

## Town of Apex, North Carolina FY 2022 – 2023 Annual Budget

---

### Budget Message

The Honorable Jacques K. Gilbert, Mayor  
Members of the Apex Town Council

Dear Mayor Gilbert and Apex Town Council:

In accordance with the Local Government Budget and Fiscal Control Act and NC General Statute 159-11, I am pleased to present the proposed Annual Budget for Fiscal Year 2022-2023 for your consideration.

Multiple factors influence the annual budget process, including the condition of the national, state, and local economies and the needs identified in our community by elected officials, staff, advisory boards, and residents. While our most recent resident survey responses were overwhelmingly positive, and the town continues to receive AAA bond ratings from Standard & Poor's Corporation and Aaa with Moody's Investors Service, there are opportunities for improvement, and the town will continue to strive to provide outstanding services. Considering the external effects of the economy, the needs identified for our community, and feedback from the residents' survey, the proposed budget represents a significant amount of careful consideration and study in order for the town to meet its obligations, fulfill its goals, and remain fiscally healthy.

During budget preparation, town staff followed guidance from Town Council's strategic goals to develop a proactive budget that will balance improving current town programs and services with development of new programs and projects. In September 2021, Town Council asked the Executive Leadership Team to incorporate staff expertise into the Council's vision, mission, and strategic goals as part of the town's further development of its strategic plan. The budget will highlight Town Council's strategic goals throughout and present elements from the strategic plan and selected performance indicators. Town Council's strategic goals are:

*High Performing Government:* Deliver exceptional service valuing an engaged workforce with an emphasis on efficiency, collaboration, innovation, and inclusion.

*Responsible Development:* Encourage equitable and sustainable development that provides accessibility and connectivity throughout the community.

*Environmental Leadership:* Commit to sustaining natural resources and environmental well-being.

*Economic Vitality:* Improve and sustain an environment that invites and retains a diversity of residents, employment opportunities, and businesses.

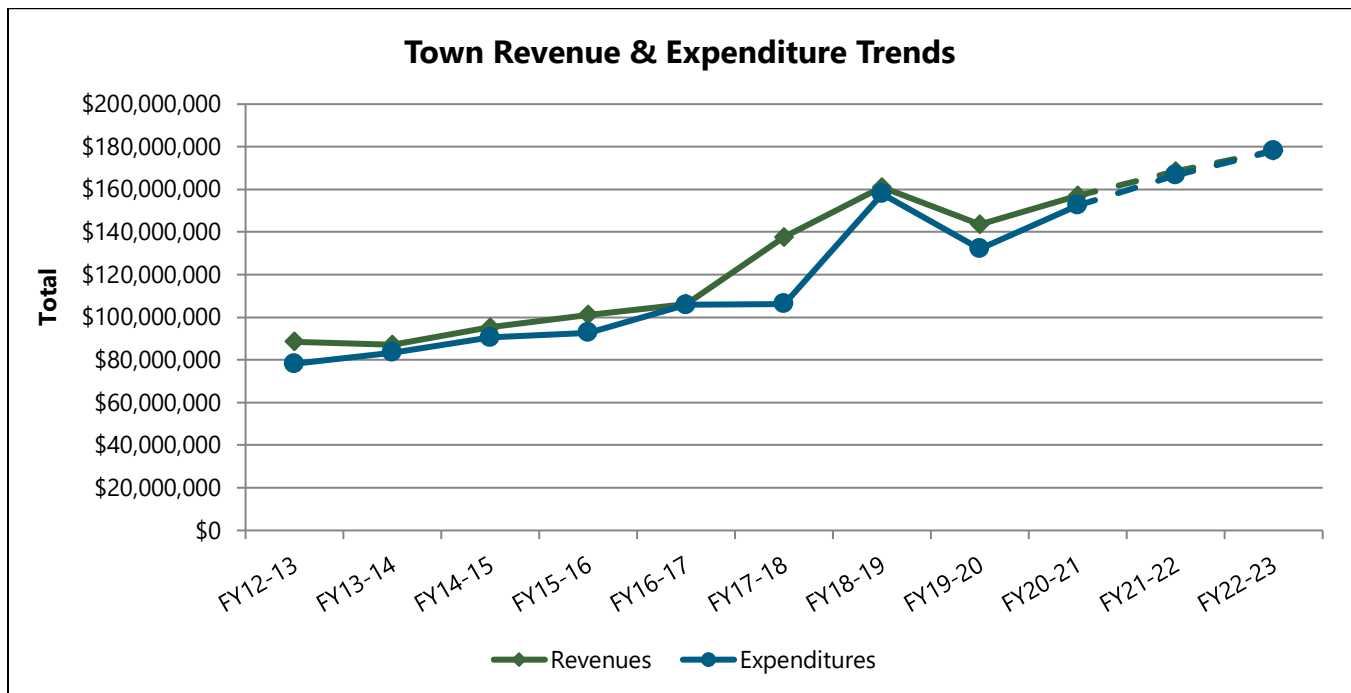
*Welcoming Community:* Create a safe and welcoming environment fostering community connections and high-quality recreational and cultural experiences supporting a sense of belonging.



<b>FY22-23 Budget Highlights</b>	
General Fund Expenditures	\$ 91,201,500
Electric Fund Expenditures	\$ 47,666,000
Water & Sewer Fund Expenditures	\$ 26,664,100
Non-major & Capital Fund Expenditures	<u>\$ 12,533,200</u>
<b>Total Budget</b>	<b>\$178,064,800</b>
Property Tax Rate \$0.41 per \$100 valuation <i>Property tax rate is \$.02 more than FY21-22</i>	
Electric Rates Residential - \$25.00 base charge, \$0.0942 per kWh energy charge <i>Base rate increase from \$15.05 to \$25.00, kWh charge decrease of 8.5%</i>	
Water Rates \$6.00 base charge, \$4.30 - \$6.65 per 1000 gal. consumption (tiered)	
Sewer Rates \$10.75 base charge, \$7.46 per 1000 gal. consumption <i>Water base rate increase of \$0.46, volumetric rate increase of 1.5%</i> <i>Sewer base rate increase of \$0.71, volumetric increase of 4%</i>	

## Recommended Budget

The FY22-23 Recommended Budget totals \$178,064,800 for all town operations, capital improvements, and debt service requirements. This is \$8,845,201 (5.23 percent) more than the FY21-22 Amended Budget as of April 1, 2022. Following Town Council’s direction, the budget is balanced with a tax rate of \$.41, an increase of \$.02 from the current tax rate. The budget includes a base rate increase and an energy charge decrease in electric rates, a base rate increase and 1.5 percent volumetric increase in water rates, a base rate increase and four percent volumetric increase in sewer rates, and use of \$3,620,000 in fund balance from the General Fund.

