

# Budget Work Session

May 29, 2019



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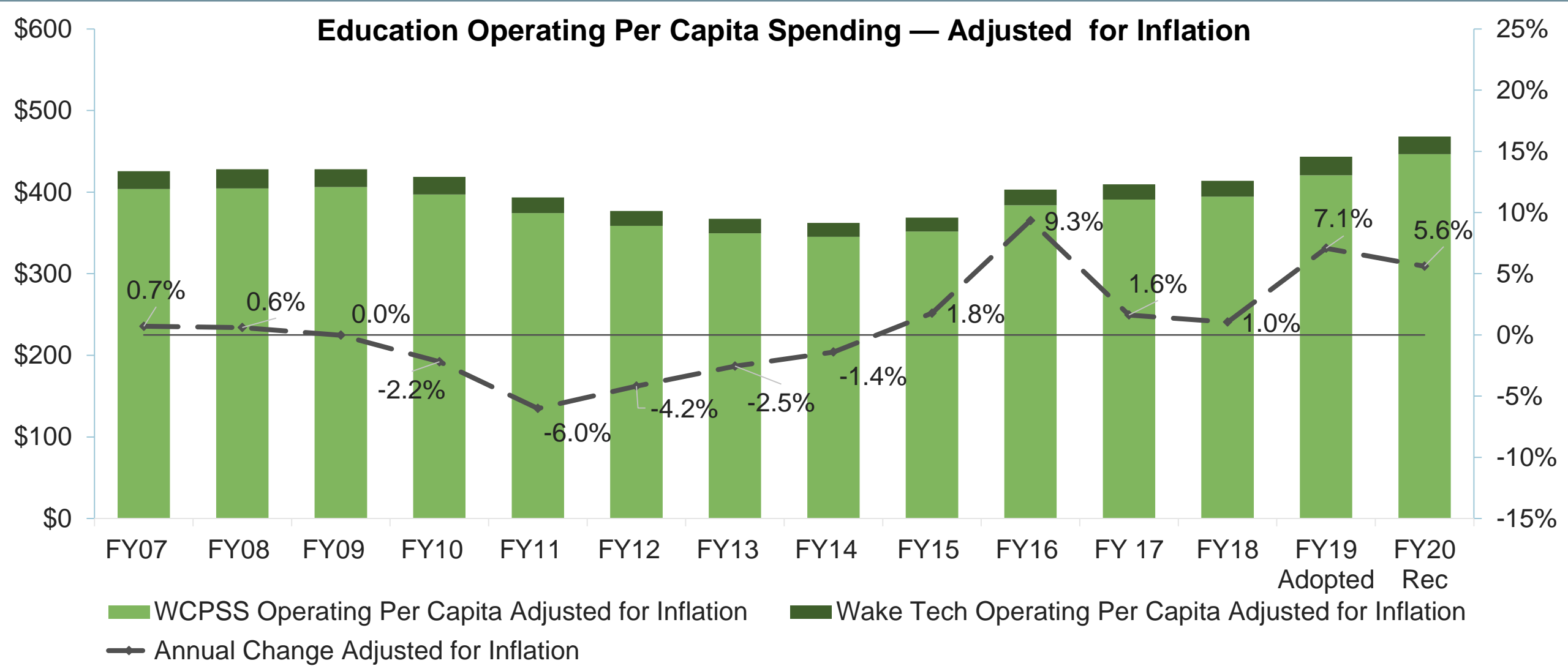
# Agenda

- Budget Follow-up
  - Education
  - County Operating
  - County Capital
- Issues Raised by Commissioners
- Board Discussion Regarding Changes to the Budget
- Technical Corrections
- Budget Ordinance Overview
- Next Steps
- Appendix – Fund Balance Information

