

**TOWN OF CARY
UTILITY CAPITAL IMPROVEMENTS BUDGET
REVENUE AND FUNDING SOURCES**

Revenue and funding sources and related historical trends for the Fiscal Year 2015 capital improvements budget are discussed below. Revenue and funding sources are grouped by the project category to which they are assigned. Graphs are included for the major revenue and funding sources. Each graph presents nine years of actual data, FY 2014 estimated revenues and FY 2015 budgeted revenues.

UTILITY CAPITAL

Utility capital revenue and funding sources support utility related capital projects including the following:

Water

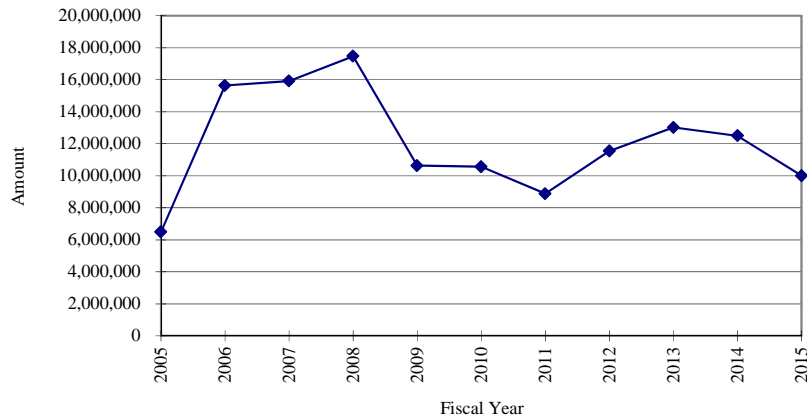
- Water Lines
- Water Storage Tanks
- Water Treatment Equipment
- Water Plant Expansions

Sewer

- Sewer Lines
- Pump Stations
- Water Reclamation Equipment
- Water Reclamation Facility Expansions

FUNDING SOURCES

- **Water and Sewer Development Fees: \$10,001,531**



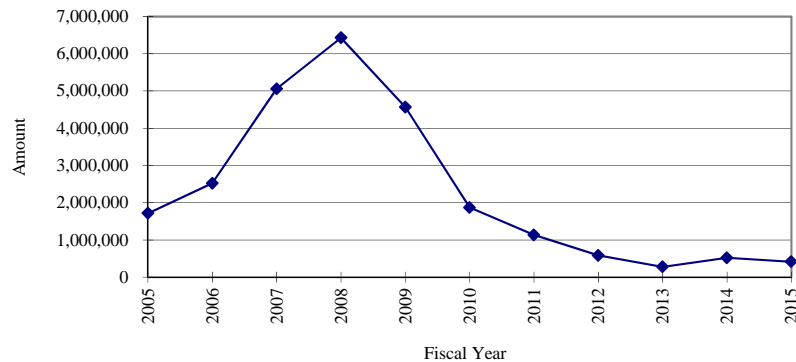
Water and sewer development fees were created in FY 1999 to replace water and sewer acreage and connection fees. Water and sewer development fees are paid at the time of permit issuance in order to help cover costs associated with water and sewer infrastructure and/or capacity needs of new development. These fees vary based on residential, commercial and multi-family development type, size, and system capacity utilized.

FY 2009 water and sewer development fee receipts of \$10,631,698 were 39% lower than FY 2008 receipts. The national economic downturn experienced in FY 2009 is the primary force behind decreased development during this fiscal year. A total of 1,067 residential and commercial building permits were issued in FY 2009 compared to 2,155 in FY 2008. With a 1 % decrease from the prior year, FY 2010 revenues remained in line with FY 2009 receipts. FY 2011 saw a 16% decrease from FY 2010, yet FY 2012 receipts of \$11,546,669 were up 30% from FY 2011. FY 2013 saw the peak in the “post-downturn” recovery with revenues of \$13 million. A total of 1,273 residential and commercial building permits (new construction only) were issued in FY 2013.