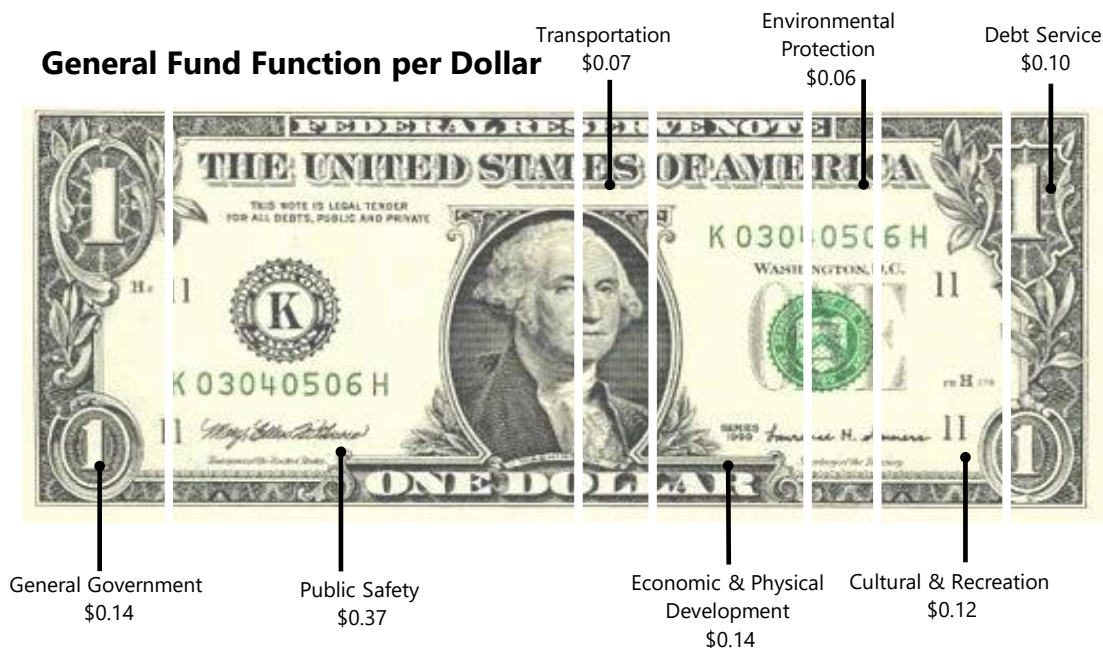


## General Fund

The General Fund accounts for resources not required legally or by sound financial management to be accounted for in another fund. The General Fund includes services that cannot be operated as a business enterprise and rely on tax dollars as their primary source of revenue. The FY22-23 Recommended Budget for the General Fund totals \$91,201,500, which is 7.99 percent more than the FY21-22 Amended Budget of \$84,456,906 as of April 1, 2022.

### General Fund Expenditures

Apex's population continues to grow at a rapid pace, with a five-year average of 7.6 percent. The new growth brings about increasing demands on town services. To keep pace with this demand and provide new services, the town must provide for necessary resources in the budget. These resources include personnel, supplies, equipment, and investment in facilities and infrastructure. The Town of Apex is dedicated to sound financial management and diligently evaluates all expenditures to maintain a responsible budget and demonstrate good stewardship of public funds. The town's 24 General Fund departments and divisions can be grouped into six primary function areas. More than one-third of every dollar spent in the General Fund goes toward public safety, which includes police, fire, and emergency communications.



Comparing the FY22-23 Recommended Budget to the FY21-22 Amended Budget reveals operating expenses and capital expenditures are down from FY21-22 while increases in personnel costs and debt service drive the year-over-year increase. The largest increase in the FY22-23 Recommended Budget is for personnel costs. The combination of new positions, classification and compensation adjustments, health and dental insurance increases, and retirement rate increases all contribute to the 20.1 percent increase in personnel costs. Included in the 51 new positions for General Fund are 14 Fire department positions to staff Public Safety Station 6, which is scheduled to begin operation in early 2023. Within the 8.9 percent debt service increase is the first payment for installment financing for Public Safety Station 6 and the first interest payment for the 2021 transportation bonds to be sold in FY22-23.



General Fund Expenditures by Type					
Type	FY20-21 Actual	FY21-22 Budget	FY21-22 Estimate	FY22-23 Budget	Percent Change
Personnel	37,553,702	42,452,256	40,726,808	50,989,300	20.11%
Operating	15,262,070	23,831,259	21,453,297	23,217,400	-2.58%
Capital	11,448,767	10,128,326	9,476,130	8,237,100	-18.67%
Debt Service	6,931,923	8,045,065	8,119,900	8,757,700	8.86%
<b>Total</b>	<b>\$71,196,462</b>	<b>\$84,456,906</b>	<b>\$79,776,135</b>	<b>91,201,500</b>	<b>7.99%</b>

General Fund Department/Division Budgets					
Department/Division	FY20-21 Actual	FY21-22 Budget	FY22-23 Budget	Percent Change	FY21-22 Variance
Governing Body	169,148	326,450	256,100	-21.55%	(70,350)
Administration	1,434,298	2,208,676	1,695,100	-23.25%	(513,576)
Human Resources	1,379,528	1,930,407	1,988,600	3.01%	58,193
Information Technology	2,166,420	2,866,339	2,920,100	1.88%	53,761
Legal Services	458,514	546,419	578,800	5.93%	32,381
Economic Development	525,807	632,646	659,400	4.23%	26,754
Communications	-	-	562,100	-	562,100
Budget, Performance Mgmt. & Strategy	-	-	801,500	-	801,500
Finance	847,083	871,415	1,022,200	17.30%	150,785
Community & Neighborhood Connections	-	-	541,600	-	541,600
Planning	2,264,031	3,568,066	4,008,900	12.35%	440,834
Facility Services	1,563,280	2,496,279	1,432,600	-42.61%	(1,063,679)
Police	12,618,221	14,583,894	16,769,300	14.99%	2,185,406
911 Communications	1,080,347	1,288,631	1,548,700	20.18%	260,069
Fire	10,898,546	12,286,335	15,866,700	29.14%	3,580,365
Transportation & Infrastructure Development	1,167,706	1,466,762	3,409,000	132.42%	1,942,238
Public Works Administration	1,811,358	2,715,338	550,100	-79.74%	(2,165,238)
Streets	3,472,615	5,484,410	4,544,500	-17.14%	(939,910)
Solid Waste	5,189,105	6,298,116	5,854,600	-7.04%	(443,516)
Fleet Services	462,609	608,908	548,800	-9.87%	(60,108)
Inspections & Permitting	2,502,560	3,228,834	2,984,300	-7.57%	(244,534)
Parks & Recreation	5,041,211	6,636,489	7,242,200	9.13%	605,711
Cultural Arts Center	443,601	870,955	1,101,000	26.41%	230,045
Cemetery	37,840	50,800	51,000	0.39%	200
Special Appropriations	174,387	607,272	72,000	-88.14%	(535,272)
Other Uses	8,556,325	4,688,400	5,284,600	12.72%	596,200
Debt Service	6,931,923	8,045,065	8,757,700	8.86%	712,635
Contingency	-	150,000	150,000	0.00%	-
<b>Total</b>	<b>\$71,196,462</b>	<b>\$84,456,906</b>	<b>\$91,201,500</b>	<b>7.99%</b>	<b>\$6,744,594</b>