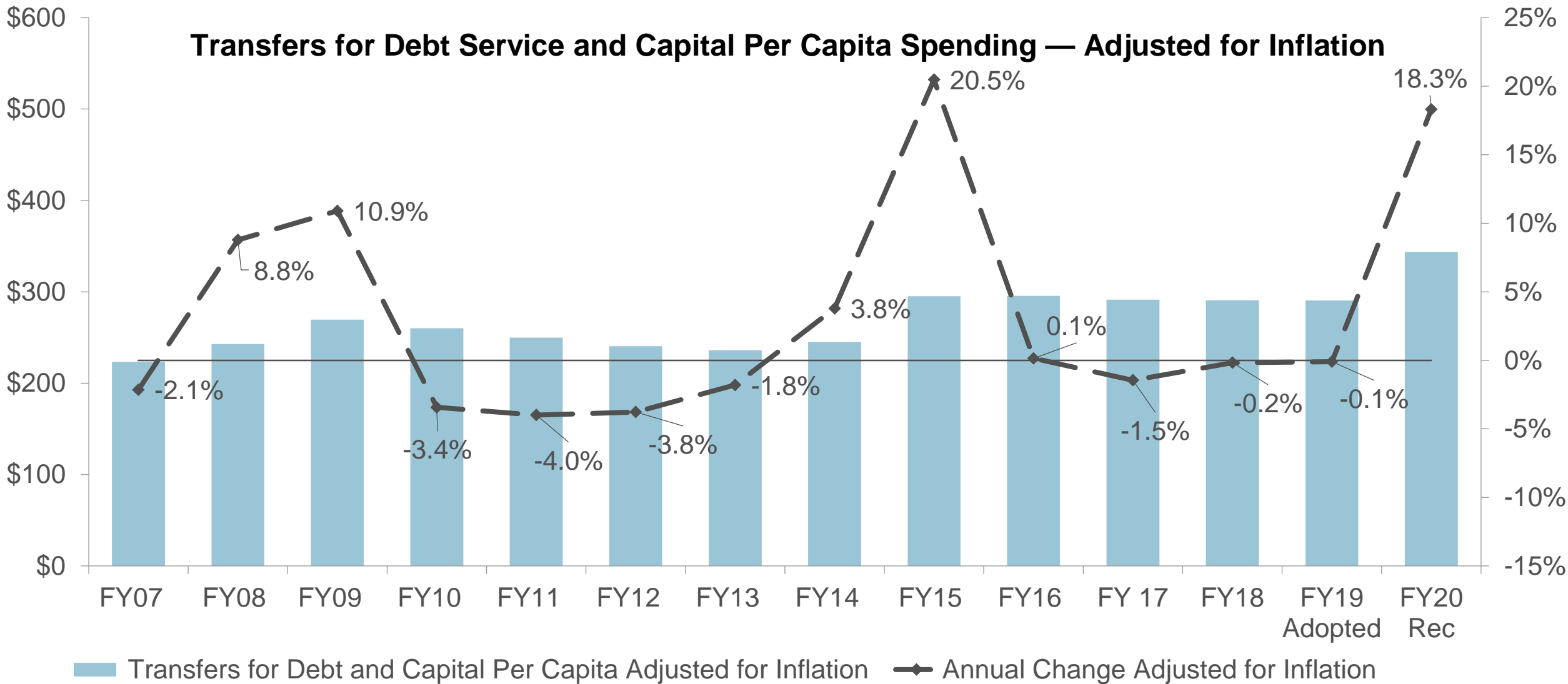
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# Budget Follow-up

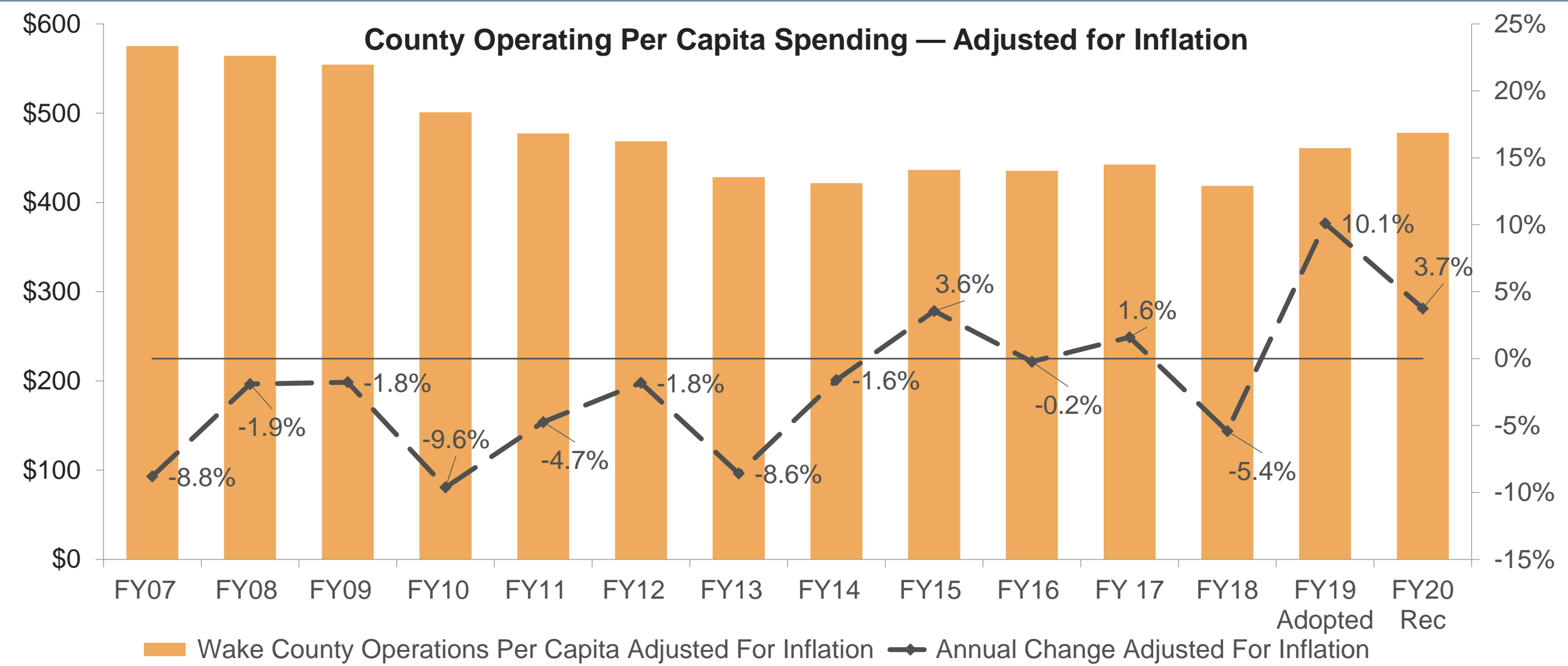
# Education Per Capita Spending Highest in County History when Adjusted for Inflation