Water and sewer development fee revenue is estimated at \$12,501,913 for FY 2014. This is 4% less than FY 2013 actual receipts. Residential and commercial building permits (new construction only) are estimated at

1,220 for FY 2014 and 1,230 for FY 2015. The FY 2015 estimate of 1,230 permits is 3% lower than FY 2013 actual and 1% higher than FY 2014 estimated. To maintain a conservative fiscal approach during the economic recovery, FY 2015 estimated water and sewer development fee revenues of \$10,001,531 are 20% lower than anticipated FY 2014 revenues. Building permit levels and development fee earnings will be monitored closely in FY 2015 and estimates will be adjusted upward should development activity substantially rebound.

- **Interest Earned: \$413,730**



Interest Earned revenue represents the amount of money the Town earns on its invested funds held within the utility capital reserve fund. These earnings are categorized as unrestricted but must be used to fund utility capital projects according to North Carolina General Statute 159-30 which states that interest income must be credited to the fund that supplied the principal. The Town of Cary allocates these funds between water and sewer projects based on existing project funding levels with water projects receiving 75% of this income and sewer projects receiving 25%.

At \$276,683, FY 2013 saw the lowest level of interest earnings for the FYs 2005 – 2015 period. A general decline in interest rates due to the Federal Reserve’s response to economic conditions is primarily responsible for that year’s reduced rate of return on investments. FY 2014 interest revenue is estimated at \$519,920 or 88% higher than FY 2013 earnings. FY 2015 interest earnings are projected to drop by 20% to \$413,730.

- **Utility Fund Transfers: \$106,000**

Fund balance transfers from the utility fund typically support projects for which funding has not been dedicated from other sources. The FY 2015 capital improvements budget includes a \$106,000 utility fund transfer for the purchase of a replacement backhoe with loader equipment to support water and sewer utility work.

- **Town of Apex Reimbursement for Cary/Apex Water Treatment Plant: \$783,610**

The Cary/Apex Water Treatment Plant is jointly owned by the towns of Cary and Apex. Under the terms of the arrangement, the Town of Cary staffs and manages the facility and bears 77% of all operating and capital costs while the Town of Apex is responsible for the remaining 23%. The Town of Cary budgets for 100% of the operating and capital costs associated with the plant and requests reimbursement from the Town of Apex annually for its 23% share. The FY 2015 total capital appropriation for Cary/Apex Water Treatment Plant projects is \$3,407,000. The 23% Town of Apex reimbursement amount related to these capital appropriations is \$783,610.

TOWN OF CARY GENERAL CAPITAL IMPROVEMENTS BUDGET REVENUE AND FUNDING SOURCES

GENERAL CAPITAL

General capital revenue and funding sources support transportation, fire, parks, recreation and cultural resources general government and downtown capital projects such as the following:

Transportation

- New roads
- Road widening
- Repaving
- Sidewalks

Fire

- Fire stations
- Pumper trucks
- Aerial ladder trucks

Parks, Recreation and Cultural Resources

- Community centers
- Greenways
- Parks

General Government

- Vehicle replacements
- Town government building construction/expansion
- Stormwater condition assessments/rehab

Downtown

- Downtown infrastructure improvements

FUNDING SOURCES

- **Grants: \$3,006,840**

Two capital projects included in the FY 2015 capital improvements budget are partially supported by grants. The Town often seeks grant funding opportunities that align with planned capital needs. The following table indicates the transportation and general government projects with appropriated grant and Town matching funds in FY 2015.

Project Code	Project Name	Federal Grant Funds	Town Match Funds	TOTALS
ST1123	Morrisville Parkway Extension - Phase III - Carpenter Upchurch Road to Green Level Church Road	3,000,000	3,000,000	6,000,000
GG1120	Clean Fuel Advanced Technologies	6,840	10,260	17,100
	TOTALS	3,006,840	3,010,260	6,017,100

- **General Fund Transfer: \$6,774,595**

Fund balance transfers from the general fund typically support general capital projects for which funding has not been dedicated from other sources. General fund transfers in FY 2015 total \$6,774,595 and support specific fire, PRCR, general government and downtown projects.

