

FY 2026 Operating Budget

Special Work Session
March 31, 2025



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Agenda

- **Economic Outlook**
- **Revenue Projections**
- **FY 2026 Operating Budget Planning and Considerations**
 - Debt and Capital Transfers
 - County Operating
 - Education
 - Multi-Year Forecast
- **Next Steps**

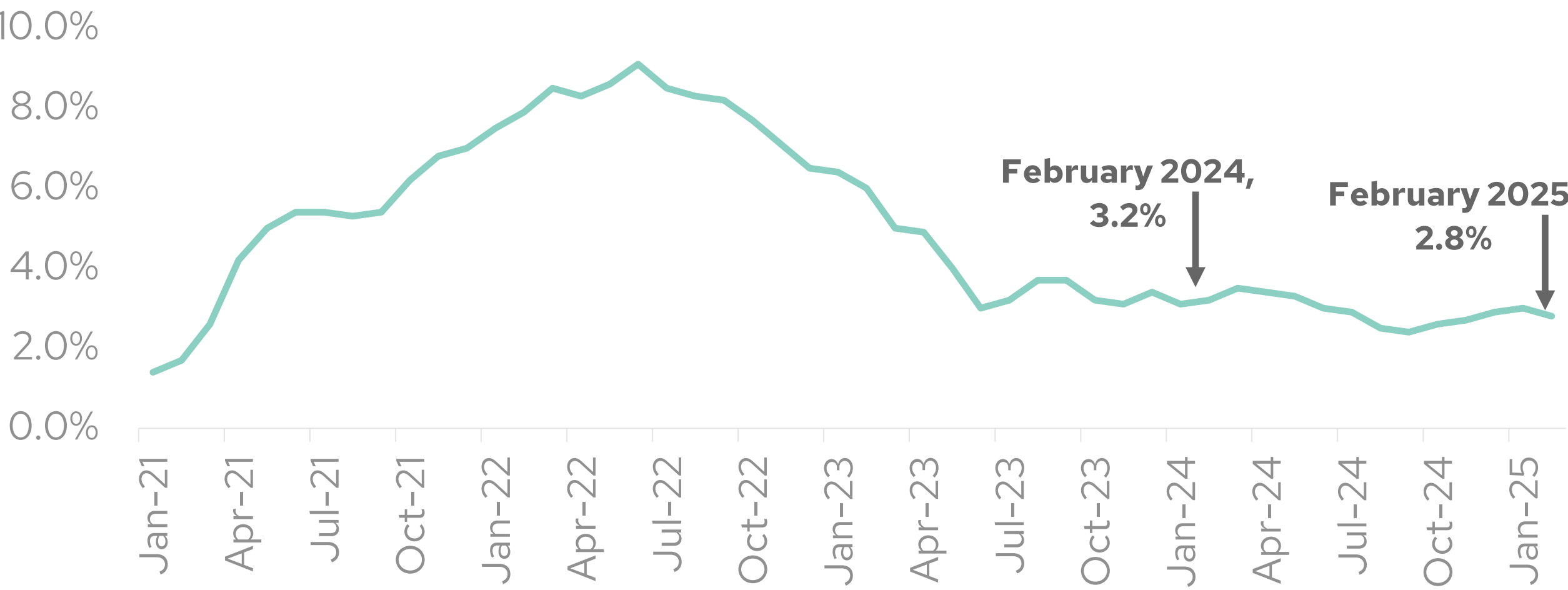


Economic Outlook

Key economic observations

- United States implementing tariffs on Canada, Mexico, China
- Strong economy in 2024, recession concerns for 2025
- Stock market volatility, S&P 500, Dow Jones experiencing downtrends
- Inflation rate 2.8% in February 2025, down from 3.2% last year
- Wake unemployment rate below pre-pandemic levels
- Wake median income trends above state and national rates

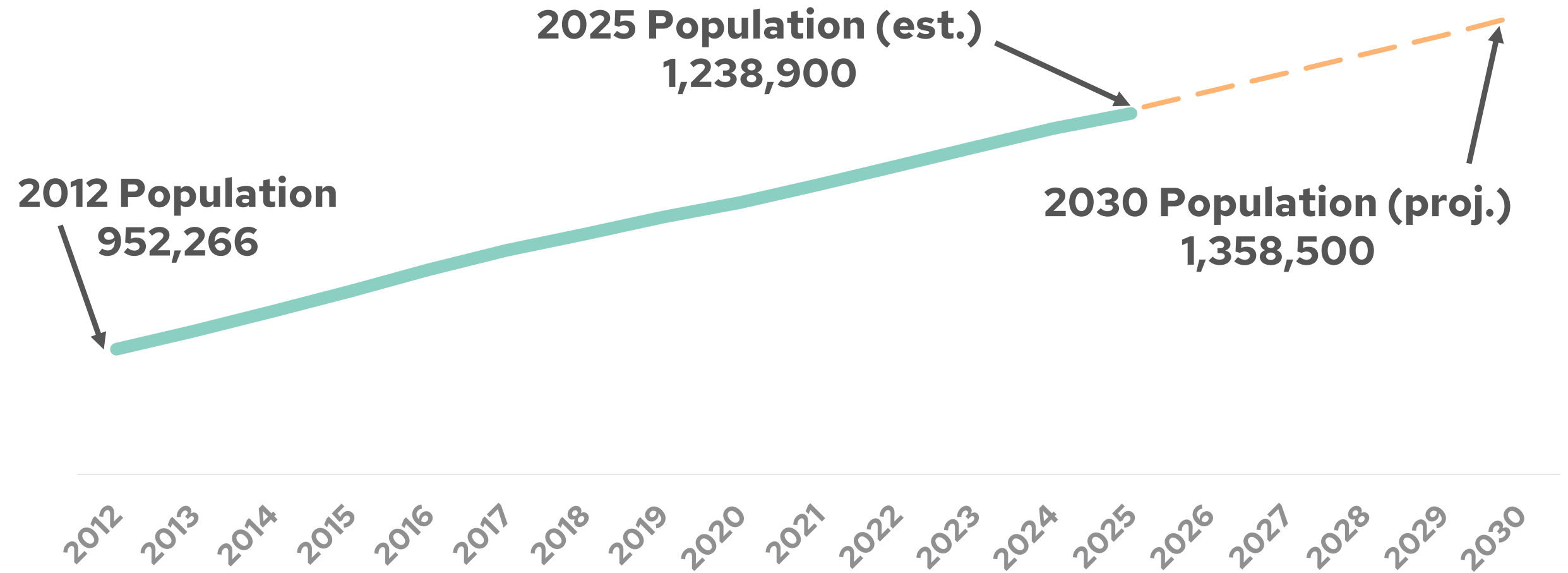
Inflation continues to decline: 2.8% in February 2025, down from 3.2% in February 2024



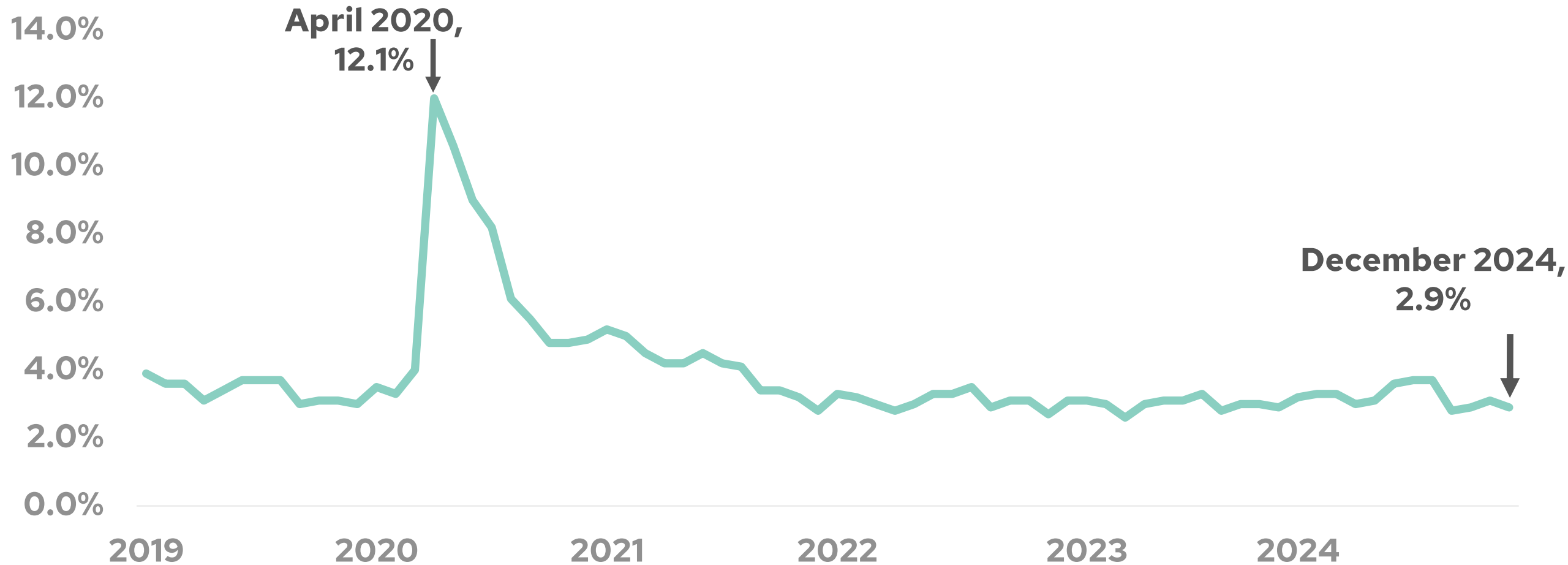
United States Tariffs Summary

- **The United States has made several changes to tariff policy since January 2025**
 - Increases, decreases, suspension, or other changes in tariff policy have been abrupt and unpredictable
- **Tariff unpredictability has led to market instability**
- **Changes have led to greater concerns about a recession in 2025**
- **Subject to change as more information comes out, additional tariffs to come April 2nd**