## General Fund Capital Highlights

In order to continue providing outstanding services to the community, the town intends to continue investing in infrastructure and other capital needs during FY22-23. General Fund capital expenditures are noticeably less for FY22-23 at 9.03 percent as opposed to 11.99 percent in FY21-22 and 16.08 percent FY20-21. Even with a more positive economic outlook post-pandemic, Town Council recognized that beginning construction on the proposed transportation projects presented a challenge while relying only on natural revenue growth. To address this challenge, Town Council chose to seek a bond referendum in November 2021 for \$42 million in transportation projects to be completed over the next decade.



Additionally, Council has set a goal to increase capital spending to a level comparable to past years as a percentage of the overall General Fund budget. Analysis and projections to achieve this goal along with more information about capital projects, including project descriptions, expected funding sources, debt and operating impacts, and schedules, is located in the Capital Improvement Plan section of the budget document. Highlighted below are some of the significant capital projects included in the FY22-23 Recommended Budget. These projects are all related to General Fund activities and may be included in the General Fund budget or a corresponding capital project fund.

*Annual Pavement Management – Street Resurfacing (\$2,000,000)*

The town is responsible for maintaining over 220 miles of municipal streets with the annual resurfacing contract providing for most of the pavement maintenance needs. Street mileage is growing annually with ongoing development. This annual program addresses deficiencies in pavement condition throughout Apex to prevent issues such as potholes, alligator cracking, and rutting in order to provide a safe and reliable transportation system. The Powell Bill program provides an annual funding allocation from the state based on public centerline miles of road accepted and maintained by the town. Current and future resurfacing costs continue to exceed Powell Bill allocations. The proposed bond referendum includes \$5.0 million to address a backlog of pavement management projects.

*GPS Emergency Vehicle Preemption (\$260,000)*

In the first year, this project includes installing GPS preempt in 10 traffic signals and outfitting all fire vehicles with GPS preempt capability. Emergency vehicle preemption is designed to give emergency response vehicles a green light on their approach to a signalized intersection while providing a red light to conflicting approaches. Existing infrared preemption is only available for certain directions at four signals town wide and the Apex Fire Department no longer has infrared emitters.

*Justice Heights Street Extension (\$250,000)*

This project includes extending Justice Heights Street from its existing stub west of South Salem Street to intersect with the Apex Peakway and includes sidewalk on the north side of the street. The project would improve local connectivity for traffic flow south of NC 55 and pedestrian connectivity between Salem Street and Apex Peakway through the Justice Heights neighborhood. The FY22-23 Recommended Budget includes \$250,000 for study and design.

*Felton Grove High School Road Improvements Cost Share (\$500,000)*

This project will contribute funds toward offsite intersection improvements as part of the construction of proposed Felton Grove High School that are beyond the required improvements for Wake County Public School System (WCPSS). This project addresses capacity and safety issues at multiple access points to the school. Funding is being prioritized ahead of construction in order to enter into an agreement with the school with full payment in 2025.

*Ragan Road Sidepath (\$200,000)*

This project includes creating a connection from the current end of the Ragan Road sidepath to the American Tobacco Trail. Currently, there is no public access along Ragan Road to the American Tobacco Trail. Initial funding is for study and design.

*Safe Routes to School (\$1,710,000)*

The town annually budgets for Safe Routes to School (SRTS) projects to improve and add to existing town infrastructure related to pedestrian and bicycle traffic to and from schools. A portion of the 2021 transportation bonds are dedicated to SRTS projects. The FY22-23 Budget includes funding for Downtown Apex Safe Routes to School and transit connections, construction of a high-priority SRTS project serving Thales Academy, sidewalk along the east side of N. Salem Street from north of Apex Peakway to Peak United Methodist Church, design of a high priority SRTS project serving Apex Middle School, sidewalk along N.



Hughes Street from E. Chatham Street to Apex Community Center, and sidewalk along S. Mason Street from E. Moore Street to E. Chatham Street.

#### *Tingen Road Pedestrian Bridge (\$150,000)*

This allocation is for the study of a pedestrian bridge over the railroad crossing of Tingen Road. The current at-grade railroad crossing will be closed as part of the Apex Peakway Southwest Connector project per the agreement with CSX. A pedestrian bridge will provide members of the community a safe way to cross the railroad tracks on Tingen Road to access downtown Apex, multi-family residential developments, multiple churches, and Apex Elementary School. A feasibility study will determine more accurate scope and cost.

#### *Wayfinding Signage Fabrication & Installation (\$320,000)*

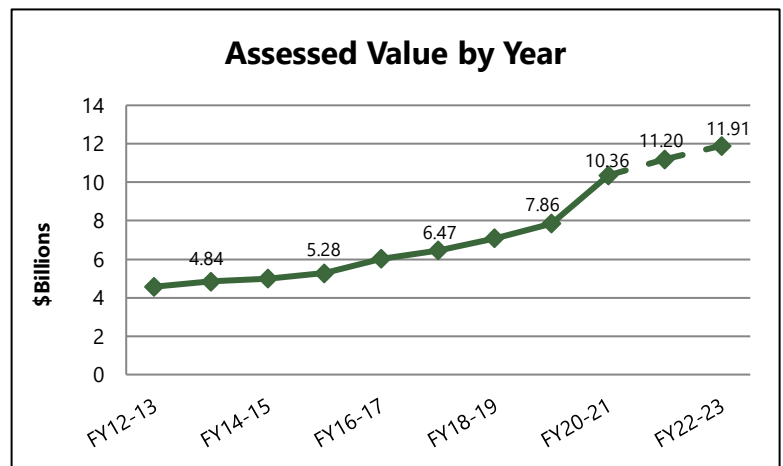
This project includes fabrication and installation of Wayfinding signage throughout town. Sign types include parking directional, vehicular directional, pedestrian directional, destination identification, and gateway signage. This project was identified as part of the Downtown Plan & Parking Study and is an extension of the Community Branding Study.