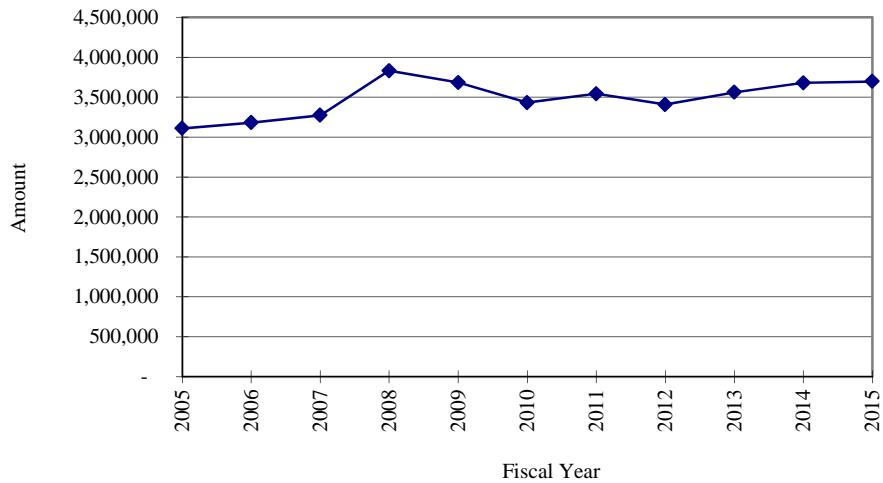
Project Category/Code	Project Name	General Fund Transfer Amount
Fire		
New	Southwestern Cary - Fire Station	800,000
New	Walnut Street Area - Fire Station (#9)	750,000
	Subtotal - Fire	\$1,550,000
PRCR		
New	Annie Jones Greenway Stream Bank Stabilization	75,000
New	Athletic Field Fencing Amenities Replacement (Windscreen, Safety Cap, Padding, Netting) - FY 2015	183,500
PR1129	Black Creek Greenway Renovation - Phases I and II	85,000
PR1182	Cary Tennis Park Court Renovations	300,000
	Subtotal - PRCR	\$643,500
General Gov't		
GG4002	AH - Downtown Rehabilitation and Façade Improvement Program	50,000
GG4001	AH - Owner-Occupied Housing Rehabilitation Program	125,000
New	Application Software Replacement - ArcInfo - FY 2015	80,000
New	Backhoe with Loader (Replacement)	106,000
New	Flooring Repairs at WakeMed Soccer Park	78,000
New	Garmon Operations Center - Facility Improvements Phase II	350,000
New	HVAC Replacements and Major Maintenance - FY 2015	208,595
New	Jordan Hall Building Repairs	81,000
GG1112	One Solution Software	350,000
GG1075	Sanitation and Recycling Truck Replacement	750,000
New	Stormwater Condition Assessment and Rehabilitation Program - FY 2015	250,000
New	Town Facility Renovations	650,000
New	Town Website Overhaul	505,000
New	15 Ton Tractor Trailer	45,500
New	Tractor with Attachments (Replacement)	102,000
	Subtotal - General Gov't	\$3,731,095
Downtown		
DT1000	Downtown Improvements	450,000
New	DT - Parking Facility - Downtown Library Site	400,000
	Subtotal - Downtown	\$850,000
	TOTAL GENERAL FUND TRANSFER	\$6,774,595

- **Utility Fund Transfer: \$166,271**

Effective FY 2002, water rates were increased 3.1% for a typical 7,000 gallon per month residential customer. Each year, the \$1,000,000 of income generated by this increase falls to utility fund fund balance. The following fiscal year, that \$1,000,000 becomes available for appropriation to land banking initiatives. An initial transfer of \$11.1 million in FY 2002 served as “seed money” for the land banking initiative. The annual \$1,000,000 transfers began in FY 2004.

The FY 2015 capital improvements budget directs \$81,771 of the \$1,000,000 available in FY 2015 directly to the Town’s land banking acquisition capital project. The remaining \$918,229 is being transferred to the general fund to address debt service associated with issued 2005 open space general obligation bond debt.