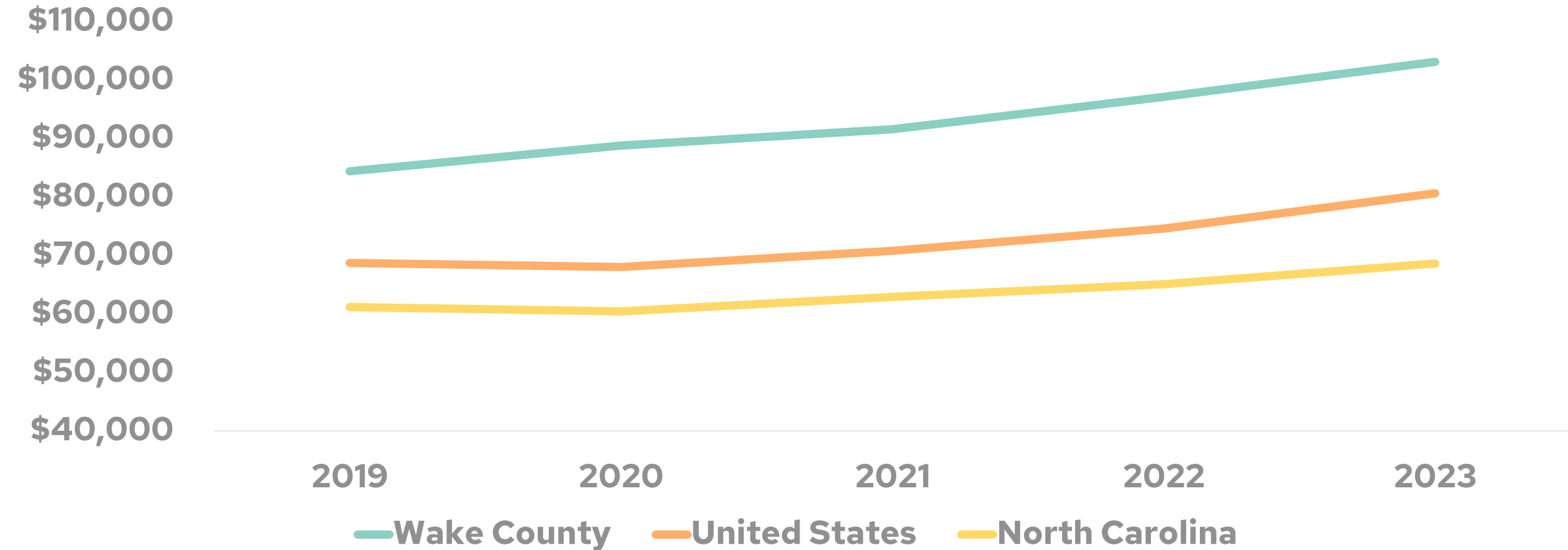
Wake grew 30% from 2012 to 2025, projected 10% by 2030; will add 119,600 residents



Wake unemployment rate below pre-pandemic levels



Wake median household incomes rise higher and faster than nation and state



Monitoring economic indicators

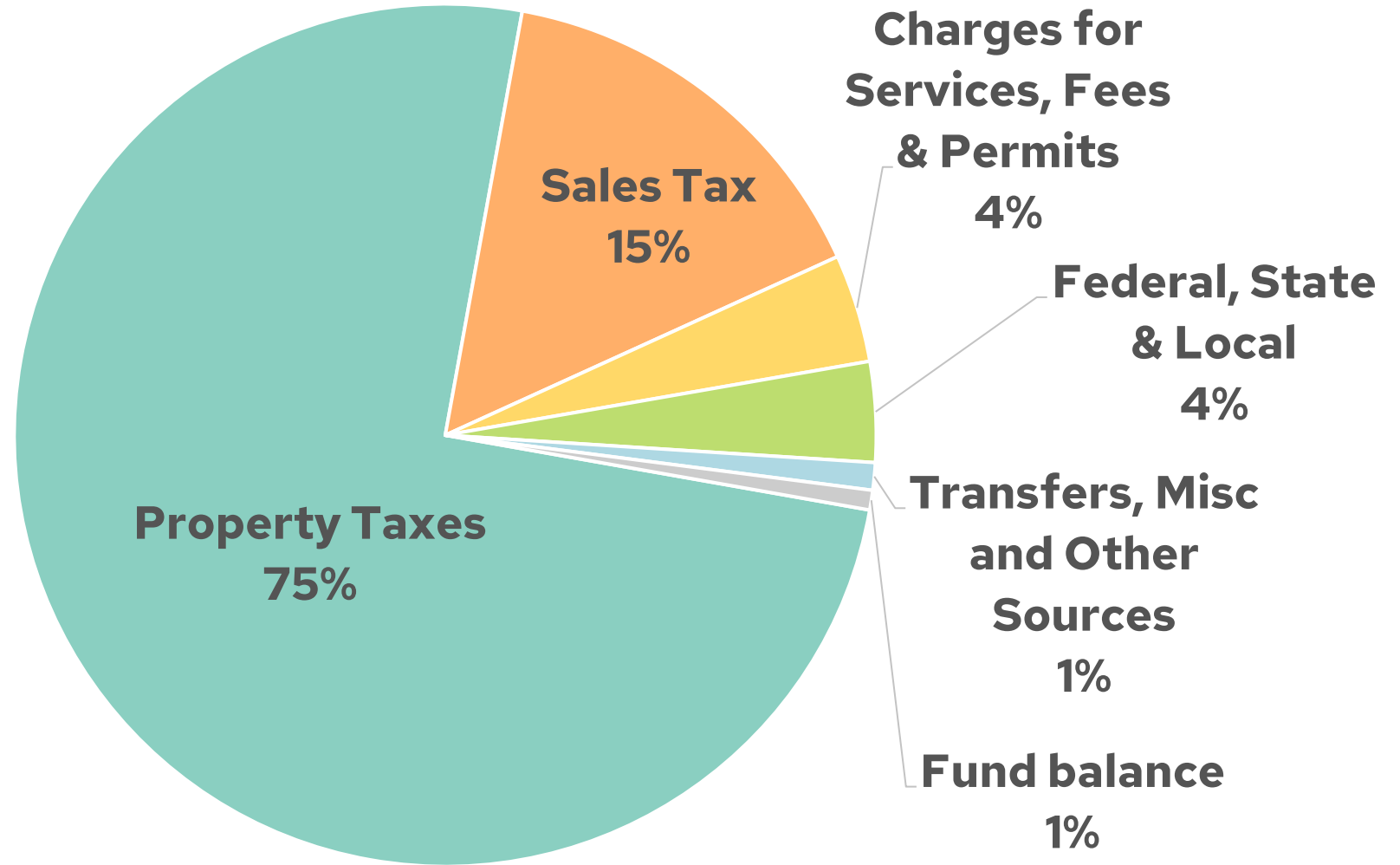
- National economic policy (tariffs, other federal spending)
- Inflation indices, including national and regional CPI
- Consumer sentiment, confidence, and spending as predictive indicators of sales tax revenues
- Consumer and commercial debt and spending trends
- Employment, including non-farm wages, labor force and workforce participation



Revenue Projections

FY25 adopted budget revenue sources

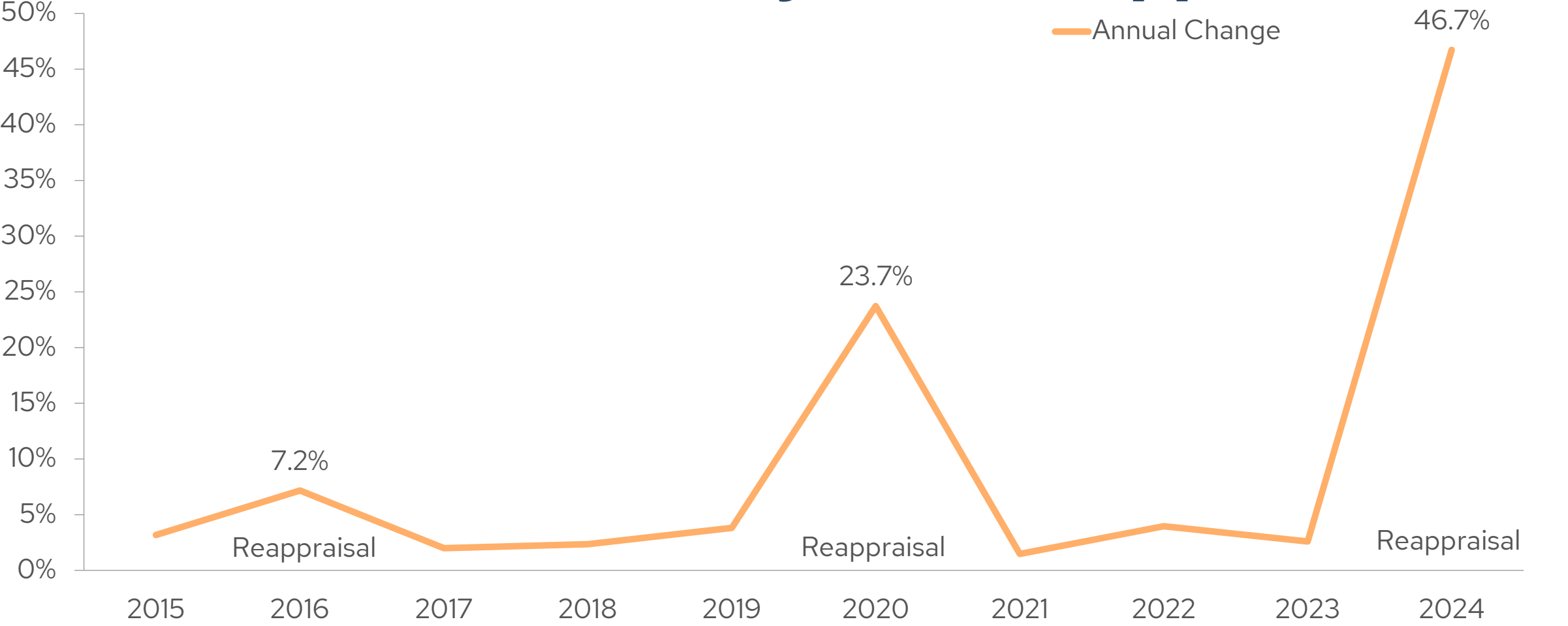
**\$2.08 billion
FY25 General
Fund budget**



FY26 base revenues projected to increase by 2%

Revenue Item (in millions)	FY25 Adopted	FY26 Base Projection	\$ Change	% Change
Property Taxes	1,563.7	1,614.1	50.4	3%
Sales Taxes	319.5	323.2	3.7	1%
Intergovernmental	78.3	78.1	-0.2	0%
Charges, Permits and Fees	84.4	91.1	6.7	8%
Fund Balance	15.3	0.0	-15.3	-100%
All Other Revenues	21.4	21.6	0.2	1%
Total	\$2,082.6	\$2,128.1	\$45.5	2%

Assessed taxable property values increased over 45% with January 2024 reappraisal



