

# Town of Apex, North Carolina FY 2023 – 2024 Annual Budget

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## 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 2023-2024 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, we will continue to strive to provide outstanding services by looking for opportunities for improvement. 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.

In November 2022, we celebrated Town Council's formal adoption of our strategic plan, Game Plan Apex. The strategic goals and framework of the plan, which will incorporate departmental plans, provided guidance for staff in the development of a proactive budget that will balance improving current town programs and services with development of new programs and projects. The budget will highlight Town Council's strategic goals throughout and present elements from Game Plan Apex and selected performance indicators. Town Council's strategic goals are:

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

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

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

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

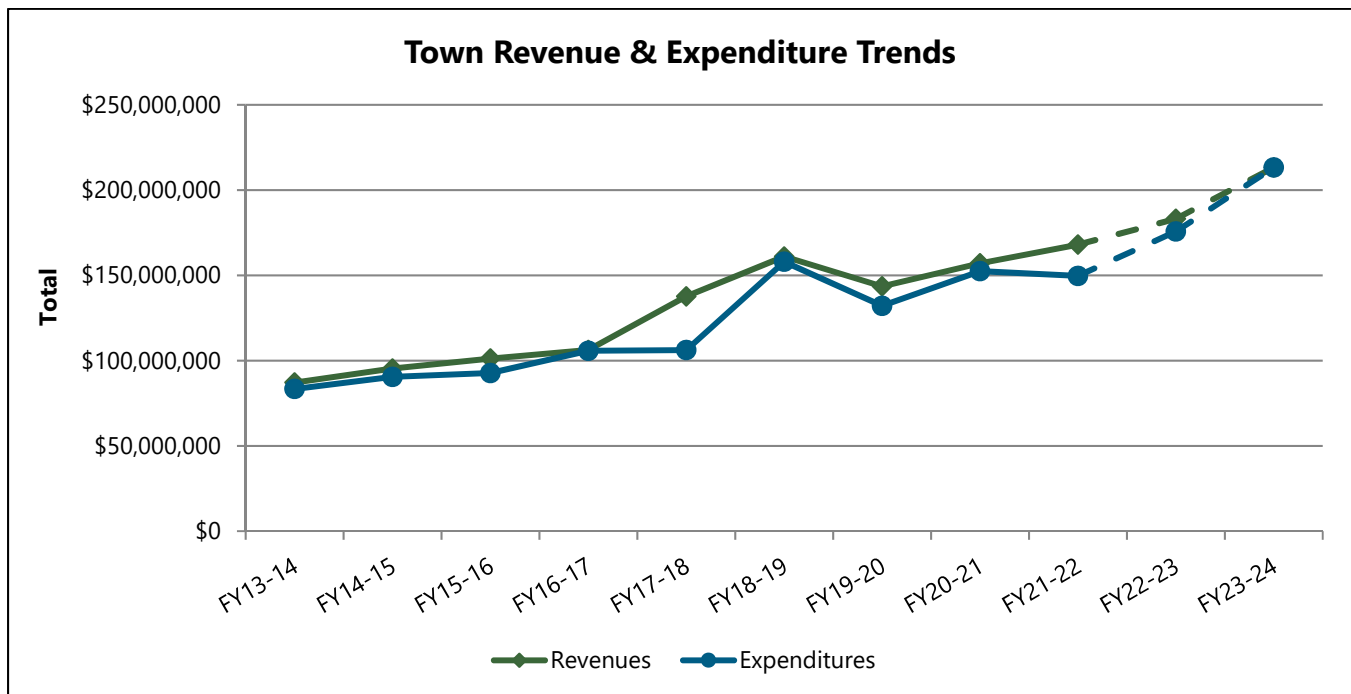
*Economic Vitality:* Improve and sustain an environment that invites and retains a diversity of residents, employment opportunities, and businesses.



<b>FY23-24 Budget Highlights</b>	
General Fund Expenditures	\$102,072,200
Electric Fund Expenditures	\$ 51,837,800
Water & Sewer Fund Expenditures	\$ 28,974,200
Stormwater Fund Expenditures	\$ 2,671,900
Non-major & Capital Fund Expenditures	<u>\$ 27,854,400</u>
<b>Total Budget</b>	<b>\$213,410,500</b>
Property Tax Rate \$0.44 per \$100 valuation <i>Property tax rate is \$.03 more than FY22-23</i>	
Electric Rates Residential: \$26.38 base charge, \$0.0994 per kWh energy charge <i>Base rate increase of \$1.38, kWh charge increase of 5.5%</i>	
Water Rates \$6.00 base charge, \$4.42 - \$6.85 per 1000 gal. consumption (tiered)	
Sewer Rates \$11.18 base charge, \$7.75 per 1000 gal. consumption <i>Water base rate does not change, volumetric rate increase of 4%</i> <i>Sewer base rate increase of \$0.43, volumetric increase of 4%</i>	

### Recommended Budget

The FY23-24 Recommended Budget totals \$213,410,500 for all town operations, capital improvements, and debt service requirements. This is \$13,025,651 (6.5 percent) more than the FY22-23 Amended Budget as of April 1, 2023. Following Town Council’s direction, the budget is balanced with a tax rate of \$0.44, an increase of \$.03 from the current tax rate. The budget includes a \$1.38 base rate increase and a five and one half percent energy charge increase in electric rates, a four percent volumetric increase in water rates, a four percent base rate and volumetric increase in sewer rates, and use of \$4,675,000 in fund balance from the General Fund.