# Debt and Capital Per Capita Aligns with Voter Approved Bond Programs



# County Spending Per Capita 24% below FY07 Peak when Adjusted for Inflation



# General Fund Historical Actuals

- See attachment from Finance Department

# County, WCPSS, and WTCC Share of FY20 Recommended Tax Rate of 71.8¢ per \$100 of Assessed Value

	3.8¢ Bond Increase		2.56¢ Operating Increase		71.8¢ Total Tax Rate	
	Pennies Change for Bonds Tax Increase	Percent Share of Bonds Tax Increase	Pennies Change for Operating Tax increase	Percent Share of Operating Tax Increase	Pennies Share of FY20 Tax Rate	Percent Share of FY20 Tax Rate
County	.35¢	9%	1.17¢	46%	18.71¢	26%
WCPSS	2.30¢	61%	1.39¢	54%	48.86¢	68%
WTCC	1.15¢	30%	0¢	0%	4.23¢	6%
<b>Total</b>	<b>3.8¢</b>	<b>100%</b>	<b>2.56¢</b>	<b>100%</b>	<b>71.8¢</b>	<b>100%</b>

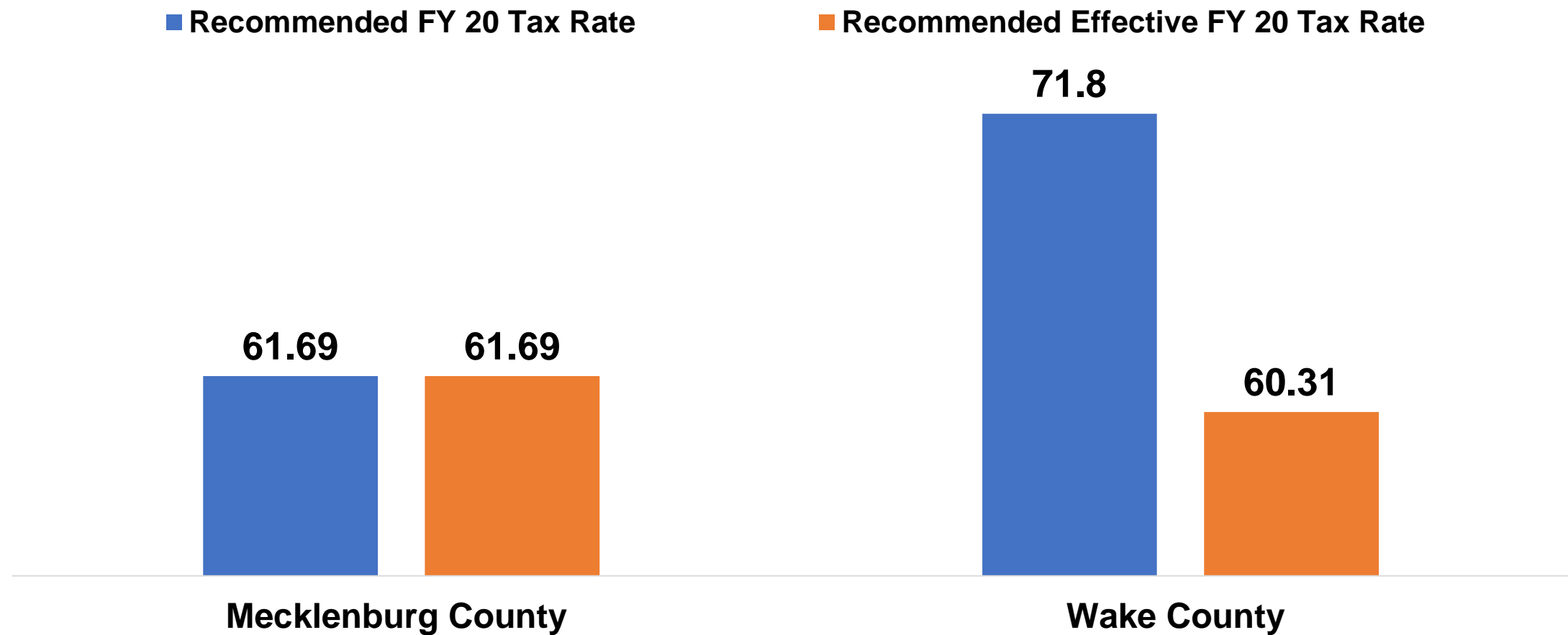
*Figures include Operating and Capital*



# Each additional 1¢ on the property tax rate generates \$14.9 million in revenue in FY 2020

Increment of Property Tax Rate per \$100 of Assessed Valuation	Revenue Generated Per Increment
0.1	\$1,492,000
0.2	\$2,984,000
0.3	\$4,476,000
0.4	\$5,968,000
0.5	\$7,460,000
0.6	\$8,951,000
0.7	\$10,443,000
0.8	\$11,935,000
0.9	\$13,427,000
1.0	\$14,919,000