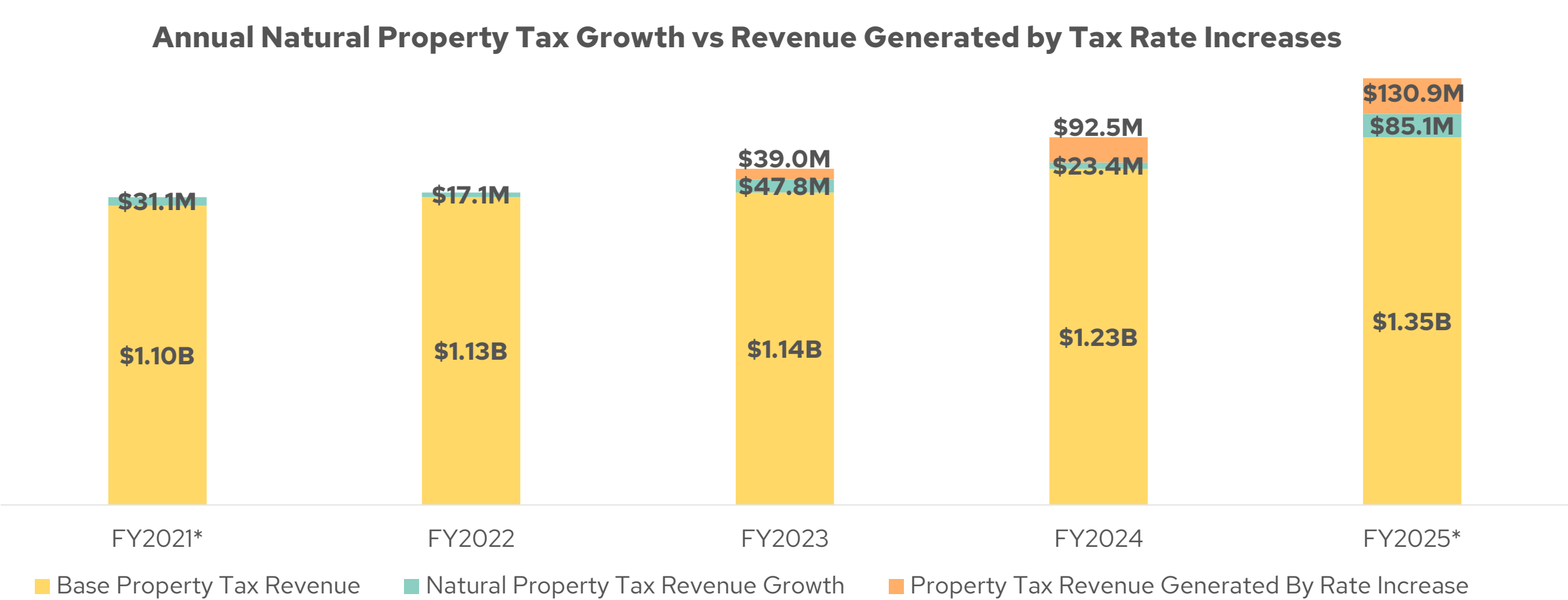
Projected property tax revenue 3% over FY25 Adopted Budget

Revenue Item (in millions)	FY25 Adopted	FY26 Base Projection	\$ Change	% Change
Real, Personal, Public Property Taxes	1,468.8	1,512.2	43.4	3%
Vehicle Taxes	90.5	97.4	6.9	8%
Other	4.4	4.5	0.1	2%
Total	\$1,563.7	\$1,614.1	\$50.4	3%

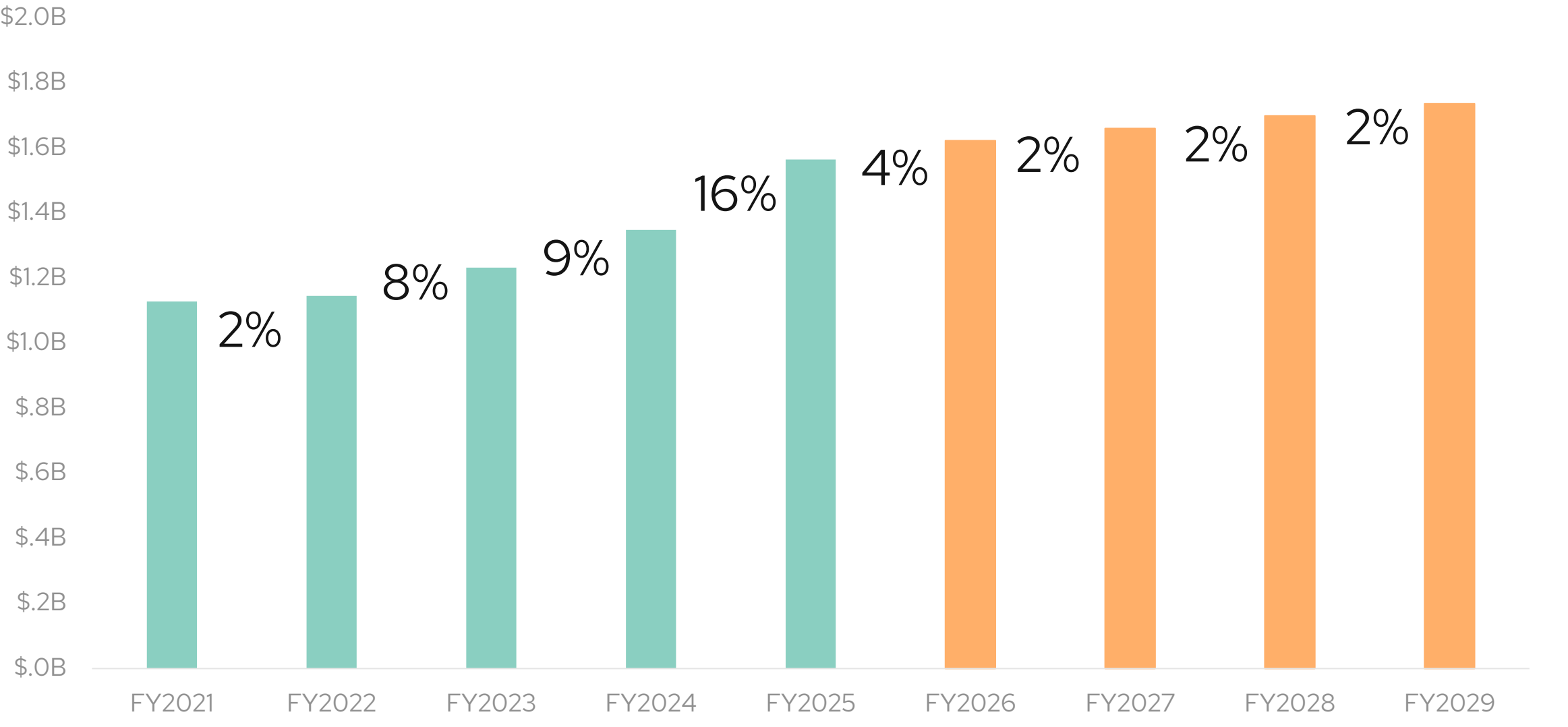
Tax collection rate projection maintained at 99.75% for FY26

Revenue from tax increases outpaced natural growth from FY21-FY25

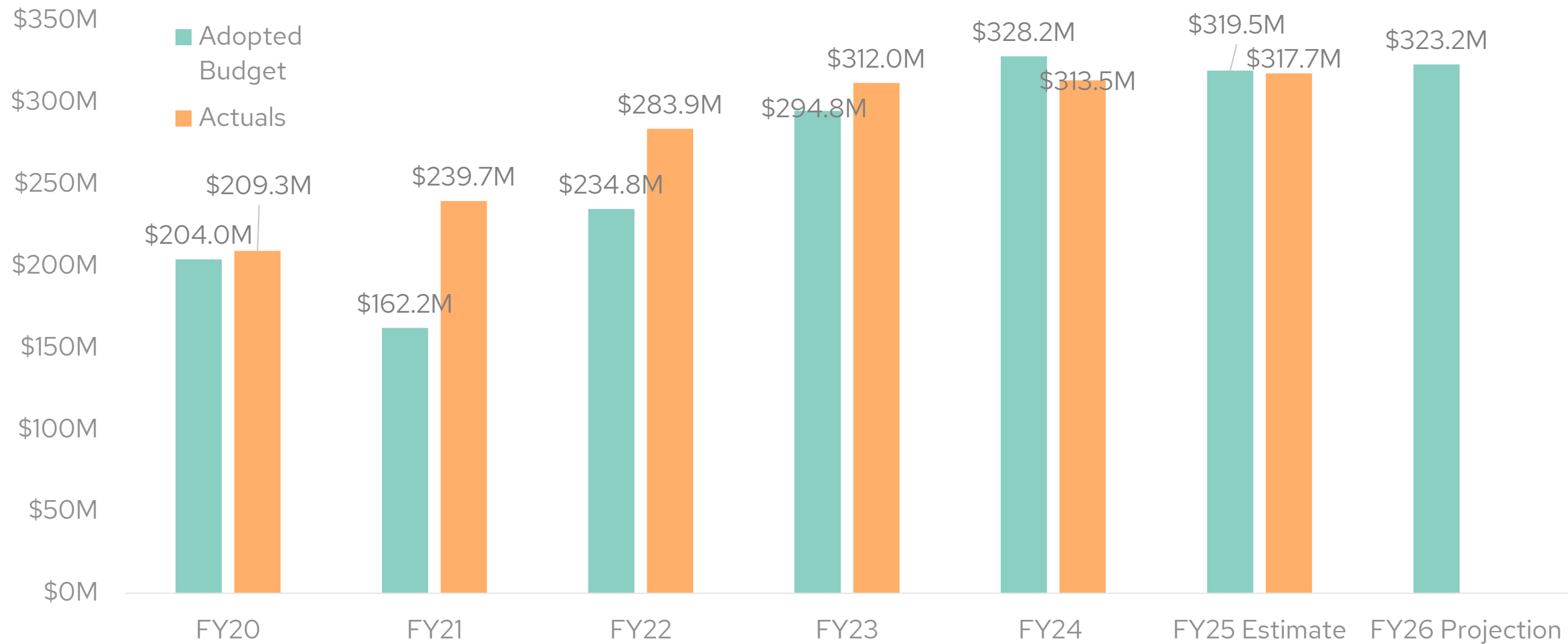
Annual Natural Property Tax Growth vs Revenue Generated by Tax Rate Increases