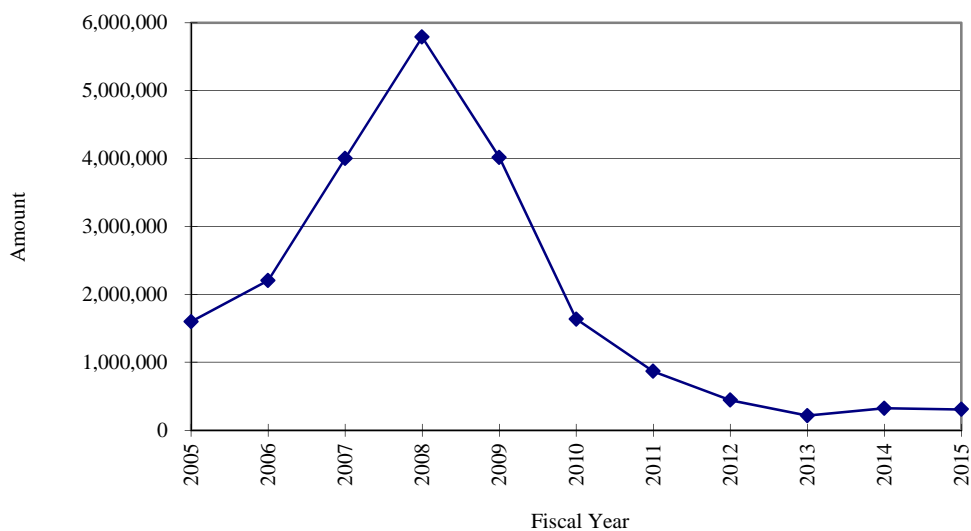
- **Powell Bill: \$3,696,298**



Powell Bill funds are received from the State of North Carolina. These revenues are based on the amount of motor fuel collected by the State of North Carolina. Powell Bill funds are distributed to municipalities according to a two-part formula. The number of non-state street miles within a municipality comprises one-quarter of the formula (currently projected to be 458.8 miles for the Town of Cary in FY 2015), while three-quarters of the formula is calculated on a per capita basis according to North Carolina General Statutes 136-41.1 through 136.41.4. The North Carolina League of Municipalities provides estimates for the statewide population and mileage rates. These rates are applied in conjunction with the Town’s projected non-state street miles and population to derive the estimate of future receipts.

Expenditure of Powell Bill revenues is restricted to certain types of transportation projects. These revenues are distributed twice per year by the state on or before October 1 and on or before January 1. As such, FY 2014 revenues of \$3,677,908 represent actual receipts. The Town’s FY 2015 Powell Bill distribution is projected to be 0.5% greater than FY 2014 actual receipts.

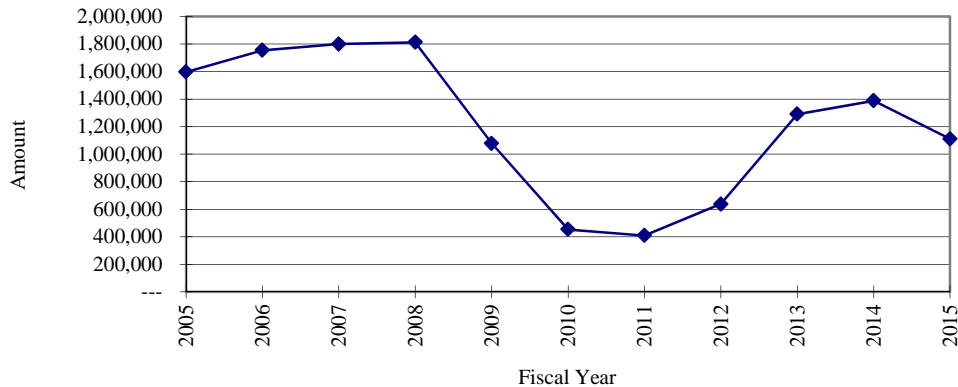
- **Interest Earned: \$304,814**



Interest earned represents the amount of money the Town earns on its invested funds held within the general capital reserve fund. These earnings are categorized as unrestricted but must be used to fund general capital projects according to North Carolina General Statute 159-30 which states that interest income must be credited to the fund that supplied the principal.