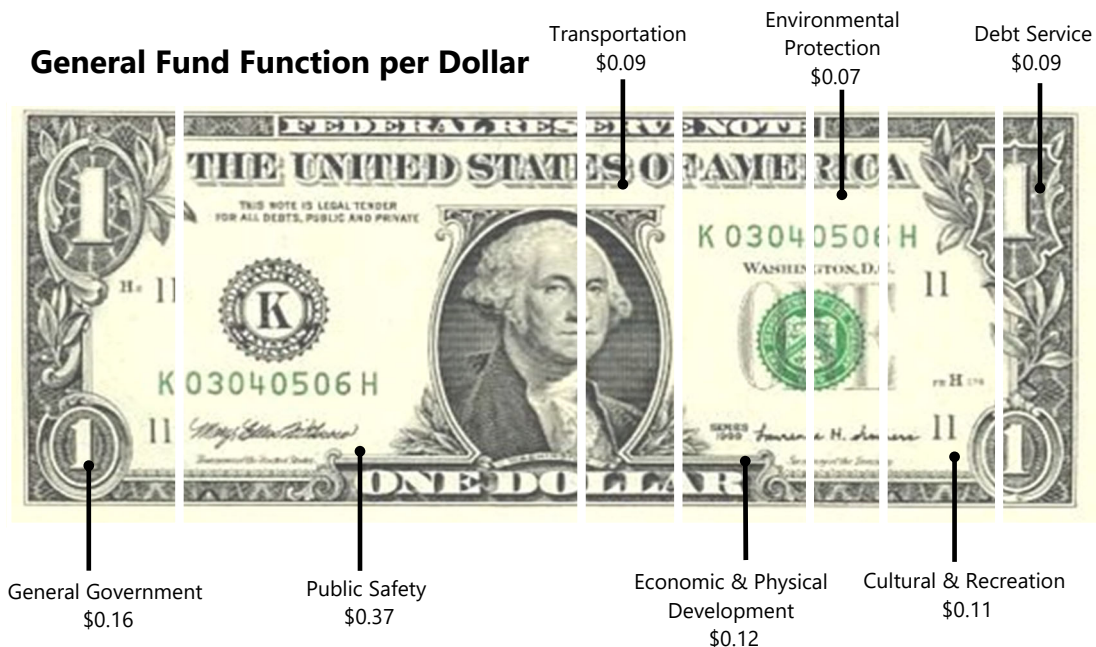


## General Fund

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 FY23-24 Recommended Budget for the General Fund totals \$102,072,200, which is 3.98 percent less than the FY22-23 Amended Budget of \$106,300,732 as of April 1, 2023.

### General Fund Expenditures

Apex's population continues to grow, but the pace of growth is beginning to slow. While the five-year average remains high at 7.8 percent, the rate dropped to four percent in FY21-22 and is on pace for between four and five percent in FY22-23. That is still a healthy growth rate but the slowing pace affects the rate of revenue growth and has to be considered when preparing the budget. Growth brings about increasing demands on town services. To keep pace with this demand and provide new services, the Town must provide 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 22 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 FY23-24 Recommended Budget to the FY22-23 Amended Budget reveals operating expenses and capital expenditures are down from FY22-23 while increases in personnel costs and debt service drive the year-over-year increase. The combination of 24 new positions, compensation adjustments, health and dental insurance increases, and retirement rate increases all contribute to the 8.21 percent increase in personnel costs. Included in the 24 new positions for General Fund are five police officers, a school resource officer, an emergency management coordinator, and a public safety public information officer in response to Town Council's request to enhance public safety. New positions also include three positions for a new summer and track-out camp program in the Parks, Recreation, and Cultural Resources Department in response to the community's request for additional youth services. Within the 8.05 percent debt service increase are payments for the 2015 and 2021 transportation bonds to be sold in FY23-24.



General Fund Expenditures by Type					
Type	FY21-22 Actual	FY22-23 Budget	FY22-23 Estimate	FY23-24 Budget	Percent Change
Personnel	39,126,492	52,751,120	48,485,172	57,083,500	8.21%
Operating	16,895,806	27,024,792	23,242,632	25,282,400	-6.45%
Capital	10,769,127	17,767,120	17,933,727	10,243,300	-42.35%
Debt Service	7,322,038	8,757,700	8,757,700	9,463,000	8.05%
<b>Total</b>	<b>\$74,113,463</b>	<b>\$106,300,732</b>	<b>\$98,419,231</b>	<b>\$102,072,200</b>	<b>-3.98%</b>

General Fund Department/Division Budgets					
Department/Division	FY21-22 Actual	FY22-23 Budget	FY23-24 Budget	Percent Change	FY23-24 Variance
Governing Body	301,540	238,700	524,200	119.61%	285,500
Clerk	198,066	290,100	527,200	81.73%	237,100
Administration	1,805,941	1,542,813	1,549,900	0.46%	7,087
Human Resources	1,544,492	2,464,038	2,856,700	15.94%	392,662
Information Technology	2,052,886	3,497,005	3,483,100	-0.40%	(13,905)
Legal Services	483,041	606,040	629,200	3.82%	23,160
Economic Development	486,788	693,838	761,100	9.69%	67,262
Communications	-	584,200	712,900	22.03%	128,700
Budget & Performance Management	-	879,950	900,600	2.35%	20,650
Finance	815,386	1,191,203	1,251,800	5.09%	60,597
Community & Neighborhood Connections	-	470,750	819,200	74.02%	348,450
Planning	2,455,329	4,398,734	3,922,000	-10.84%	(476,734)
Facility Services	1,612,206	4,558,215	1,992,900	-56.28%	(2,565,315)
Police	12,937,848	17,554,301	19,139,300	9.03%	1,584,999
911 Communications	1,067,462	1,616,125	1,690,100	4.58%	73,975
Fire	11,447,418	17,388,646	16,640,100	-4.30%	(748,546)
Transportation & Infrastructure Dev.	1,230,589	3,331,934	3,152,000	-5.40%	(179,934)
Streets	4,585,258	7,105,515	4,551,400	-35.95%	(2,554,115)
Solid Waste	5,919,537	6,342,082	6,841,800	7.88%	499,718
Fleet Services	524,348	754,368	724,800	-3.92%	(29,568)
Inspections & Permitting	2,694,081	3,222,414	3,200,900	-0.67%	(21,514)
Parks, Recreation, & Cultural Resources	5,769,366	8,942,144	10,028,000	12.14%	1,085,856
Cemetery	25,000	51,001	25,000	-50.98%	(26,001)
Special Appropriations	215,004	113,816	77,000	-32.35%	(36,816)
Other Uses	8,619,841	9,555,100	6,508,000	-31.89%	(3,047,100)
Debt Service	7,322,038	8,757,700	9,463,000	8.05%	705,300
Contingency	-	150,000	100,000	-33.33%	(50,000)
<b>Total</b>	<b>\$74,113,463</b>	<b>\$106,300,732</b>	<b>\$102,072,200</b>	<b>-3.98%</b>	<b>(4,228,532)</b>