Historic and Projected Property Tax Revenue by Fiscal Year



Sales tax projection history



Charges and fees based on cost recovery or statutory limits

Revenue Item (in millions)	FY25 Adopted	FY26 Base Projection	\$ Change	% Change
EMS Billing	37.7	42.3	4.6	12%
Medicaid/Medicare/Client Fees	12.2	12.4	0.2	2%
Planning & Permitting	7.7	8.9	1.2	16%
Recording/ROD	4.5	4.8	0.3	7%
Sheriff Fees	4.1	4.3	0.2	5%
Public Safety Communications Reimbursements	2.0	2.0	0.0	0%
HS Reimbursements	1.0	1.1	0.1	8%
Other Fees and Charges	15.2	15.3	0.1	1%
Total	\$84.4	\$91.1	\$6.7	8%

All other revenues projected at \$21.6M

Revenue Item (in millions)	FY25 Adopted	FY26 Base Projection	\$ Change	% Change
Real Property Transfer Tax	13.7	14.0	0.3	2%
Misc. and Other Taxes	3.8	3.7	(0.0)	(1%)
Transfers	3.9	3.9	(0.1)	(2%)
Total	\$21.4	\$21.6	\$0.2	1%

- Increase in real property transfer tax collected by the Register of Deeds is based on 5-year averages
- Projection uncertainty: depends on interest rates, broader economic factors

FY26 revenues projected to stabilize into moderate, normal growth

- **Property tax revenue growth from FY25 Adopted Budget \$50.4M at current property tax rate**
- **Sales tax collections show slight, but continued growth currently**
 - Collections subject to change based on consumer activity
 - Article 44 revenue and Medicaid expenses seeing similar growth – Medicaid Hold Harmless payment staying flat compared to FY25

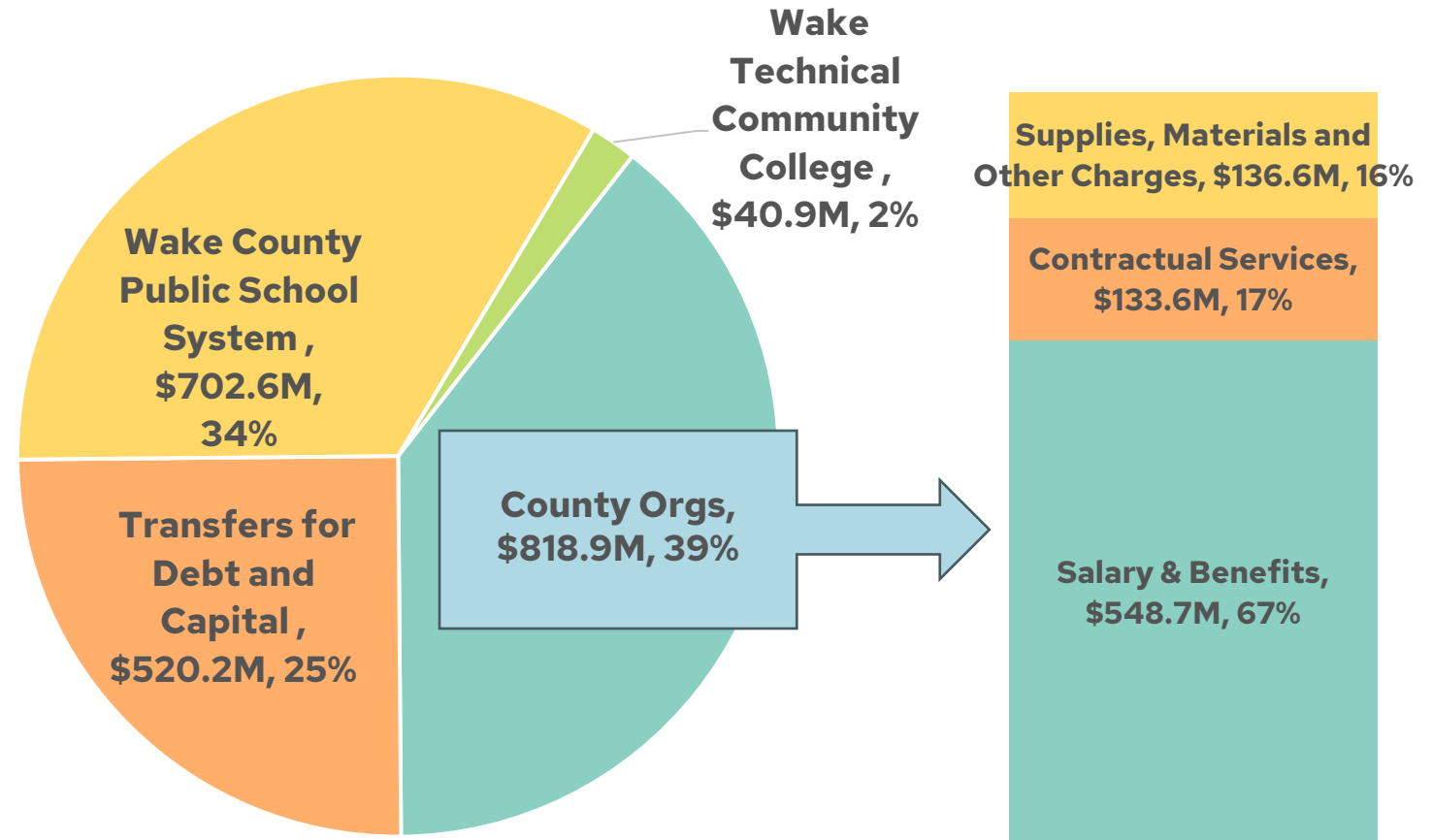


FY 2026 Budget Development Planning and Considerations

Human capital is the largest investment within county operations

Personnel largest expenditure category after the WCPSS operating allocation

- 67% of the FY25 County operating budget
- 5,064.895 FTE
 - 4,938.895 General Fund
 - 126 Other Funds

