer agreement for the new road known as Hinton Oaks. Appropriation of general purpose funding of \$299,000 is done to balance the proposed budget. This is done to maintain the existing tax rate. Further, Knightdale is at a stage that is common for rapidly growing municipalities --- increased governmental spending in advance of significant growth. As developments are completed and contribute to the tax revenues, the reliance on fund balance drops.

Submitted, June 4, 2007

Ren E. Wiles
Finance Director