## General Fund Capital Highlights

The Town intends to maintain outstanding services to the community through our infrastructure and other capital investments during FY23-24. General Fund capital expenditures are noticeably less for FY23-24 at 9.3 percent as opposed to 15.9 percent in FY22-23 and 11.4 percent FY21-22. The FY22-23 capital spending percentage is skewed due to budget amendments that increased capital spending by \$9.9 million during the fiscal year. The original adopted budget included capital spending at nine percent. Council has set a goal to increase capital spending to a level comparable to past years at 12 percent 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 FY23-24 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 (\$2,200,000)*

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.

### *Justice Heights Street Extension (\$750,000)*

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.

### *Felton Grove High School Road Improvements Cost Share (\$825,000)*

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.

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

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 FY23-24 Budget includes funding for Apex Safe Routes to School projects that will provide connections for Baucom Elementary School, Laurel Park Elementary School, Apex Middle School, and Thales Academy as well as connections to the Town's transit route.

### *Tingen Road Pedestrian Bridge (\$500,000)*

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. The study is funded through the Federal Community Project Funding Program.

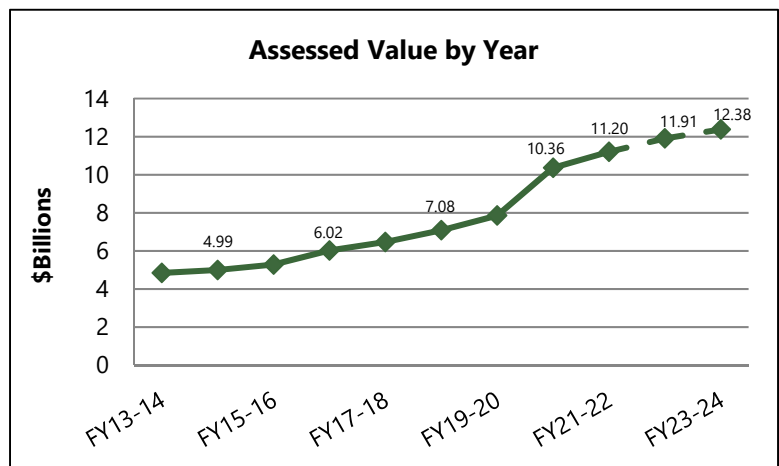


## General Fund Revenues

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. Apex’s tax base is still growing but recent trends indicate a much slower pace of growth. The Town issued 1,012 residential certificates of occupancy (COs) in 2022. This corresponds to approximately 3,000 new people in Apex and \$250 billion in additional property value but it was the third straight year that new COs and additional property value declined. The Town’s assessed value increased by 8.1 percent from 2021 to 2022 and 6.3 percent from 2022 to 2023. The increase from 2023 to 2024 is only 3.9 percent. This decline in growth rate affects property tax revenues, creating difficult decisions about what new projects and programs receive funding. The FY23-24 tax base for Apex is projected to grow by \$462,218,261 (3.9 percent) to \$12,367,243,902 and each penny on the tax rate is equivalent to \$1,236,462 in revenue. Excluding property tax and sales tax revenues and use of fund balance, all other General Fund revenues collectively represent a modest 7.29 percent increase from the FY22-23 Amended Budget. Overall, the FY23-24 Budget reflects a 3.98 percent decrease in revenues when compared to the FY22-23 Amended Budget. Adjusting the amended budget for purchase order carryovers from FY21-22, the difference between FY22-23 and the FY23-24 Recommended Budget would be an increase of 2.59 percent.

### Ad Valorem Tax

Property taxes represent 53.2 percent of General Fund revenues. For FY23-24, the ad valorem tax base is an estimated \$12.38 billion, which will generate \$54.29 million in property tax revenue with a tax rate of **\$0.44 per \$100 valuation** at a 99.9 percent collection rate. This represents an increase in ad valorem revenue of \$5.61 million (11.52 percent). **The tax rate is \$.03 more than the FY22-23 tax rate.** The FY23-24 tax rate includes a \$.03 increase for new public safety positions, equipment, and programs; a new summer and track-out camp program; and several new Town Council initiatives, including expansion of the historical marker program and neighborhood grant program.



