

TOWN of CARY



TOWN COUNCIL QUARTERLY REPORT

TOWN OF CARY, NORTH CAROLINA
FY 2018 SECOND QUARTER

CARY MAYOR & TOWN COUNCIL MEMBERS

THANK YOU FOR YOUR CONTINUED LEADERSHIP, VISION AND SETTING THE CULTURE OF EXCELLENCE FOR OUR ORGANIZATION AND COMMUNITY. WE LOOK FORWARD TO WORKING WITH EACH OF YOU TO KEEP CARY GREAT.



Mayor
Harold Weinbrecht



Mayor Pro Tem
Lori Bush



Council Member
Ed Yerha



Council Member
Don Frantz



Council Member
Ken George



Council Member
Jennifer Robinson



Council Member
Jack Smith

IN MOVING CARY FORWARD

I am pleased to present the second quarter financial and operational report in our newly-revised format, which reflects our commitment not only to highlighting our results but also to presenting this information in a manner reflective of our trajectory to be among the highest performing organizations in the world.

After a successful first quarter meeting in November, our financial position remains strong, and we are continuing on our journey to implement the vision of the Imagine Cary Community Plan.

For all our progress and success, there's still more to do. There's more to do because citizen needs and expectations continue to increase, competition from other local governments intensifies, and the regulatory environment continues to evolve as we saw at the close of December with the passage of the federal Tax Cuts and Jobs Act. All of this highlights once again that the world is in a state of accelerating change.

In the face of so much disruption, there's no time like the present for a reality check - to acknowledge that yesterday's formula for success could become obsolete, to recognize that

for all our strengths we have challenges, to rethink and refine our strategic focus.

On February 9-10, we will gather together for our annual Council/Staff retreat. The importance of these two days cannot be overstated. It is our time to get up in the "balcony" to reflect on our success and continue to build a team that will allow us to meet the goals stated in the Imagine Cary Community Plan.

There's no time like this retreat to assess the balance between strategy and execution, between discipline and investment, between a proud past and a future that requires constant innovation.

In Keeping Cary Great,

Sean R. Stegall

Sean R. Stegall
Town Manager



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FY 2018 Q2 HIGHLIGHTS

UTILITY REVENUE BOND SALE

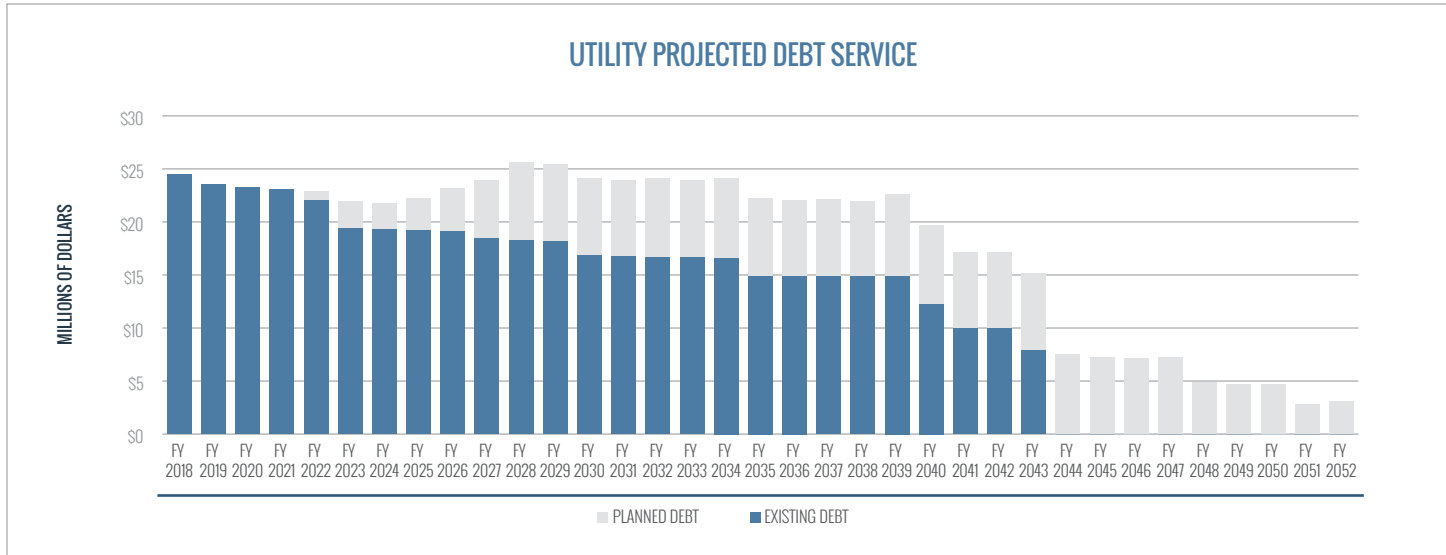
During Q1 Council authorized refinancing utility revenue bonds. Between November 14 and mid-December's bond sale, ongoing Capitol Hill negotiations about the scope of changes to the federal tax law meant interest rates were volatile. Because new limitations threatened certain refinancing transactions, the normal volume of bonds available for sale across the country tripled. This increased supply of bonds provided market investors an opportunity to raise their expectations for higher interest rates. As a way to capture a beneficial, slight market movement toward lower interest rates, Cary staff and our bankers agreed to sell bonds a day earlier than originally planned. Town bonds are highly rated and relatively rare compared to the total tax exempt bond market, so the bond sale was successful at interest rates that were favorable for the Town. Overall, this \$92 million financing action locked in \$8.6 million of interest savings for the utility over the next 20 years.



Cary citizen John Yoakum was particularly interested in buying Town bonds. Staff worked to ensure that his "buy" order for the bonds was fulfilled. Mr. Yoakum followed up with a visit and holiday treats for our Deputy Treasurer after the sale to thank her for her work and communication.



As part of the process of the Town's bond sale, the bond rating agencies updated and confirmed the Town's AAA ratings. The report from Moody's stated, "The AAA rating reflects an extremely strong cash position resulting from very conservative financial management, and a track record of conservative and stable financial performance. The rating assignment also incorporates the growing service area with a strong and diverse local economy and a manageable debt load, despite expected increases given substantial capital plans." Similarly, Standard and Poors positively noted, "Overall alignment among the system's operational characteristics and that its management strategies are sufficient and well embedded as well as very comprehensive." These reports acknowledged the growth in the Town's utility debt, which resulted from the construction of the Western Wake Regional Water Reclamation Facilities and the expansion of the Cary/Apex Water Treatment Plant.



UTILITY DEBT OUTLOOK

Town staff found a more economical way to fund utility capital needs and reduce nearly \$27 million of forecasted utility debt within the FY 2018 capital budget. Approximately \$41.6 million of cash reserves were transferred from utility operations for FY 2018 new capital projects and \$27 million of existing debt appropriations, which means cash resources will be used to fund existing projects rather than additional debt. Alongside the lower interest expense from refinancing bond sales, this change resulted in decreasing annual utility debt service obligations. Annual debt service is now projected to shrink almost ten percent over the next ten years from the current \$25 million annual requirement; then, debt-funded capital projects in the capital improvement plan will increase debt service again. These projections are based on the FY 2018 capital plan and assumptions for slightly higher interest rates than the current market demands.

FY 2018 SECOND QUARTER FINANCIAL RESULTS

GENERAL FUND

FY 2018 GENERAL FUND SUMMARY*

	FY 2018 YTD ACTUAL	FY 2018 ADJ BUDGET	% OF BUDGET	FY 2017 YTD ACTUAL	FY 2017 VARIANCE	VARIANCE %
Revenues	\$117.7	\$187.2	63%	\$94.6	\$23.1	24%
Expenses	\$102.0	\$187.2	54%	\$86.6	\$15.4	18%
TOTAL REVENUE OVER EXPENSES	\$15.7	\$0.0	-	\$8.0	\$7.7	96%

*Revenues, authorized expenditures, and transfers between funds are classified and summarized differently for the Council budget ordinance, as well as for accounting and reporting purposes. Individual line items are consistent. The annual budgets referred to throughout this report reflect the budget as of the quarter end as adjusted (ADJ) by Council action or staff action where authorized.

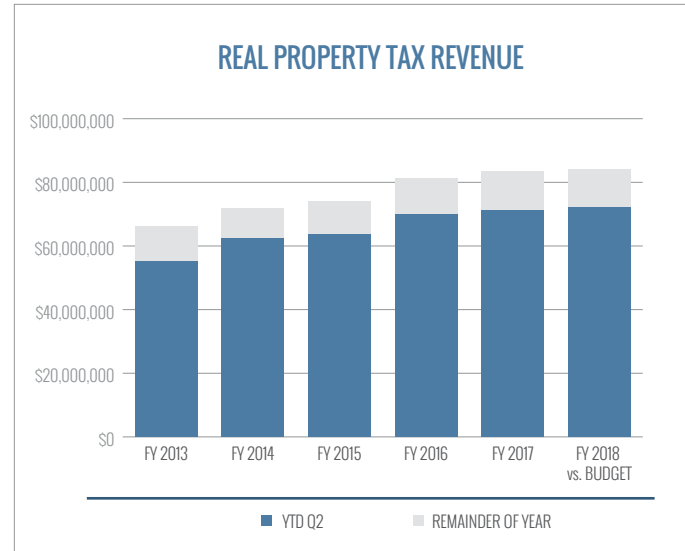
Revenues and expenses reflect financial operations that are on par with past history, budget and economic news. A \$17 million general obligation bond sale, which closed in October, is reflected in both revenues and expenses in FY 2018. This transaction is the primary cause of the variance from FY 2017. In addition, tax revenue in FY 2018 outpaced FY 2017 by almost \$5 million, primarily due to timing of tax receipts. Changes in the federal tax law created some momentum for taxpayers who typically paid in January to pay in December. Details on notable revenues and expenses follow.

FY 2018 GENERAL FUND REVENUES

	FY 2018 YTD ACTUAL	FY 2018 ADJ BUDGET	% OF BUDGET	FY 2017 YTD ACTUAL	FY 2017 VARIANCE	VARIANCE %
Property Taxes	\$75.1	\$91.0	83%	\$70.4	\$4.6	7%
Other Taxes & Licenses	9.3	36.0	26%	8.6	0.7	8%
Unrestricted Intergovernmental	2.7	10.6	25%	2.9	(0.2)	-7%
Restricted Intergovernmental	0.5	0.3	167%	0.3	0.2	67%
Permits & Fees	2.7	4.4	61%	2.8	(0.1)	-4%
Sales & Services	8.6	17.3	50%	8.0	0.6	8%
Miscellaneous Revenue	1.0	2.6	38%	1.1	(0.1)	-9%
OPERATING REVENUES	99.9	162.2	62%	94.1	5.7	6%
Non-Operating Revenue	17.8	25.0	71%	0.5	17.4	3480%
TOTAL GENERAL FUND REVENUES	\$117.7	\$187.2	63%	\$94.6	\$23.1	24%

REAL PROPERTY TAX

The majority of property tax revenue for real estate is collected between November and the due date of January 5. Almost 86 percent of \$84 million of budgeted real property tax revenue was collected by the end of Q2, which is generally consistent with prior fiscal years. A more important indicator of the projected FY 2018 year-end results is the billed tax levy, which is currently \$86.2 million. Using historical tax collection rates to project, it's expected that by the end of the fiscal year, real property taxes may exceed budget by \$1.8 million, or two percent, and FY 2017 actual results by \$2.6 million, or three percent. This positive projection is tempered by vehicle tax collection concerns discussed below.



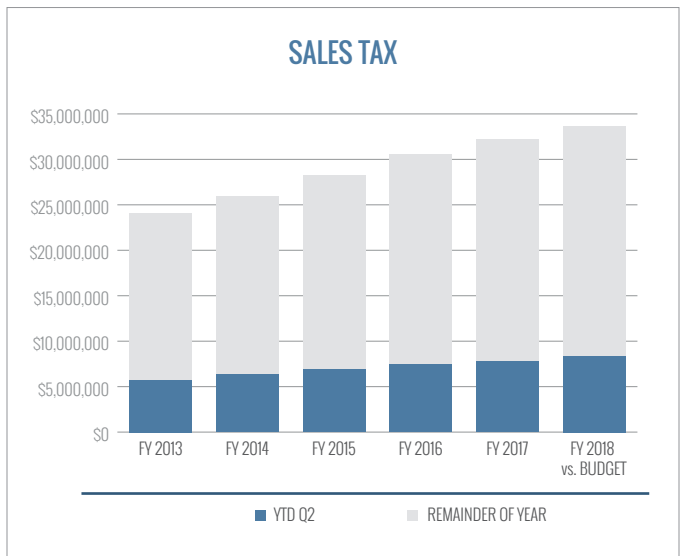
VEHICLE PROPERTY TAX

Through December, Tax and Tag receipts for Wake County vehicle property taxes are down five percent in Cary and are flat county-wide compared to the prior year. At the same time, the Division of Motor Vehicles (DMV) separately reports that registration counts are up 23 percent in Wake County. Chatham County Tax and Tag receipts account for less than three percent of vehicle property tax revenue in Cary, and are down two percent compared to the prior year. Considering the DMV reports, growth in population and a positive economy, these revenue results remain a concern since year-to-date Q2 collections typically represent 53 percent of annual final results. If this pattern holds true throughout FY 2018, there could be a \$900K shortfall, which is under budget by 13 percent. Staff continues to work with Wake County to address this issue with state agencies.

SALES TAX

The NC Department of Revenue distributes sales tax revenue to municipalities approximately 2.5 months after sales occur. Therefore, Cary has only received three distributions through Q2 for FY 2018. Sales tax receipts are budgeted at \$33.6 million in FY 2018 and represent 21 percent of total general fund budgeted revenues.

The chart below provides perspective on sales tax revenue in FY 2018 compared to the past five years. FY 2013 was the first year that sales tax revenues returned to the pre-recession levels that peaked in FY 2008. The FY 2018 sales tax budget is 40 percent higher than FY 2013. Over the last five years, sales tax revenues at December 31 represent, on average, 24.4 percent of final actual results. If the average proves true in FY 2018, sales tax revenue would exceed budget by \$700K, or two percent, and the prior year by six percent.

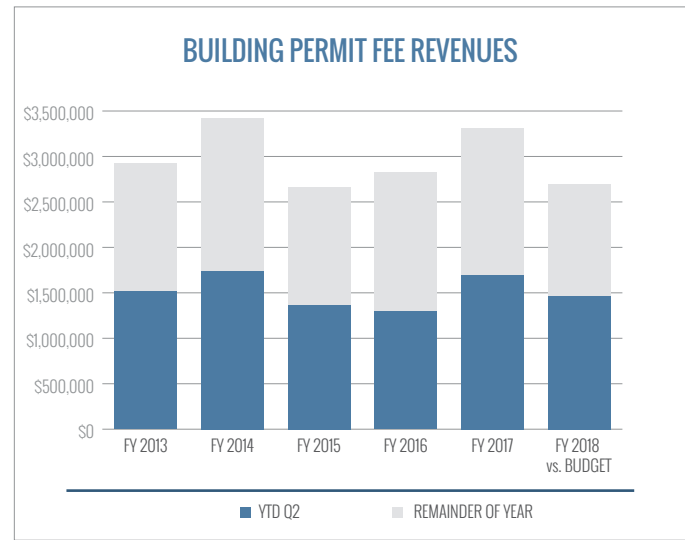


INTERGOVERNMENTAL REVENUES

State-shared sales taxes on natural gas, electricity and telecommunication utilities are the major revenue sources within the Intergovernmental category. Utilities sales taxes are budgeted at \$9.9 million in FY 2018 and represent 93 percent of intergovernmental revenues. Distributions are received in December, March, June and September so the Town has received only one distribution; \$2.7 million through Q2. Year-to-date revenue is 26 percent of budget and five percent less than the first FY 2017 distribution. Natural gas and electricity sales taxes reflect variances in usage due to weather.

PERMITS AND FEES

Fees for construction permits, plan reviews and inspection services are paid at the time of permit issuance. Because construction-related revenues vary with the size, volume and type of construction, any one quarter’s receipts may or may not represent a quarter of the year’s activity. The \$1.5 million received year-to-date for building permits alone is 13 percent less than \$1.7 million received year to date in FY 2017; however it compares favorably as 54 percent of the FY 2018 annual budget. The full category includes all development- and construction-related fees. The total fees have decreased \$100K from FY 2017, but the revenues at 61 percent of the \$4.4 million annual budget appear to be on track to meet or exceed budget.