FY 2014 interest revenue is estimated at \$321,431 or 50% higher than FY 2013 earnings. FY 2015 interest earnings are projected to decrease 5% from estimated FY 2014.

- **Transportation Development Fees: \$1,110,324**



Transportation development fees (TDFs) are charged by the Town at the time of permit issuance for construction and improvement of thoroughfares to help support new development within the Town. This fee was added during FY 1990 with permission of the North Carolina General Assembly. Funds from this revenue source are restricted to growth related transportation projects.

On July 1, 2005, a 30% decrease in transportation development fees took effect. This reduction included a restructuring of the transportation development fee system to make it a demand driven system rather than an improvements driven system. The revised system with lower fees generates the same level of road improvements for the Town, is easier to administer and is more compatible with the processes used by neighboring jurisdictions.

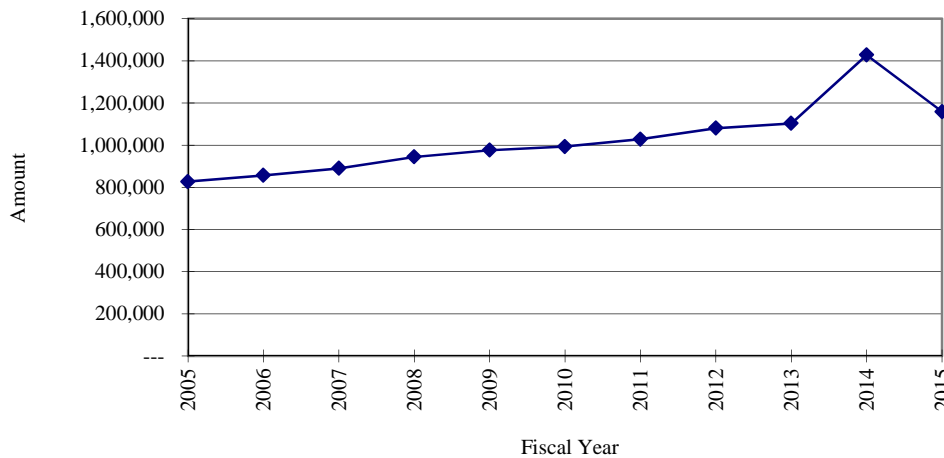
An independent analysis of the Town's transportation development fee system was conducted in conjunction with a review of the Town's water and sewer development fees during the summer of 2007. These analyses determined that the Town's existing water, sewer and transportation development fees were considerably less than newly calculated maximum fees. However, the amount of increase necessary to enact the maximum calculated transportation development fees was significantly higher than suggested increases to water and sewer development fees. Given signs of slowing development in Cary, Town Council voted to leave the Town's transportation development fee structure unchanged while increasing water and sewer development fees to 75% of their newly calculated maximums.

While Council opted not to adjust transportation development fee levels effective July 1, 2008, two structure changes were approved. First, Council approved the dissolution of the southeast transportation development fee zone leaving the system with two zones: Base and Central. Secondly, Council approved a 5% increase to the amount of transportation development fee revenue annually reserved for transportation development fee cash reimbursements for qualified development. The percentage of annual transportation development fee revenue to be utilized for reimbursements is now 30%.

In February 2013, Town Council approved an interim transportation development fee increase effective March 1, 2013. The Town's TDF fees have remained at the same rate since 2007. Construction cost increases since that time led staff to hire a consultant to determine an interim fee increase based upon inflationary cost increases until a more comprehensive review of the Town's TDF system can be completed. Council approved the consultant's recommendation for a 9.32% TDF increase on February 12, 2013. A comprehensive review of the Town's transportation development fee schedule will occur during FY 2015.