# Wake Effective Tax Rate 1.38 cents Lower than Mecklenburg County's FY20 Tax Rate

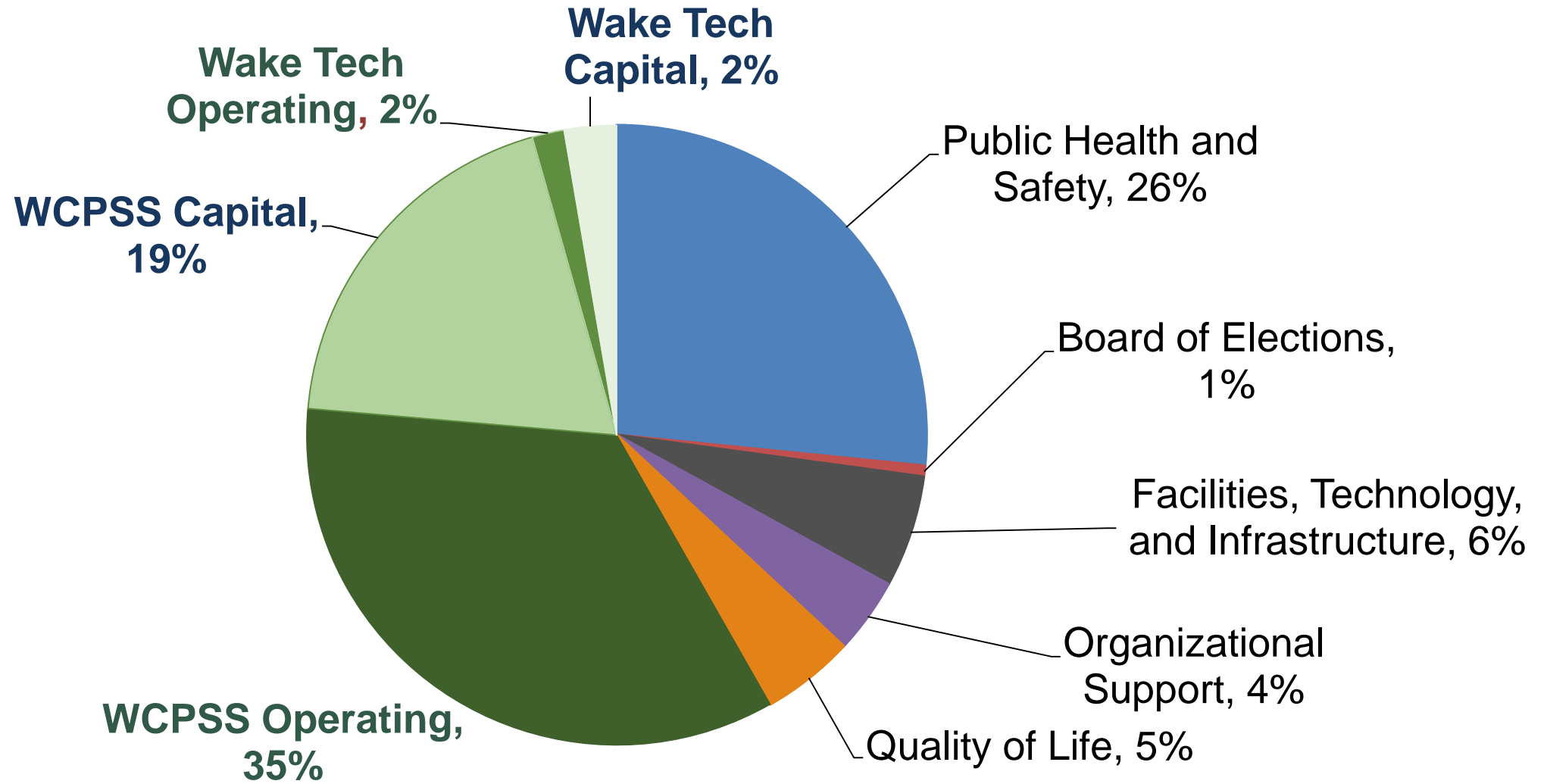


Calculation: Sales Assessment Ratio x Actual Property Tax Rate = **Effective Tax Rate**



# Education

# Education — Operating 37% and Debt & Capital 21%



# Education Funding Comparison

	Wake County Recommended Budget		Durham County Recommended Budget	
	Budget	% of Total	Budget	% of Total
Public Schools*	507,455,101	34.6%	145,212,577	31.8%
Community College System	24,580,436	1.7%	7,900,158	1.7%
<b>Education Subtotal** (Operating Only)</b>	532,035,537	36.3%	153,112,735	33.6%
<b>General Fund Total***</b>	<b>\$1,465,980,000</b>		<b>\$456,209,488</b>	

\*Includes Capital Outlay supported by Operating allocation, which was \$71,961 in FY 2019 Amended for Wake County.

\*\*Durham County's FY20 Budget includes funding for some education nonprofits. That funding is not included in this total. This total reflects funding for Durham Tech and Durham Public Schools only.

\*\*\*Reflects Revised Recommended General Fund Total with technical corrections shared at 5-29-2019 Board work session