GENERAL FUND EXPENSES

FY 2018 Q2 GENERAL FUND EXPENSES

EXPENSES	FY 2018 YTD ACTUAL	FY 2018 ADJUSTED BUDGET	% OF BUDGET	FY 2017 YTD ACTUAL	FY 2017 VARIANCE	VARIANCE %
General Government	\$10.1	\$28.8	35%	\$8.9	\$1.2	13%
Public Safety	22.2	50.4	44%	22.2	-	0%
Operations (PW & PRCR)	21.4	51.0	42%	20.9	0.4	2%
Development & Infrastructure	7.8	18.5	42%	7.7	0.2	3%
OPERATING EXPENSES	61.5	148.7	41%	59.7	1.8	3%
Non-Operating Expenses	40.5	38.5	105%	26.9	13.6	51%
TOTAL GENERAL FUND EXPENSES	\$102.0	\$187.2	54%	\$86.6	\$15.4	18%

Expenses remain in line with historical spending patterns and budget expectations. Spending in the General Government category reflects the 24 percent increase in the annual budget, which will fund the implementation of multiple Town-wide technology initiatives to leverage efficiency and enhance citizen service.

Non-operating expenses year-to-date include \$4.4 million of a \$16.5 million annual debt service budget in addition to a \$17 million recorded expense for the refinanced general obligation bonds, which is offset in non-operating revenue for the same amount. Other non-operating expenses of \$19 million include transfers to capital project funds, the Transit Fund, and the Economic Development Strategic Fund, as well as a contribution to savings for retiree health care.

UTILITY FUND

FY 2018 Q2 UTILITY FUND SUMMARY*

	FY 2018 YTD ACTUAL	FY 2018 ADJ BUDGET	% OF BUDGET	FY 2017 YTD ACTUAL	FY 2017 VARIANCE	VARIANCE %
Revenues	\$155.3	\$122.7	127%	\$35.8	\$119.5	332%
Expenses	188.1	122.7	153%	33.4	154.7	463%
TOTAL REVENUE OVER/(UNDER) EXPENSES	(\$32.8)	\$0.0		\$2.4	(\$35.2)	(1416%)

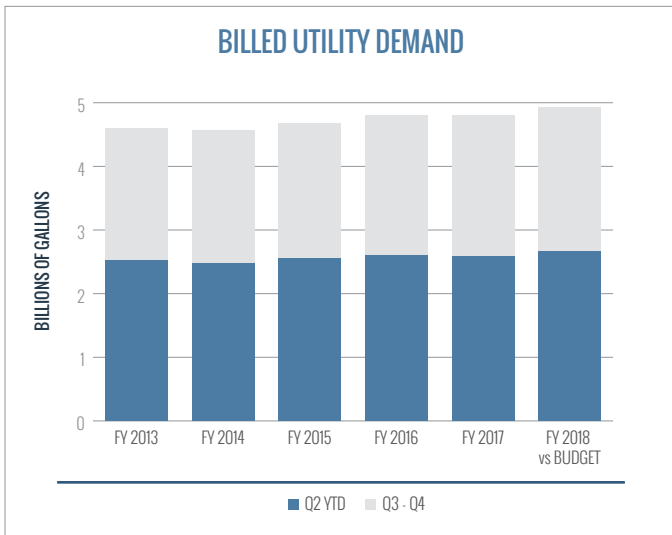
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Summary reporting for the Utility Fund does not portray informative results for utility operations because accounting for non-operating transactions, like debt refinancing and capital transfers, overshadows operating results. Excluding unusual transactions, utility operating revenues are \$37.2 million compared to \$35.4 million at the same time in FY 2017. At the end of Q2, revenue is 47 percent of the FY 2018 annual budget. Operating expense and debt service total \$28.7 million at the end of Q2 compared to \$26.2 million in FY 2017. Operating results in FY 2018 are \$8.5 million compared to \$9.2 million in FY 2017. Because utility demand varies over the seasons and because debt service is not spread evenly across the fiscal year, these Q2 operating results cannot be projected to reflect fiscal year end results. More details on operating revenues and expenses follow.

FY 2018 Q2 UTILITY FUND REVENUES

	FY 2018 YTD ACTUAL	FY 2018 ADJ BUDGET	% OF BUDGET	FY 2017 YTD ACTUAL	FY 2017 VARIANCE	VARIANCE %
Water Service	\$15.1	\$30.6	50%	\$14.3	\$0.8	6%
Sewer Service	20.9	46.1	45%	19.9	1.0	5%
Permits & Fees	1.2	2.1	57%	1.2	0	-8%
OPERATING REVENUES	37.2	78.8	47%	35.4	1.8	5%
Non-Operating Revenues	118.1	43.9	269%	0.4	117.7	29425%
TOTAL UTILITY FUND REVENUES	\$155.3	\$122.7	127%	\$35.8	\$119.5	333%

Water and sewer service revenues reflect a three percent rate increase in FY 2018, but are less than 50 percent of the annual budget. Based on historical averages of billing at December 31 compared to year-end totals, FY 2018 year-end billed demand is projected to be two percent under budget, or approximately \$1.5 million in revenue. A wet or dry spring and early summer could improve or further degrade the final results. Because rates are set to exceed operating expenses and debt service for bond covenant compliance, total revenues should provide adequate resources for the utility’s requirements and meet contractual obligations.



Despite a population increase of 12 percent in the combined Cary and Morrisville service area from FY 2013 to FY 2017, billed utility demand has increased only 4.3 percent over the same period. Efficient plumbing and irrigation fixtures and conservation awareness have significantly impacted utility demand. The variety of influences, including weather patterns and price elasticity, make it impossible to isolate specific results. Rising fixed operating costs paired with minimal demand increases creates pressure to raise rates. The Town’s decreasing utility debt service will relieve some of the pressure on future revenue requirements.

FY 2018 Q2 UTILITY FUND EXPENSES

	FY 2018 YTD ACTUAL	FY 2018 ADJ BUDGET	% OF BUDGET	FY 2017 YTD ACTUAL	FY 2017 VARIANCE	VARIANCE %
Administration	\$4.4	\$9.4	48%	\$4.0	\$0.4	13%
Field Operations	6.4	16.2	40%	6.5	(0.1)	-2%
Wastewater (net of Apex)	4.7	12.5	38%	4.2	0.5	10%
Water Treatment Plant (net of Apex)	3.0	7.1	42%	3.1	(0.1)	-3%
OPERATING EXPENSES	18.5	45.2	41%	17.8	0.7	4%
Non Operating Expenses	169.6	77.5	219%	15.6	154.0	981%
TOTAL UTILITY FUND EXPENSES	\$188.1	\$122.7	153%	\$33.4	\$154.7	462%

Utility operating expenses remain in line with budget expectations. As discussed in Q1, the primary expense increases are in administration and wastewater functions. Administration costs are increasing for contracted services in Water Resources and credit card fees for utility bill collections. Wastewater spending continues to reflect an emphasis on the reclaimed water program, which was implemented with the adoption of the FY 2018 budget.

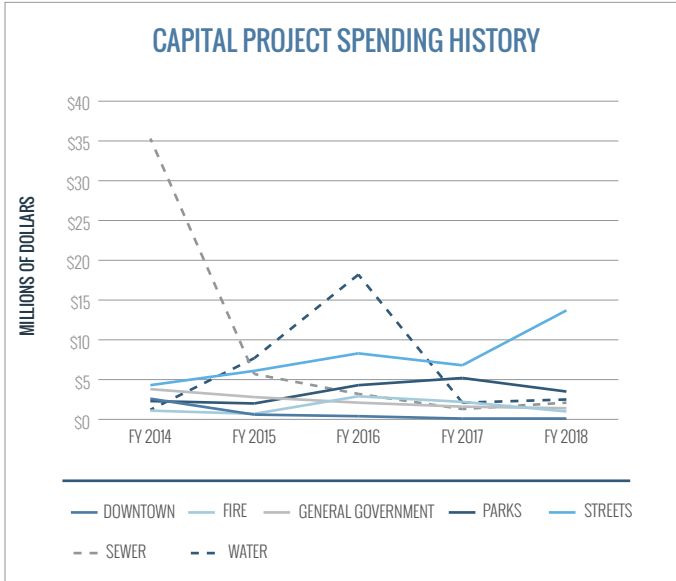
CAPITAL PROJECT SPENDING

Capital project spending fluctuates as larger projects become active and near completion. The Western Wake Regional Water Reclamation Facilities account for large sewer expenditures in FY 2014 and the Cary/Apex Water Treatment Plant expansion accounts for the increase in water capital projects in FY 2016. Five notable projects account for almost 90 percent of street project spending to date in FY 2018:

- Morrisville Parkway Extension Phase 3
- Carpenter Fire Station Road/CSX Rail Grade Separation
- Green Level West Road Widening
- Cary Parkway from Evans to North Harrison
- 2017 Street Improvements Project

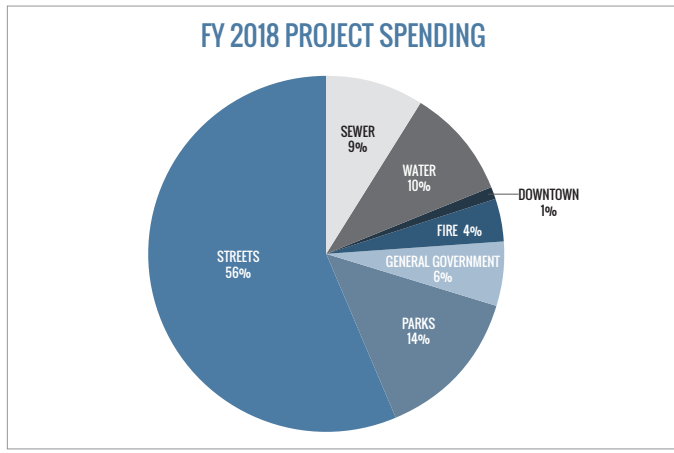
CAPITAL PROJECT SPENDING THROUGH Q2 (IN MILLIONS)

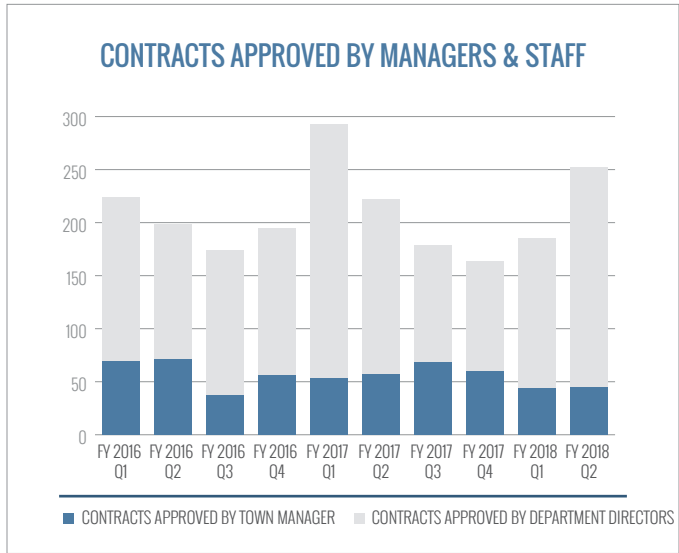
EXPENSES	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Downtown	\$2.6	\$3.6	\$4.4	\$5.1	\$5.1
Fire	1.1	.7	2.9	2.2	1.0
General Government	3.8	2.8	2.1	1.6	1.4
Parks	2.3	2.0	4.3	5.2	3.5
Streets	4.3	6.1	8.3	6.8	13.7
Sewer	35.3	5.7	3.2	1.3	2.1
Water	1.2	7.7	18.2	2.1	2.5
TOTAL CAPITAL	\$50.6	\$25.6	\$39.4	\$19.3	\$24.3



Q2 DELEGATED AUTHORITY FINANCIAL ACTIONS CONTRACT APPROVALS

Council has delegated authority to approve certain types of contracts to the Town Manager, Deputy and Assistant Town Managers. For certain contracts with a value of \$90K or less, the Town Manager subsequently delegated authority to Department Directors for contract execution. In accordance with reporting requirements in the Council policy, delegating authority to the Town Manager, the following chart compares the 207 contracts executed by staff in the second quarter to prior quarters. On average, Department Directors execute about 70 percent of all contracts.





BUDGET ACTIONS

Throughout the fiscal year, new information, challenges, and opportunities arise that require or warrant financial resources. Often, staff can repurpose existing resources to ensure the organization is nimble and adapts to the highest priorities and initiatives. Council has granted the Town Manager authority to approve inter-functional budget adjustments with reporting to Council to follow the action. As a result, we are reporting two budget adjustments approved by the Town Manager totaling \$212,748 in Q2 for FY 2018:

- \$131,748 in Funds budgeted for software license renewals in various departments and categories were consolidated in General Government (IT)
- \$80,000 in Funds budgeted in Operations (Public Works) were transferred to Development and Infrastructure (Transportation and Facilities) for Town Hall first floor redesign for 311 pilot space

FY 2018 MID-YEAR APPROPRIATIONS

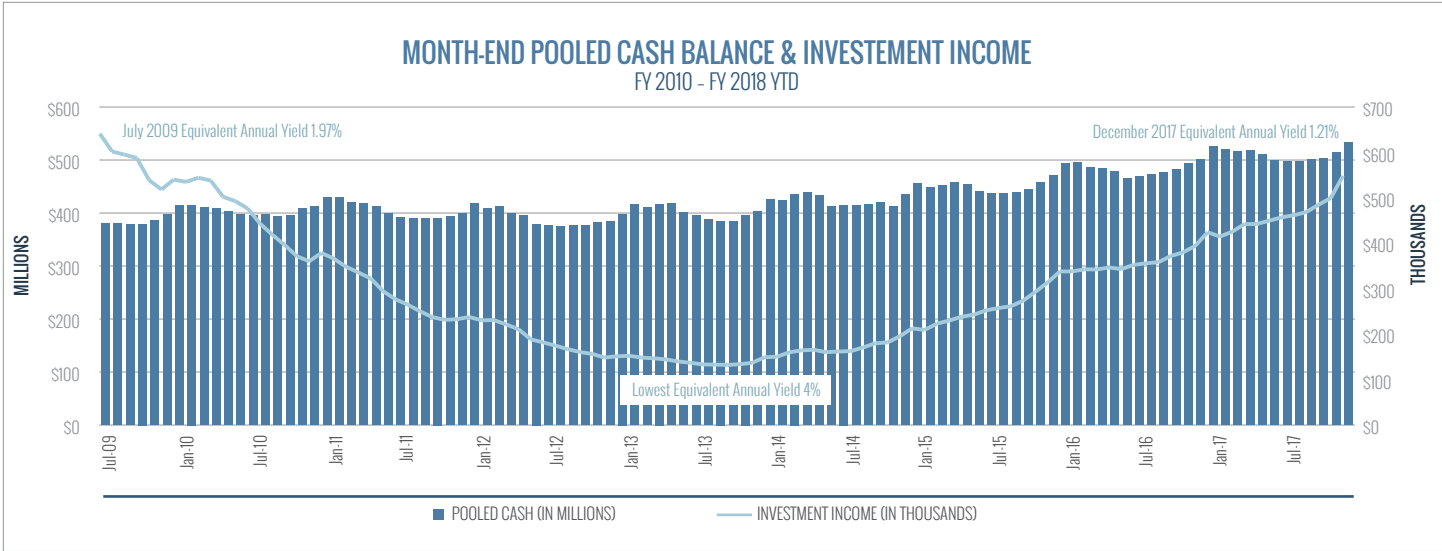
In the first quarter of FY 2018, Council approved three additional capital appropriations for a total of \$2.6 million.