Transportation development fee revenue is estimated at \$1,387,905 for FY 2014 and is projected to decrease by 20% to \$1,110,324 in FY 2015. Residential and commercial building permits (new construction only) are estimated at 1,220 for FY 2014 and 1,230 for FY 2015. For comparison, 1,273 residential and commercial building permits (new construction only) were issued in FY 2013. While building permits are up and transportation development fee rates were increased in March 2013, the FY 2015 revenue estimate is conservative. The utilization of fee credits and reimbursements by developers has contributed to lower net revenues in recent years and is factored into the FY 2015 revenue estimate. Building permit levels and development fee earnings will be monitored closely in FY 2015 and estimates will be adjusted upward should development activity substantially rebound.

- **Vehicle License Fees: \$1,158,244**

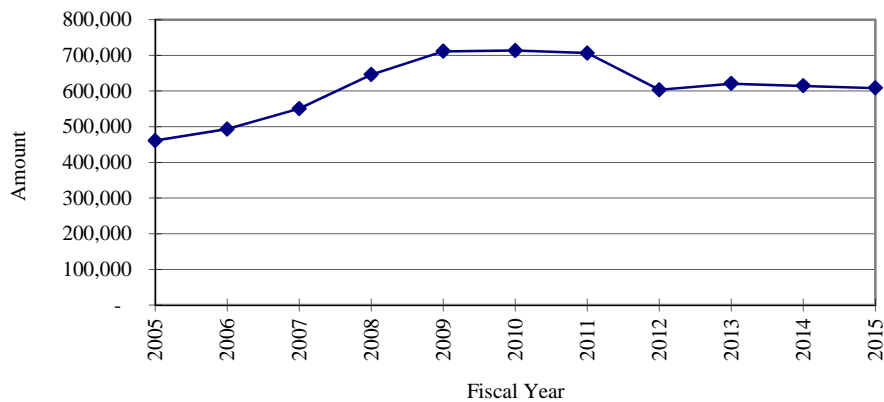


Vehicle license fee revenue is generated by the sale of vehicle licenses for vehicles owned by Cary residents. North Carolina General Statutes 20-97 and 20-97(a) give Cary the authority to impose a motor vehicle tax of not more than \$10 per year per resident vehicle for any lawful purpose. This legislation also gives municipalities operating public transportation systems the authority to assess a separate municipal vehicle tax of not more than \$5.00 per resident vehicle per year. Funds generated by this fee may only be used for financing, constructing, operating, and maintaining local public transportation systems.

The FY 2015 Town of Cary vehicle license fee is \$15 per resident vehicle per year. The vehicle tax constitutes \$10 of the fee, while the vehicle tax for public transportation makes up the remaining \$5.00. The FY 2015 \$15 combined fee is the same as that charged in FY 2014.

As \$5.00 of the Town’s \$15.00 fee is restricted to the Town’s mainstream transit service, revenue generated by that portion of the fee is budgeted in the transit fund. FY 2014 receipts, based on the \$10 portion of the fee, are projected to be \$1,427,505. The FY 2015 budget amount of \$1,158,244 is 19% less than projected FY 2014 revenue but 5% greater than FY 2013 actuals. The significant revenue decrease between FY 2015 budgeted and FY 2014 estimated for vehicle license fees is due to the receipt of one-time revenue in FY 2014. The North Carolina Department of Motor Vehicles assumed responsibility for vehicle tax and related fee billings in FY 2014. The new “Tax and Tag” system changed the timing of tax, registration and vehicle license payments for vehicle owners. As a result, vehicle owners with registration due dates late in the calendar year ultimately made two payments within a single fiscal year. This occurred only in the first year of the new program. The FY 2015 decrease in vehicle license fee revenue accounts for the one-time revenue received in FY 2014.

- **Utility Franchise Fees: \$608,253**



Per North Carolina State Session Law 2006-151, as of January 1, 2007, the State of North Carolina is the franchising authority for video services within the state. This legislation preempts local government franchising authority.

Under this legislation, percentages of sales tax collections on telecommunications, sales tax collections on cable service, and sales tax collections on home satellite television service are distributed to municipalities on a proportional basis. Cities and counties share portions of these three state taxes as replacement for expired local cable franchise fee agreements. The state distributes payments from the sales tax on video programming to counties and municipalities on a quarterly basis. The Town opts to allocate 60% of its video programming distribution to the general fund and 40% to the general capital reserve fund. This action is not mandated by the state. The portion of the distribution accounted for within the general capital reserve fund serves as unrestricted funding that may be appropriated to any general capital need.