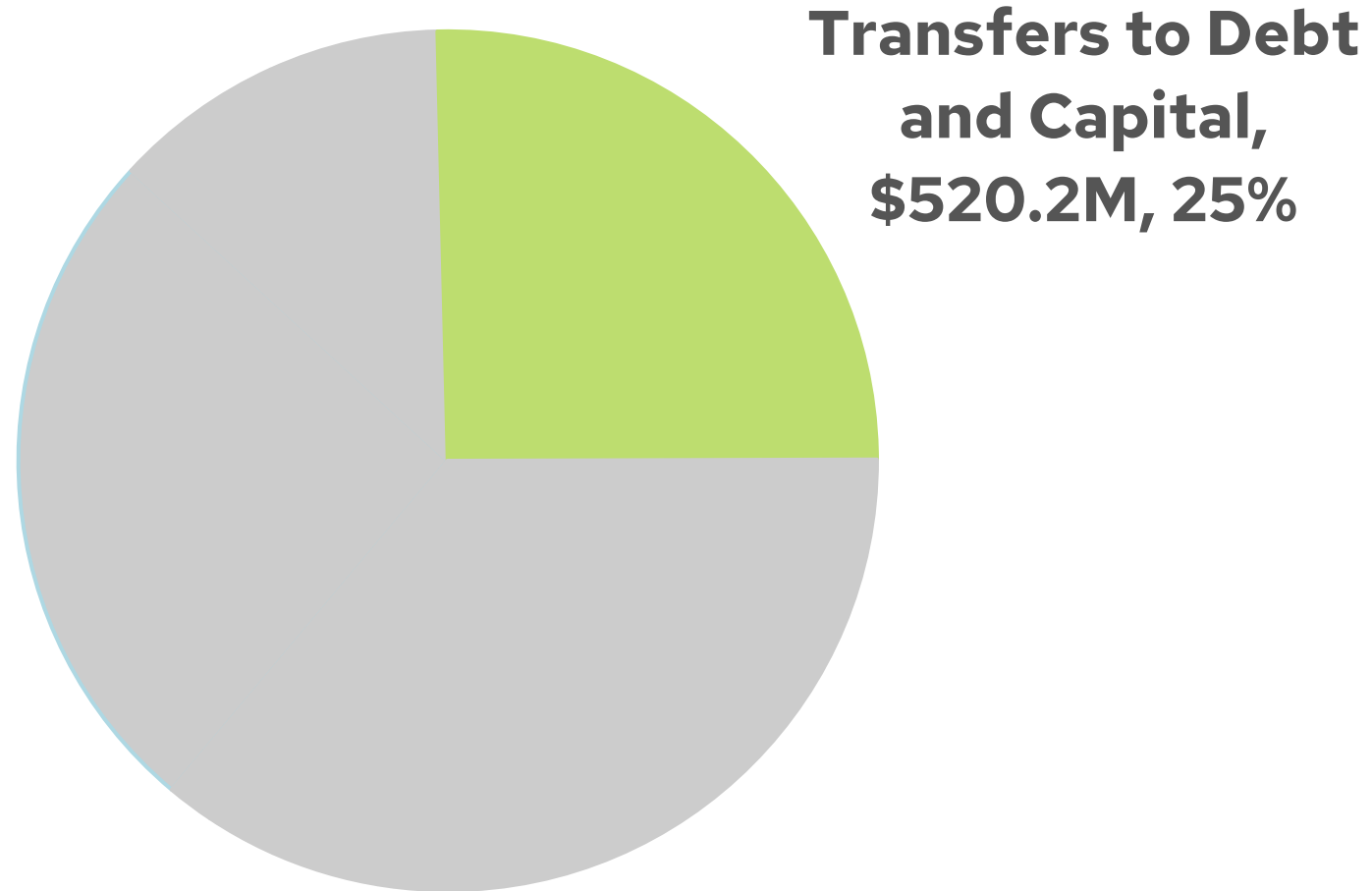




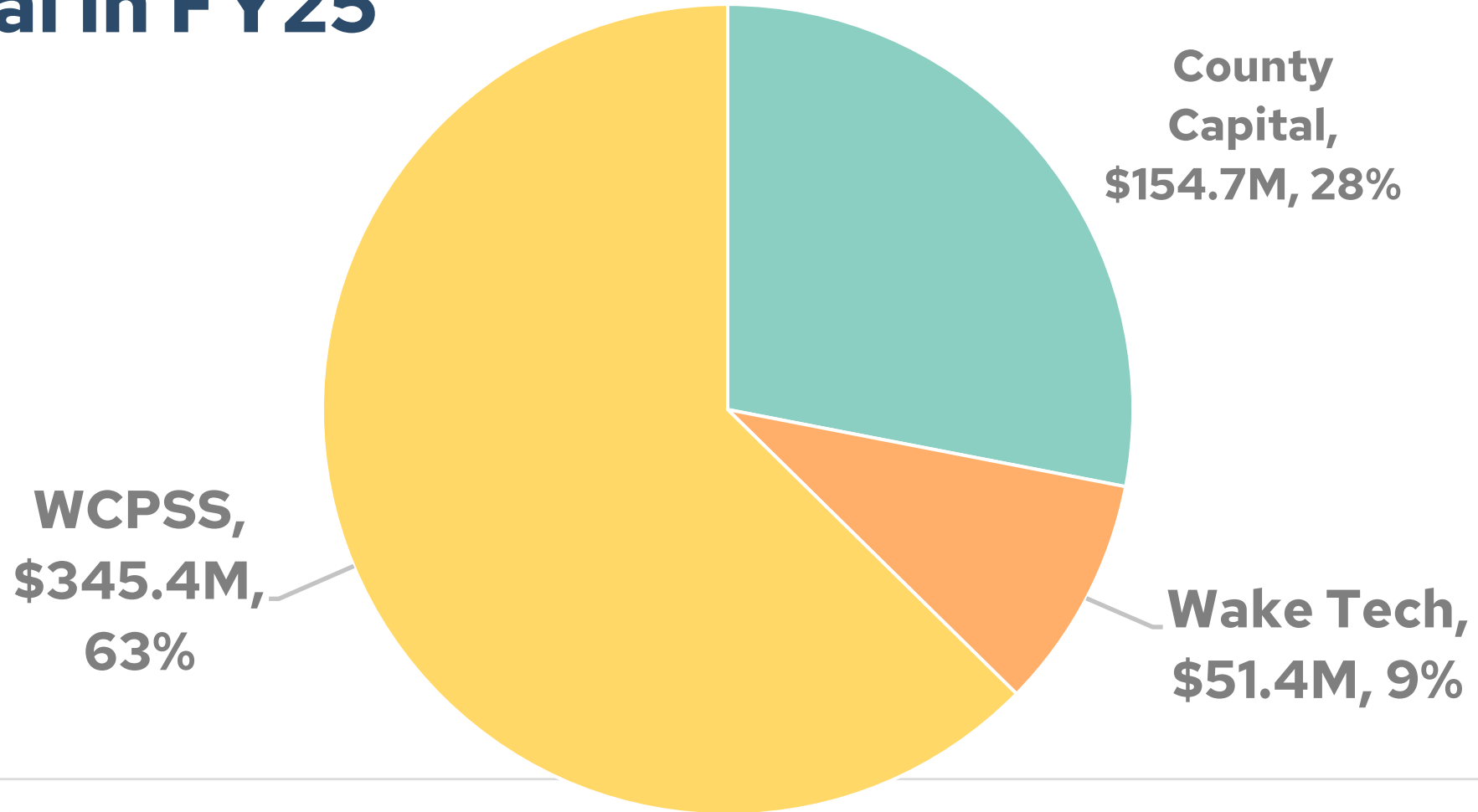
Debt and Capital Transfers

Transfers to Debt and Capital are 25% of the FY25 budget

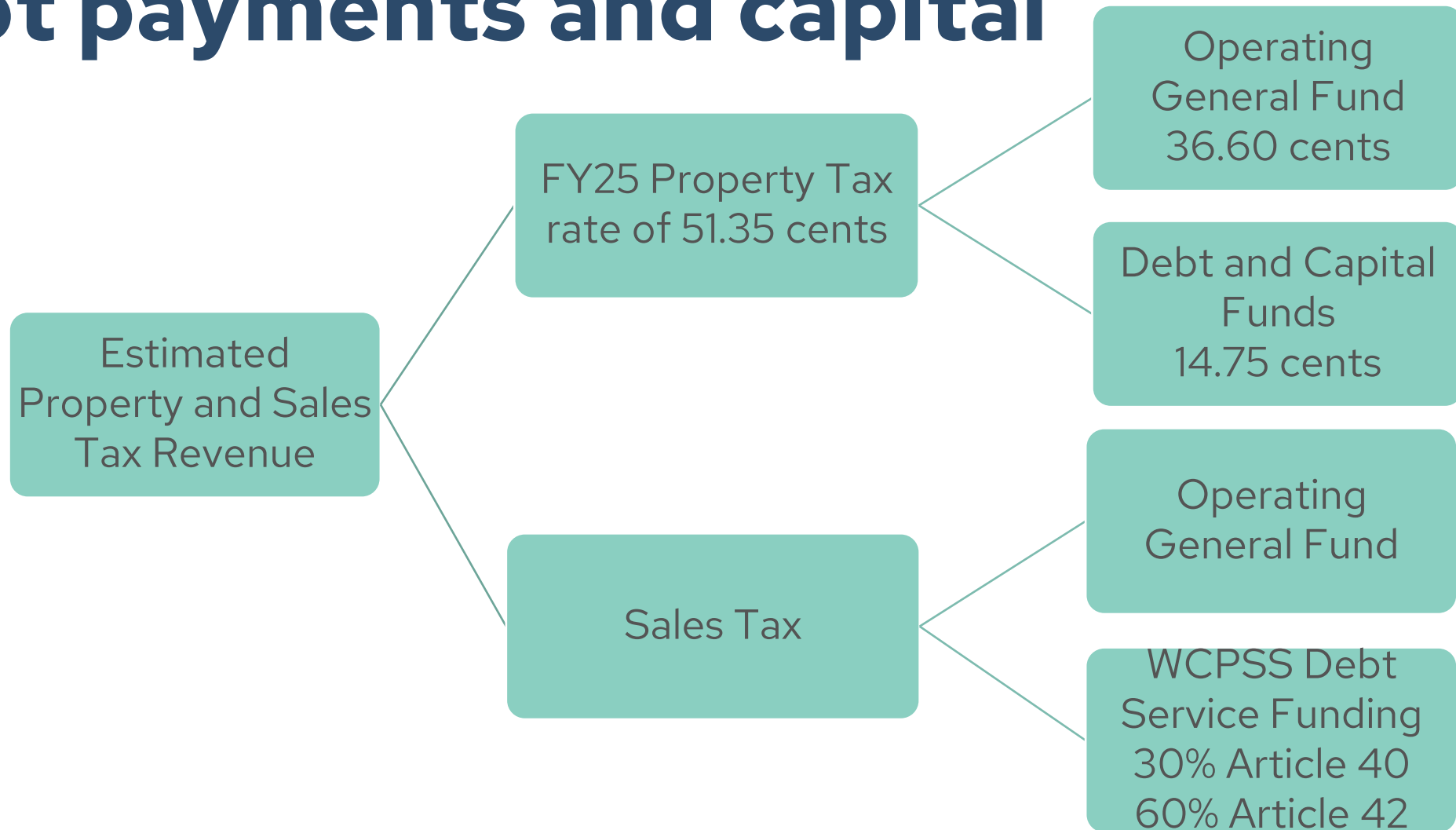
Wake County dedicates a portion of the property tax and transfers applicable sales tax to support the debt and capital programs for WCPSS, Wake Tech, and County



\$551.5M million of General Fund supports debt and capital for WCPSS, Wake Tech, and County Capital in FY25



Continued commitment to funding debt payments and capital



Property tax and sales tax revenue projected to increase moderately

- As property tax and sales tax revenues increase, funding commitments to the debt and capital program correspondingly increase

Debt/Capital Transfers (in millions)	FY25 Adopted	FY26 Projected	\$ Change	% Change
Transfers of Property Tax	447.06	461.19	14.13	3%
Transfers of Sales Tax	73.10	74.09	0.99	1%
Total	\$520.16	\$535.28	\$15.12	3%

Library GO Bonds – 0.25¢ tax increase

- ✓ **November 2024 (FY25) – Bond referendum – Approved**
- ✓ **March 2025 (FY25) – BOC work session decisions**
 - ✓ Decided on TBD Project: Southgate Community Library Replacement
 - ✓ Confirmed order of projects
- **July 2025 (FY26) – Levy 0.25¢ tax increase to support bond approval**
- **July 2025 (FY26) – Appropriate portion of funds with FY26 Adopted Budget**
 - Can immediately begin spending on projects
- **Spring 2026 (FY26) – Initial bond sale**
 - Amount and timing to be determined
- **Future – more bond sales & appropriation to support cash flow needs**

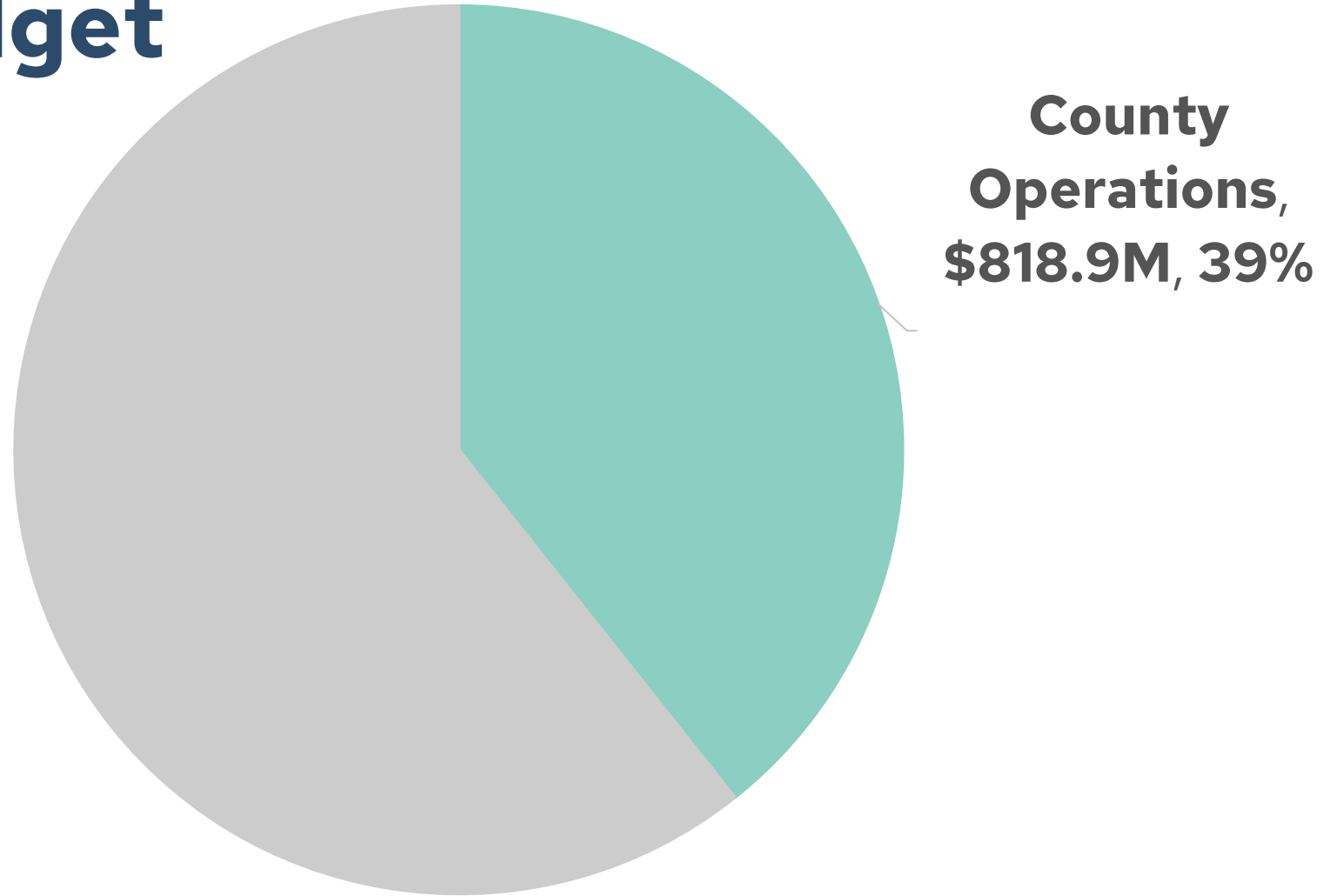
Upcoming April 7 Capital & Debt Work Session

