

**Item Title:** FY 2022 Year-End Budget Revisions

**Specific Action Requested:**

**That the Board of Commissioners approves budget revisions to the FY 2022 General Fund, Grants and Donations Fund, Solid Waste Enterprise Fund, Debt Service Fund, County Capital Improvement Fund, and Major Facilities Fund as described below.**

**Item Summary:**

**Purpose:** In compliance with the *North Carolina Local Government Budget and Fiscal Control Act* (G.S. 159, Article 3), Wake County is required to maintain a balanced budget covering the fiscal year beginning July 1 and ending June 30 for all governmental and proprietary funds except funds authorized by project ordinances.

**Background:** At the end of each fiscal year, certain budgetary actions are needed to keep the County in compliance with State statutes and County policy, as well as adhere to sound budget practices. Staff recommends a number of budget amendments, outlined in detail below, to conclude Fiscal year 2022. These budget adjustments will affect the County's General Fund, Solid Waste Fund, and other operating and capital funds.

**Board Goal:** This action supports routine County operations.

**Fiscal Impact:** The fiscal impact of the requested amendments for each of the funds listed below are described in detail in this item summary and the attached budget memos.

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## FY 2022 Budget Revisions:

### GENERAL FUND

The following items require amendments in revenue and expenditure appropriation in the General Fund.

|   | Revenues                  | Expenditures              |
|---|---------------------------|---------------------------|
| <b>Amended as of June 21, 2022</b>      | <b>\$1,631,002,640.37</b> | <b>\$1,631,002,640.37</b> |
| <b>Adjustments</b>                      |                           |                           |
| A. Transfer from Solid Waste            |                           |                           |
| Communications                          | (\$12,000.00)             |                           |
| Facilities Design and Construction      | (\$100,000.00)            |                           |
| Non-Departmental                        | (\$293,680.00)            |                           |
| Environmental Services                  | (\$44,320.00)             |                           |
| B. Transfer to Debt Service Fund        | \$10,367,000.00           | \$10,367,000.00           |
| Vacancy Savings                         |                           |                           |
| C. Community Services                   |                           | (\$200,000.00)            |
| D. Health and Human Services            |                           | (\$575,000.00)            |
| E. Countywide Contracts                 |                           | \$200,000.00              |
| F. Non-Departmental- Health Insurance   |                           |                           |
| Other Health Revenues                   | \$160,000.00              |                           |
| Committed Health Insurance Fund Balance | \$2,540,000.00            |                           |
| Increased Health Claims                 |                           | \$2,700,000.00            |
| G. CCBI                                 |                           | \$125,000.00              |
| <b>Total Adjustments</b>                | <b>\$12,617,000.00</b>    | <b>\$12,617,000.00</b>    |
| <b>Final Amended Budget</b>             | <b>\$1,643,619,640.37</b> | <b>\$1,643,619,640.37</b> |

#### A. Transfers from Solid Waste:

To better align accounting with the Government Finance Officers Association (GFOA) standards, expenses incurred in the General Fund supporting the Solid Waste enterprise fund will not be shown as a transfer from Solid Waste. In future years, expenses incurred supporting the Solid Waste enterprise fund will be accounted for by charging the salary and benefit expenditures to the Solid Waste enterprise.

#### B. Transfers to the Debt Service Fund

Per state statute, a portion of sales tax revenues must be dedicated towards capital outlay and/or debt service for public schools. 30% of the Article 40 proceeds (G.S. 105-487), and 60% of Article 42 proceeds (G.S. 105-502) must be used for public schools debt and capital. The Debt model shown at the April 4, 2022 retreat reflected these expected Sales Tax collections, and this administrative change aligns the budget with the projected actuals. This action appropriates that portion and transfers it to the Debt Service Fund where debt service payments will be made.

#### C. Vacancy Savings

Community Services is projected to have lapsed salaries and benefits at the close of the 2022 fiscal year. The lapsed salary and benefits have accrued as the result of

unfilled and vacant positions experienced during the fiscal year because of employee turnover and difficulty in recruitment. The lapsed salary and benefits reallocated within in this agenda item total \$200,000.

**D. Vacancy Savings**

Health and Human Services is projected to have lapsed salaries and benefits at the close of the 2022 fiscal year. The lapsed salary and benefits have accrued as the result of unfilled and vacant positions experienced during the fiscal year because of employee turnover and difficulty in recruitment. The lapsed salary and benefits reallocated within in this agenda item total \$575,000.