# WCPSS Per Pupil Comparison

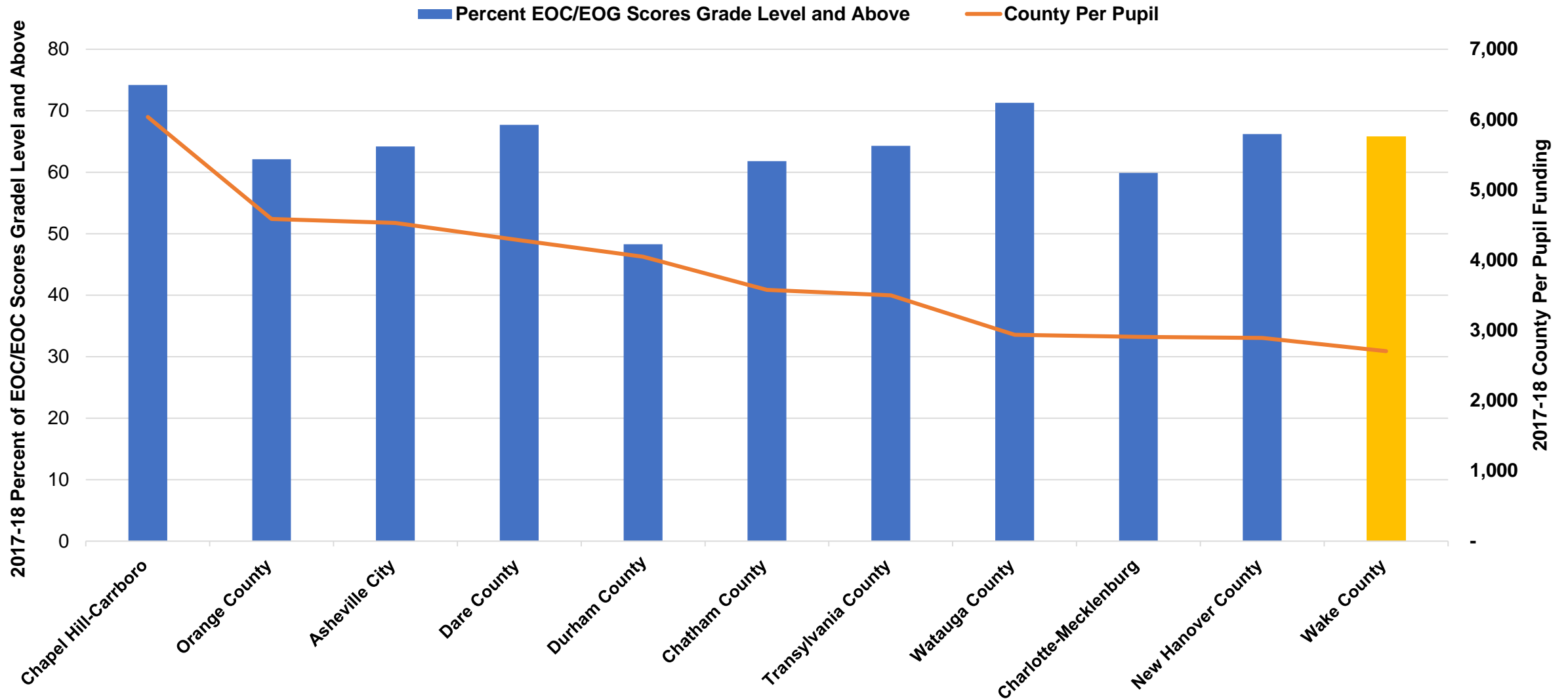
	Wake Public Schools	Durham Public Schools
FY 19 County Funding*	\$470,955,101	\$138,212,577
FY 19 Combined Enrollment	174,278	39,756
<b>FY 19 Per Pupil</b>	<b>\$2,702</b>	<b>\$3,477</b>
FY 20 County Recommended Funding*	\$507,455,101	\$145,212,577
FY 20 Projected Combined Enrollment	176,306	39,507
<b>FY 20 Per Pupil</b>	<b>\$2,878</b>	<b>\$3,676</b>
Enrollment Increase/(Decrease)	2,028	(249)
FY20 Recommended Funding Increase	\$36,500,000	\$7,000,000
<b>FY19 to FY20 Per Pupil Increase</b>	<b>\$176</b>	<b>\$199</b>

# Top 10 Districts – County Per Pupil Funding

District	2017-18 Per Pupil (\$)	Rank
Chapel-Hill/Carrboro City Schools	6,038	1
Orange County Schools	4,584	2
Asheville City Schools	4,529	3
Dare County Schools	4,284	4
Durham County Schools	4,047	5
Chatham County Schools	3,575	6
Transylvania County Schools	3,497	7
Watauga County Schools	2,935	8
Charlotte-Mecklenburg County	2,907	9
New Hanover County Schools	2,891	10
<b><i>Wake County Schools</i></b>	<b><i>\$2,703</i></b>	<b><i>14</i></b>