- **Debt funding is a limited resource**
 - April 7 Special Budget Work Session will cover debt metrics and Wake's AAA bond rating
- **Maintenance is an ever-growing portion of the CIP**
- **With service growth new facilities are coming forward; prioritization is necessary and will need to consider:**
 - Maintenance of existing facilities vs new facilities
 - Mandated facilities vs community amenities

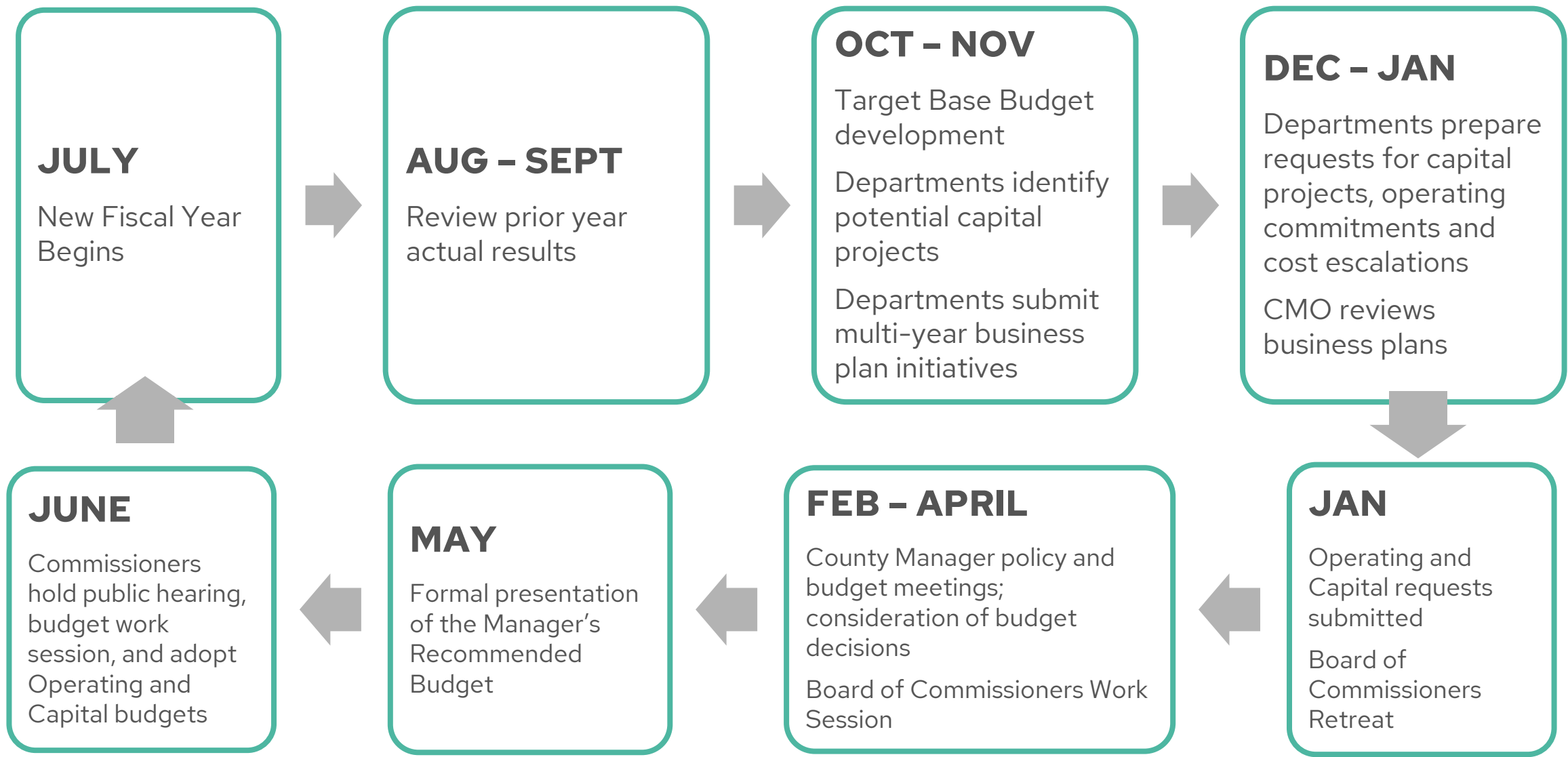


County Operating

General Fund County operations are 39% of FY25 Budget



Budget and planning process



FY26 Budget Priorities

- Recruit and retain a highly skilled workforce; Reallocate current resources to more emergent needs; Optimize current business processes; Plan for the three-year window.
- The FY26 budget process supports fiscal sustainability.
- County is moving toward multi-year financial and program planning for revenues, expenditures, operating budget, service operations, grants, and capital projects.

Reoriented business planning and budget sequencing

- Update of departmental business plans in the Fall, including Deputy Manager input
- Manager's collective review in facilitated meetings Nov - Dec
- Identified policy topics for further understanding and initiatives potentially needing a resource (re)allocation Feb - Mar
- Robust education and conversation

FY26 Budget Guidelines

- Overarching message – no new expansions that are not directed through business planning by Manager's Office
- County department submissions include
 - Cost escalations,
 - Prior year commitments,
 - CIP related operating impacts,
 - CMO directed expansion submissions
 - Handful of more traditional requests as we refine process shift

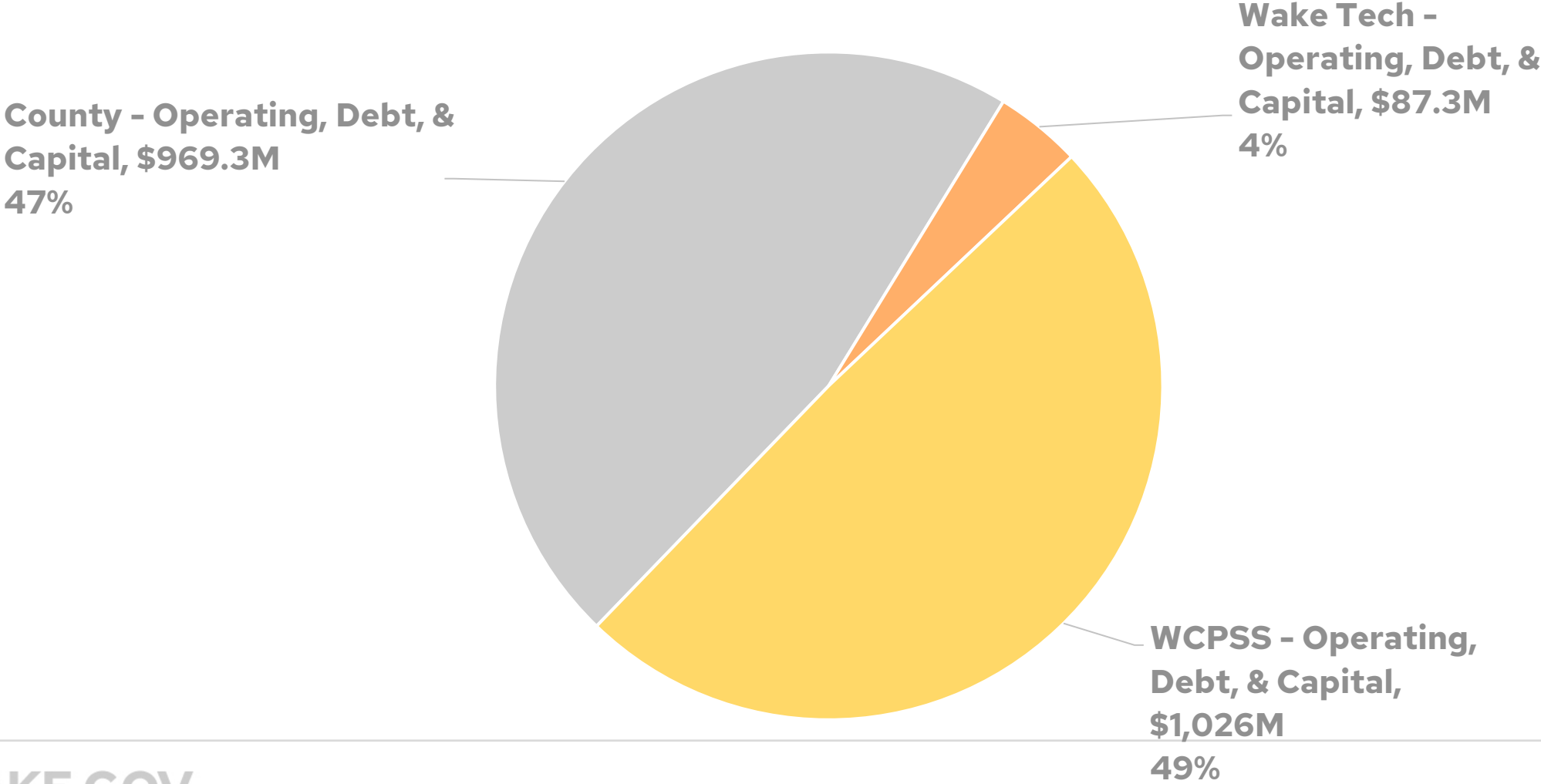
FY26 Expenditure Considerations

- Competitive employee compensation
- Evaluate pilot projects started with ARPA funding
 - ARPA funds must be encumbered by December 2024 and fully expended by December 2026
- Open planned new, replacement and expanded facilities
- Other knowns: Housing Continuum of Care, behavioral health programming, software upgrade costs, for example
- Initiatives that further the Wake County Strategic Plan