## General Fund Revenues

The Town of Apex continues to experience growth in its primary revenue sources – ad valorem taxes and sales tax. Population growth, steady development, and increasing property values have naturally contributed to a growing tax base that helps Apex retain a modest tax rate while providing exceptional services. The total assessed value in Apex has increased by 160.4 percent in the past ten years, including revaluations in 2016 and 2020. The FY22-23 tax base for Apex is projected to grow by \$704,163,500 (6.29 percent) to \$11,905,025,641 and each penny on the tax rate is equivalent to \$1,189,312 in revenue. Excluding property tax and sales tax revenues and use of fund balance, all other General Fund revenues collectively represent a modest 1.28 percent increase from the FY21-22 Amended Budget. Overall, the FY22-23 Budget reflects a 7.99 percent increase in revenues when compared to the FY21-22 Amended Budget.

### Ad Valorem Tax

Property taxes represent 53.4 percent of General Fund revenues. For FY22-23, the ad valorem tax base is an estimated \$11.91 billion, which will generate \$48.68 million in property tax revenue with a tax rate of **\$0.41 per \$100 valuation** at a 99.9 percent collection rate. This represents an increase in ad valorem revenue of \$5.99 million (14.02 percent). **The tax rate is \$0.02 more than the FY21-22 tax rate.** In November 2021, Apex residents overwhelmingly approved \$42 million in general obligation bonds for streets and sidewalk projects. In order to repay the debt service on the approved bonds, the town will increase the tax rate by \$.03 in two increments – \$.014 in FY22-23 and \$.016 in FY25-26. The FY22-23 tax rate includes a \$.014 increase for the first increment of the 2021 transportation bonds and a \$.006 increase to contribute toward growing personnel needs and capital projects.



### Local Option Sales Tax

Sales tax represents the town's second largest revenue source in the General Fund at \$19.34 million (21.74 percent). The State of North Carolina collects sales tax and distributes it to the local units. Sales tax revenues are distributed on a





proportional population basis in Wake County. The population growth in Apex has allowed the town to increase its share of sales tax revenues. Sales tax revenues have increased the past several years as the economy rebounded from the pandemic and with the natural growth in Wake County. The impacts of inflation, international instability, and the lingering effects of the COVID-19 pandemic on the economy temper sales tax projections for the coming year. The town, however, has continued to see a positive trend during FY21-22 with sales tax revenues being up 12.9 percent over the previous year through the January distribution. The FY22-23 sale tax estimates reflect this positive trend, albeit with a more modest growth rate of eight percent over the current end of year projections.

### Solid Waste, Recycling, & Yard Waste Fees

The town currently contracts with a private hauler for solid waste and recycling collections. The solid waste and recycling fees offset the town's contract cost. Solid waste fees will generate \$2,852,000 and recycling fees will generate \$1,257,400 in FY22-23. The town conducts its own yard waste collection and covers the cost with a monthly yard waste fee. The yard waste fee will generate \$2,122,200. **Solid waste and recycling fees will increase in accordance with our service contract in FY22-23.** Solid waste fees include the standard adjustment for inflation of 2.50 percent included in the service contract. Recycling fees decreased due to a processing fee reduction from \$1.27 per unit to \$0.75. Landfill disposal fees are increasing by \$5.00 per ton in the new fiscal year, creating an additional cost incorporated into the fees.

Solid Waste, Recycling, & Yard Waste Monthly Charges		
	FY21-22	FY22-23
Yard Waste Collection	\$7.83	\$7.83
Residential Roll-Out Cart	\$8.94	\$9.61
Commercial Roll-Out Cart	\$18.75	\$20.12
Recycling (per Bin or Cart)	\$4.98	\$4.55
4-CY Dumpster Service	\$131.40	\$141.18
6-CY Dumpster Service	\$155.46	\$169.09
8-CY Dumpster Service	\$177.64	\$194.00

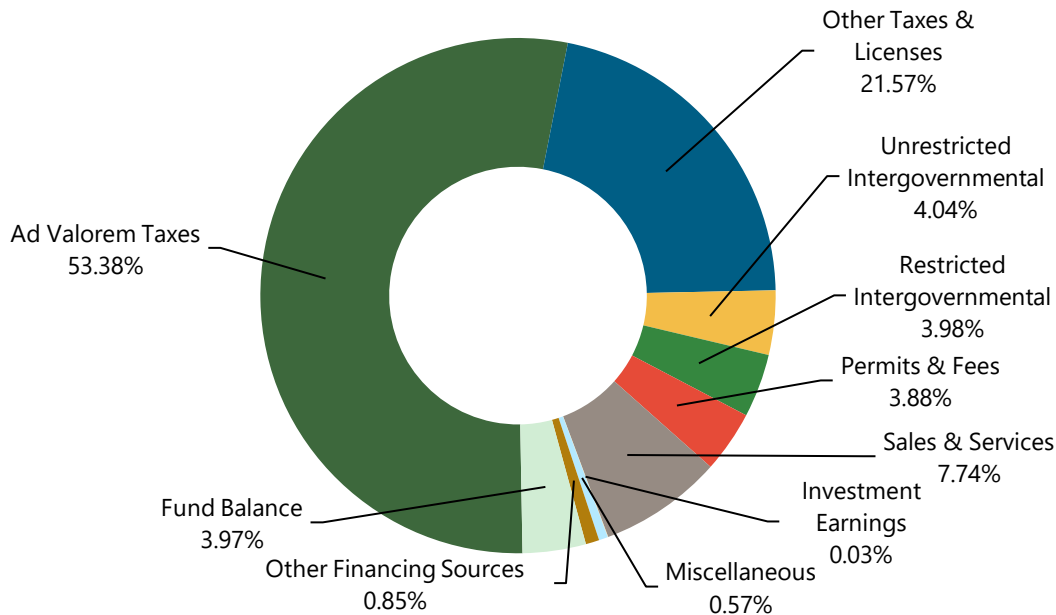
### Fund Balance Appropriation

Fund balance is, simply explained, the amount of assets in excess of liabilities in a given fund. These funds enable the town to meet financial obligations without interruptions due to cash flow, generate investment income, eliminate the need for short-term borrowing, and provide a reserve of funds to respond to emergencies or opportunities. Occasionally, the town will use money from fund balance to cover one-time expenses such as specific capital items. The town evaluates any decision to use fund balance carefully and often plans the use in advance to ensure adherence to the town's fund balance policy. **The FY22-23 Recommended Budget includes a fund balance allocation of \$3,620,000**, including \$1,500,000 for a ladder truck replacement, \$400,000 for Eva Perry Library repairs, \$325,000 for development of the police firing and training range, \$320,000 for installation of wayfinding signage, \$225,000 for development of the Hunter Street Bike Track, \$650,000 for Beaver Creek Greenway improvements, and \$200,000 for the Ragan Road side path design.