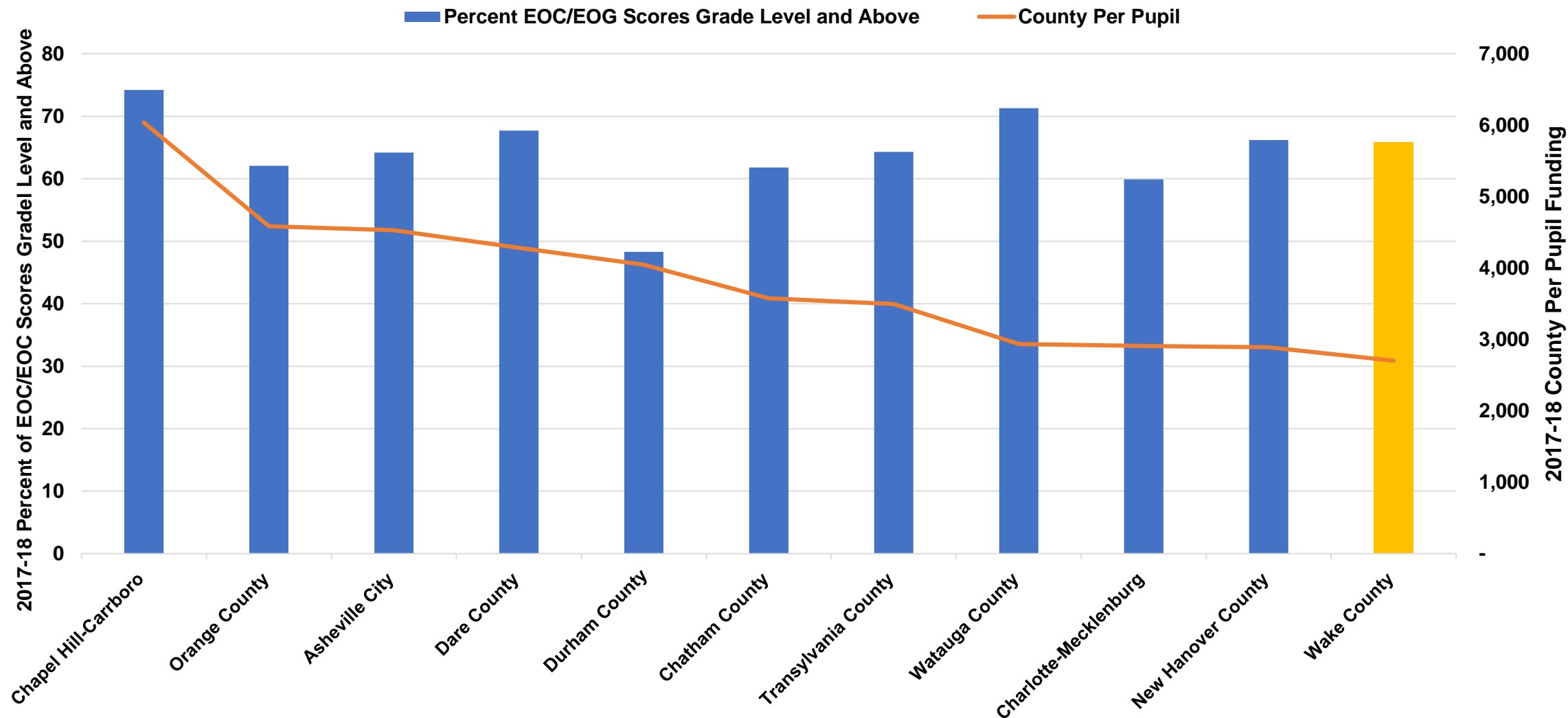
Note: Rankings are out of 115 districts statewide