### Local Option Sales Tax

Sales tax represents the Town’s second largest revenue source in the General Fund at \$20.7 million (20.31 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. For FY22-23, the Town did not realize its full share of sales tax due to an error in the 2020 Census that has reduced the State’s official population for Apex, which is used to calculate sales tax distribution. The 2020 Census did not include 2,200 households that had been annexed into the Town. The Census has acknowledged the error but has not certified the revised population estimate, which would add approximately 6,200 people to the Town’s population. The error reduced Apex’s share of the sales tax in FY22-23 by an estimated \$1.2 to \$1.8 million. The revised numbers have yet to be certified as of April 2023 and the additional sales tax revenue is not included in the FY23-24 Budget. Sales tax revenues increased significantly 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 FY22-23 with sales tax revenues being up 12.7 percent over the previous year through the January collections. The FY23-24 sale tax estimates reflect this positive trend, albeit with a more modest growth rate of six 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 \$2,979,300 and recycling fees will generate \$1,470,000 in FY23-24. The Town conducts its own yard waste collection and covers the cost with a monthly yard waste fee. The yard waste fee will generate \$2,131,000. **Solid waste and recycling fees will increase in accordance with our service contract in FY23-24.** Solid waste fees include the standard adjustment for inflation of 2.50 percent included in the service contract. Recycling fee increases include the same inflationary adjustment as well as a processing fee increase from \$0.75 per unit to \$1.34.

Solid Waste, Recycling, & Yard Waste Monthly Charges		
	FY22-23	FY23-24
Yard Waste Collection	\$7.83	\$7.83
Residential Roll-Out Cart	\$9.61	\$9.85
Commercial Roll-Out Cart	\$20.12	\$20.62
Recycling (per Bin or Cart)	\$4.55	\$5.24
4-CY Dumpster Service	\$141.18	\$145.86
6-CY Dumpster Service	\$169.09	\$173.32
8-CY Dumpster Service	\$194.00	\$198.85

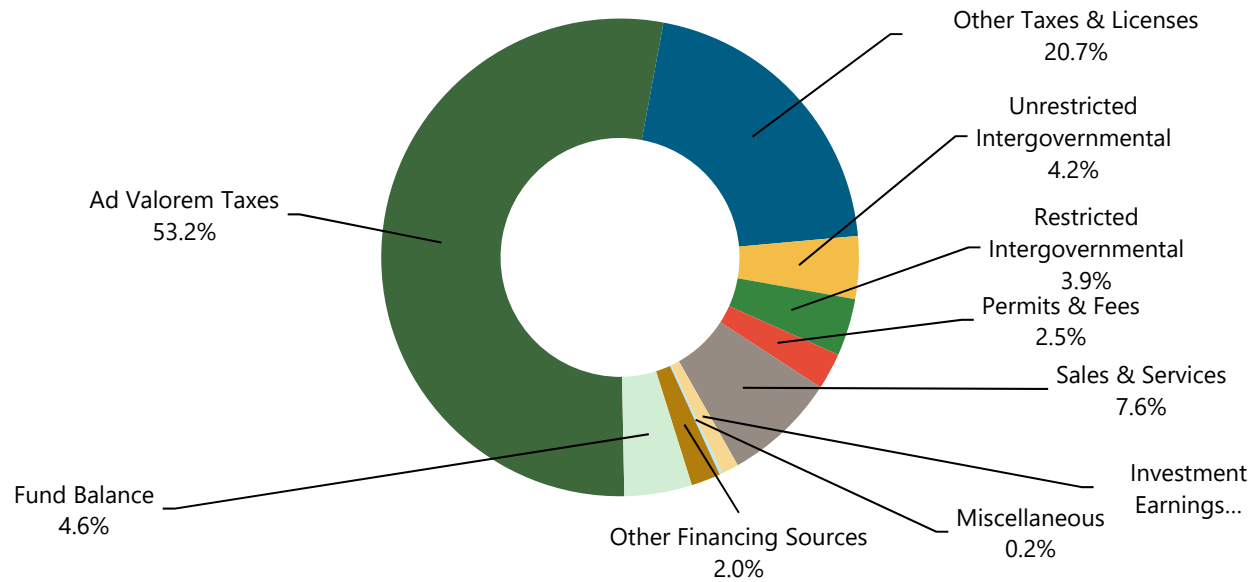
Fund Balance Appropriation

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 FY23-24 Recommended Budget includes a fund balance allocation of \$4,675,000**, including \$200,000 for Eva Perry Library repairs, \$825,000 for street improvements associated with Felton Grove High School, \$300,000 for study and design of the Salem Street Bicycle Connection, \$300,000 for design of the Environmental Education Center, \$300,000 for greenway studies, \$250,000 for street hockey courts, and \$1,000,000 for Safe Routes to School projects. An additional \$1,500,000 is from restricted fund balance to be transferred to the Debt Service Fund for financing associated with the Mason Street Municipal Building for Building Inspections and Permitting.

General Fund Revenues by Source					
Source	FY21-22 Actual	FY22-23 Budget	FY22-23 Estimate	FY23-24 Budget	Percent Change
Ad Valorem Taxes	43,601,374	48,684,400	48,595,000	54,294,400	11.52%
Other Taxes & Licenses	18,056,631	19,670,000	19,861,000	21,078,500	7.16%
Unrestricted Intergovernmental	4,040,632	4,130,000	4,242,000	4,330,000	4.84%
Restricted Intergovernmental	5,787,220	3,632,400	3,622,628	3,960,800	9.04%
Permits & Fees	3,683,870	3,537,000	2,993,690	2,514,000	-28.92%
Sales & Services	7,064,026	7,058,200	6,981,341	7,803,400	10.56%
Investment Earnings	95,093	25,000	1,500,000	1,200,000	4700.00%
Miscellaneous	256,220	94,500	202,900	191,500	102.65%
Other Financing Sources	600,000	750,000	750,000	2,025,000	170.00%
Fund Balance	-	18,719,232	6,003,620	4,675,000	-75.03%
<b>Total</b>	<b>\$83,185,066</b>	<b>\$106,300,732</b>	<b>\$94,652,180</b>	<b>\$102,072,200</b>	<b>-3.98%</b>



## General Fund Revenues by Source FY23-24



### Enterprise Funds

The Town of Apex operates three major funds as enterprises – the Electric Fund, the Water & Sewer Fund, and the Stormwater 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. The Stormwater Fund is a new fund beginning in FY23-24.