In the second quarter of FY 2018, Council approved eight appropriations totaling \$1.8 million for a combination of General Fund operating and capital needs. A summary of these budget adjustments are as follows:

AMOUNT	DESCRIPTION	TO	FROM
\$1,000,000	Takata Airbag Recall	General Fund, Departments to be Determined	General Fund Balance
\$303,000	Koka Booth Lighting Replacement	Parks Capital Project Fund	General Fund Balance
\$165,021	FY 2018 Koka Booth Season	General Fund, Cultural Arts	General Fund Balance
\$109,750	Police Software and Equipment	General Fund, Police	General Fund Balance, Restricted from Drug Forfeiture Fund
\$19,000	Trilliant Economic Development Grant	Economic Development Fund	General Fund Balance
\$1,596,771	Total General Fund Balance Appropriations		
\$125,000	Sports Venues Assessment	Parks Capital Project Fund	Wake County Grant
\$5,000			General Capital Reserve
\$75,000	Imagine Cary "Act" Studies	General Government Capital Project Fund	General Capital Reserve
\$64,310	Morrisville Parkway Carpenter Upchurch Construction Contingencies	Street Capital Project Fund	General Capital Reserve Restricted from Street Payment in Lieu
\$144,310	Total General Capital Reserve Appropriations		
\$1,866,081	Total FY 2018 Council Appropriations		

MID-YEAR SERVICE EXPANSION OPERATING BUDGET RECOMMENDATIONS

The FY 2018 Adopted Operating Budget revenues exceeded appropriations by \$1.3 million, which can be utilized to address service level expansion needs throughout the year. Work is underway to evaluate new approaches to budgeting to create additional resources more quickly. Recommendations will be presented to Council at a quarterly financial review or through a staff report to a regular Council meeting.



ECONOMIC NEWS

CASH AND INVESTMENTS

At quarter-end, staff was managing over \$500 million in Town-wide pooled cash and investments as the FY 2018 property tax due date of January 5, 2018 approached. Like debt interest rates, interest rates on our investments have increased as the economy changed during the fiscal year. Interest income for the total portfolio is projected to exceed the total interest income budget for all funds by over \$1 million. The additional income will be allocated to all funds, general and utility, operations and capital, based on the funds’ share of the portfolio. General Fund interest income is expected to exceed budget by over \$200K for the fiscal year. The largest share of the expected income over budget, approximately \$400K, will improve the financial results for the Utility Capital Reserve Fund.



HIGHLIGHTING ONECARY: TOUR DE COVE

Tour de Cove was a day we won't soon forget. In total, over 1,300 attended the event honoring colleague Laura "Lori" Cove, including 675 riders and 378 walkers. The event raised a total of \$120,000 for Lori — truly unbelievable! While this was very much a Town and community effort, it never would have been possible without the dream and dedication of Public Works Director Scott Hecht. Scott reminds all of us what it means to be a true friend.





FOSTERING STRONG NEIGHBORHOODS



GOOGLE FIBER UPDATE

Google Fiber has been nano-trenching across Cary since Summer 2017. Nano-trenching, a method of running fiber within the street pavement without boring or tearing up a homeowner’s yard, is a Google technology that was being piloted in the Weston Oaks neighborhood starting last fall.

The nano-trenching method causes no conflicts with the Town’s utilities and minimizes the need to perform locates. Since the pilot began, there have been zero utility strikes from Google Fiber. However, there are still short runs with traditional bore installations that require action by locate staff.

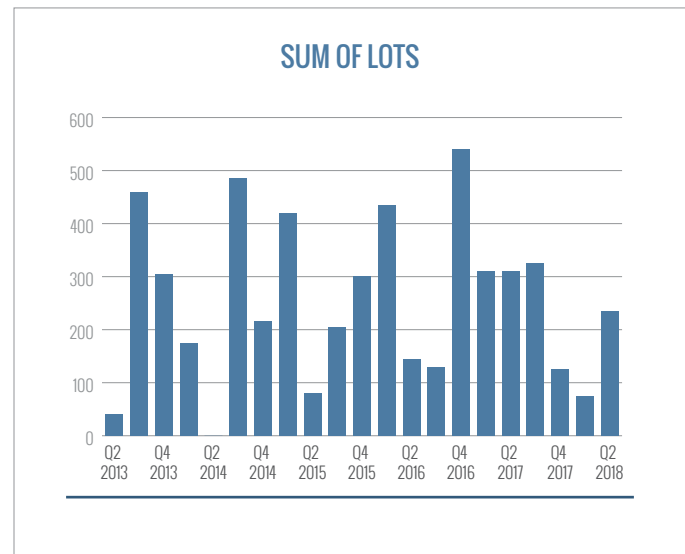
We did see a decline in the number of locate tickets in Q2 FY 2016 to FY 2017, from 19,000 to 14,000 respectively. The chart shows total locate tickets as well as Google Fiber tickets for this period.

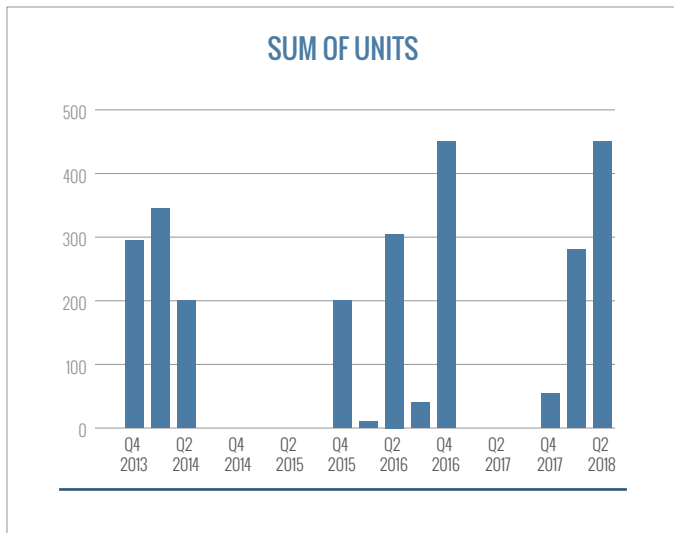
The number of Town-issued encroachment agreements to install fiber on Town-owned streets has been relatively modest over this quarter. There were 35 encroachment agreements approved during this period, which translates into approximately 34.27 miles of fiber approved to be installed.

APPLICANT	NUMBER OF APPLICATIONS	MILEAGE
Google Fiber	13	24.2
Charter Communications (Time Warner)	6	0.35
AT&T	9	1.43
Fibertech Networks	1	.01
Level 3 Communications	2	0.46
Celito CLEC, LLC	1	0.17
MCNC	1	6.51
Spirit Communications	2	1.14
Total	35	34.521884

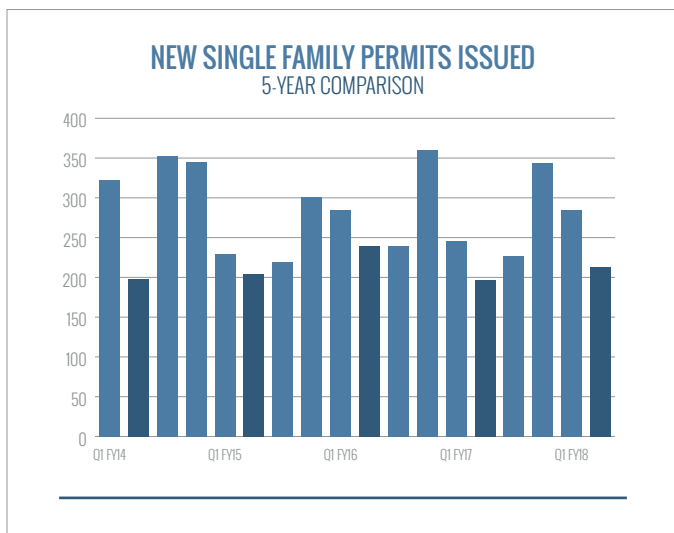
RESIDENTIAL PERMIT PATTERNS

In Quarter 2 there were 34 development plans approved, 11 of these were for residential developments. These approved development plans contained 240 lots and 454 multi-family units. Over half of the approved multi-family units (250) in this quarter were assisted living units associated with Health Park at Kildaire.

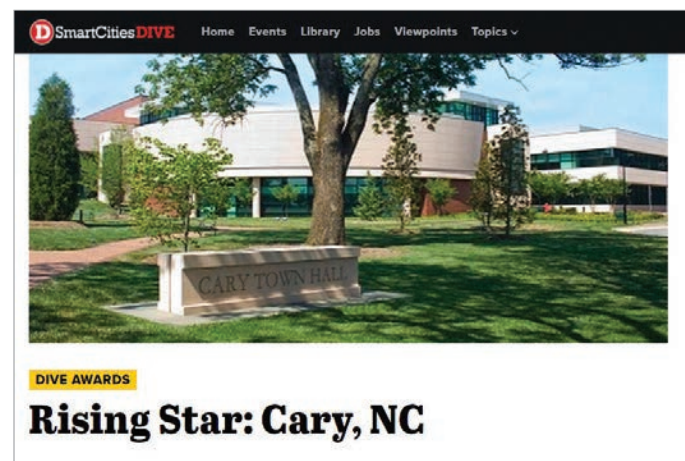
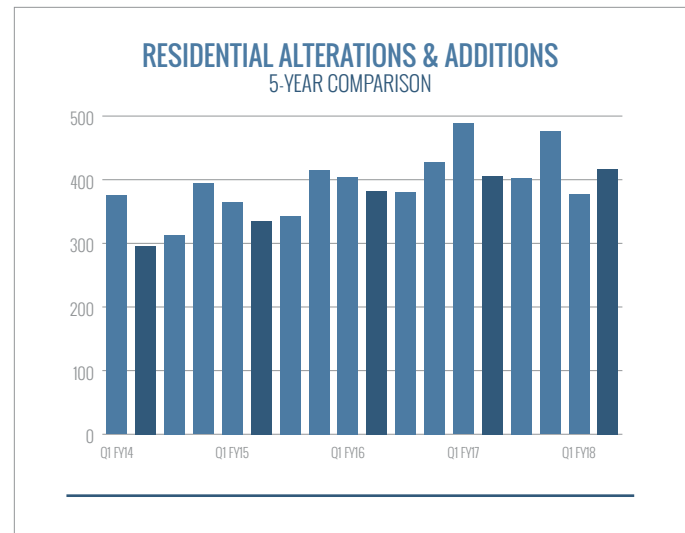




New single-family permits for Quarter 2 (213) were up slightly relative to this quarter's five-year average (210). New single-family permits were issued in 39 subdivisions with the top five subdivisions for new single-family permits in Quarter 2 being Philips Place, Glen at Westhigh, Oaks at Sears Farm South, Courtyard on O'Kelly and Peninsula at Amberly.



Residential alteration and addition permits for Quarter 2 (417) were also up relative to this quarter's five-year average (367). The continued upward trend of residential alteration and addition permits is consistent with the redevelopment theme in the 2040 Imagine Cary Community Plan.



SMART CITIES UPDATE

This year, the Town was recognized with awards by both Smart Cities Dive (Rising Star) and Smart Cities Connect & US Ignite (Smart 50 Award) for our innovative use of testing smart technology by creating a living lab/simulated smart city on our Town Hall campus.

Town Hall campus represents a mini-city by utilizing existing facilities and a cost-effective ecosystem for experimenting with next-generation Internet of Things (IoT). This program incubates IoT technologies powered by community partners that create an ecosystem to test, develop, and showcase solutions on our campus at little to no cost. This allows the Town to test technology before deploying on a larger scale.

LIVE FOSTERING STRONG NEIGHBORHOODS



The lessons learned and goal from the living lab will be used to build the ultimate citizen-connected community. We know that our citizens increasingly expect the same level of service, technology, and communication from their Town government as they expect from the private sector. We want to meet our community where they are with the technology they already use in their daily lives; whether it's sending our traffic data and road closures to Waze, using Alexa to find open gym times, or reporting a missed trash collection.

The Town recognizes that while technology is a vital aspect of building a citizen connected community and the backbone of how much of it will be delivered, we are focused on designing the solutions around the needs of our citizens. Our goal is to enrich the lives of our citizens by strengthening our connection through the use of technology and data.



ASSURING CONTINUED PROSPERITY



ECONOMIC DEVELOPMENT UPDATES/AMAZON PROPOSAL

New opportunities and exciting growth within the Town of Cary made it a highly productive quarter. We ended the quarter hopeful for potential projects, breaking ground on new projects, and celebrating those we completed.

- Cary Economic Development worked closely with regional and state partners to submit a competitive proposal to Amazon as the company searches for a site to develop a second corporate headquarters (HQ2). Over the next 10 years, Amazon expects to create 50,000 new jobs with an average salary of \$100,000 a year and invest \$5 billion in capital expenditures. Amazon received 238 proposals; no date has been set for an announcement of which communities will proceed to the next level for further consideration.
- Swedish company Höganäs held a ribbon cutting in October for its Business Area Environmental division, which aims to improve water purification and soil remediation techniques. Höganäs will use its Cary location to lead the global commercialization of a technology that uses iron particles to remove contaminants such as heavy metals from water and soil. It plans to hire 100 employees over the next two years.

- In October, MetLife held a groundbreaking for a third building on its campus. Highwoods Properties will build another 217,000 square feet of office space for the company, which is bringing an additional 500 new jobs to Cary. In addition to council members, Senators Burr and Tillis, Congressmen Price and Holding, and Governor Cooper attended the groundbreaking.



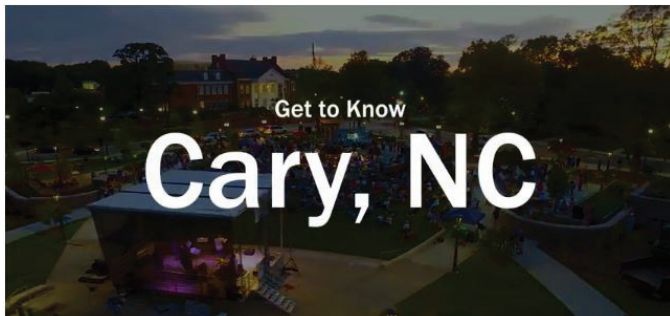
- Spectrum Properties has broken ground on Regency Woods II, their newest building in Regency Park. The 150,000 square foot Class A building will overlook Symphony Lake and provide much-needed office space in Cary. Demand is such that the building was already two-thirds leased when ground was broken.

GET TO KNOW CARY, NC

The Town expanded its support of the SAS Championship this year by producing and airing a 60-second television commercial several times during the tournament on the Golf Channel. The spot, "Get to Know Cary," focused on why Cary is a great place for businesses like SAS and encouraged viewers to visit a special website created as part of the project: www.gettoknowcarync.com. The commercial was well-received, especially by our colleagues at SAS.



To increase the return on this \$20,000 investment, the commercial and website have been edited slightly to allow for continued utilization for economic development purposes.



DOWNTOWN UPDATE

NEW BUSINESSES ANNOUNCED, OPENED, OR MAKING PROGRESS

- Southern Studio Interior Design hosted an open house after they made a residential-to-commercial transformation of a 1951 brick home at 119 W. Park Street. They relocated their studio from downtown Apex to downtown Cary.
- Annelore's German Bakery hosted an open house on December 14. Their official opening was held on December 16.
- Financial Risk Group held a ground breaking on the renovation of their new location at 264 W. Chatham Street.
- Postmaster, SideBar, Hustle, Sams-Jones House Lease Approval, Blue Cross Blue Shield Retail, CASTO, and Raleigh Cary Realty all opened or announced plans for opening.

OUTREACH AND/OR PRESENTATIONS

Over the course of the second quarter, the Downtown Development Manager had the opportunity to present to a wide range of groups about the development activity happening in Downtown Cary. Some of those groups included the following:

- Triangle Business Journal SPACE Live Event
- AIA Triangle Downtown Tour
- Fonville Morisey Raleigh Office Presentation
- Cary Rotary Club Presentation
- Heart of Cary Association Presentation

NOTABLE COMMERCIAL PERMITS

During Q2, the Town approved 35 development plans. Thirteen of these were for commercial development and two were for office. Both the total number of development plans as well as the number of commercial and office approvals were in line with previous quarters.

The size of the development allowed with these approvals was higher than previous quarters. This was driven largely by the approval of the 527,400 square feet of office and life care facility that was associated with HealthPark at Kildaire (located on the Gurnesy Trail site), and the 159,500 square feet of office space approved with Regency Woods II.



EMPLOYEE RECOGNITION RECEPTION AND LUNCHEON: CELEBRATING THE BEST

The Town's annual Employee Recognition Reception and Employee Luncheon featured new and exciting ways to honor staff. The two gatherings were enjoyed by hundreds of employees.



In a “OneCary” effort, employees stepped up and contributed both time and expertise to various aspects of the programs—from designing publicity materials to coordinating prizes and event design to even arranging for bus shuttles on a bitter autumn afternoon so that employees could easily get to the Cary Arts Center for the reception.