General Fund Revenues by Source					
Source	FY20-21 Actual	FY21-22 Budget	FY21-22 Estimate	FY22-23 Budget	Percent Change
Ad Valorem Taxes	39,461,896	42,698,700	43,441,500	48,684,400	14.02%
Other Taxes & Licenses	16,061,247	15,967,400	18,106,442	19,670,000	23.19%
Unrestricted Intergovernmental	3,407,570	3,215,000	3,526,306	3,680,000	14.46%
Restricted Intergovernmental	4,665,171	3,372,500	3,542,648	3,632,400	7.71%
Permits & Fees	4,953,091	3,534,300	3,376,362	3,537,000	0.08%
Sales & Services	6,166,557	6,809,900	6,623,454	7,058,200	3.65%
Investment Earnings	654,438	40,000	10,031	25,000	-37.50%
Miscellaneous	575,121	386,977	548,250	519,500	34.25%
Other Financing Sources	1,612,441	1,625,000	1,635,500	775,000	-52.31%
Fund Balance	-	6,807,129	-	3,620,000	-46.82%
<b>Total</b>	<b>\$77,557,531</b>	<b>\$84,456,906</b>	<b>\$80,810,492</b>	<b>\$91,201,500</b>	<b>7.99%</b>



## General Fund Revenues by Source FY22-23



### Enterprise Funds

The Town of Apex operates two major funds as enterprises – the Electric Fund and the Water & Sewer Fund. Enterprise funds provide governmental services that can operate similar to a business and are self-sustaining with user rates that generate all revenues to cover expenditures.

#### Electric Fund

The Electric Fund comprises all revenues and expenditures that result from the town's electric utility operations. Customer charges and fees generate revenue to support the fund completely. The FY22-23 Recommended Budget for the Electric Fund totals \$47,666,000, a 3.37 percent increase from the FY21-22 Amended Budget of \$46,113,325 as of April 1, 2022.

#### Electric Fund Expenditures

The increase in the FY22-23 Electric Fund Budget is primarily due to increases in personnel costs. Personnel cost increases reflect two new positions and associated benefit costs as well as increases for health insurance and other benefits for current employees.

Electric Fund Expenditures by Type					
Type	FY20-21 Actual	FY21-22 Budget	FY21-22 Estimate	FY22-23 Budget	Percent Change
Personnel	5,564,316	5,741,220	5,554,800	6,727,700	17.18%
Operating	1,559,928	2,300,492	1,914,800	2,293,700	-0.30%
Sales Tax	2,869,664	3,039,000	2,903,928	3,040,000	0.03%
Purchase for Resale	28,106,211	28,558,800	28,442,000	30,400,000	6.45%
Capital	3,578,727	5,225,013	4,970,500	3,955,800	-24.29%
Debt Service	1,320,509	1,248,800	1,248,800	1,248,800	0.00%
<b>Total</b>	<b>\$42,999,355</b>	<b>\$46,113,325</b>	<b>\$45,034,828</b>	<b>\$47,666,000</b>	<b>3.37%</b>





## Electric Capital Highlights

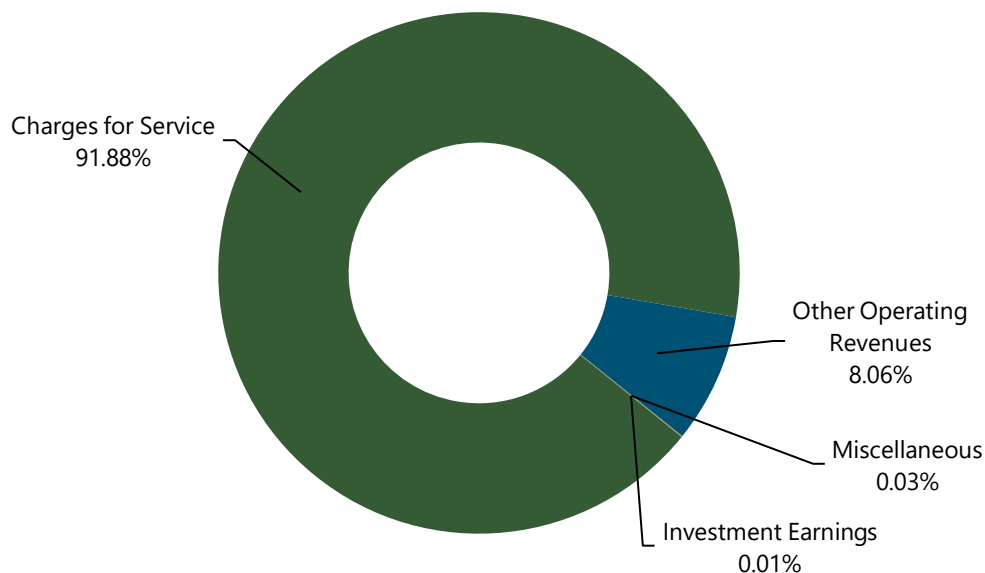
Similar to the General Fund, the town accounts for large capital projects associated with the electric utility system in a capital project fund. The Electric Fund capital budget includes \$2.5 million for annual system expansion, \$1.0 million for smart grid meter installation, and \$285,500 for a line truck replacement.

## Electric Fund Revenues

Electric Fund revenues for FY22-23 are up 3.37 percent from FY21-22. The Electric Fund generates charges for service through a base rate to cover fixed costs and an energy/demand rate to cover variable costs. The FY22-23 Recommended Budget includes \$43.8 million in revenue from charges for service with **an increase in the electric base charge coupled with a decrease of 8.5 percent in the energy charge**. The rate change will increase the residential base charge to \$25.00 per month. The significant increase in the base charge is part of a recommendation to redesign the electric rate structure to recover fixed costs through the base rate revenues. This will also minimize energy rate increases. Even with the rate increase, Apex electric rates are similar to and in most cases lower than other local electric utilities. The average residential electric customer can expect an increase of \$2.05 per month on their electric bill.