#### 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 FY23-24 Recommended Budget for the Electric Fund totals \$51,837,800, a 6.83 percent increase from the FY22-23 Amended Budget of \$48,524,268 as of April 1, 2023.

#### Electric Fund Expenditures

The increase in the FY23-24 Electric Fund Budget is primarily due to increases in capital costs. Personnel cost increases reflect two new positions. The increase in capital costs is influenced by the inflationary impact on materials and also includes \$1.8 million in preparation for expanding capacity of the East Williams Street substation.

Electric Fund Expenditures by Type					
Type	FY21-22 Actual	FY22-23 Budget	FY22-23 Estimate	FY23-24 Budget	Percent Change
Personnel	5,211,381	6,872,900	5,043,400	7,147,900	4.00%
Operating	1,950,633	2,486,089	2,331,900	2,631,300	5.84%
Sales Tax	2,994,204	3,040,000	2,198,021	3,054,300	0.47%
Purchase for Resale	30,535,256	30,400,000	31,400,300	32,150,000	5.76%
Capital	4,397,709	4,476,479	4,870,000	5,604,500	25.20%
Debt Service	1,239,686	1,248,800	1,248,800	1,249,800	0.08%
<b>Total</b>	<b>\$46,328,869</b>	<b>\$48,524,268</b>	<b>\$47,092,421</b>	<b>\$51,837,800</b>	<b>6.83%</b>





## Electric Capital Highlights

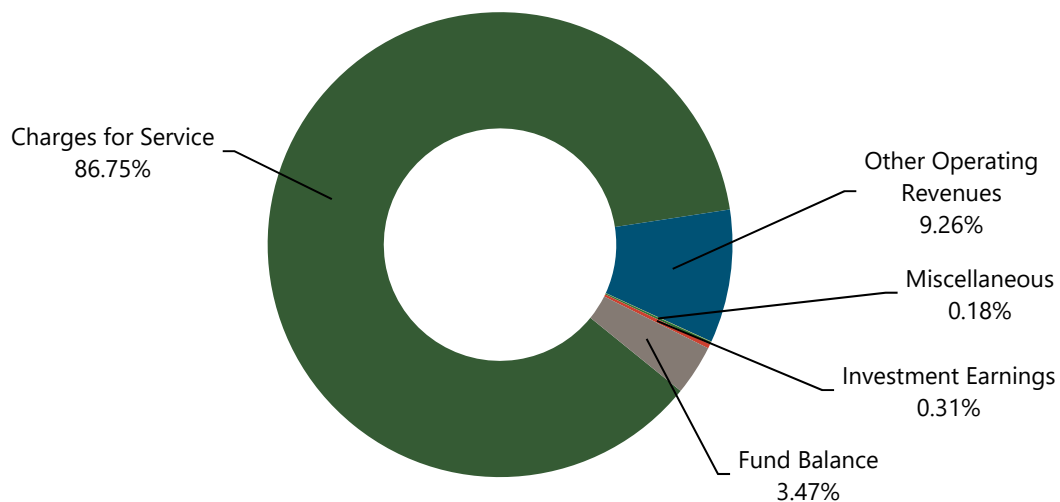
Similar to the General Fund, the Town accounts for large capital projects associated with the electric utility system in a capital project fund. The Electric Fund capital budget includes \$3.3 million for annual system expansion, \$1.8 million to expand capacity of the East Williams Street substation, and \$250,000 for LED street light replacement.

## Electric Fund Revenues

Electric Fund revenues for FY23-24 are up 6.83 percent from FY22-23. 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 FY23-24 Recommended Budget includes \$45.1 million in revenue from charges for service with a **\$1.38 increase in the electric base charge coupled with an increase of five and one half percent in the energy charge.** The rate change will increase the residential base charge to \$26.38 per month. Even with the rate increase, Apex electric rates are lower than other local electric utilities. The average residential electric customer can expect an increase of \$7.36 per month on their electric bill.

Electric Fund Revenues by Source					
Source	FY21-22 Actual	FY22-23 Budget	FY22-23 Estimate	FY23-24 Budget	Percent Change
Charges for Service	42,641,278	43,795,100	43,994,457	44,969,700	2.68%
Other Operating Revenues	3,981,605	3,840,700	3,876,187	4,802,300	25.04%
Other Financing Sources	-	10,000	-	10,000	0.00%
Miscellaneous	57,605	36,022	101,877	95,800	165.95%
Investment Earnings	13,643	5,200	169,199	160,000	2976.92%
Fund Balance	-	837,246	-	1,800,000	114.99%
<b>Total</b>	<b>\$46,694,131</b>	<b>\$48,524,268</b>	<b>\$48,141,720</b>	<b>\$51,837,800</b>	<b>6.83%</b>

### Electric Fund Revenues by Source FY23-24



## 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 FY23-24 Recommended Budget for the Water & Sewer Fund totals \$28,974,200, a 3.32 percent increase from the FY22-23 Amended Budget of \$28,042,367 as of April 1, 2023.

## Water & Sewer Fund Expenditures

The FY23-24 Water & Sewer Fund Budget reflects an increase in all expenditure categories except operating. The transition of accounting for stormwater personnel and operations in the Stormwater Fund minimizes the overall increase in water and sewer expenditures in FY23-24. The Water & Sewer Fund budget includes one new position for FY23-24 in the Sewer Maintenance Division. The FY23-24 Recommended Budget includes \$135,000 as part of the Town's continued annual commitment to watershed protection.