The weather outside may have been frightful, but that didn't stop around 300 employees from gathering in the Cary Arts Center on November 8, 2017 to celebrate 186 service award recipients and 11 Employee of the Year nominees. A revamped program made this afternoon a huge success. Delicious food, service award booths, and a photo mirror with props honored those employees celebrating 5, 10, 15, 20, 25, and 30 years with the Town. All 11 Employee of the Year nominees were also recognized with a special video during the program. Employees appreciated the chance to socialize and congratulate their coworkers at this fun event.

On December 6, nearly 700 guests—including Cary's Mayor, all Town Council members, and a seemingly endless lunch line of co-workers and retirees—enjoyed camaraderie as they celebrated at the Employee Luncheon. The Town hailed Mary Beerman of Planning and Charles Massey of Police-ECO as dual Employee of the Year winners. Also acknowledged were employees who reached milestone service anniversaries, along with a large cadre of retirees.

A robust collaboration between Human Resources and several other departments created a joyful event that included interactive contests, arcade games, floor pianos, and other surprises.

EMPLOYEE RETENTION FOR CALENDAR YEAR 2017

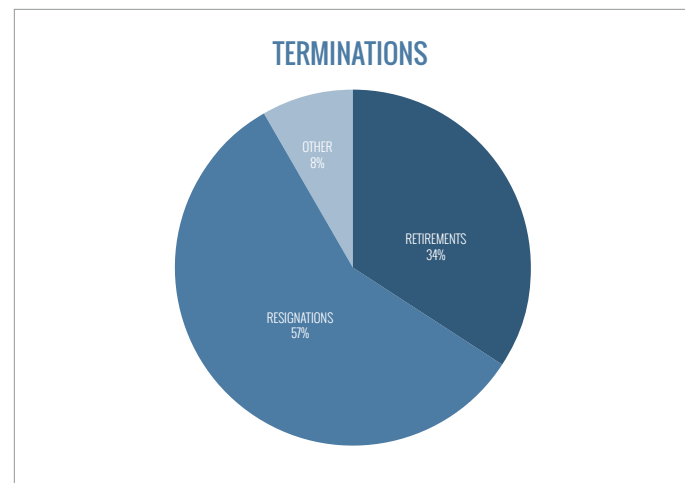
The Town works hard to retain the most creative, innovative, and citizen-service focused employees by offering extraordinary benefits and compensation programs, positive employee relations, and employee recognition strategies and celebrations. To continue retaining the best

employees, it is important to develop insights into its data as well as strategies to sustain this high level of retention.

A review of employee data for 2017 shows an impressive employee retention rate of 92 percent, which equates to eight percent turnover.

The Town's turnover rate has trended upward during the past five years. This rate alone doesn't hold any value until coupled with a review of the reasons for this increase, which helps determine if there are opportunities for improvement.

In 2017, the primary factor driving turnover was employee service retirements, constituting one-third of the employees leaving the Town. The Town predicted an increase in retirements more than six years ago, and this trend is expected to continue in 2018. Retirements are generally considered positive and unavoidable turnover; however, they require an increased focus on succession planning, training, and knowledge retention. Resignations constituted 57.5 percent of turnover, which is lower than in recent past years.



A further review of retirements shows that almost half—over 44 percent—of the 2017 retirements came from our public safety departments.

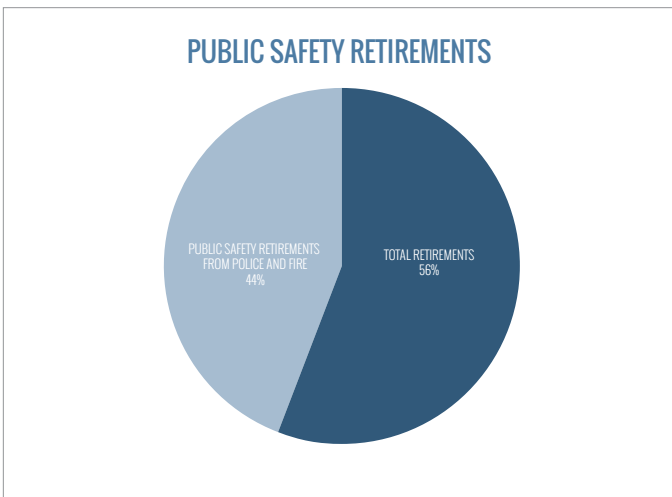


ONE YEAR AFTER: AN UPDATE ON PAID PARENTAL LEAVE

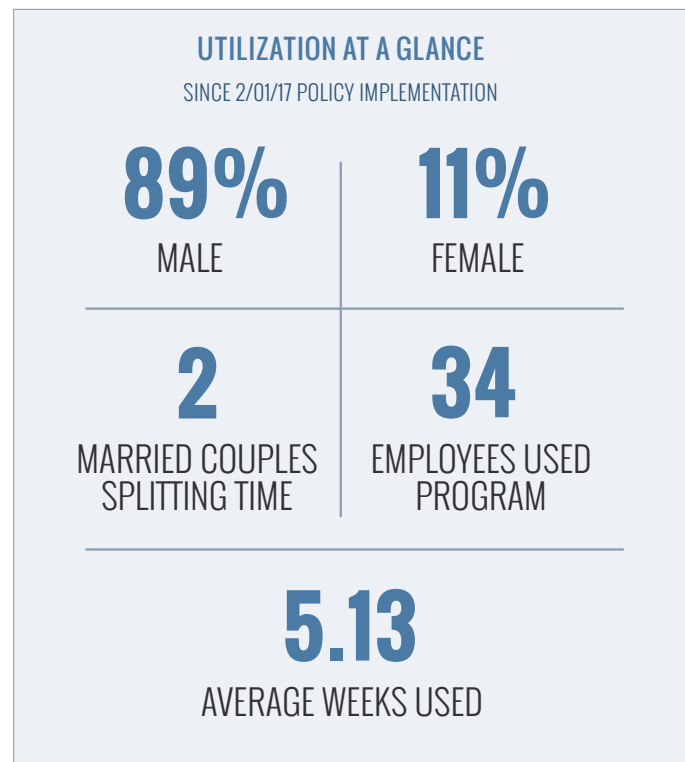
On January 5, 2017, Council approved a six-week Paid Parental Leave Program for eligible employees. This program helps adapt our practices to meet the demands of an ever-changing workforce and enrich our comprehensive and competitive benefits package.

Now in practice for nearly a year, employees are embracing this opportunity to spend more time at home with their children and create a healthy work-life balance for new parents.

Human Resources is working collaboratively with employees and departments across the organization to facilitate this program, yielding interesting utilization statistics for this first year. Primarily, paid parental utilization along gender lines closely mirrors our employee breakdown of 80 percent male/20 percent female.



Viewed as a whole, Human Resources uses this annual turnover data to devise employee retention plans and strategies. As we move into 2018, the Town will continue its current workforce and succession planning efforts in the public safety areas along with all other areas of the Town. These efforts will help ensure that we are recruiting and developing the very best talent possible, which HR considers to be a key component in creating the local government that doesn't exist.





IMPACTS

Compared to other Town benefits, administering the program carries few costs beyond regularly budgeted salaries. Departments are addressing the absence of colleagues through collaboration, process review and creative solutions using a OneCary philosophy.

The support and approval of this family-related program have benefited the employees involved, and will continue to benefit us all, as we foster a family-supportive workplace culture while continuing to attract top talent and achieve our goal of becoming the local government that doesn't exist.

FACING OUR CHALLENGES IN HIRING POLICE OFFICERS

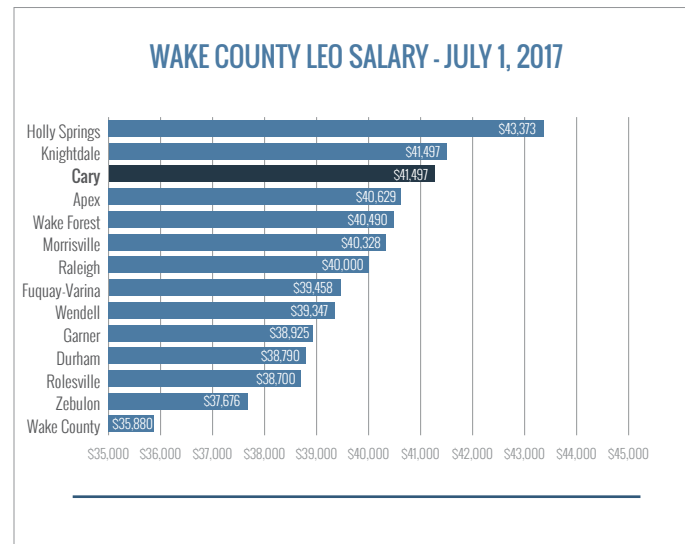
Our challenge to hire quality police officers is not unique. On any given day, a search for posted Police Officer jobs on nationwide job search website Indeed.com will yield around 150 police agencies across North Carolina seeking to hire at least one to two officers. The larger police departments have openings that they will likely not fill in the near future due to both the shortage of qualified applicants and the competing demand to fill vacancies across the state. All of the agencies in the Triangle area compete for the same hiring pool of qualified applicants.

To add to the challenge, our applicants must complete Basic Law Enforcement Training (BLET) as a requirement for the job. Enrollment in Basic Law Enforcement Training has been down across North Carolina in the last few years. The number of students enrolled in Basic Law Enforcement Training courses across the state has decreased by nearly 20 percent from 2013–2015, according to the North Carolina Criminal Justice Education Training Standards Commission. Since January 2015, 23 training classes have been canceled due to low enrollment, according to data provided from the Commission. National media attention surrounding increased tensions between police departments and their communities has been cited as a contributing factor to a broad lack of interest in law enforcement as a career. All

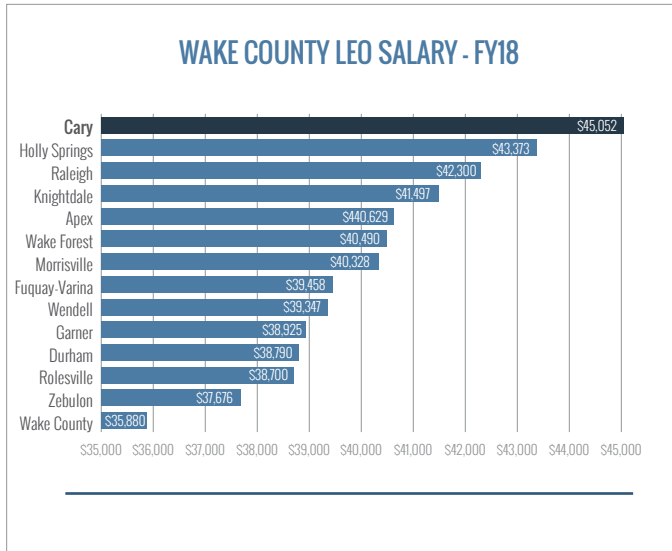
of this adds up to a much smaller pool of applicants and increased challenges in hiring not just qualified applicants, but highly qualified applicants that we strive to seek out for the Town of Cary.

To better compete for this smaller pool of highly qualified applicants, two of the larger neighboring police agencies funded a pay and class study of their departments to evaluate, and potentially increase, the starting salaries of their police officers. This started a chain reaction with many of the local police agencies to decide whether or not to increase their starting pay for police officers.

Upon completion of the pay and class study, the Town of Cary implemented a market increase, resulting in a minimum starting salary for police officers to \$42,910.

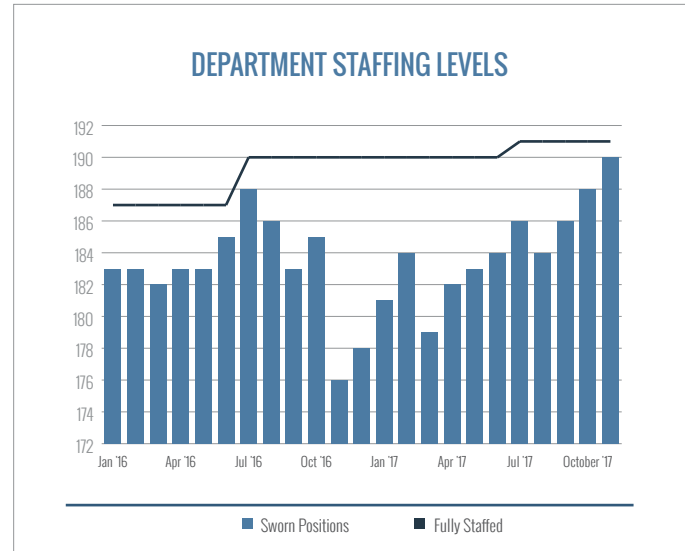


Unfortunately, even with the market increase, our starting salary for police officers was still below the top starting pay among Wake County municipalities. To achieve the highest starting salary for police officers in our area, we granted an in-grade salary increase on August 1, 2017, which gave the Town of Cary the highest starting salary for police officers, which we currently maintain.



Recognizing that pay is only one component of a multi-faceted hiring solution, Human Resources collaborated with our Police Personnel Services Team on a strategic plan to identify opportunities to improve our current practices.

When our journey began in February 2017, we were already faced with a considerable number of vacancies. We realized that some of our previous hiring and recruiting practices had been in place for quite some time and did not provide us the adaptability to change with our applicant pool. In the past, we took for granted that hiring pools were large and that applicants had a desire to come to Cary to work regardless of how long the hiring process may take. Conversely, other police agencies responded to the smaller applicant pools by streamlining their recruitment process and were effectively able to make conditional offers of employment much earlier in the selection process than we were. We quickly realized we needed to evaluate our processes and to be agile in our hiring timelines when we found a highly qualified applicant that was a good fit for the Town of Cary.



SO, HOW DID WE RESPOND?

The hiring process for a sworn law enforcement officer involves a significant amount of vetting that, in some cases, can take several months. For example, a typical applicant, upon completion of a Town of Cary application, will be pre-screened and referred to our Police Recruiting/Hiring Officer where, after additional screening, will be scheduled for up to three interviews with three different panels. Depending on a candidate's success to that point in the process, applicants could receive a "conditional offer of employment" from the Chief of Police. What are those conditions? Under a conditional offer of employment, applicants must successfully pass an extensive background investigation, Computerized Voice Stress Analysis testing (CVSA, or lie detector testing), medical and psychological testing, and a physical abilities test. Due to requirements mentioned above, the length of the process itself can be a deterrent to potential applicants who are seeking immediate employment to support themselves and their families. The key to overcoming this challenge was to find ways to improve/streamline our process while still hiring the best qualified employees, something the Town of Cary prides itself on.



In the past, larger groups of newly hired officers were typically brought into the organization in the spring and fall each year. While this approach served us well in terms of planning for in-house orientation and field training, limiting the hiring window on what is already a lengthy process cost us potential candidates who were looking for immediate employment. Additionally, this approach left us with vacancies for longer periods of time.

We now run continuous advertising for hiring on a broad and diverse range of job search sites. Human Resources reviews applications daily and refers applicants that meet minimum standards. From there, the Police Recruiting/Hiring Sergeant schedules candidates for a series of interviews and directs them to our newly updated recruiting webpage on the Town’s website for a detailed breakdown of the application process, overview, and philosophy of the department, benefits information, and common questions.

Applicant interviews are now given priority on calendars at all levels. While in the past we would have to rely on the availability of two or three detectives to administer a lie detector exam, recruiting staff is now certified in the practice. On a side note, Cary Town Council recently approved the spending of federal drug forfeiture funds to purchase a second CVSA machine to help facilitate our efforts.

Finally, we have also made our vetting process more flexible, allowing us to schedule different steps simultaneously or address concerns sooner so exorbitant time and funding is not spent on candidates who are not qualified. Applicants who successfully complete the entire process then receive a two-week orientation before starting the Field Training Program. Barring any variables outside of our control, typically consisting of a candidate’s previous commitments, we have significantly reduced our hiring process from months to weeks.

HOW DID WE ATTRACT THE BEST APPLICANTS IN A DOWN MARKET?

It’s not just about money. Research shows that millennials and college-educated applicants want jobs that empower them to problem-solve and create positive change in their communities. In April 2017, we began a new branding campaign that highlights our philosophy of Geo Policing and strong commitment to our community. This involved updating our website, as well as creating multi-lingual recruiting brochures and flyers. These materials are distributed state-wide to all Basic Law Enforcement Training Academies, at local community events, and at career fairs at such colleges as Shaw, Campbell, Meredith, and East Carolina Universities. In addition, we are proud to announce the completion of our new recruiting video which embodies our commitment to service, teamwork and sense of community: <http://bit.ly/CPDrecruit>.