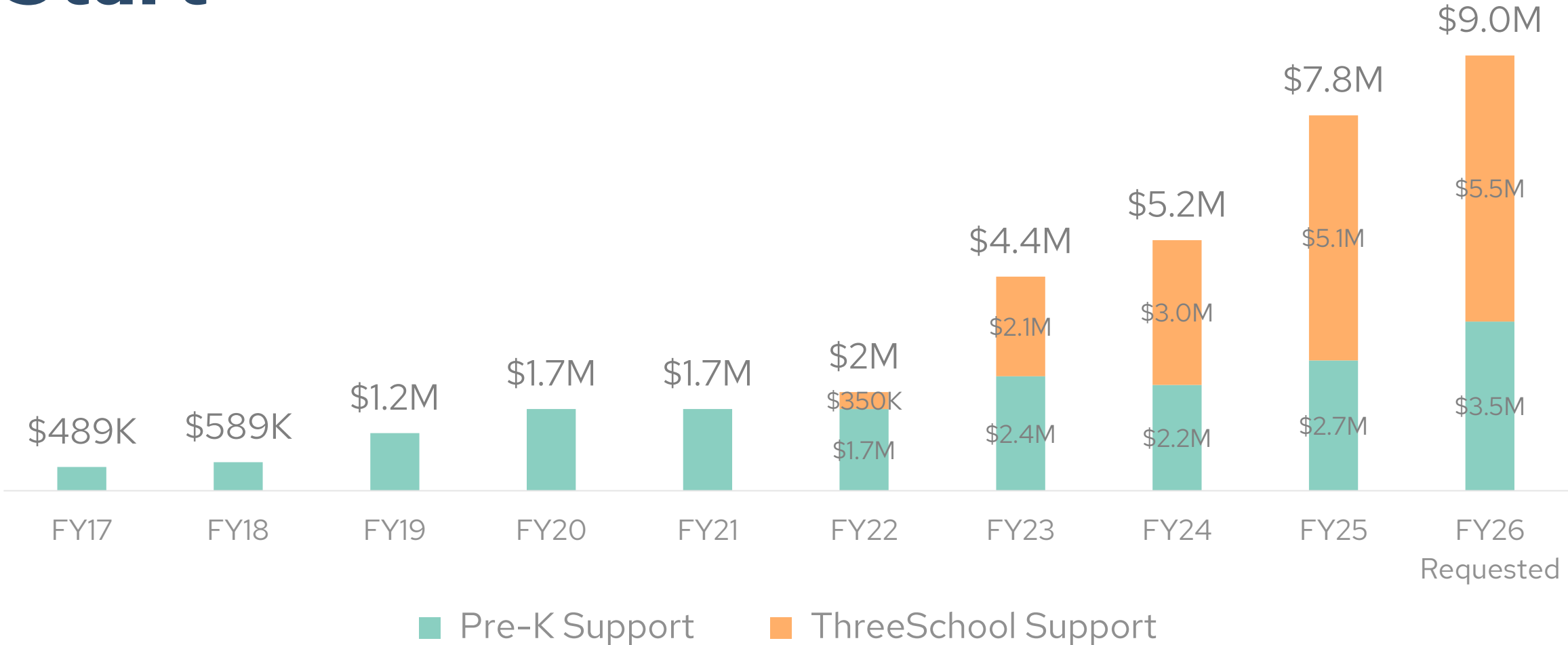


Education

Education Funding Overview



Wake County Contribution to Smart Start



Smart Start Overview

- **Current Status**

- 298 Wake ThreeSchool slots funded in FY25 are filled
 - An additional 16 children are served through Head Start Slots
- All 1,532 funded slots are filled for NC Pre-K; limited providers

- **FY26 Request**

- WCSS is requesting \$803K to maintain current Pre-K service levels and increase the reimbursement rate from \$1,346 to \$1,368
- WCSS is requesting \$439k to maintain current Three School service levels and increase the reimbursement rate from \$1,275 to \$1,297

- **Smart Start will present updates with details about their FY25 requests at the March 24th Education Committee Meeting**

County funding responsibilities for WTCC

Per NC general statute 115D-32, the County is responsible for:

- **Plant Fund** - Acquisition of land; erection of all buildings; alterations and additions to buildings; purchase of motor vehicles; purchase of equipment for the maintenance of the campus; and purchase of furniture and equipment not provided for administrative and instructional purposes
- **Operation and Maintenance** - Salaries of facilities staff; payment of utilities; payment of costs related to janitorial services; payment of costs for maintenance and repair of buildings, vehicles, and equipment

FY25 Adopted Budget for Wake Tech

Function Area	Description of Services	FY25 Funding
Institutional Support (Non-ITS)	General support services and initiatives, including: warehouse positions, faculty salary supplement, County portion of the President's salary and benefits, Wake Invests in Women, Launch Wake County, WakeWorks	5,550,498
Institutional Support (ITS)	Oversight and support for college-wide information technology infrastructure and security	7,621,299
Academic Support (ITS)	Information technology related oversight and support to classroom-based technology and infrastructure	3,694,476
Plant Operations and Maintenance	Facilities staff	4,035,960
	Facilities maintenance, leases, contracts, insurance, equipment	13,262,486
	College-wide utilities	5,774,678
Total Wake County Support for Wake Tech Operating		40,939,397

FY26 Wake Tech requests: \$1.9M

Function Area	Description of Request	FY26 Requests
Institutional Support (Non-ITS)	Pay increases for non-facilities/non-IT staff	119,482
Institutional Support (ITS)	Market-based increases for IT staff	472,093
Academic Support (ITS)	No requests for this fiscal year	–
Plant Operations and Maintenance	Market-based pay increase for facilities staff	75,710
	Facilities maintenance: Lease increases, new building costs, contract and insurance increases, outsourcing of waste management	931,748
	College-wide utilities: Utility increases	277,495
Total Wake Tech Operating Requests FY2026		1,876,528

County-funded Wake Tech initiatives

Wake Invests in Women

- Dedicated to closing the gender representation gap in STEM in Wake County
- 49 mentorship matches dedicated to developing career readiness, building professional network

Launch Wake County

- Supports and develops entrepreneurs in under-resourced communities in Wake County
- Total course enrollment in 2024-25 was 180 (77% female, 78% minority)

WakeWorks

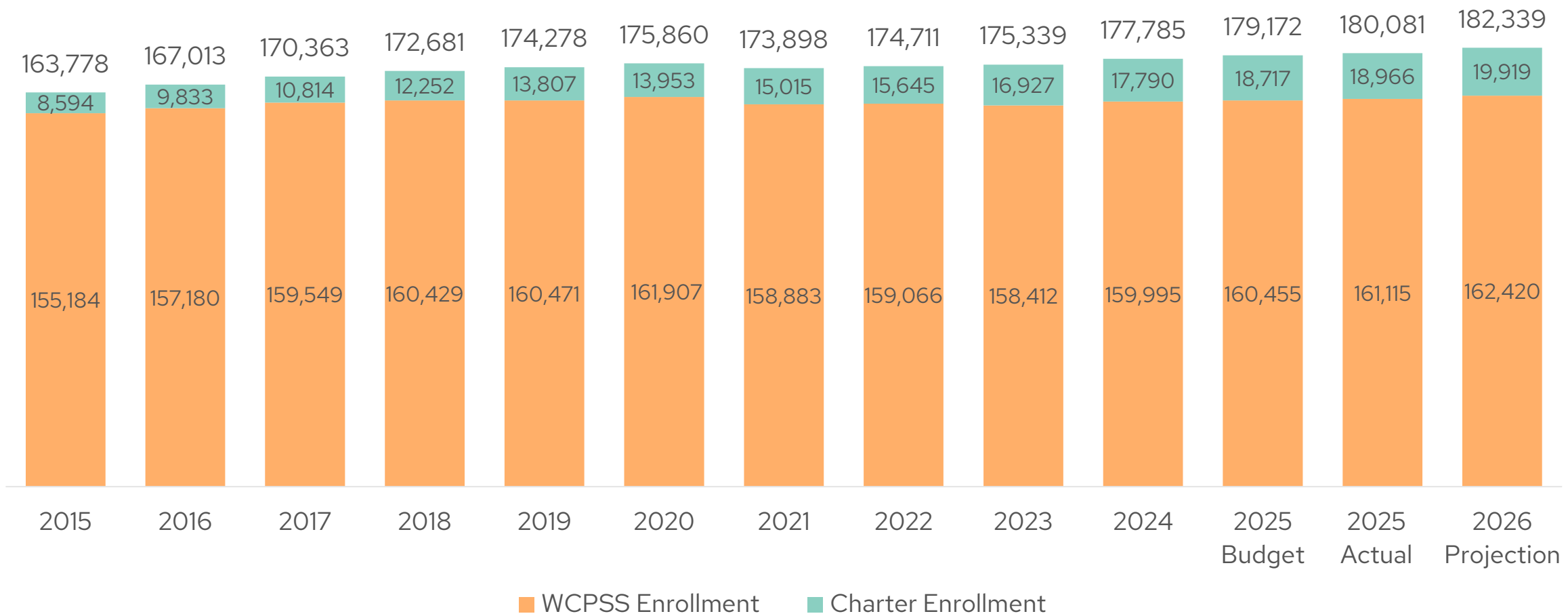
- Addresses the shortage of technical workers in the Triangle by training apprentices
- 360 current apprentices and pre-apprentices
- 53 completed program in 2024

Wake County's responsibility for WCPSS

- County public school funding responsibilities defined in NC State statute
- Primary responsibilities focus on funding building construction and maintenance
- Indirect authority allows support of public-school operating expenses