# Top 10 Districts Ranked by County Funding Per Pupil: End of Course / End of Grade Scores

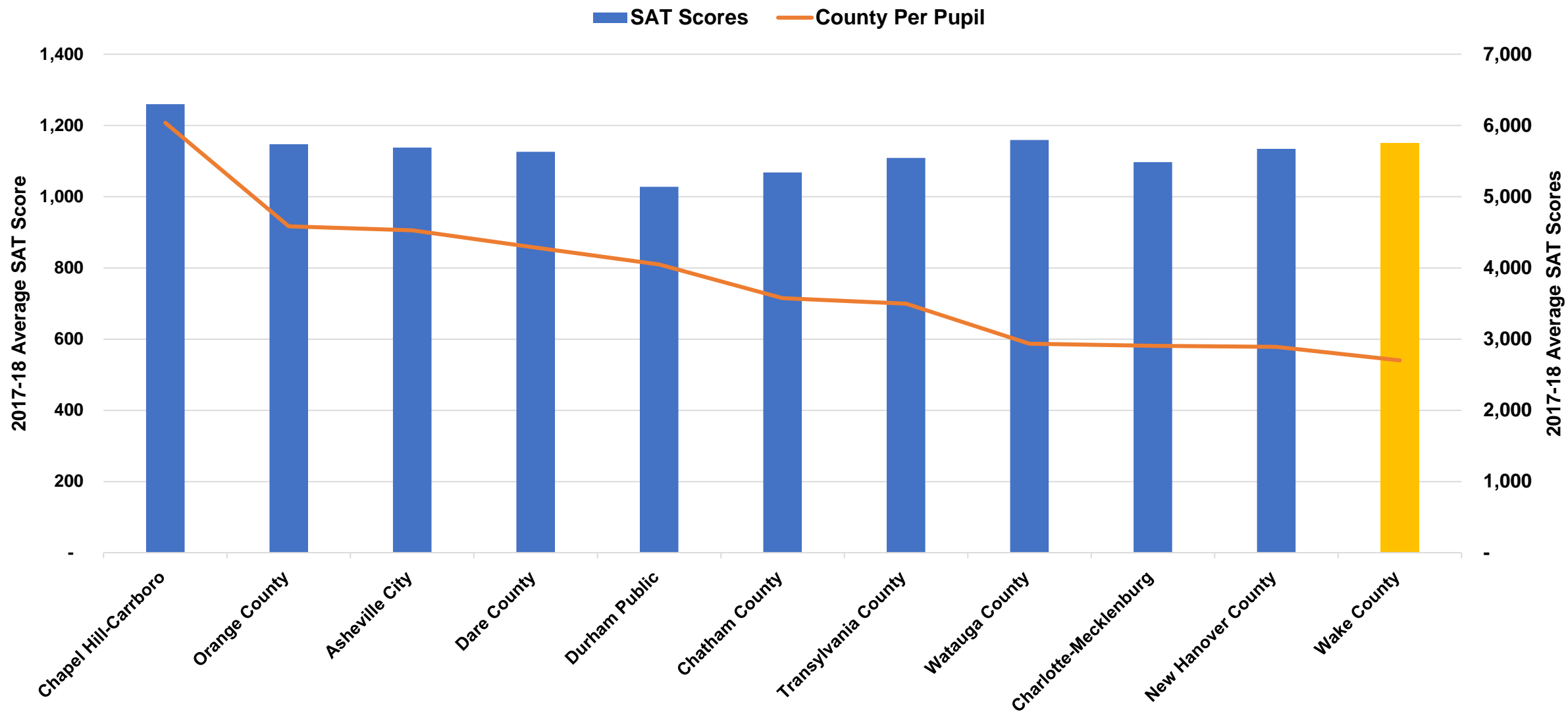




# Top 10 Districts Ranked by County Funding Per Pupil: Graduation Rates



# Top 10 Districts Ranked by County Funding Per Pupil: SAT Scores



# Wake Tech Function Areas – FY 2020 Budget

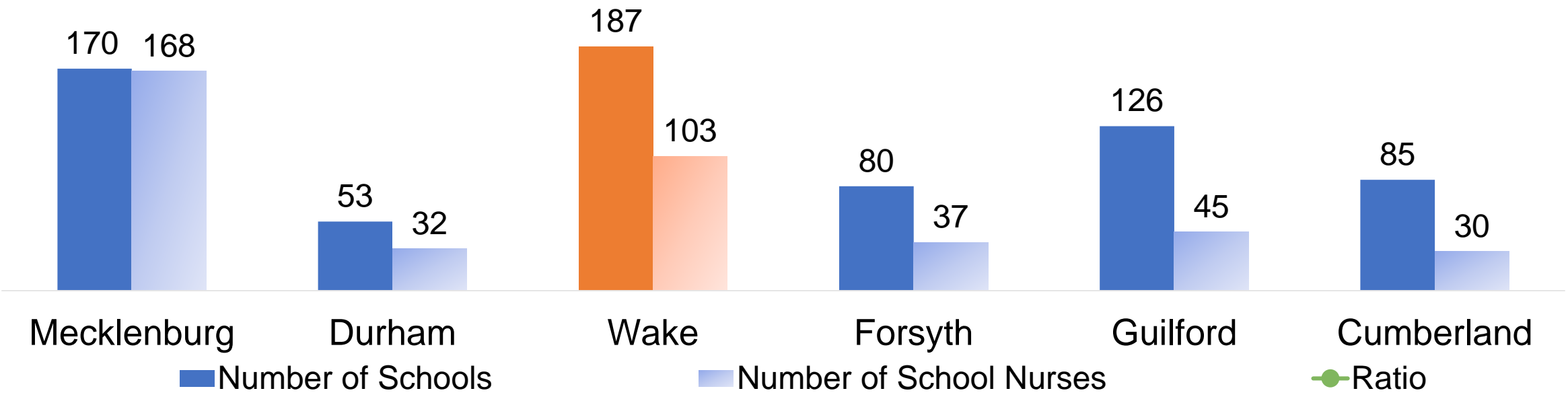
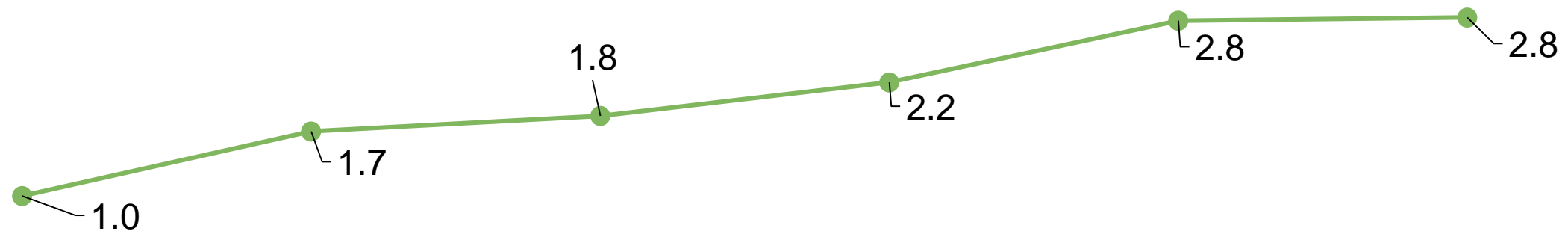
Function Area	Description of Services	Funding Amount
Institutional Support (Non-ITS)	General support services and initiatives, including: College-wide facility insurance, GoRaleigh Bus Service, dental and vision insurance, six warehouse positions, County portion of the Presidents salary and benefits, one Wake Invests in Women position, other operating	3,617,878
Institutional Support (ITS)	Provides oversight and support for college-wide information technology infrastructure and security	2,952,765
Academic Support (ITS)	Provides information technology related oversight and support to classroom based technology and infrastructure	2,166,599
Plant Operations and Maintenance	Facilities staff (37 positions)	2,847,700
	Facilities maintenance, landscaping, janitorial, and equipment service contracts; Other operating	8,543,866
	College-wide Utilities	4,451,628
<b>Total Wake County Support for Wake Tech Operating</b>		<b>\$24,580,436</b>