**E. Countywide Contracts**

Increase countywide contracts by \$200,000 for the County's contribution to the 2023 Navy Federal Credit Union Stadium Series outdoor hockey game. This will be the first NHL outdoor game that the Carolina Hurricanes have participated in. The Hurricanes will host over 55,000 attendees for the nationally broadcast game at Carter-Finley Stadium, as well as a several large-scale events for the public in downtown Raleigh and near the stadium that will lead up to Saturday's game. The Greater Raleigh Convention and Visitors Bureau, the City of Raleigh and the Centennial Authority are also contributing to event funding.

**F. Health Insurance**

Prescription drug and health claim costs experienced by the County in FY 2022 are projected to exceed the current budget by a total of \$2,700,000. This Board action will uncommit up to \$2,540,000 of the committed fund balance for use during the current year to support these higher prescription drugs and claims costs. This Board action will also appropriate \$160,000 in other revenues for use during the current year.

The County is in the process of evaluating the health plan for plan year 2023 and will evaluate contribution rates and plan design in the creation of the FY 2024 health plan budget.

**G. CCBI**

Add \$125,000 to cover operating overages related to new and existing increases in contract costs. These costs are for the repair and maintenance of hardware and software used to manage daily operations in the field and at the Hammond Road facility.

**GENERAL FUND FUND BALANCE**

That the Board of Commissioners commits for these purposes with the final specific amounts determined after financial records are closed for the 2022 fiscal year:

- i. Approximately \$10,000,000 of FY 2022 behavioral health funding for use in subsequent fiscal years for behavioral health purposes with the final specific amount determined after financial records are closed for the 2022 fiscal year, and
- ii. Approximately \$7,000,000 of FY 2022 North Carolina Alcoholic Beverage Control Commission funding set aside for future appropriation, with the final specific amount determined after financial records are closed for the 2022 fiscal year.

GASB Statement 54 defines “Committed” fund balance as amounts that are subject to an internally enforceable spending constraint placed on it by the governing board before the end of the fiscal year. This requires that any commitment of fund balance be approved by formal action of the County’s Board of Commissioners. Amendments or modifications of this committed fund balance must also be approved by formal action of the Board of Commissioners. Staff recommends formally adopting the funds identified above as committed fund balance within the County’s General Fund for the fiscal year ended June 30, 2022 to indicate these funds are not generally available and that authority to spend these funds requires additional Board action.

## GRANTS AND DONATIONS FUND

The following items require amendments in revenue and expenditure appropriation in the Grants and Donations Fund.

|  | Revenues              | Expenditures          |
|--|-----------------------|-----------------------|
| <b>Amended as of June 21, 2022</b>         | <b>121,920,411.01</b> | <b>121,920,411.01</b> |
| <b>Adjustments</b>                         |                       |                       |
| A. Community Services Grants and Donations | 27,599.29             | 27,599.29             |
| B. CCBI Court-Ordered Laboratory Fees      | 55,925.57             | 55,925.57             |
| C. Cooperative Extension Donation          | 5,000                 | 5,000                 |
| <b>Total Adjustments</b>                   | <b>\$88,524.86</b>    | <b>\$88,524.86</b>    |
| <b>Final Amended Budget</b>                | <b>122,008,935.87</b> | <b>122,008,935.87</b> |

### A. Community Services Grants and Donations

Community Services has received \$27,599.29 in grants and donations across the Management and Budget Office, Parks, Recreation, and Open Space, and Libraries divisions. Funding will be used for programming across these divisions.

### B. CCBI Court-Ordered Laboratory Fees

CCBI has received \$55,925.27 from court-ordered laboratory fees for evidence examination and providing expert witness testimony in criminal court cases. This funding will be used for the DNA Evidence Laboratory and related activities.

### C. Cooperative Extension Donation

Cooperative Extension is receiving a \$5,000 donation from The Center for Black Health & Equity as a result of a successful educational service project the 4-H GIS Club completed. Cooperative Extension will use these funds to support the 4-H GIS Club’s attendance at the 2022 Esri User Conference and for GIS equipment.

## SOLID WASTE ENTERPRISE FUND

The Solid Waste Enterprise Fund includes the convenience center operations, recycling, waste reduction programs, and other waste programs. To better align accounting with the

Government Finance Officers Association (GFOA) standards, expenses incurred in the General Fund supporting the Solid Waste enterprise fund will not be shown as a transfer from Solid Waste. In future years, expenses incurred supporting the Solid Waste enterprise fund will be accounted for through charging salary and benefit expenditures to the Solid Waste enterprise fund. The following technical adjustment is made in coordination with the adjustment outlined in A above:

|                                    | Revenues               | Expenditures           |
|------------------------------------|------------------------|------------------------|
| <b>Amended as of June 21, 2022</b> | <b>\$18,133,049.89</b> | <b>\$18,133,049.89</b> |
| <b>Adjustments</b>                 |                        |                        |
| Transfer to the General Fund       |                        | (450,000)              |
| Contract Services                  |                        | 450,000                |
| <b>Total Adjustments</b>           | <b>\$0</b>             | <b>\$0</b>             |
| <b>Final Amended Budget</b>        | <b>\$18,133,049.89</b> | <b>\$18,133,049.89</b> |