Electric Fund Revenues by Source					
Source	FY20-21 Actual	FY21-22 Budget	FY21-22 Estimate	FY22-23 Budget	Percent Change
Charges for Service	40,591,032	41,905,000	41,924,420	43,795,100	4.51%
Other Operating Revenues	4,367,334	3,842,200	3,832,200	3,840,700	-0.04%
Other Financing Sources	20,000	10,000	-	10,000	0.00%
Miscellaneous	96,735	13,000	26,200	15,000	15.38%
Investment Earnings	13,668	6,000	2,000	5,200	-13.33%
Fund Balance	-	337,125	-	-	-100.00%
<b>Total</b>	<b>\$45,088,769</b>	<b>\$46,113,325</b>	<b>\$45,784,820</b>	<b>\$47,666,000</b>	<b>3.37%</b>

Electric Fund Revenues by Source FY22-23



## Water & Sewer Fund

The Water & Sewer Fund comprises all revenues and expenditures that result from the town's water and sewer utility operations. Customer charges and fees generate enough revenue to support the fund completely. The FY22-23 Recommended Budget for the Water and Sewer Fund totals \$26,664,100, an 8.16 percent increase from the FY21-22 Amended Budget of \$24,653,210 as of April 1, 2022. Beginning January 1, 2022, the town began operating its stormwater activities as a self-supporting utility and incorporated stormwater expenses as a distinct division within the Water & Sewer Fund.

## Water & Sewer Fund Expenditures

The FY22-23 Water & Sewer Fund Budget reflects an increase in all expenditure categories except capital. New positions and reassignment of the grounds and easement and sewer outfall maintenance teams to water and sewer divisions, including stormwater, primarily account for the significant increase in personnel cost. Additionally, a full year of stormwater operations included in the Water & Sewer Fund influences the increase in the FY22-23 Budget. The FY22-23 Recommended Budget includes \$135,000 as part of the town's continued annual commitment to watershed protection.

Water & Sewer Fund Expenditures by Type					
Type	FY20-21 Actual	FY21-22 Budget	FY21-22 Estimate	FY22-23 Budget	Percent Change
Personnel	6,834,655	7,153,880	6,603,200	9,269,700	29.58%
Operating	3,305,540	5,344,697	4,645,950	6,313,100	18.12%
Purchase for Resale	4,043,601	4,235,000	1,966,000	4,600,000	8.62%
Capital	5,543,969	4,198,533	3,782,883	2,728,900	-35.00%
Debt Service	4,268,690	3,721,100	3,721,100	3,752,400	0.84%
<b>Total</b>	<b>\$23,996,455</b>	<b>\$24,653,210</b>	<b>\$20,719,133</b>	<b>\$26,664,100</b>	<b>8.16%</b>

Water & Sewer Fund Department/Division Budgets					
Department/Division	FY20-21 Actual	FY21-22 Budget	FY22-23 Budget	Percent Change	FY21-22 Variance
Water-Sewer Admin.	3,525,394	4,469,145	4,837,200	8.24%	368,055
Stormwater	-	205,900	1,935,600	840.07%	1,729,700
Water Treatment	2,341,750	2,593,125	2,800,700	8.00%	207,575
Water Maintenance	2,879,420	3,752,795	4,093,700	9.08%	340,905
Sewer Treatment	6,757,908	4,596,498	3,942,500	-14.23%	(653,998)
Sewer Maintenance	2,493,293	3,264,647	3,802,000	16.46%	537,353
Debt Service	4,268,690	3,721,100	3,752,400	0.84%	31,300
Other Financing Uses	1,730,000	1,900,000	1,400,000	-26.32%	(500,000)
Special Appropriation	-	-	-	-	-
Contingency	-	150,000	100,000	-33.33%	(50,000)
<b>Total</b>	<b>\$23,996,455</b>	<b>\$24,653,210</b>	<b>\$26,664,100</b>	<b>8.16%</b>	<b>\$2,010,890</b>

## Water & Sewer Capital Highlights

Similar to the General Fund, the town accounts for large capital projects associated with the water and sewer utility system in a capital project fund as well as within the operating fund itself. The Water & Sewer Capital Project fund will include \$5,422,200 in FY22-23 for design work for the Big Branch 2 Pump Station (\$1.0 million), the Beaver Creek Commons Gravity Sewer Extension (\$1.4 million), continuation of the Western Transmission Main project (\$2.1 million), and the Cary-Apex



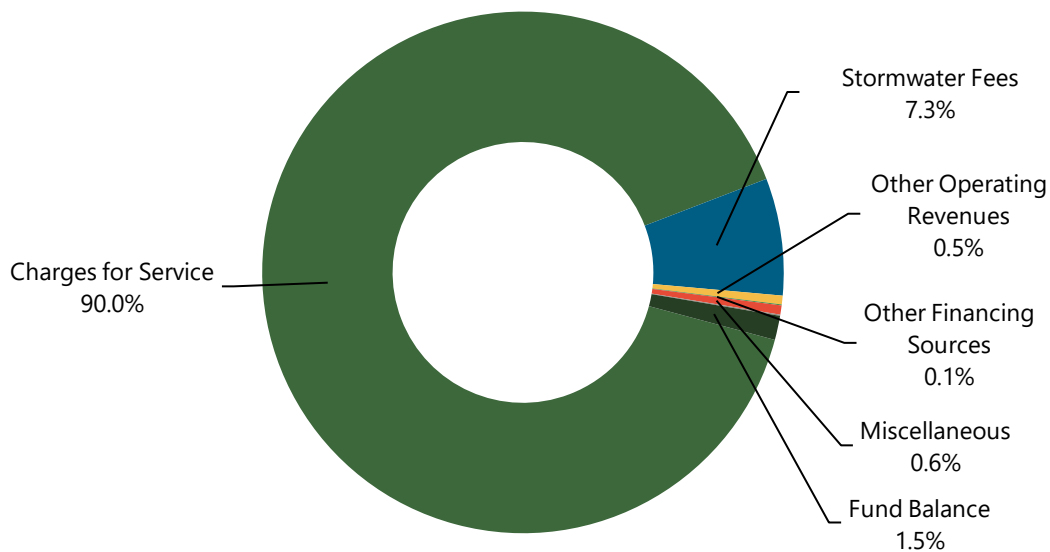
water and sewer projects (\$922,200). Of this total, coverage for only \$1.4 million will come from the Water & Sewer operating fund. Water & Sewer Capital Reserves will fund the remaining \$4.02 million. The Water & Sewer operating budget includes additional capital expenditures totaling \$1,328,900 for the Beaver Creek streambank restoration (stormwater), a crane truck, miscellaneous water meter installations and water main connections, and various vehicle and equipment replacements.