Lastly, we also recognize that our best recruiters are current employees who embody “The Cary Way,” so we worked with Human Resources to initiate an Employee Referral Program for the police officer position. To date, we have had three successful referrals.

GEO POLICING
The Cary Police Department operates under a law enforcement philosophy we call Geo Policing, which enables our officers to become experts on the needs, issues and concerns of the people within their district.
Partnerships with our citizens are critically important because in Cary, we believe that community safety is directly tied to how involved our citizens are with helping keep it safe. What is important to our citizens is important to us.

SALARY & BENEFITS
Starting Salary (Dependent on Qualifications) \$45,052 - \$52,707
Police Officer Salary \$45,052 - \$77,001
Paid Parental Leave
Health, Dental and Vision Insurance
5% Employer Contribution to 401(k)
Uniform & Equipment Provided
Employer Paid Life Insurance
Tuition Assistance
LGERS Pension
Career Ladder

SWORN & NON-SWORN+ CAREER OPPORTUNITIES

- Community Services
- Traffic Safety Team
- School Resource Officer
- Criminal Investigations Division
- Honor Guard
- R9 Team
- Emergency Response Team
- Crisis Negotiation Team
- Emergency Communications
- Animal Control
- Records Division



WHERE DO WE STAND IN Q2?

We currently have one vacancy with multiple quality applicants in the recruiting pipeline, including two applicants that have received conditional offers of employment from Chief Godwin. Although we have enjoyed success in our hiring and recruiting efforts, we will remain cognizant of ever-changing trends that affect public safety recruiting and will continue to remain agile and adaptive in our quest to hire only the best officers for our community.





CREATING VIBRANT DESTINATIONS



FENTON REZONING

Fenton, a proposed mixed-use development located in the Eastern Cary Gateway Special Planning Area, took some major steps forward during the second quarter. A public hearing was held on November 2 and November 16, and the project received a unanimous recommendation for approval from the Planning and Zoning Board on December 18.

The Fenton project is an approximately 92-acre site with proposed rezoning to mixed use district (MXD). The great news about Fenton is that the rezoning is not only anticipated to enhance the Shop opportunities in the Eastern Cary Gateway, it is also anticipated to be a major Live, Work, and Play location. The Fenton site is located on the north side of Cary Towne Boulevard between I-40 and Adams Elementary School.

The preliminary development plan (PDP) proposes vertically mixed uses designed around an “L-shaped” main street where residential and/or office uses are located on top of ground-floor retail tenants. The PDP provides a variety of pedestrian corridors. A total of eight parking decks are proposed, with many of the buildings wrapping around and screening the decks. Several office buildings and one or more hotels are proposed as part of the project. Six community gathering areas are also integrated into the development to provide both passive and active opportunities for residents and visitors.

IKEA REZONING

The world-renowned Swedish home furnishings store IKEA took another step closer to coming to Cary. On October 26, Town Council approved the rezoning of approximately 20 acres of Cary Towne Center located at 1105 Walnut Street from General Commercial Conditional Use (GC-CU) to Mixed Use District (MXD). The new zoning included a Preliminary Development Plan (PDP), which proposed a new 380,000 square foot building for retail use with a maximum height of 60 feet. The new building would replace a portion of the existing building on the property, including the former Sears.

After the zoning was approved, the first development plan for IKEA was submitted in early December. This iterative review process, where staff works with IKEA’s development team to ensure that the plan meets the conditions of the rezoning as well as the Town’s Land Development Ordinance, will take a number of months to complete.



SHOP CREATING VIBRANT DESTINATIONS



After development plan approval, detailed drawings of the building will be reviewed to ensure compliance with the North Carolina State Building Code. Both of these plans will then be used by Town inspectors and IKEA's contractors to construct the store.

SMALL BUSINESS SATURDAY/PROCLAMATION

The Town of Cary officially recognized Small Business Saturday with a proclamation for the past four years. Small Business Saturday was an initiative launched by American Express to encourage shopping locally in small businesses on the Saturday following what has traditionally been one of the strongest shopping days of the year: Black Friday. The national promotion entered its eighth year and has been successful in bringing both awareness and increased sales to small businesses across the country. Likewise, the Cary Chamber of Commerce is also a big supporter of the Small Business Saturday promotion. Council members Jack Smith, Jennifer Robinson, and Ken George presented the official Small Business Saturday Proclamation during their November "Rise and Shine" breakfast and prior to the start of the 2017 Business Expo.





EXPERIENCING THE CARY COMMUNITY



VETERAN'S DAY EVENTS

On November 9, the Town honored 355 military service members at its annual Veterans Luncheon. The success of this event was possible thanks to help from over 180 volunteers and staff. New components this year included flag presentations that honored each branch of the service and the labeling of mini toy soldiers for the Veterans Observance Day event at Veterans Freedom Park.

Approximately 200 citizens attended the Town's Veteran's Day Observance, which took place at Veterans Freedom Park at 11 a.m. on November 11. Council Member Jack Smith presided over the ceremony with Council Members Don Frantz and Ken George also attending. Many participated in the Cary Special Forces project, which allowed military families to place small figures representing the service of their loved ones at each service seal. The Old North State Brass Band provided patriotic music before and after ceremonies. The Carolina Veterans Support Group placed over 700 flags along walkways as well as around and inside the Freedom Tower.



DISC GOLF TOURNAMENT

The DUO (Downtown Urban Open) Disc Golf Tournament was held on Town Hall campus over Thanksgiving weekend. The event, in its sixth sellout year, is organized in partnership with the Capital Area Disc League. With its first title sponsor, the Greater Raleigh Sports Alliance, the tournament was able to raise over \$3,100 for the Town's Relief for Recreation scholarship fund. Over 200 disc golfers participated in the two day event, which has now raised \$10,000 for scholarships.

HOMETOWN SPIRIT WINNER

Congratulations to Town icons Ralph and Daphne Ashworth for being named the 2017 Hometown Spirit Award winners. The Ashworths have been outstanding figures in Cary's community for over 60 years, beginning with the establishment of Ashworth Drugs in downtown. Nominated by peers for their contributions, the Ashworths are active in both the business and philanthropic community. Nine nominees were recognized at a reception in November, with the winner announced at the Council meeting. The Hometown Spirit Award is bestowed annually on a Cary resident who enhances the quality of life in Cary by preserving, promoting, and carrying out positive and quantifiable traditional small-town community values and traits. Inspired by a suggestion from a Cary resident, the award has recognized over 20 outstanding nominees and named ten winners since 2009.



PARK RENAMING FOR KAY STRUFFOLINO

In November, Council approved renaming Meeting Place Park, located near downtown Cary, after Kay Struffolino, a citizen who has dedicated over 40 years of her life to the improvement of Cary. This 0.3-acre park features the Meeting Place sculpture. Since Council’s approval, staff has been putting the finishing touches on the park. This includes up lighting on the sculpture at night, a fence separating the park from adjacent properties, and additional soon-to-be installed landscaping. A winter dedication is planned, at which time the updated park sign will be installed.

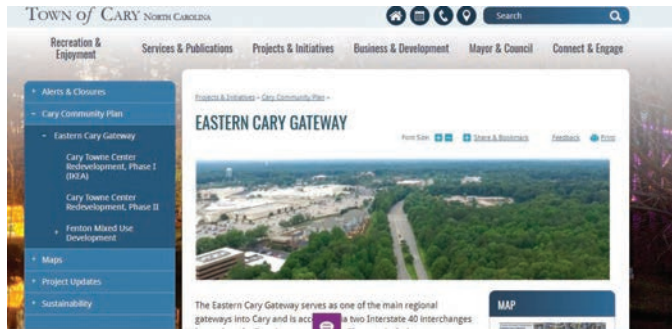
**A VERY SOCIAL HOLIDAY:
A QUARTER OF SOCIAL MEDIA MILESTONES**

<p>INSTAGRAM</p> <p>@EnjoyCary First account created in mid-December</p> <p>100 followers in 10 days with no promotion</p>	<p>SNAPCHAT</p> <p>Heart of the Holidays first filter created</p> <p>5.6K users reached, used 151 times</p>
FACEBOOK	
<p>54K people reached through tree lighting event</p> <p>2.2K responses generated from tree lighting event</p>	<p>3.4K views of tree lighting livestream, shared 21 times</p> <p>1.7K views of menorah lighting livestream, shared 3 times</p>





GUIDING COMMUNITY GROWTH



SPECIAL STUDIES UPDATE

At the first quarter planning meeting in November, Council directed staff to begin work on three special studies: Piney Plains special area study, a private street study, and a market research study for the Eastern Cary Gateway and Crossroads area. Staff is taking steps to begin these studies and we will bring back a more complete update on progress at the third quarter meeting in May.

EASTERN CARY GATEWAY ONLINE

A new webpage for the Eastern Cary Gateway (<http://bit.ly/EasternCaryGateway>) is now available to serve as a consolidated point of information about development activity. The main page includes links to the Fenton Mixed Use Development, Cary Towne Center Redevelopment — Phase I (IKEA) and Cary Towne Center Redevelopment — Phase II projects. There are also links to WakeMed Soccer Park, Triangle Aquatic Center, and Adams Elementary School, all of which are part of this special planning area. The site will continue to be updated with information for our citizens and business and civic leaders regarding the projects that are active within the Eastern Cary Gateway.

POPULATION UPDATE

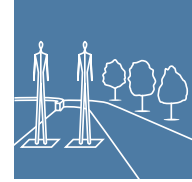
As of December 31, 2017, Cary's population is estimated at 161,595, an increase of 2,730 residents in the past twelve months. This is a 1.72 percent increase over the 2016 second quarter estimate of 158,865.

EASTERN CARY GATEWAY STRATEGY TEAM

A multi-departmental Strategy Team is in place to discuss, plan, and ultimately implement a strategy that will ensure the success of the Eastern Cary Gateway Special Planning Area vision. Sub-groups have been formed to discuss high level strategies for implementing the vision. These sub-groups include Mobility, Soccer, Development, Relationships, Economic Development, and Town Participation. Staff from the Manager's Office; Parks, Recreation and Cultural Resources; Transportation and Facilities; Planning; Water Resources; Fire; Finance; Legal; Police; Human Resources; Public Works; and Utilities as well as Chamber staff are all participating in the sub-group discussions. We believe this team can ultimately be the model for proactively ensuring that Council's vision of the Special Planning Area becomes reality and a model for other high priority initiatives.



PROVIDING TRANSPORTATION CHOICES



GUIDING DECISIONS THIS QUARTER

The Imagine Cary Community Plan includes several policies that guide decisions on transportation projects through the planning, programming, design, acquisition, and construction phases, including:

- Ensuring safety for all users
- Multimodal or “complete street” design
- Context sensitive design
- Improving connections or “closing gaps”
- Minimizing thoroughfare widths
- Improving bicycle/pedestrian crossings
- Targeting transit investments
- Ensuring a well-maintained system

The second quarter each year includes significant work in the planning and programming phase when decisions are made to set priorities for FY 2019 projects. Applications for project funding are submitted to the Capital Area Metropolitan Planning Organization’s (CAMPO) competitive Locally Administered Projects Program (LAPP) and considered through the Wake Transit project selection process. These efforts address policies 4 and 7, which target investments to improve connections and close gaps in the roadway, bicycle, and pedestrian networks, and target investments in transit to increase frequency and expand service. Staff evaluates potential projects for their competitiveness in each program prior to submittal. Funding recommendation decisions are received from CAMPO and Wake Transit in the third quarter each year.

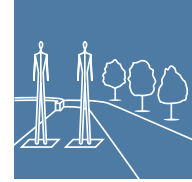
Projects submitted to LAPP in fall 2018 for the 2019 funding round included:

- Reedy Creek Road Part B construction,
- Connected Vehicle Technology upgrades,
- Higgins Greenway Phase III Construction (into downtown), and
- Downtown Multimodal Center design and acquisition.

In addition to the planning and programming efforts in the second quarter, there continues to be year-round work on design, acquisition, and construction for projects that are programmed in the Town’s Capital Improvement Program, the Wake Transit Program, the State’s Transportation Improvement Program, and the Capital Area Metropolitan Planning Organization’s Transportation Improvement Program. A key strategy in the implementation of the MOVE Chapter is to expand Town funding resources through participation in these regional programs. Significant project milestones are discussed in detail below.

MORRISVILLE PARKWAY EXTENSION & INTERCHANGE

Good progress is being made on the Morrisville Parkway Extension and Interchange project. Duke Energy has relocated their facilities that were in conflict with the road work, Spectrum is currently working to address their conflicts, and AT&T will begin work soon. Cary has been the lead agency during the design, right-of-way acquisition, and utility relocation phases of the project, receiving all necessary final approvals in the second quarter of FY 2018. As we move into the construction phase, the North Carolina Department of Transportation (NCDOT) will be taking the lead on this regionally significant project, which includes both a roadway extension and the addition of an interchange with upgraded technology on NC 540. On December 19, NCDOT successfully held the bid opening and we are working together to begin construction in spring 2018. We anticipate the project being open to traffic in about two years, or by end of calendar year 2019. The project construction budget is approximately \$22.5 million, including \$3 million in federal funding through LAPP and \$8.9 million from the NC Turnpike Authority.



CARPENTER FIRE STATION ROAD / CSX RAIL SEPARATION

The Carpenter Fire Station Road/CSX Rail Separation project continues to be a challenge on many fronts but good progress is being made toward obtaining the necessary state, federal, and private railroad approvals and agreements needed to advance to the construction phase. Utility agreements and construction documents have been forwarded to CSX for their execution and approval. We are also working with CSX to execute agreements associated with right of way, maintenance, and construction. Designs have been approved by NCDOT, and we anticipate receiving associated encroachment agreements shortly. The final plans include enhancements to bridge aesthetics and medians. We anticipate advertising for construction in the fourth quarter of FY 2018. Staff has been working with 20 property owners to secure 29 affected rights of way and easements necessary for the construction. To ensure that the project schedule is not delayed, Council approved condemnation resolutions at the December 14 meeting for properties where rights of way or easement negotiations continue. The project budget is approximately \$30 million, including \$1.2 million in funding associated with private development contributions.

GREEN LEVEL WEST ROAD

On December 15, the Town's contractor shifted traffic into Phase 3 of the construction of the Green Level West Road Widening project to build the median. Construction of two new lanes in each direction have been completed as part of Phases 1 and 2. In the second quarter of FY 2018, the Town installed and tested a new waterline on the north side of the new street. The project remains on schedule; its budget is \$10 million, including \$2.9 million in federal funding through LAPP.

CARY PARKWAY/HIGH HOUSE ROAD INTERSECTION

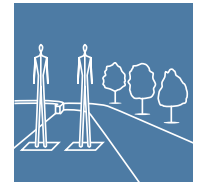
A revised bid package was approved by NCDOT and three construction bids were received on November 22. Approval for the bid award to the lowest responsible and responsive bidder will be brought to Council in Quarter 3. In advance of beginning construction this spring, we are coordinating public outreach strategies as well as working with our private utility partners to relocate any remaining facilities and install temporary street lighting. Relocation of private utility facilities in advance of construction will reduce the risk of accidental damage and outages while temporary street lighting will help illuminate the work zone during construction. The project budget is \$5.1 million, including \$3.5 million in federal funding through LAPP.

REDUCE CONGESTION THROUGH INTERSECTION IMPROVEMENTS

The High Meadow and Cary Parkway intersection is under construction with the majority of the concrete work already in place. The remainder of the work, including signal modifications, pavement markings, and signing, will be completed in Quarter 3. The other intersection improvements included in this project, which are scheduled for construction at the beginning of 2018, are:

- Kildaire Farm Road Road and Cary Parkway
- Evans Road and Cary Parkway
- High House Road and Maynard Road

Private utility companies are working now to relocate private utility conflicts in advance of construction. The project budget is \$4.8 million.



REEDY CREEK ROAD WIDENING

The Reedy Creek Road design is almost complete. Rights-of-way and easements have been staked in the field to allow for appraisals and property negotiations in winter 2018. This project includes two roundabouts, which include brick narrow median islands, and is scheduled to begin construction in 2019. The project budget is \$7 million, including \$5.5 million in federal funding through LAPP.