Direct Delegation of Funding Authority	Indirect Delegation of Funding Authority
G.S. 115C-521: school facilities, furniture, and apparatus	G.S. 115C-431: sufficient funds for operating expenses and capital expenses each year that, when added to other financial resources available to the school unit for these purposes, all the school unit to provide all student with an opportunity to receive a sound basic education
G.S. 115C-249: buildings for bus and vehicle storage	
G.S. 115C-522(c): library, science, and computer equipment	
G.S. 115C-522(c): water supply and sanitary facilities	
G.S. 115C-524(b): keeping school buildings in good repair	
G.S. 115C-524: school maintenance and repairs	
G.S. 115C-522(c): instructional supplies and reference books	
G.S. 115C-523.1: school property insurance	
G.S. 115C-525(b): fire inspections	

WCPSS Enrollment



Summary of WCPSS Approach

- WCPSS identified approximately \$60M of needs for additional local funding in early 2025
- Superintendent directed the budget development process to include strategic repurposing and base budget reductions
- WCPSS identified \$18.7M in reductions and the removal of \$23.6M in one-time costs during budget development
- Superintendent's Proposed Budget is requesting \$742.9 million; \$40.3M in additional Local Funding

Local Funding Request Detail

- \$16.4M – Employee Compensation
- \$14.3M – Legislative Requirements
- \$11.7M – New Schools and School Changes
- \$2M – Student Membership Changes
- \$3.7M – Program Continuity
- \$2.2M – Increasing Property Costs
- (\$23.6M) – Remove One-time Costs



FY26 – FY28 Multi-Year Financial Forecast Spring Update

Revenue projection highlights

- Revenues are projected to grow ~2% annually for an approximate total of \$175M cumulatively between FY26 and FY29
- Natural revenue growth projected to provide ~\$58M in new revenue per year
- Property tax revenue assumes the only tax increase is associated with Fall 2024 Libraries GO bond
- Sales tax growth assumes sustained moderate growth

Expenditure projection scenarios

FY22	FY23	FY24	FY25
7%	10%	9%	11%

- **Low Growth Model (Most restrained)**

- Future projected growth is slower than recent trends back to FY21
- Personnel and Operating 5%; Contracts 3%; Total 4.3%

- **Medium Growth Model (Historical trends)**

- Future projected growth similar to recent trends back to FY21
- Personnel 10%; Operating 8%; Contracts 6%; Total 8%

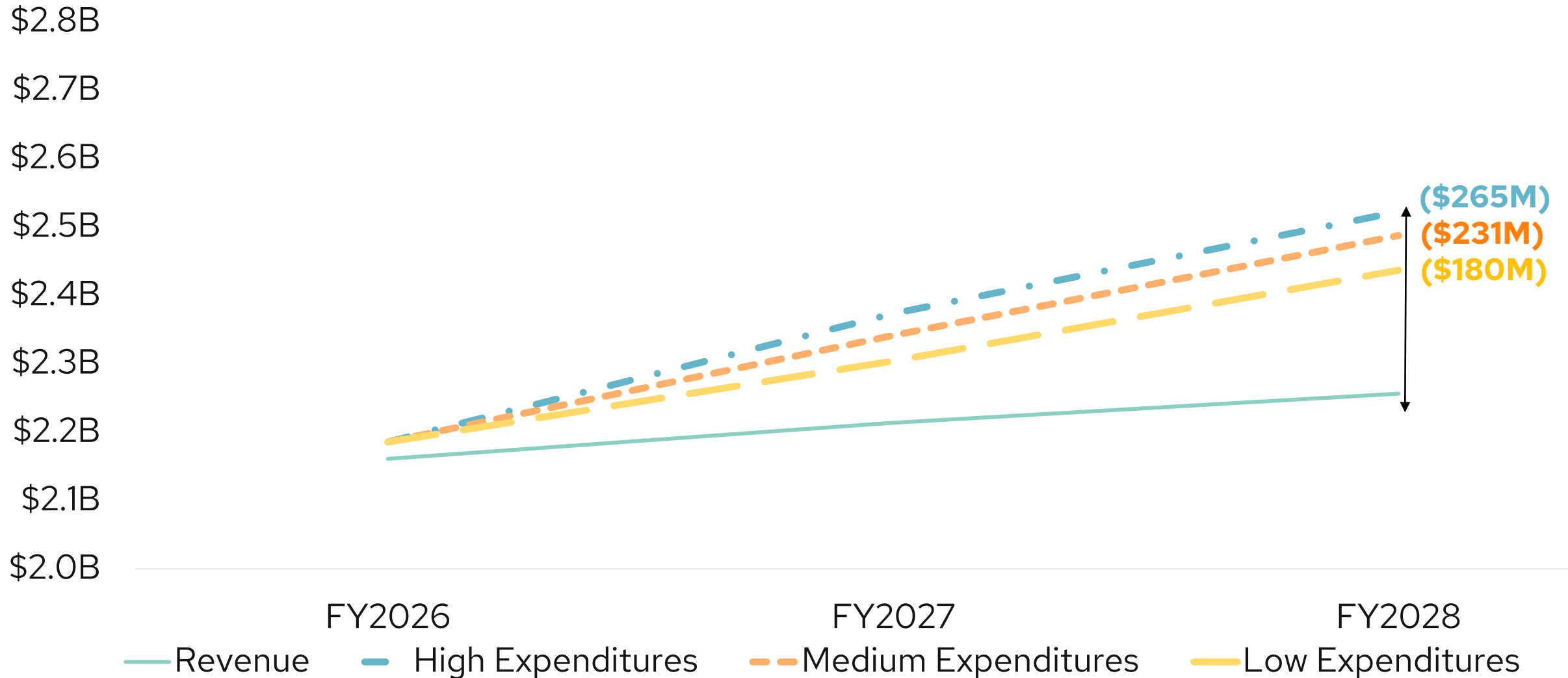
- **High Growth Model (Least restrained)**

- Future projected growth is faster than recent trends back to FY21
- Personnel 14%; Operating 11%; Contracts 9%; Total 11.3%

**Avg. Year over Year
% Increase FY14-FY20 = 7%**

**Smaller budget amounts,
Smaller absolute \$
increases**

Spring 2025 Model Expenditure Scenarios



Dollar representation of projection gaps

	FY26*	FY27	FY28
Revenues less Expenditures Low	(\$25M)	(\$90M)	(\$180M)
Revenues less Expenditures Medium	(\$25M)	(\$128M)	(\$231M)
Revenues less Expenditures High	(\$25M)	(\$160M)	(\$265M)

***FY26 includes 0.25 cents for Library GO Bonds on Ballot in Fall 2024**



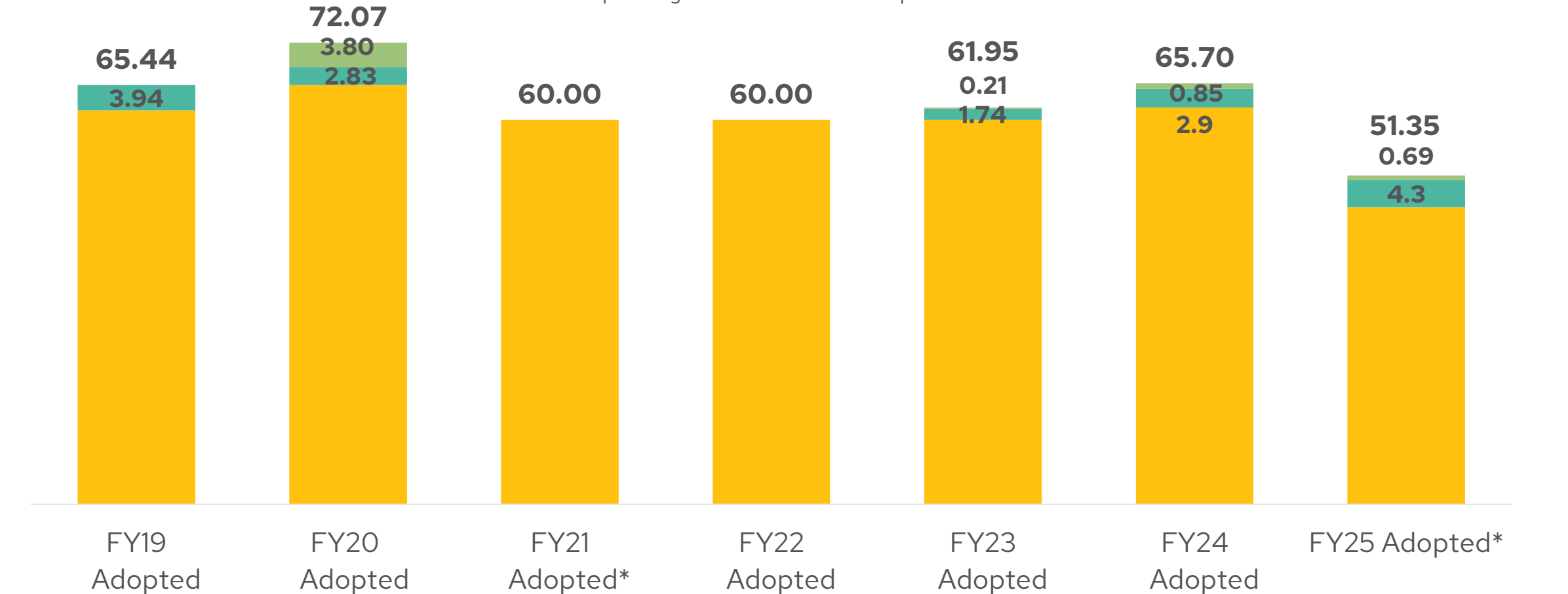
Next Steps

Developing a balanced budget for Board consideration

- Base budget growth and funding requests exceed revenue resources
- Growth pressures reflective of a large growing community with complex service needs
- Considering Strategic Plan goals, departmental initiatives, core service delivery
- Looking internally at repurposing options

Property tax rate Board's primary funding tool

■ Operating Tax Increase ■ Capital Tax Increase



*Year following reappraisal

Setting property tax rate tradeoffs

Benefits of higher funding

- Wake experiencing community growth and increasing demand for services
- Higher tax rate increases available funding to maintain and enhance services

Risks for community

- Increasing tax rate conflicts with affordability of living in Wake County
- Recognize tax burden, particularly on those with constrained incomes
- Unknown what tax rate municipal jurisdictions may set

Balancing the budget – steps coming up

April

- Finalize revenue projections, considering broader economic trends
- Finalize County Manager Recommended Budget

May

- County Manager presents Recommended Budget on May 5
- Board Work sessions on Budget on May 12 and May 22
- Public Hearings on Budget on May 19 and May 20

June

- Board of Commissioners Consider Budget for Adoption on June 2



Board of Commissioners Discussion and Questions



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