### Water & Sewer Fund Revenues

Projections for Water & Sewer Fund revenues rely on many of the same variables as the Electric Fund, thus the similar theme of fixed-cost recovery through adjustments to base rate charges. The FY22-23 Recommended Budget includes \$23,996,500 in revenues from water and sewer charges, an increase of 11.86 percent. New customer growth has averaged just over four percent the past three years. The continued customer growth rate and an increase in water and sewer fees account for the increase in charges for service.

Water & Sewer Fund Revenues by Source					
Source	FY20-21 Actual	FY21-22 Budget	FY21-22 Estimate	FY22-23 Budget	Percent Change
Charges for Service	20,986,570	21,452,000	21,416,200	23,996,500	11.86%
Stormwater Fees	-	1,000,000	1,214,800	1,935,600	93.56%
Other Operating Revenues	146,193	135,000	142,000	145,000	7.41%
Other Financing Sources	4,907,606	403,250	392,250	15,000	-96.28%
Miscellaneous	268,298	196,000	138,600	152,000	-22.45%
Investment Earnings	44,023	24,000	7,000	20,000	-16.67%
Fund Balance	-	1,442,960	-	400,000	-72.28%
<b>Total</b>	<b>\$26,352,690</b>	<b>\$24,653,210</b>	<b>\$23,310,850</b>	<b>\$26,664,100</b>	<b>8.16%</b>

Water & Sewer Fund Revenues by Source FY22-23



### Water & Sewer Rates

For FY21-22, the town performed a new rate study to evaluate existing rates and rates structure. The resulting study and model found that the sewer utility was generating a deficit while the water utility was generating a surplus. Using the rate model, staff reviews water and sewer rates annually and recommends adjustments that ensure the utilities remain self-sufficient while avoiding the need for a significant increase in any one year.

The budget includes a recommendation to **increase the water base rate by \$.46 and the volumetric water rate by 1.5 percent and increase the sewer base rates by \$.71 and the sewer volumetric rate by 3.9 percent.** The increases in the base rate are to recover fixed costs and minimize the need for larger changes in the volumetric rates in the future. Water and sewer rates are double for customers outside the town limits.

Water & Sewer Monthly Rates					
Water Rates	FY21-22	FY22-23	Sewer Rates	FY21-22	FY22-23
Inside Base Charge	\$5.54	\$6.00	Inside Base Charge	\$10.04	\$10.75
Tier 1: < 6,000 gallons	\$4.19	\$4.25	Outside Base Charge	\$20.08	\$21.50
Tier 2: 6,000-12,000 gallons	\$4.82	\$4.89	Inside Volumetric	\$7.17	\$7.45
Tier 3: > 12,000 gallons	\$6.49	\$6.59	Outside Volumetric	\$14.34	\$14.90

It is important to note that the volumetric rate increases effect households based on their usage while the base rate changes affect all households the same. For example, an average family of four or five that uses 5,000 gallons a month will see an increase of \$2.89 on their monthly water and sewer bill. Additionally, when comparing Apex to other utility systems in the area, the town's rates are consistently in the lowest quartile while still providing adequate cost recovery and providing for future capital needs. It is important for the town to continue to evaluate rates annually to ensure the financial sustainability of the water & sewer utilities.

### Stormwater Utility Fee

During FY20-21, Town Council asked staff to develop funding options for a self-supporting stormwater utility. At Town Council's budget retreat in February 2021, staff presented potential funding options using a tiered rate structure to address the Council's concerns about equity. The stormwater fee structure uses impervious surface area based on equivalent residential units (ERU). Preliminary analysis of Apex residential properties revealed an average ERU of 2,700 square feet of impervious surfaces such as rooftops, driveways, sidewalks, and parking lots per property. The tiered rate structure uses four tiers with a \$5.00 per month fee based on the ERU. **The FY22-23 Recommended Budget does not include any changes to the stormwater fee structure.** The table below includes the breakdown for each tier. Note that properties with less than 400 square feet are exempt from the monthly fee due to minimal stormwater impacts.

Stormwater Rates				
Description Small	Small (400–1,500 ft <sup>2</sup> )	Medium (1,500–3,000 ft <sup>2</sup> )	Large (3,000–4,000 ft <sup>2</sup> )	Extra-Large (> 4,000 ft <sup>2</sup> )
Category Percent	15%	50%	25%	10%
Monthly Rate	\$1.50	\$5.00	\$7.50	\$10.00
Annual Amount	\$18.00	\$60.00	\$90.00	\$120.00



## Organization Review

To perform at an even higher level and ensure Apex remains “the peak of good living,” the town undertook an organizational assessment and committed to develop its organization-wide strategic plan further. Organization growth has not kept pace with development as population growth in Apex has increased demand for services and stretched operational capacity. The purpose of the organizational assessment was to determine an optimal organization structure and identify gaps in workforce capacity. The town intends to implement the recommendations from the study in phases over multiple fiscal years with the highest priority recommendations in the FY22-23 Budget. Details regarding changes in organizational structure, reassignment of positions, and new positions are located in the Community and Organizational Profile section of the budget as well as in department-specific budget sections.

## Core Values

Our Peak Principles, which represent our core values, are our foundation for how we interact with one another and the public as we serve our community.

*Peak Pledge:* We will perform at the highest level by empowering our peers, remaining accountable to each other and those we serve, and continuing the pursuit of knowledge.

*Performance:* Being stewards of public resources and trust, we will maintain a culture that values exceptional customer service through efficiency and focus on our work.

*Empowerment:* Knowing that good ideas come from employees at all levels across all departments and divisions, we will maintain a culture that empowers everyone to express their thoughts and provides opportunities to become part of real solutions.

*Accountability:* Knowing that we are entrusted to be stewards of the public’s resources, we will maintain an atmosphere of openness and transparency to one another and to those we serve.

*Knowledge:* A workforce that pursues knowledge is one that will be better able to anticipate new challenges and respond to those presented.