FY 2014 utility franchise fee receipts are projected to be \$614,397 or 1% less than FY 2013 receipts. FY 2015 budgeted revenues of \$608,253 represent a 1% decrease from the FY 2014 estimated amount.

- **Interlocal Revenue: \$1,000,000**

Hotel/motel occupancy tax and prepared food and beverage taxes are collected by Wake County and distributed according to a tiered schedule to Wake County, the City of Raleigh, the Greater Raleigh Convention and Visitors Bureau and the Town of Cary. While uses of the funds are specifically defined for each entity receiving them, all uses center around bringing visitors to Wake County. The Town of Cary uses the funds to support cultural arts, recreational and athletic events, programs and promotions and construction, expansion and improvements for venues such as Koka Booth Amphitheatre at Regency, the USA Baseball National Training Complex at Thomas Brooks Park, WakeMed Soccer Park and the Cary Tennis Park.

Cary was awarded a \$10 million hotel/motel occupancy tax and prepared food and beverage tax distribution (referred to as interlocal revenue) with disbursements beginning in FY 2013 for four specific special venue expansion/improvements projects:

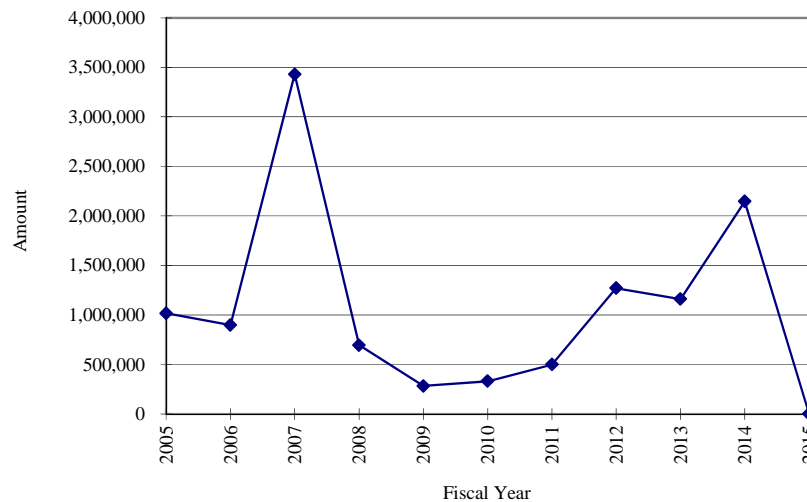
- WakeMed Soccer Park Expansion/Improvements – Phase I
- Cary Tennis Park Expansion/Improvements
- USA Baseball National Training Complex Expansion/Improvements
- WakeMed Soccer Park Expansion/Improvements – Phase II

The \$10 million interlocal revenue award supports 50% of the total cost to complete these projects. The Town will fund the remaining \$10 million or 50%. The first disbursement of \$400,000 was received in FY 2013 and placed within the general capital reserve fund until needed. The FY 2015 recommended capital improvements budget

appropriates the FY 2015 anticipated \$1,000,000 payment in support of agreed upon improvements at the Cary Tennis Park. The full disbursement schedule follows.

	Interlocal Revenue Distribution Amount
FY 2013	400,000
FY 2014	1,000,000
FY 2015	1,000,000
FY 2016	1,300,000
FY 2017	1,700,000
FY 2018	2,600,000
FY 2019	2,000,000
Total	\$ 10,000,000

- **Park Payment-in-Lieu Fees: \$0**



The Town of Cary’s Land Development Ordinance requires developers to donate at least 1/35th of an acre of land for each single-family dwelling unit planned or proposed on the planned development master plan, mixed use preliminary development plan or reflected on a subdivision plat. Should the land that a developer plan to dedicate lie within a FEMA 100 year floodplain, wetlands, regulated stream buffers or have slopes greater than 15% percent, land should be dedicated at a rate of at least 1/20th of an acre per dwelling unit. Such areas should be reflected on the subdivision plat for the dedicated parcel.