CRABTREE CREEK GREENWAY

Construction of Crabtree Creek Greenway is about 50 percent complete and on track for completion in fall 2018. Over the winter, the contractor, Fred Smith Company, will install the 100-foot bridge across Crabtree Creek and the 700-foot boardwalk across the Black Creek arm of Lake Crabtree. The 1.7-mile trail is graded and ready for stone and paving next by summer 2018. When complete, the trail will offer spectacular views of Lake Crabtree as it runs from Black Creek Greenway at the east end of Lake Crabtree to Evans Road. At its west end, the trail will connect to a 2.7-mile segment that Town of Morrisville is currently constructing, creating a 4.4-mile continuous trail from the Black Creek Greenway to Davis Drive. The project budget is \$5.4 million, including \$4.2 million in federal funding through LAPP and \$500K from Wake County.

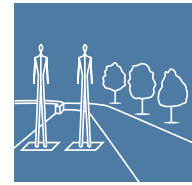
WHITE OAK CREEK GREENWAY-MACARTHUR

Design and plan approvals are complete for the White Oak Creek Greenway MacArthur Section, one of the last two gaps remaining in Cary's 7.2-mile White Oak Creek Greenway. We are currently working with CSX on the final agreement documents for the pedestrian tunnel under the railroad. With those in hand, we will request approval from NCDOT and the Federal Highway Authority to bid the project. Construction is anticipated to start in spring 2018 and be completed in summer 2019. The project budget is \$7 million, including \$2 million in federal funding through LAPP.

Completion of the two White Oak Creek Greenway projects creates a central link in the Triangle portion of the East Coast Greenway, a regional trail planned to run from Maine to Florida.

WHITE OAK CREEK GREENWAY: AMERICAN TOBACCO TRAIL SEGMENT

Construction of this segment of trail from Green Level Church Road to the American Tobacco Trail is 30 percent complete and on track for a completion in the fall 2018. This two-mile stretch of greenway consists of one mile of boardwalk and one mile of paved trail. This segment and the MacArthur segment will complete the last two gaps of the 7.2 miles of White Oak Creek greenway. The cost of design and construction for this project is estimated at \$5.2 million, which was provided by a combination of the 2012 Cary Community Bonds, federal funding through LAPP of \$2.7 million, and a Wake County Open Space grant of \$565,200.



PANTHER CREEK GREENWAY

Design and plan approvals are complete for the Panther Creek Greenway. We are currently working to rebid the project because bids received in October 2017 were over budget. With adjustments to the construction specifications and the bid tabulation, staff will accept new bids for the project in January 2018. Construction is anticipated to start in Spring 2018 and be completed in Summer 2019. The estimated total project design and construction cost is \$2.4 million. This project is funded in part by the 2012 Cary Community Bonds and federal funding through LAPP of \$1 million.

BLACK CREEK GREENWAY PHASE I, II, & V RENOVATION PROJECT

A 2.5-mile section of the Black Creek Greenway is being redesigned. It was originally constructed approximately 25 years ago. The new design includes adding the new segment of Phase V, which will avoid the current hill on Dynasty Drive and require the installation of four new bridges. NCDOT has approved State Transportation Improvement Program funding for the project, and staff is currently working on the agreement. Next steps include easement acquisition and then final permit and plan approvals. Total project is estimated at \$6 million. A final bidding and construction schedule is being developed.

WAKE TRANSIT ACTIVITIES

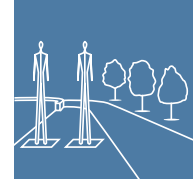
Transit staff participated in a multi-agency public outreach campaign this fall. Citizen feedback collected during the ten meetings and multiple “pop-up” events will guide the prioritization of Wake Transit projects over the next ten years. There are two major studies underway that will further guide project development.

The Multi-Year Bus Service Implementation Plan, known as the “Bus Service Plan,” is looking at potential changes for existing service, in addition to developing a prioritization structure for the implementation of new service. The goal is to provide more service at increased frequencies, with better connections to employment centers, dense residential areas, medical facilities, schools, and downtown areas.

The Major Investment Study (MIS) will evaluate and recommend high-capacity transit investments for bus rapid transit (BRT) corridors in Wake County, as well as the Wake-Durham commuter rail. The MIS also ties into Cary’s downtown feasibility study, which will kick-off in spring 2018. This study will evaluate site options for a new downtown multi-modal transit facility to function as Cary’s main transfer hub for local and regional bus service, BRT and commuter rail service with park and ride facilities, as well as Amtrak. The BRT corridor recommendations from the MIS will be taken into consideration as Cary decides how BRT will interact with downtown and nearby development.

While the final BRT corridors have yet to be selected, we know that one of the first will provide a direct line between downtown Raleigh and downtown Cary, with the Eastern Cary Gateway in between. Regardless of where the final routes are drawn, or where the stops and stations are placed, this area will benefit substantially from the inclusion of public transit.

MOVE PROVIDING TRANSPORTATION CHOICES



FY 2018 adopted work plan projects are progressing according to schedule:

ADOPTED FY18 WORK PLAN	
August 6th Service Enhancements	
Transit Plan Administration	
ADA Bus Stop Improvements	
Bus Sign Replacements	
Downtown Operations/BRT Study	
Design for Operations & Maintenance Facility	

Pending
 In-Progress
 Complete

The Draft FY 2019 Work Plan will be presented to Wake County Transit Planning Committee on January 17, which also marks the beginning of the public comment period. Cary is the project sponsor for the following projects, which total more than \$14,000,000:

FY19 WORK PLAN (DRAFT)
Expansion of Marketing/Public Outreach
Expansion of Downtown Operations Study
New Transit Plan Administration
Expansion of Holiday Service Hours
New Route - Weston Parkway / Bus Stops & Shelters
New Passenger Information Materials
Land Acquisition & Design for Downtown Multimodal Center
Regional Bus Operations & Maintenance Facility (Construction)

GOCARY OPERATIONS

GoCary continues to see an increase in ridership as a result of service enhancements made possible through Wake Transit funding for expanded operations earlier in the fiscal year. The addition of Sunday service, 30-minute frequencies on four of our routes, and a new discount fare for students has contributed to an 18 percent increase in fixed route ridership when compared to the same time period last year. Door-to-door ridership has also increased 11 percent for the same period.

Recent acquisition of the www.GoCary.org URL has improved marketing efforts and brand recognition for GoCary transit use. The new address makes it easier for our citizens to find us online. We are revamping our online presence to make it more user-friendly, including the addition of a Google trip planner widget, better navigation to maps and schedules, and the addition of a Google Translate button to meet our Limited English Proficiency requirements under Title VI.

GoCary held its annual food drive in November, which resulted in a 700-pound donation of canned goods to Dorcas Ministries the week before Thanksgiving.



MEETING COMMUNITY NEEDS



RECLAIMED WATER AT SAS

Town staff have been working closely with SAS to improve maintenance flushing of reclaimed water lines serving the SAS cooling towers. Routine flushing helps clean the pipes and ensure improved reclaimed water quality for more sensitive purposes, such as cooling tower operation. The main reclaimed pipeline serving the SAS campus terminates on the opposite side of the campus and is difficult to flush efficiently. As a way to provide improved maintenance flushing and cleaning, Town staff coordinated with SAS to identify a new flushing location that would offer greater flexibility and better overall coverage for water quality flushing. In October, a new flushing connection to the sanitary sewer system was constructed, which allows for more effective maintenance flushing for the entire SAS campus. On November 28, Town staff conducted a specialized pipeline cleaning operation for the reclaimed water main that improved disinfection and cleaning. Now that the new flushing connection is in service, this new operation can be repeated every six months or annually, as needed. This type of operation is one of many tools Town staff utilize to ensure high-quality reclaimed water is provided to the SAS Campus and all of our other year round cooling tower customers.



FIRE STATION #9 UPDATE

The Town completed demolition of the existing church building in the first quarter of FY 2018. ADW Architects is well under way with design. Construction is anticipated to begin in Summer 2018 with an expected Fall 2019 opening.



CARY POLICE DEPARTMENT OPERATION MEDICINE DROP

To help stop prescription drugs from falling into the wrong hands, the Town hosted its bi-annual Operation Medicine Drop on October 28 in partnership with the State Bureau of Investigation (SBI) and Safe Kids of North Carolina. With three drop-off locations for citizens to safely dispose of unwanted, unused, or expired medications, the event collected 474 pounds of prescription pills. In 2017, the Town collected 806 pounds of pills between our two Operation Medicine Drop events and our permanent pill drop box in the Police Department lobby.

Our pill take back program is a win-win for the Town: we are safely disposing of old medications instead of flushing them down the drain and preventing chemicals from ending up in the water supply, and we get unused prescription drugs off the streets.



311 UPDATE

A cross-departmental team of staff from Public Works, Finance, Development Services and the Manager's Office have been meeting weekly since June to foster the formation of the Town's 311 Center. The Town's three call centers are already providing excellent service. However, by bringing together representatives from each center, as well as staff from other departments within the Town, 311 will uphold the Town's role as a leader in excellent service through the use of cutting edge technology as it meets the short- and long-term needs of the community. The centralized 311 system's advanced analytics will also help the Town identify potential risks and plan ahead for solutions while adapting to changing conditions over time.

In the second quarter, the 311 work team interviewed other municipalities' 311 Centers and met with the staff at the current three call centers in Development Services, Finance, and Public Works. Their goal was to share the vision for 311, garner feedback and begin to form the first group of Citizen Advocates. A pilot space has been built and is being furnished just inside the west entrance to Town Hall next to the Development Services Customer Service area. Next quarter, it's expected that this space will begin to host six to ten 311 Citizen Advocates. The Town has embraced an open-ended approach to the timeline of the project to ensure resiliency and adaptability while forming a 311 Center that continues the Town's legacy of excellence.

SOLID WASTE ROUTE REBALANCING

The week of November 6 produced the largest re-routing of solid waste collections since the Town converted from backyard to curbside collection in 2006. During this re-route, 26,000 homes had their solid waste collection day changed, their recycling week changed, or a combination of both. This was done to rebalance the existing routes, maintain exemplary service levels, and eliminate the need to hire additional staff. The largest component of the schedule change included adding Monday collection service and discontinuing Friday collections. All solid waste

services are now collected Monday through Thursday, as opposed to the prior Tuesday through Friday schedule. Communications efforts were extensive, as we included BUD teasers, a direct mailing to every affected household, inserts in the annual mailer, and a notice on every cart the week before the change. Because of these efforts, we experienced less than 300 phone calls, which was approximately 1 percent of affected households.



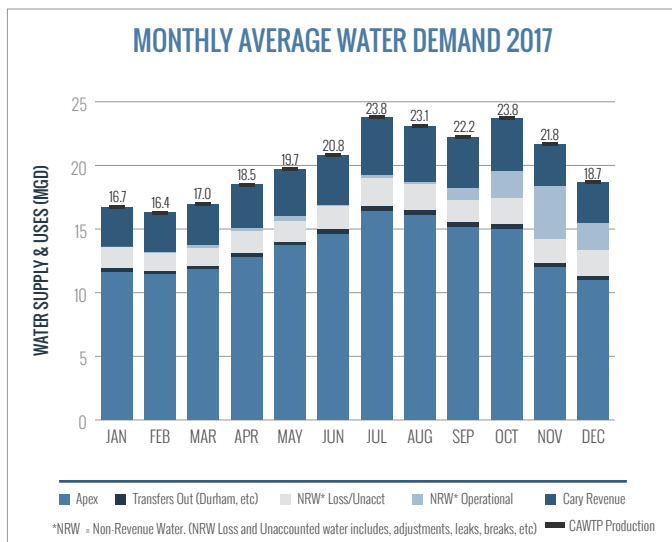
MEDIAN PLANTINGS

This fall, staff continued our ongoing median planting project to enhance the look and feel of our medians in keeping with Council's 2014 directive. Medians planted this quarter included Green Level Church Road (Phase 2), West Lake Road, Ten-Ten Road, O'Kelly Chapel Road, Louis Stephens Road, Yates Store Road and Kit Creek Road.



WATER DEMAND AND WATER TRANSFERS

The chart below shows a summary of water demand, including overall production at the Cary/Apex Water Treatment Facility (CAWTF), water metered in Cary and delivered to Apex, water transfers to other municipalities, and non-revenue water. Non-revenue water includes use for system maintenance, flushing and fire suppression, and unaccounted for water due to distribution system leaks or theft. Unaccounted for water includes water used for the plant expansion and testing, and has been higher than normal during construction of the current expansion project, which will be complete by Spring 2018. The Town's unaccounted for water typically averages seven percent, which is quite low compared to peer water systems. The relative new age of the Town's distribution system and proactive maintenance has contributed to the low loss ratio.



Cary maintains water system interconnections with Durham and Raleigh for mutual aid and tracks the balance of transfers. A summary of year-end water transfer balances is shown in the chart below. Overall, calendar 2017 has been an active year for water transfers, especially as Cary and Durham have both been constructing major improvements to their water systems. Transfers to and from our utility neighbors during the course of the year

have been extremely beneficial as we assisted one another during construction activities at our water treatment facilities or during emergencies such as significant water line breaks. We continue to enjoy excellent relationships with our utility neighbors.

CUMULATIVE WATER TRANSFER BALANCE OWED TO CARY				
	Durham	Raleigh	Holly Springs	Total
Million Gallons	248.11	0.28	3.05	251.44
Value at \$4.70 per 1,000 gal	\$1,166,122	\$1,307	\$14,316	\$1,181,745

UTILITY ENERGY AUDIT

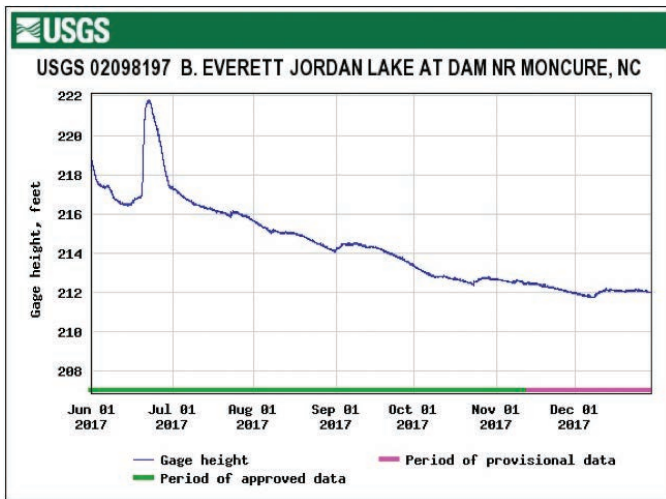
Council approved the Town's first Strategic Energy Action Plan, (SEAP) in 2012 and subsequently updated the plan in 2015. Read the plan at <http://bit.ly/CarySEAP>.

The Town's utility operations are the largest electrical power users among Town of Cary municipal services. As part of the Town's overall goal for improved energy efficiency, the water and wastewater utility services have embarked on a goal to reduce energy usage by three percent on a per capita basis. One of the primary recommendations from the SEAP for the Town's water and wastewater utility plants was to conduct an energy audit.

The Town contracted with an engineering firm in December 2016 to conduct an energy audit of our three water reclamation facilities and the Cary/Apex Water Treatment Facility. After a year-long review of operations at these facilities, the results have been very encouraging. The engineering team evaluated both supply and demand management opportunities and concluded that the treatment facilities are all performing very well and energy use is appropriate for their current unit process configurations. The engineering team concluded that most of the readily available demand management options were already being implemented and the Town was effectively managing billing rates and supply side management strategies. Long-term recommendations include maintaining existing billing structures, exploring



opportunities to improve pumping efficiency, and expanding the use of energy data management capabilities. A final report of the complete recommendations of the engineering team is under development and expected to be submitted in Quarter 3.



JORDAN LAKE WATER SUPPLY

The water level in Jordan Lake, which is managed by the U.S. Army Corps of Engineers, has been slowly declining since last summer and has been holding steady at approximately 212 feet for the last few weeks of December 2017. The current lake level is approximately four feet below the normal water surface elevation of 216 feet. Rainfall was approximately 2.7 inches below normal for the last 90 days of 2017. The lowest lake level experienced during the last 15 years was 209.9 ft. during the 2002 drought.

The Cary/Apex Water Treatment Facility has two intakes that can be used to access water from Jordan Lake: an upper intake and a lower intake. As the lake level has slowly declined, staff began to operate exclusively from the lower intake. The lower intake is positioned at an elevation of 202 feet. At this time of year, none of our seasonal water quality challenges are present—these typically occur in the summer when the lake stratifies into distinct layers of differing water quality. So there are no treatment

impacts now resulting from using the lower intake. The Town’s Drought Management Plan specifies management techniques to ensure our ability to meet water demand in the event of a prolonged drought. At this time, water supply is sufficient and we are not nearing any of our triggers for action. Staff continues to closely monitor our water supply and expected rainfall as we move into 2018.