Water & Sewer Fund Expenditures by Type					
Type	FY21-22 Actual	FY22-23 Budget	FY22-23 Estimate	FY23-24 Budget	Percent Change
Personnel	6,508,355	8,534,000	7,858,600	8,640,400	1.25%
Operating	3,708,217	6,786,225	4,656,536	5,826,500	-14.14%
Purchase for Resale	4,502,867	4,600,000	4,881,000	5,614,600	22.06%
Capital	2,114,059	4,369,742	4,497,364	5,116,000	17.08%
Debt Service	3,666,963	3,752,400	3,752,400	3,776,700	0.65%
<b>Total</b>	<b>\$20,500,461</b>	<b>\$28,042,367</b>	<b>\$25,645,900</b>	<b>\$28,974,200</b>	<b>3.32%</b>

Water & Sewer Fund Department/Division Budgets					
Department/Division	FY21-22 Actual	FY22-23 Budget	FY23-24 Budget	Percent Change	FY23-24 Variance
Water-Sewer Admin.	3,659,134	5,607,733	5,404,200	-3.63%	(203,533)
Water Treatment	2,617,197	2,801,720	3,466,300	23.72%	664,580
Water Maintenance	2,639,520	4,954,646	3,989,000	-19.49%	(965,646)
Sewer Treatment	4,129,901	4,283,925	4,418,500	3.14%	134,575
Sewer Maintenance	2,587,746	5,141,943	3,719,500	-27.66%	(1,422,443)
Debt Service	3,666,963	3,752,400	3,776,700	0.65%	24,300
Other Financing Uses	1,200,000	1,400,000	4,100,000	192.86%	2,700,000
Special Appropriation	-	-	-	-	-
Contingency	-	100,000	100,000	0.00%	-
<b>Total</b>	<b>\$20,500,461</b>	<b>\$28,042,367</b>	<b>\$28,974,200</b>	<b>3.32%</b>	<b>\$931,833</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 for FY23-24 includes the Big Branch Pump Station and Force Main project (\$20 million), advanced metering infrastructure (AMI) implementation (\$4.1 million), NC-55 pump station upgrades (\$450,000), and the Roberts Road water line connection (\$250,000). Of this list, coverage for the Advanced Metering Infrastructure (AMI) project will come from the Water & Sewer operating fund. The Water & Sewer operating budget includes additional capital expenditures totaling \$1,016,00 for a valve truck, miscellaneous water meter installations and water main connections, and various vehicle and equipment replacements.

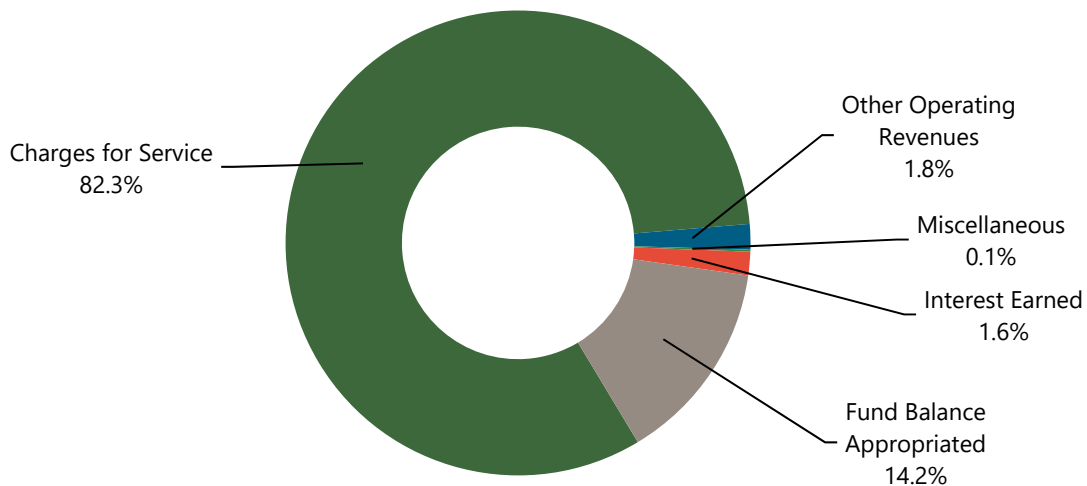


## Water & Sewer Fund Revenues

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 base rate charges. The FY23-24 Recommended Budget includes \$28,974,200 in revenues from water and sewer charges, an increase of 3.32 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	FY21-22 Actual	FY22-23 Budget	FY22-23 Estimate	FY23-24 Budget	Percent Change
Charges for Service	22,137,984	23,646,500	22,126,800	23,846,200	0.84%
Other Operating Revenues	629,841	627,000	519,300	513,000	-18.18%
Other Financing Sources	388,250	977,882	977,882	-	-100.00%
Miscellaneous	33,773	35,000	40,000	40,000	14.29%
Interest Earned	40,859	20,000	520,000	475,000	2275.00%
Fund Balance Appropriated	-	2,735,985	1,520,085	4,100,000	49.85%
<b>Total</b>	<b>\$23,230,707</b>	<b>\$28,042,367</b>	<b>\$25,704,067</b>	<b>\$28,974,200</b>	<b>3.32%</b>

### Water & Sewer Fund Revenues by Source FY23-24



### Water & Sewer Rates

In 2022, 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 **maintain the water base rate while increasing the volumetric water rate, sewer base rate, and the sewer volumetric rate by four 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	FY22-23	FY23-24	Sewer Rates	FY22-23	FY23-24
Inside Base Charge	\$6.00	\$6.00	Inside Base Charge	\$10.75	\$11.18
Tier 1: < 6,000 gallons	\$4.25	\$4.42	Outside Base Charge	\$21.50	\$22.36
Tier 2: 6,000-12,000 gallons	\$4.89	\$5.09	Inside Volumetric	\$7.45	\$7.75
Tier 3: > 12,000 gallons	\$6.59	\$6.85	Outside Volumetric	\$14.90	\$15.50

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 \$2.78 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 Fund

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. The Stormwater Fund will be a separate fund beginning in FY23-24. The Stormwater Fund comprises all revenues and expenditures that result from the Town's stormwater operations. Stormwater fees generate enough revenue to support the fund completely. The FY23-24 Recommended Budget for the Stormwater Fund totals \$2,671,900, a 36.57 percent increase from the FY22-23 Amended Budget of \$1,956,400 as of April 1, 2023.