## DEBT SERVICE FUND

The allocations described in the above General Fund section B include a \$10.3 million transfer to the Debt Service Fund based on the portion of sales tax revenues dedicated to debt service for the Wake County Public School System. These funds will go towards paying off bond interest for the Wake County Public Schools debt. The Debt model shown at the April 4, 2022 retreat reflected these expected Sales Tax collections, and this administrative change aligns the budget with the projected actuals. The section below details the corresponding changes to the Debt Service Fund.

|   | Revenues             | Expenditures         |
|---|----------------------|----------------------|
| <b>Amended as of June 21, 2022</b>                          | <b>\$331,063,000</b> | <b>\$331,063,000</b> |
| <b>Adjustments</b>  |                      |                      |
| Allocate sales tax for WCPSS Debt Service (Section B Above) | 10,367,000           |                      |
| WCPSS Debt Service – Bond Interest                          |                      | 10,367,000           |
| <b>Total Adjustments</b>                                    | <b>\$10,367,000</b>  | <b>\$10,367,000</b>  |
| <b>Final Amended Budget</b>                                 | <b>\$341,430,000</b> | <b>\$341,430,000</b> |

## MAJOR FACILITIES FUND

The Major Facilities fund includes Occupancy Tax and Prepared Food and Beverage Tax revenues, and the expenditures are governed through an interlocal agreement between the County and the City of Raleigh. Revenues generated by Occupancy and Prepared Food and Beverage Taxes are projected to exceed the FY 2022 Adopted Budget.

The distribution of additional tax revenues is outlined by the enabling legislation and a series of amendments associated with the original Interlocal Agreement. This action adjusts the budgeted revenues and expenditures in line with the projected end of year collections. These expenditures are based on a percent of actual revenues collected, including the distribution to the Raleigh Convention Center, Greater Raleigh Convention and Visitors Bureau, Centennial Authority (management of PNC Arena), and Town of Cary Hold Harmless.

A portion of the expenditures are based on a fixed annual distribution such as the Raleigh Holdback and competitive project allocation. These projects remain unchanged in the revised budget.

|  | Revenues            | Expenditures        |
|--|---------------------|---------------------|
| <b>Amended as of June 21, 2022</b>                                   | <b>\$47,681,000</b> | <b>\$47,681,000</b> |
| <b>Adjustments</b>   |                     |                     |
| Occupancy Taxes  | 11,632,000          |                     |
| Prepared Food and Beverage Taxes                                     | 9,113,000           |                     |
| Greater Raleigh Convention and Visitors Bureau for Operating Support |                     | 2,908,000           |
| Town of Cary Holdback from Occupancy Tax Proceeds                    |                     | 582,000             |
| Centennial Authority for Operating Support                           |                     | 1,208,000           |
| Raleigh Convention Center  |                     | 13,640,000          |
| Reserve for Future   |                     | 2,407,000           |
| <b>Total Adjustments</b>   | <b>\$20,745,000</b> | <b>\$20,745,000</b> |
| <b>Final Amended Budget</b>  | <b>\$68,426,000</b> | <b>\$68,426,000</b> |

## COUNTY CAPITAL IMPROVEMENT FUND

| Element                                       | Project                   | Current Appropriation | Appropriation | Revised Appropriation |
|---|---------------------------|-----------------------|---------------|-----------------------|
| Parks, Recreation, Greenways & Open Space CIP | Open Space Administration | 232,512.00            | 50,000.00     | 282,512.00            |

### Element: Parks, Recreation, Greenways, & Open Space CIP

- A. Appropriate \$50,000 of unallocated interest income associated with Parks bonds to Open Space Administration. The Open Space Administration division is used for pre-purchase expenses for land acquisition. These expenses are related to the 2018 Parks, Recreation, Greenways, and Open Space (PGROS) bond.

### Attachments:

1. Budget Memo – Communications
2. Budget Memo – Facilities, Design, and Construction
3. Budget Memo – Non-Departmental
4. Budget Memo – Environmental Services
5. Budget Memo – Transfers
6. Budget Memo – Community Services
7. Budget Memo – Health and Human Services
8. Budget Memo – CCBI
9. Budget Memo – Grants and Donations Fund

10. Budget Memo – Debt Service Fund
11. Budget Memo – Major Facilities Fund
12. Budget Memo – Capital Projects – PGROS