JORDAN LAKE ALGAECIDE PROPOSAL

The state budget included funding for a proposed alternative treatment of the water in Jordan Lake instead of adopting a comprehensive watershed management strategy, such as the Jordan Lake Rules. The budget requires the NC Department of Environmental Quality (NCDEQ) to initiate testing and sampling of water in the lake and explore treatment methods such as algaecide and phosphorus-locking chemical technologies that would consist of adding chemicals into Jordan Lake. NCDEQ staff have been researching this issue and in October, submitted a request to the U.S. Army Corps of Engineers (USACE) to initiate a demonstration project. This project was to be conducted by a proprietary vendor named in the state budget. After some review and follow up, the USACE denied the request and concluded that the proposal was not feasible due to adverse impacts, including reductions to lake storage volume and concerns that a chemical component, lanthanum, would likely accumulate in the tissues of fish in the lake. If NCDEQ wishes to continue pursuing the application of chemical algaecide treatments, they will need to prepare an Environmental Assessment or Environmental Impact Statement in compliance with the National Environmental Policy Act. Town staff remains very concerned about the chemical treatments proposed for Jordan Lake—especially since they are designed to replace a more comprehensive watershed management strategy—and are monitoring this process closely.

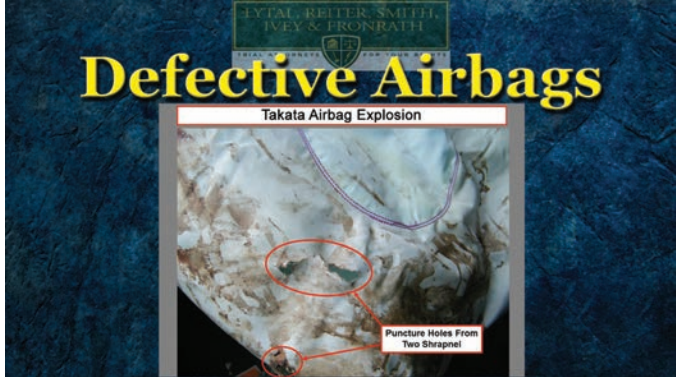


LEAF COLLECTION

Town staff began our annual loose leaf collection program in November, with the commitment to make two full sweeps to all households by Christmas and a third sweep in January. This year, we once again met that commitment with nine trucks pulling a leaf machine, and one automated leaf truck.

RECYCLING EVENT

Our 8th annual America Recycles Day Shred Event was held on November 18 with the support of Green Hope High School AP Environmental Science student volunteers. Approximately 900 citizens brought over 51,000 pounds of paper that was shred on-site for recycling—a 24 percent increase in pounds of paper and a seven percent increase in the participants compared to the 2016 event. We proudly joined many communities throughout the United States to celebrate and recognize a day that promotes recycling across the nation.



TAKATA AIRBAG UPDATE

Early in 2017, staff was notified that three of our Ford Ranger pickups had been recalled due to a defect in the Takata airbag. These three vehicles were on the existing FY 2017 replacement list and were immediately taken out of service.

In November, staff was notified that an additional 34 vehicles had potentially defective airbags. We immediately took them out of service. By creatively maneuvering the assignment of vehicles and renting nine vehicles, we were able to provide Police vehicles the same day and assign the last rental vehicle within four business days.

On November 14 at the first quarter meeting, Council was made aware of this issue and authorized \$1,000,000 of funding to purchase replacement vehicles. Below is a summary of activities in Quarter 2:

- Of the 37 total recalled vehicles, six were already on the FY 2018 replacement list and had been ordered
- Four vehicles were not scheduled to be replaced and were added to the surplus list to right-size our fleet
- Of the 37 total recalled vehicles, 27 were left to be replaced
- 20 vehicles were found, ordered, delivered, and are in use; we were able to purchase 13 on state contract and seven from dealer lots
- Seven vehicles are on order with an expected delivery date of April, and rental vehicles will be in use until that time



- Anticipated total rental expense is \$47,000
- Anticipated total expense is \$600,000

The return of unspent appropriations and the breakdown between the general fund and the utility fund will be addressed in the next two quarterly reports.

STORMWATER UPDATE

We are working hard to develop a comprehensive stormwater management program to meet the needs of our citizens now and into the future. We're doing so by thinking differently about our technical and community approach. Stormwater problems have always existed and will continue to exist in the future. Our overall goal is to reduce the risk of impacts of natural events and improve the ability of the Town to bounce back from these events in the future by becoming a more resilient community. Our staff—some of the best in the nation—will continue to tackle the highly technical issues related to stormwater, but we have begun to think differently about stormwater problems. One way we are doing this is to expand our reach to national experts, business leaders and those who are directly impacted to include them in developing a different approach to stormwater management. Downtown stormwater issues of the present and the past lend themselves to this different approach, so Downtown Cary will serve as a pilot area. To begin the discussions, an inter-departmental team of staff brought together a working group of downtown stakeholders. This group of citizens, developers, stormwater experts and staff is co-creating a strategic approach for managing stormwater in our downtown to meet the unique challenges of redevelopment within this older neighborhood. An important element of this program will be effective engagement of the community and this working group.

In addition, we have participated in two roundtable discussions with the U.S. Department of Homeland Security's Flood Apex Program. The roundtable discussion in Cary was the only one located outside of DC and included our local business community in addition to national thought leaders. The Town will continue to participate in this program and is pursuing various grant opportunities and additional partnerships to develop the Town's comprehensive approach.

BUILDING BRIDGES

It has been said throughout cultural history that a circle is both a perfect geometric shape and an icon of "the indivisible fulfillment of the Universe." A circle exists in Cary, and it's one that began to form years ago.

In August 2014, an officer-involved shooting took place in Ferguson, Missouri. The days that followed were beset with riots, the likes of which had not been seen since the 1992 Rodney King incident in Los Angeles. What happened in Ferguson created incredible unrest throughout the country, specifically concerning the relationship of law enforcement and communities of color. While Cary did not see problems on that level, the incident did create conversation in our black community about the uncertainty of who we are and what we stand for. It was that uncertainty that drove a Cary resident, Tru Pettigrew, through our front door. Thus began a relationship and a partnership that would last years—and it became the beginning of our circle.





Through the ensuing years, Tru and the members of the Cary Police Department have worked with diligence and persistence to ensure there is a relationship between our communities of color and our police officers. We came to understand that consistency builds familiarity and familiarity builds trust. As such, we created opportunities through forums, classes, church visits, and cookouts to build and maintain a close relationship within this important piece of our community. If all of the efforts were listed, the count would easily hit triple digits. But without a doubt, the most impactful of these efforts has been the Barbershop Rap Sessions. Created by Tru, these rap sessions had been happening for many years both in his home and in one local barbershop, Headliners. Tru's vision involved bringing members of the Cary Police Department into discussions at Headliners in order to bridge the gap that existed between these two groups. Tru learned by spending time with Cary police officers that his perceptions of who the police are, and the reality of who they are, were very, very different. He learned about the people behind the badge and he wanted others within Cary's black community to learn what he had already come to know. Although the owner of Headliners was skeptical, he trusted Tru's instincts and agreed that we could be invited in. The circle grew.

Members of the police department and the black community began having regular conversation on the first Saturday morning of every month. They discussed law enforcement incidents from around the country as well as incidents that occurred locally. They talked about perceptions on both sides of the issue and everyone involved learned and grew from these discussions. Most importantly, the group discussed issues that weren't at all related to law enforcement. It was through these discussions that the men and women in the shop came to see that the men and women behind the badge were also just regular people. They shared some of the same struggles, wrestled with some of the same issues, and had some of the same uncertainties. The police officers and members of the community grew through the realization that we are more alike than we are different. And the circle grew.

These relationships grew in trust and familiarity. We heard several times that these community members trusted Cary officers, whom they had come to know as people, but their radar went back up as soon as they left our city limits. To address this perception, we introduced police chiefs and police officers from other towns into the discussions to help our community members become more at ease throughout our entire area. Police chiefs and officers from Apex, Fuquay, Morrisville, Holly Springs, Raleigh, and Knightdale, as well as Wake County Sheriff Donnie Harrison, have all attended the Headliners rap sessions, and many have taken the concept back to barbershops in their towns. And still, our circle grew.

Flash forward to October 2017. Tru and the police chiefs from Cary, Apex, and Raleigh were invited to present their story at the International Association of Chiefs of Police (IACP) conference in Philadelphia. This conference, which had attracted nearly 17,000 police chiefs and police executives from around the world, is the largest, most well attended conference for law enforcement professionals in the world. Together, Tru and our local police chiefs presented a workshop titled, "Barbershop Rap Sessions: Are They the Key to Community Engagement." In addition, the Commission on Accreditation for Law Enforcement Agencies (CALEA) was so impressed with the group's effort that they agreed to fund a video that was produced as part of the presentation. This video featured four of the area's local barbers talking about how transformative the Barbershop Rap Sessions had been in their shops and communities. An interview, which included nearly two hours of incredible comments by the barbers, was edited down to a powerful four-minute video.

The appointed time for the workshop arrived and Tru and the Chiefs prepared to start. Just before the session began, the group was surprised to find that the Chief of Police from Ferguson—yes, that Ferguson—was sitting near the front of the assembled crowd. And the circle began to close.

The workshop was delivered with great success and streamed live on Facebook. This not only allowed attendees to benefit from the presentation, but also allowed others



around the world to benefit as well. According to the feedback received in the class evaluations, it was a powerful, engaging, and motivating presentation. One attendee stated it was “the best workshop of the entire conference.” Most significantly, the Chief of Police from Ferguson, Chief Delrish Moss, approached the speakers following the workshop. He was enthusiastic about what he had heard, and he believed it could make a big difference in Ferguson. He asked Tru for advice on bringing the program to Ferguson. It was concerns following riots in Ferguson that drove Tru through the doors of our police department. It was those concerns that led the group to meet regularly with members of Cary’s black community. Those discussions led to better understanding. And that understanding led to a true relationship. Now, the Ferguson police department wants to bring that model to their community. Our circle is almost closed.

When we actually find ourselves standing in a Ferguson barbershop, our circle—that perfect pattern—will be complete. None of us could have anticipated that this is where our journey would lead. But it reminds us that Cary is different. Cary is special. And Cary can make a difference in the world. While this circle is closing, make no mistake—it won’t stop growing. This great community will continue to work together to ensure that Cary remains at the top and helps to shape the world.

HISPANIC OUTREACH

On January 20, 2017, a new administration took over the White House and with it, a new approach to immigration issues was anticipated, which created a lot of concern amongst many in our local Hispanic community.

We heard rumors that some people within our Hispanic community were looking to turn guardianship of their children over to the church so the kids would be able to stay in the country if adult aliens were deported. This prompted us to reach out to local churches and seek audience with those who wanted to get to know us, hear our thoughts and feelings and express their concerns directly with us. Our Hispanic Forums then took shape.

In 2017, we hosted five such panel format forums with Q&A sessions.

- March 11 at Grace Bible Fellowship
- March 15 at White Plains United Methodist
- May 9 and August 8 at Kirk of Kildaire Presbyterian Church
- July 8 at Saint Michael’s Catholic Church

This topic was of such great importance reaching beyond our borders that we thought it prudent to invite other municipal departments to sit on the panel discussion. Chief John Letteney of Apex PD, Chief Patrice Andrews of Morrisville PD and District Attorney Lorrin Freeman, as well as a local immigration attorney all participated in a few of these discussions.

We assured those in attendance that we pride ourselves on our cultural diversity and were not in the business of deporting anyone. We even mentioned how we declined to assist Immigration and Custom Enforcement (ICE) when they conducted their “round-up” operations.



After touching upon the deportation topic and the difference between federal and local law enforcement, we found that one of the main reoccurring concerns from members of this community was related to driving. Specifically, it can be difficult to acquire a driver’s license, yet many work and have a commute. Another concern was the perception that our checkpoints were designed to



target the Hispanic community. There was even a request for us to follow Chapel Hill PD, Durham PD as well as a few other police departments by no longer conducting checkpoints.

All panel members expressed the importance of the driver's license as it is our standard for ensuring the motoring public has been educated on some of our basic traffic laws and that the driver has been tested and approved to operate a motor vehicle by a certified examiner.

Furthermore, we assured our community that we conduct checkpoints at various locations throughout the entire town and that we do not target any group or community. We explained the purpose and importance of the checkpoint and how it deters drinking and driving, encourages regulatory compliance, and promotes safety to our motoring public and because of this, we will not discontinue this effective law enforcement strategy. However, one key takeaway was that we learned it was difficult for staff to determine where previous checkpoints were conducted. In response to this, we established a more effective system of tracking checkpoints.

Project PHOENIX and our Community Services Unit also work closely with members of our Hispanic community. For several years, we have helped plan, coordinate, and host two large-scale annual community events: the Wrenn Drive and Nottingham Drive Community Events. One of our key stakeholders and partners is Iglesia Cristiano de Cary, a predominantly Hispanic faith-based community that is a key partner in making these events a success. This past year, the Wrenn Drive Community Event was held on June 17 and the Nottingham Drive event was held on October 21.



We actively participate in other events as well. Ritmo Latino and Three Kings Parade are two prominent events celebrated in town. The Town partners with Diamante, Inc. who hosts this family festival and parade. Music, dance, artisans, craft vendors, and foods from around the Hispanic world are showcased during this festival. The Three Kings Parade is held at Town Hall and circles the entire campus.

In addition, the Cary Police Department voluntarily participates in the federal U Visa program. Congress created the U Visa program in 2002 to strengthen the ability of local and state law enforcement agencies to investigate and prosecute serious crimes, while offering protections to victims of such crimes without the immediate risk of being removed from the country. U Visas allow the victims of serious crimes who are helpful to police to temporarily stay in the United States for up to four years. U Visas are approved and granted by U.S. Citizenship and Immigration Services.

We accept applications and review cases to determine if the applicant was a victim of qualifying crime and how they were of assistance to our department during the investigation and prosecution, if applicable. We submit our recommendations to the U.S. Citizenship and Immigration Services for their ultimate consideration.



Finally, earlier in the year, Cary, Apex, Garner, Morrisville, Holly Springs and Fuquay-Varina Police Chief's partnered together to promote police and community partnerships. Together, along with community members, they spoke about what is important in building police-community partnerships. A public service announcement was created to emphasize three key points: community, trust, and transparency.

This PSA can be found at <http://bit.ly/PolicePartnershipPSA>.

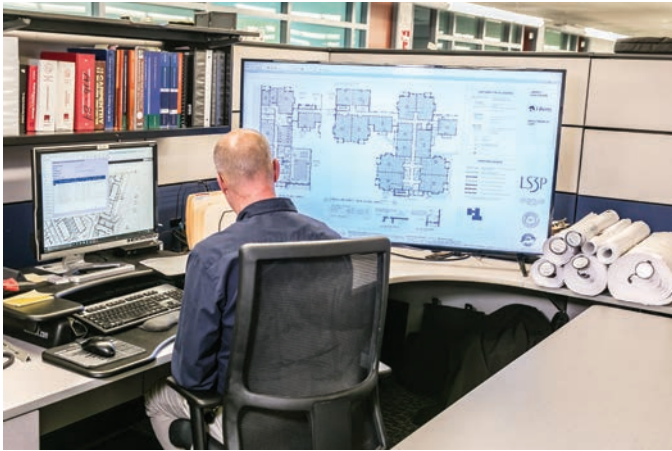
INSPECTIONS & PERMITS: FIRE-INSPECTIONS

In keeping with "OneCary," the Fire Department and Inspection and Permits have teamed up to address re-inspections. Effective December 1, the Fire Department began assisting Inspections and Permits by conducting some re-inspections to ensure minor code violations identified during state mandated routine fire inspections have been corrected. Historically, about 80 percent of all mandated routine fire inspections result in a violation requiring a re-inspection, approximately 1,800 re-inspections yearly. The Fire Department had over 15 staff members possessing the required North Carolina Fire Inspector Certification, and they volunteered to help with these re-inspections. This is a great example of finding capacity in unexpected places as well as increasing job diversity for some of our employees.