## Stormwater Fund Expenditures

The FY23-24 Stormwater Fund Budget reflects an increase in personnel and capital expenditures. A new stormwater engineer position along with compensation and benefit increases and insurance costs represent the increase in the stormwater personnel costs. The primary reason for the increase in capital costs is a grant match of \$333,600 for the streambank restoration project at the Nature Park.

Stormwater Fund Expenditures by Type					
Type	FY21-22 Actual	FY22-23 Budget	FY22-23 Estimate	FY23-24 Budget	Percent Change
Personnel	361,263	974,800	885,100	1,120,900	14.99%
Operating	244,037	761,600	460,150	707,400	-7.12%
Capital	485,286	220,000	-	843,600	283.45%
<b>Total</b>	<b>\$1,090,586</b>	<b>\$1,956,400</b>	<b>\$1,345,250</b>	<b>\$2,671,900</b>	<b>36.57%</b>

## Stormwater Capital Highlights

The Town does not have a separate capital project fund for stormwater and projects are accounted for in the operating fund itself. The Stormwater Fund capital budget includes \$843,600 in FY23-24 for streambank restoration at the Nature Park (\$333,600), Lake Pine spillway repairs (\$150,000), a skid steer (\$215,000), miscellaneous dam repairs, and various equipment replacements.

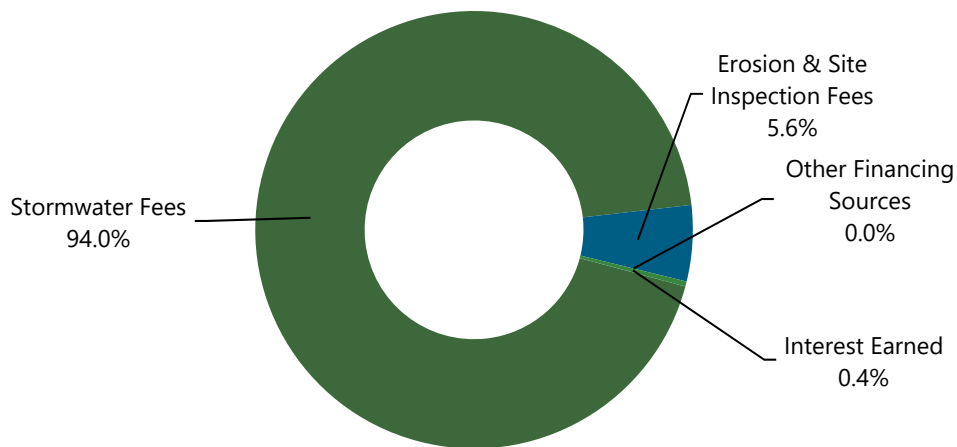


## Stormwater Fund Revenues

The FY23-24 Recommended Budget includes \$2,511,900 in revenues from stormwater fees, an increase of 29.77 percent. Stormwater fees are the primary revenue source for the fund, making up 94 percent of revenues. Erosion and site inspection fees were previously part of the General Fund but will be accounted for in the Stormwater Fund moving forward.

Stormwater Fund Revenues by Source					
Source	FY21-22 Actual	FY22-23 Budget	FY22-23 Estimate	FY23-24 Budget	Percent Change
Stormwater Fees	1,257,067	1,935,600	2,549,700	2,511,900	29.77%
Erosion & Site Inspection Fees	-	-	-	150,000	-
Other Financing Sources	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest Earned	-	-	5,000	10,000	-
Fund Balance Appropriated	-	20,800	25,734	-	-100.00%
<b>Total</b>	<b>1,257,067</b>	<b>\$1,956,400</b>	<b>\$2,580,434</b>	<b>\$2,671,900</b>	<b>36.57%</b>

**Stormwater Revenues by Source FY23-24**



### Stormwater Utility Fee

The stormwater fee structure uses impervious surface area based on equivalent residential units (ERU). The average ERU for Apex residential properties is 2,700 square feet of impervious surfaces such as rooftops, driveways, sidewalks, and parking lots per property. **The FY23-24 Recommended Budget includes an additional tier to the stormwater fee structure to begin January 1, 2024.** The fifth tier will apply to residences with over 5,400 square feet (2 ERU) of impervious surface. Fees for the fifth tier will be calculated at \$5.00 per ERU rather than the flat rates in other tiers. The table below includes the

Stormwater Rates	
<i>Residential</i> - Detached single-family homes, a duplex, or a manufactured home located on an individual lot or parcel.	
Tier 1: 400-1,500ft <sup>2</sup>	\$1.50
Tier 2: 1,501-3,000ft <sup>2</sup>	\$5.00
Tier 3: 3,001-4,000ft <sup>2</sup>	\$7.50
Tier 4: 4,001-5,400ft <sup>2</sup>	\$10.00
<b>Tier 5: &gt;5,400ft<sup>2</sup></b>	<b>Same as Non-Residential</b>
<i>Non-Residential</i> - Parcels that contain more than two residential units, public/private institutional buildings, commercial buildings, parking lots, churches, etc.	\$5.00 per ERU (Total Impervious Area/\$2,700ft <sup>2</sup> * \$5)



breakdown for each tier. Note that properties with less than 400 square feet are exempt from the monthly fee due to minimal stormwater impacts.