Effective July 1, 2012, the Town’s Land Development Ordinance also requires developers of multi-family dwelling units not requiring subdivision plan approval to provide funds where the Town may acquire recreational land or areas to serve the development or more than multi-family development or residential subdivision. The multi-family recreation fund payment must be equal to 65% of the five-year rolling average subdivision recreation fund payment per dwelling unit. A combination of partial payment of funds and partial dedication of land may be required in instances where the Town Council determines that this combination is in the best interest of the citizens of the area to be served. Land to be dedicated in lieu of payment of funds must be equal to 1/55th of an acre for each dwelling unit for which dedication is to be made in lieu of fund payment.

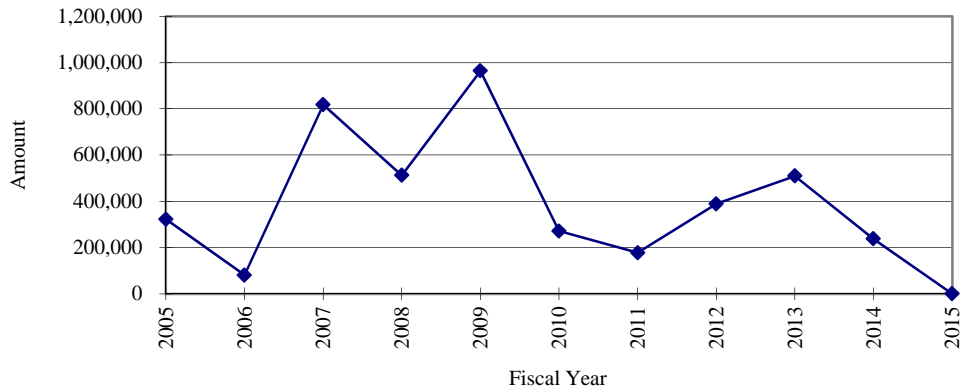
Should the land that a developer plan to dedicate lie within a FEMA 100 year floodplain, wetlands, regulated stream buffers or have slopes greater than 15% percent, land should be dedicated at a rate of at least 1/40th of an acre per dwelling unit. Such areas should be reflected on the subdivision plat for the dedicated parcel.

Per the Town’s Land Development Ordinance, the payment of fees in lieu of the dedication of land may occur at the request of the subdivider or developer. In most instances, payments in lieu of land dedication must be paid prior to recording any lots in the subdivision (for single family development) or in accordance with an approved phasing plan, or prior to the issuance of the first building permit if there is no approved phasing plan (for multi-family development).

The Town does not annually budget for this revenue due to the unpredictability of receipts. Rather, receipts earned in a fiscal year are allowed to fall to general capital reserve fund balance where they are then appropriated in a future year in support of growth related and/or special venue park and greenway projects.

\$2,146,954 in Parks Payment-in-Lieu fees was received as of March 2014. This figure is 85% greater than FY 2013 actual receipts of \$1,160,443.

• **Street, Sidewalk and Street Light Payment-in-Lieu Fees: \$0**



The Town of Cary’s Land Development Ordinance requires that developers of subdivisions construct street, sidewalk and street light improvements within their developments and on adjacent property frontage that conform to Town standards. A payment in lieu of street, sidewalk or street light construction may be made to the Town should the developer prefer not to construct the required improvement. In these instances, the developer must provide the Town with a sealed engineer’s estimate for the work to be constructed. The Town then reviews the estimate to ensure that it is in accordance with established standards. Should everything be in order, the payment in lieu request is approved by the Town and funds are accepted. Payments in lieu of improvements must be paid prior to initiation of site construction which includes final plat approval and grading permit issuance.

The Town does not annually budget for this revenue due to the unpredictability of receipts. Rather, receipts earned in a fiscal year are allowed to fall to fund balance where they are then appropriated in a future year.

\$236,976 in street, sidewalk and street light payment in lieu fees was received as of March 2014. This figure is 53% less than FY 2013 actual receipts of \$509,449.