ELECTRONIC PLAN REVIEW FOR BUILDING PERMITS UPDATE

Electronic plan review has been utilized in the Town of Cary development review process since 2010 and has worked well for both developers and staff members performing plan review duties. Thus, electronic plan review was approved for expansion in the FY 2018 budget for building permits and the process of work flow set-up, workspace set-up, hardware, and staff training have been underway. Once in place, this program will save our design professionals, contractors and citizens in printing cost for plans and resubmittals, and reduce travel to Town Hall since plans can be submitted remotely, 24/7. In addition, the program will improve staff efficiency by reducing set-up time eliminate carrying heavy plan sets to allow for concurrent reviews for staff, and allow staff to access approved plans electronically from the field. Electronic plan review for building permits is projected to be available and an option for our design professionals, contractors, and citizens in the third quarter of FY 2018.



COMPLYING WITH HOUSE BILL 252

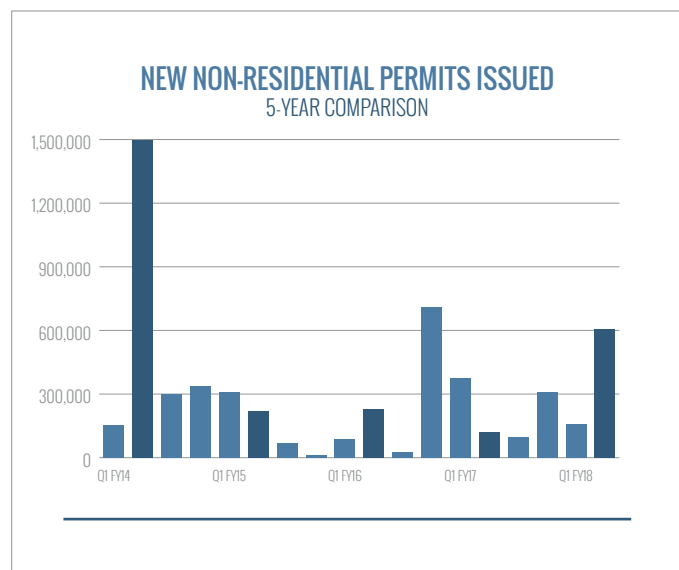
In June 2017, House Bill 252 was ratified and became Session Law 2017-130. This law requires every inspections department to implement a process for an informal internal review of inspection decisions made by the department’s inspectors when requested by a permit holder or citizen. There were several requirements for the internal review process; an implementation deadline is December 1, 2017 and a yearly reporting deadline to the State is January 15. The Town of Cary developed and implemented the review process by December 1, 2017 as required by the law and is in full compliance. Information about the informal review process can now be found on every building permit and the Town of Cary website.

INSPECTIONS AND PERMITS AND DEVELOPMENT SERVICES MERGES TECHNICIAN STAFF

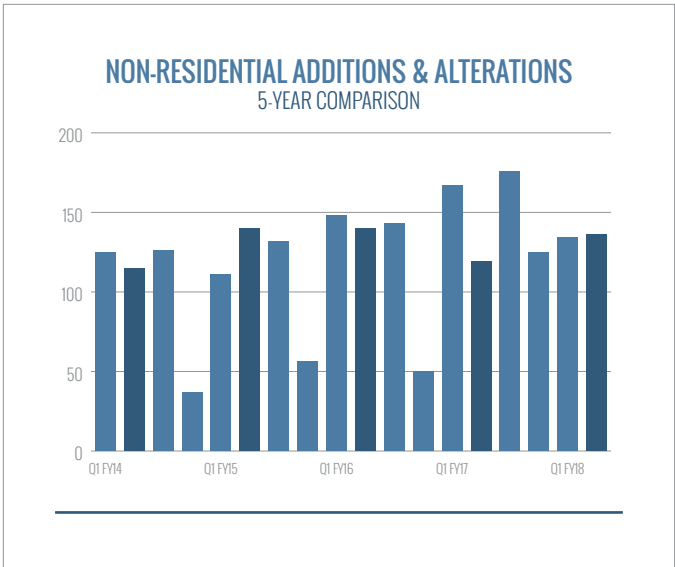
In an effort to align staff functions and become more efficient, Inspections and Permits (I&P) and Development Services (DS) combined staff from two different roles into one work team effective September 2017. Previously, four technicians whose primary duty was to manage the overall building permit process were assigned to I&P and two technicians whose primary duty was to manage the development permit process were assigned to DS. Although specific tasks for these two technician groups were different, the skill set for the individual staff members was quite similar. Thus, the decision was made to combine the

groups into a single Development Technician group. The combined group will officially be part of the Development Services Department but will interact with staff in multiple departments. This move was made in an effort to provide additional opportunities for cross-training and needed capacity in times of staffing shortages and peak workload.

RECAPPING PERMITS ISSUED



There were 16 new Non-Residential Permits totaling 604,414 square feet issued in Quarter 2. The top five new non-residential permits issued were the Metlife 3 Building, Metlife 3 Parking Deck, Publix Grocery Store, Aldi Grocery Store, and the White Oak Baptist Church Office Building. The 604,414 square feet permitted in Q2 represents the second-most square footage since Q2 of FY 2014 when permits totaling almost 1.5 million square feet were issued. The 1.5 million square footage in Q2 of FY 2014 included the Metlife 1 & 2 Buildings and the Metlife 1 & 2 Parking Decks.



Non-residential addition/alteration permits in Q2 (136) were up slightly from the Q2 five year average of 130.



I&P total inspections in Q2 (18,817) were up slightly from the Q2 five -year average (18,808). Historically, Q2 inspection numbers drop relative to Q1 due to the number of holidays in the quarter.



KILMAYNE TANK

Rising above the trees along Kilmayne Drive, you’ll see the construction of the Town’s seventh elevated water storage tank. It is the Town’s first composite-style tank. Unlike the other tanks throughout Town that are made entirely of steel, the column of this tank is reinforced concrete and only the water storage bowl at the top will be steel. It has a two-million-gallon capacity and will stand about 170-foot tall.

The reinforced concrete foundation and stabilizing shaft have been completed. Along with the tank, a new 16” ductile iron water line is being installed beneath Kilmayne Drive, which will allow the tank to work most effectively in the central pressure zone of our water distribution system. During the third quarter of FY 2018, the steel bowl will be fabricated on site and the 16” water line will be connected along Kildaire Farm Road and SE Maynard Road.



After completion of this project in spring 2019, the 50-year old Maynard Road water tank, located near Cary High School, will be reconditioned to extend its useful life for decades to come.



BODY CAMERAS UPDATE

The Police Department currently has 110 in-car video camera systems deployed throughout its fleet and used on a daily basis by officers in the field. In addition to the car systems, we also have approximately ten body-worn cameras being used on an as needed basis.

Over time, the demand for body cameras in law enforcement has grown and based on this demand, we have begun to look at the best practices in implementing a new state-of-the-art system for use by the Town. This project is a collaborative effort among Town departments to provide the best equipment to our staff.

Starting in July 2017, the Police Department created a work team to look at the purchase and use of additional body cameras department-wide. The work team consists of several officers at different ranks, as well as members from IT and Finance.

The team began by polling officers to determine what they would like to see in a body camera system. In addition, we engaged our internal video/CAD manager and IT staff to determine what specs we needed in a system going

forward. The fact-finding mission gave us a great starting point to lay out what we would like to see in a new camera system. Based on the timing of our efforts, we were able to attend several public meetings the Raleigh Police Department had concerning the implementation of their new system that was just approved. We also met with the Raleigh staff members that were involved in selecting their vendor to determine “lessons learned” during their process.

Based on all the information gathered from those involved, we recommend a system that allows the body camera and our in-car camera system to work together. The body camera will function independently when needed, but also provides the audio for the in-car system so officers are not required to wear an additional body microphone when operating a vehicle.

Vendor demonstrations occurred in November 2017. Below is our timeline for moving forward with this project.

- Winter 2018, begin field testing and evaluating equipment
- Spring 2018, release request for proposals and select vendor
- Winter 2019, full implementation



MAYOR'S OPIOID RESPONSE TEAM

On October 20, the Town submitted an application for a 2017 Mayors Challenge Grant. This program, administered by the Michael Bloomberg Philanthropies, will select 35 “champion” cities in January 2018 to winter 2018 and award each up to \$100,000 to implement a pilot of the program defined in their submittal. In October 2018, Bloomberg Philanthropies will award four \$1,000,000 and one \$5,000,000 grant to selected champion cities to fully implement their program. The Town’s submittal brought together partners from the Wake County Public Health Department, NC Department of Health & Human Services, The Poe Center, and Biobot Analytics to develop a proposal that uses wastewater analysis to estimate the average opioid—both prescription and illicit—use in specific catchment areas and place information in an open data platform. This will create opportunities to integrate datasets, develop predictive analytics, promote collaboration across regions, increase civic engagement, and reduce the social stigma of addiction. Just as the game of baseball was revolutionized by data-based concepts as documented in Michael Lewis’ book “Moneyball,” we aim through this partnership to transform public health practice through state of the art analytics in an open data platform. It’s a platform where state and local public health officials and educators will be able to review near real-time systemic trends to better understand their community, allocate resources, and evaluate if programs are working. The timing of this effort is particularly important. The News and Observer reported on December 29, 2017, there was a “... 21 percent rise in the number of deaths caused by drug overdoses in 2016.” Additionally, “... the opioid epidemic killed 42,000 people, more than died from AIDS in any year at the height of the crisis.” We anticipate initiating some of the pilot testing and developing the open data platform next quarter.





MOVING FROM VISION TO REALITY



The Town is continuing its organization-wide focus to establish a collaborative governance structure. We are doing this by creating meaningful interdepartmental and cross-functional teams, finding experimental approaches to challenges identified in Imagine Cary, and capitalizing on our existing platforms and the strengths of individuals through incremental changes in behavior. These activities are encouraged throughout the organization, with second quarter efforts centered around documenting and monitoring progress on the Catalog, Stormwater and Eastern Cary Gateway Teams.

PIT CREW

Our largest interdepartmental team, the Plan Implementation Team (PIT Crew), includes volunteer members from all departments. The PIT Crew's concentration has been on the ACT Chapter of the Imagine Cary Community Plan, which does the following: evaluates initiatives and actions of small group processes, validates and expands recommended implementation actions, and ranks individual actions based on the group's consensus. The PIT Crew continues to gather information about connections between various initiatives, logical progression of future activity and resource requirements.

BRANDING

The Town is undertaking its first major community branding initiative in an effort to give our current citizens—as well as future generations—the best jobs and opportunities in an increasingly competitive regional, national and global marketplace. Branding for the Town, which was initiated in the second quarter, is a recommended action in the Imagine Cary Community Plan. The goal is to uncover the community's identity and formulate a compelling and ownable brand strategy that positions Cary for increased success. Cary's Branding Initiative Steering Committee, which is part of Town Council's Economic Development Committee, selected two finalists, Bigfish Creative Group from Arizona and North Star from Ohio, from eighteen proposals for in-person presentations, tours, and meet-

and-greets in early 2018. Each firm will receive \$10,000 to complete a deliverable related to the project for evaluation by the Town.

The Town Council is expected to select the preferred firm in Spring 2018.

“NEXT STEPS” FROM STAFF REPORTS

As part of our continued effort to make our staff reports more user-friendly and purposeful, staff added a “Next Steps” section in September. The goal of this section is to provide Council and citizens with a better understanding of what happens after Council takes action. It also serves as an internal accountability tool. The following staff reports had action identified for this quarter:

- Reduce Congestion through Intersection Improvements Projects (September 14) — Improvements along High Meadow Drive have progressed to include hydrant relocation and a partial sidewalk completion. Crews are still working on the undercut of the asphalt base as well as curb and gutter improvements.
- Cary Parkway and High House Road Intersection Improvements Construction Bid Award (September 14) — After Council rejected the bids for this project, staff re-evaluated the bid proposals, re-advertised the project for bid, and a staff report is planned for Council action at the January 11 meeting.
- Updated Policy Statement 172 (November 16) — This policy, regarding proposed transit fare and service changes, has been updated and is reflected on our website.
- Amendment to Traffic Schedule 9 (November 16) — After approval by Council to amend the traffic schedule along Wolfs Bane Drive, No Parking signs were installed on December 13. Police also began enforcement along the corridor. In this quarter, police have written three parking tickets. Staff is currently monitoring the new enforcement.

THE ARC EXPLAINED

Cary is in the midst of an exciting challenge: creating a type of local government that doesn't yet exist. We are doing this by creating next-generation service models that require an adaptive mindset and a new way of thinking to ensure we stay ahead of the curve on trends affecting our community and our society.

This is a bold mission and an opportunity for a community that, by all objective measures, is at the top of its game.

In Cary, we are defined by exceptional citizen service. The Cary Way, as it has come to be known, is defined as, "Working together to change lives by exceptional service." We are consistently ranked one of the safest places to live for a community of our size, maintain AAA bond ratings, and are a Google Fiber City. Our Town has been recognized as a Gold Medal community for the parks, recreation, and cultural resources that we offer our citizens, as well as recognized as an ISO Class 1 Fire Department. These are just a few of our top superlatives. Without a doubt, we are a community with incredible resources and immense talent.

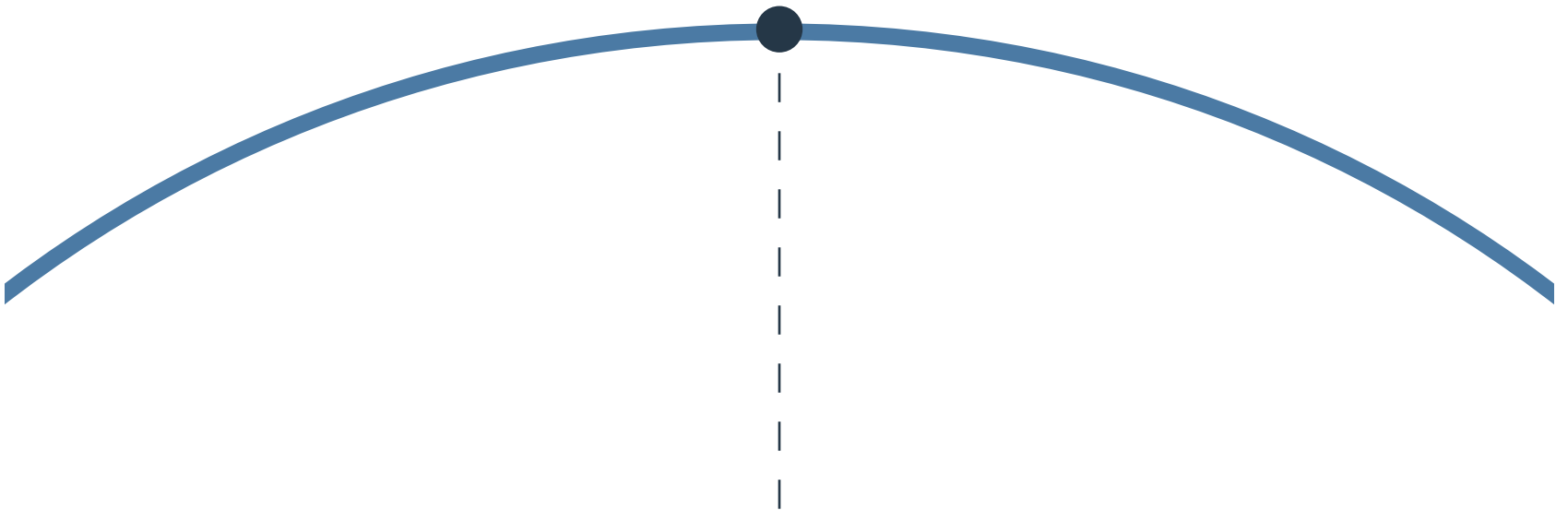
Given our successes, why are we creating the local government that doesn't exist? The techniques that allowed Cary to thrive over the past 30 years will not keep Cary succeeding over the next 30 years. Imagine an arc. Right now, Cary is at the top of that arc. We can decide together whether we continue to stay at the top or follow in the path of other once-great communities and fall down.

As a community, we are facing distinct problems: an aging population, aging infrastructure, and limited land for development. These challenges can only be addressed with agile, adaptable, and technology-savvy approaches that support risk-taking and creativity in the pursuit of innovation. Commitment to excellence is a defining characteristic of Cary and we are fortunate that the Town's culture of excellence is set by the Council and, ultimately, our citizens.

Remaining true to our values while finding ways to change and grow will allow Cary to stay ahead of the curve, on top of the arc and will create the local government that doesn't yet exist.

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KEEPING CARY GREAT



TOWN *of* **CARY**

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