## Personnel

*Employee Performance Evaluation and Compensation:* The town’s performance evaluation and compensation system is structured around the Town’s Peak Principles and the establishment of clear performance goals and objectives for each employee. Compensation under the system relies on adjustments based off the midpoint (job rate) of the employee’s salary range, or actual salary, depending on which amount is higher. The town awards merit pay in October following the annual employee performance reviews conducted between July 1 and August 31. Employees do not receive other pay increases during the year unless they qualify for a pay adjustment for position reclassification or receive a promotion with greater responsibility. Beginning in FY20-21, the town implemented a \$15.00 living wage as a baseline for the town’s compensation plan. The living wage receives the same annual inflationary adjustment as the town’s salary range structure. For FY22-23, the town plans to adjust its standard merit-based practice based on other compensation recommendations from the pay and classification portion of the organizational assessment. The total estimated cost for FY22-23 is \$2.43 million across all funds.

*Employer Retirement Contribution:* The North Carolina Local Government Retirement System has notified local governments that the Annual Contribution Rate (ACR) will increase in FY22-23. The employer contribution will increase from 11.39 to 12.13 percent for regular employees and from 12.04 to 13.04 percent for law enforcement officers. Local government employees



currently contribute six percent of their salary. The town's retirement contributions represent \$5,424,600 in FY22-23, an increase of \$1,290,854 (31.23 percent).

*401(k) Contribution:* The town provides a five percent 401(k) contribution for all full-time employees. North Carolina General Statutes mandate 401(k) contributions for sworn law enforcement at five percent, a cost of \$413,900 in the FY22-23 Budget. Contributions for all other employees represent \$1,921,300 in FY22-23.

*Health Insurance:* While the town has been able to mitigate rate increases in the past two years, substantial claims have resulted in increases in both health and dental premiums. The town will experience a 13.3 percent increase for healthcare premiums in FY22-23. The rate increase alone accounts for \$999,182 in increased healthcare costs. The FY22-23 Recommended Budget includes \$7,367,900 for healthcare premiums across all funds. The town's self-funded dental plan will experience a 1.9 percent increase in insurance premiums for FY22-23, at a cost of \$339,000.

*Retiree Medical Insurance:* The town offers qualifying retired employees a medical insurance benefit until they qualify for the Federal Medicare Insurance Program. The cost for the retiree insurance is classified as other post-employment benefits (OPEB). In addition to the annual retiree medical insurance cost, the Recommended Budget includes additional funds for an OPEB trust fund. To prevent long-term financial stress and follow sound financial practices, the town allocates additional funds for long-term OPEB costs annually. The FY22-23 Recommended Budget includes \$350,000 for long-term OPEB expenditures - \$266,000 in General Fund, \$49,000 in the Electric Fund, and \$35,000 in the Water & Sewer Fund. The FY22-23 Budget includes a total of \$103,000 to cover pay-as-go Retiree Medical Insurance and long-term OPEB costs in all funds. As of July 1, 2020, the town no longer offers the retiree medical insurance benefit to new employees. The purpose of eliminating this benefit is to reduce the town's long-term liability, which currently stands at \$43.73 million. While the long-term liability will continue to increase some over the next few years, it will eventually begin to decrease with contributions to the trust fund and no additional participants to the program.

*Police Special Separation Allowance:* North Carolina General Statutes provide for special compensation to retired law enforcement officers meeting specified criteria. The statutes require the town to compensate the officer until they reach age 62. The Special Separation Allowance budget in FY22-23 is \$152,700.

*Position Reclassifications:* Typically, the town contracts with a consulting group to study approximately one third of the town's positions each year to determine if the positions are correctly classified and if the salary ranges assigned to the positions are appropriate based on the area labor market. This year, the town reviewed all positions as part of the organizational assessment. Two of the more prominent reclassifications involve elevation to a director level for the Communications Manager and Budget and Performance Manager with the study recommendations to add a Communications department and Budget, Performance, and Strategy department to the organizational structure.

*Additional Positions:* The FY22-23 Recommended Budget includes 51 new full-time positions in the General Fund, two new full-time positions in the Electric Fund, and three new full-time positions in the Water and Sewer Fund. town staff worked together to prioritize these positions with assistance from the organizational assessment consultant from an initial request of over 100 new full-time positions. Staff is developing a three-year implantation plan developed to manage the addition of new positions over the next several years. All new positions will bring the total approved full-time positions to 605 and increase personnel costs by \$5,552,337 for FY22-23. A breakdown of the recommended positions with costs is located in the Supplemental Section of the budget document.

## **Fund Balance**

The North Carolina Local Government Commission recommends that local governments maintain a minimum unassigned fund balance of no less than eight percent of expenditures. The Town of Apex has adopted a formal fund balance policy of maintaining a fund balance for the General Fund of at least 25 percent of expenditures. The Town of Apex's estimated non-committed or non-restricted fund balance as of June 30, 2022, is \$35.53 million or 39.95 percent of FY22-23 expenditures.





The recommended budget **does** include use of fund balance to cover some capital costs. The town does not use reserves for operating costs and carefully evaluates the use of fund balance for unanticipated opportunities and capital expenses. The use of \$3,620,000 in FY22-23 will still keep the available fund balance above 25 percent.

The North Carolina Local Government Commission does not have a specific recommendation regarding how much fund balance or retained earnings a local government enterprise operation should maintain. The town does not have a defined goal for fund balance for either enterprise fund. The town seeks to ensure both funds are financially stable and contain healthy reserves. The Town of Apex's estimated fund balance as of June 30, 2022 for the Water & Sewer Fund is \$26.4 million (127.4 percent). The estimated fund balance for the Electric Fund is \$13.39 million (29.7 percent); however, most of this amount is restricted. The FY22-23 Recommended Budget **does not** include use of fund balance in the Electric Fund. The budget **does** include an allocation of \$400,000 in the Water & Sewer Fund.

In summary, the Recommended Budget is a balanced budget in accordance with state statutes, and it attempts to address the priorities set by Town Council for the 2022-2023 Fiscal Year. While it is typically difficult to fund all the requests made by departments or external agencies, the budget team did an excellent job in preparation of this budget to include as many requests as possible and ensure alignment with Town Council's strategic goals. The town has benefited from growth, and it is in a solid financial position going into FY22-23. The FY22-23 Recommended Budget is fiscally sound and addresses the top priority needs of the town. The town's sound financial practices and conservative budgeting approach have positioned it to continue delivering high-level services for Apex residents. This budget reflects our commitment to maintaining and improving our community and positioning Apex to be financially sound in the future.

I wish to extend my sincere appreciation to the Budget Office and Finance Department and other town team members who helped to prepare this budget. I recommend this proposed budget for Fiscal Year 2022-2023 to the Apex Town Council.

Respectfully submitted,

Catherine H. Crosby  
Town Manager