## **Organization Review**

During FY22-23, the Town adopted its first strategic plan, Game Plan Apex, and began to implement recommendations from an organizational assessment to align departments to perform at an even higher level and ensure Apex remains “the peak of good living”. Town departments are currently finalizing their departmental strategic plans to correspond with Game Plan Apex and begin performance management in FY23-24. The Town intends to continue implementation of staffing recommendations from the organizational assessment over multiple fiscal years. 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 Game Plan Apex, the Town’s Peak Principles, and the establishment of clear performance goals and objectives for each employee. 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. For FY23-24, the Town plans to provide two compensation adjustments. The first will be a two percent market adjustment provided to all employees as of the first pay period in July. The second will be the merit-based practice previously described. The FY23-24 Recommended Budget includes merit adjustments ranging from three to five percent depending on each employee’s performance evaluation. The total estimated cost for FY23-24 is \$2.28 million across all funds.

Beginning in FY20-21, the Town implemented a \$15.00 living wage as a baseline for the Town’s compensation plan. The Town’s policy is to annually review changes in the area living wage and for the Town Manager to recommend a minimum living wage as part of the annual budget approval process. The Town’s current lowest hourly rate is \$19.21, which will increase to \$19.59 as of July 2024 with the two percent cost of labor adjustment.



*Employer Retirement Contribution:* The North Carolina Local Government Retirement System has notified local governments that the Annual Contribution Rate (ACR) will increase in FY23-24. The employer contribution will increase from 12.13 to 12.85 percent for regular employees and from 13.04 to 14.04 percent for law enforcement officers. Local government employees currently contribute six percent of their salary. The Town's retirement contributions represent \$6,646,500 in FY23-24, an increase of \$1,063,990 (19.06 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 \$479,800 in the FY23-24 Budget. Contributions for all other employees represent \$2,057,800 in FY23-24.

*Health Insurance:* While the Town has been able to contain rate increases the past few years, substantial claims have resulted in increases in both health and dental premiums. The Town will experience a 7.4 percent increase for healthcare premiums in FY23-24. The FY23-24 Recommended Budget includes \$7,606,700 for healthcare premiums across all funds. The Town's self-funded dental plan will experience a 10.9 percent increase in insurance premiums for FY23-24.

*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 FY23-24 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 FY23-24 Budget includes a total of \$178,000 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 \$31.8 million.

*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 FY23-24 is \$243,100.

*Position Reclassifications:* In FY22-23, the Town reviewed all positions as part of the organizational assessment. For FY23-24, the Town will return to its normal practice 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.

*Additional Positions:* The FY23-24 Recommended Budget includes 24 new full-time positions in the General Fund, two new full-time positions in the Electric Fund, one new full-time position in the Water and Sewer Fund, and one new full-time position in the Stormwater Fund. With assistance from the organizational assessment conducted in 2022, staff has developed a four-year staffing plan to manage the addition of new positions over the next several years. All new positions will bring the total approved full-time positions to 633 and increase personnel costs by \$2,996,407 for FY23-24. A breakdown of the recommended positions with costs is located in the Supplemental Section of the budget document.

*Additional Benefits:* As part of the Town's goal to be an employer of choice, the Town is committed to offering flexible programs and benefits that support holistic wellbeing for employees. In FY23-24, the Town will offer two new benefits and will revise its existing longevity program. The Peak Lifestyle Reimbursement program will provide employees with the flexibility to pursue physical, emotional, and financial wellness with a reimbursement up to \$1,200 per fiscal year. Examples of reimbursable expenses include gym passes and memberships, mindfulness and meditation classes, child care services, and financial counseling sessions. The total estimated cost for the addition of the Peak Lifestyle Reimbursement program for FY23-24 is \$720,00 across all funds. To assist in balancing both a fulfilling work and personal life, the Town will offer 80 hours of paid leave through a new Peak Paid Time Off program in addition to the Town's establish Sick Leave and Vacation Leave programs. The additional paid time off is not eligible for rollover, payout or conversion to any other types of leave. The FY23-24 Recommended Budget includes proposed increases in the two highest tiers of the Town's longevity pay



program which awards employees with additional pay determined by tenure with the Town. Longevity pay for employees will 15-19 years of tenure will increase from \$600 to \$700 and the benefit for 20-years or greater will increase from \$700 to \$1000. The total estimated cost for the change to the longevity pay program for FY23-24 is \$172,400 across all funds, an increase of \$22,200.

## 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, 2023, is \$42.66 million or 44.53 percent of FY23-24 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 \$4,675,000 in FY23-24 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 has a target of 90 days cash on hand for the Electric Fund and Water and Sewer Fund. The Town seeks to ensure both funds are financially stable and contain healthy reserves and is currently working to increase days cash on hand in the Electric Fund over the next three years. The Town of Apex's estimated days cash on hand as of June 30, 2023, for the Electric Fund is 64.6 days (\$8.48 million). The estimated days cash on hand for the Water & Sewer Fund is 482.4 days (\$38.99 million). The FY23-24 Recommended Budget **does** include use of reserves in the Electric Fund (\$1.8 million) and the Water & Sewer Fund (\$4.1 million).

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 2023-2024 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 FY23-24, but we must be mindful of the shifting trends in growth rates. Smaller increases in revenues and increasing costs of service delivery will make budgeting for new programs and projects progressively more difficult. The FY23-24 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 and Performance Management Department, Finance Department, and other Town team members who helped to prepare this budget. I recommend this proposed budget for Fiscal Year 2023-2024 to the Apex Town Council.

Respectfully submitted,

Catherine H. Crosby  
Town Manager