# County Operating

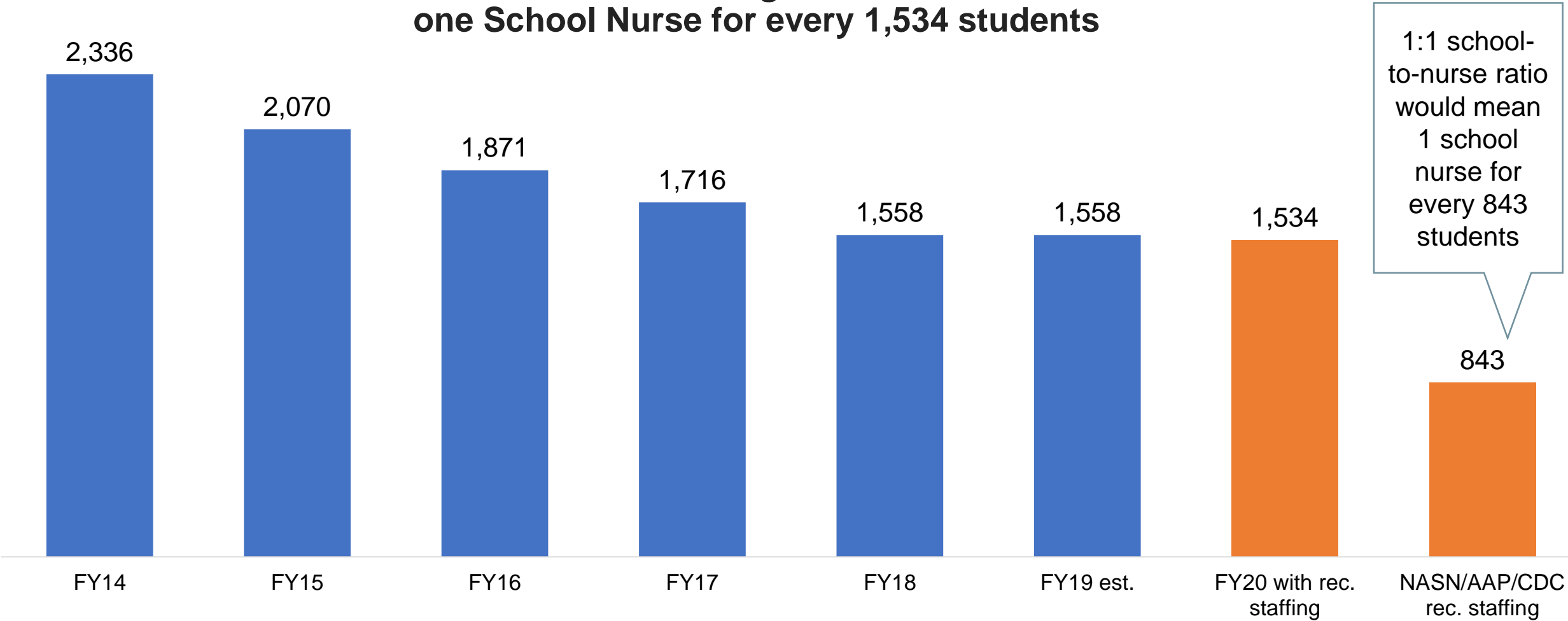
# School nurse staffing compared to NC's largest counties

At FY 2019 staffing levels, Wake County has a 1.8 school:1 school nurse ratio



# Wake County would need to add 86 more nurses to achieve 1 school:1 school nurse ratio

FY 2020 Recommended Budget adds two nurses to fund one School Nurse for every 1,534 students





# County Capital

# NC Freedom Park allocation contingencies

At the November 20, 2017 regular meeting, the Wake County Board of Commissioners approved \$25,000 of Community Capital Funding for NC Freedom Park subject to the following terms and conditions:

1. Must have received or document commitments of full project construction and ongoing and maintenance programming as required by the State;
2. Construction of project must begin within 18 months of Board commitment with completion scheduled within 36 months; and
3. Must provide written confirmation from the State of North Carolina Department of Cultural Resources' willingness to accept Freedom Park as a gift.



A stylized, light blue map of Wake County is centered in the background of the slide. The map shows the county's irregular shape with various internal divisions.

# Issues Raised by Commissioners

# Universal Breakfast New Site Estimates

School	Total Enrollment	Universal Breakfast Estimate	% Free and Reduced Eligible
Rogers Lane Elementary	892	\$11,874	82.80%
Southeast Raleigh Elementary	333	\$7,900 - Opening Fall 2019	
East Wake Middle School	664	\$17,470	71.67%

- FY 2019 appropriation: \$221,000
- FY 2020 appropriation: \$221,000
- County funding supports Universal Breakfast at 13 elementary schools; additional 12 sites supported through other sources

# Universal Breakfast Participation Rates

Fiscal Year	Total Average Participation	Free Lunch Students	Reduced Lunch Students	Paid Lunch Students
FY15	37.0%	45.0%	42.0%	11.0%
FY16	47.0%	50.0%	49.0%	39.0%
FY17	47.9%	52.1%	45.2%	39.5%
FY18	46.6%	51.9%	48.9%	35.1%
<i>FY19 YTD</i>	<i>43.9%</i>	<i>49.4%</i>	<i>48.5%</i>	<i>33.1%</i>

# Human Services FY20 Operating Expansion Request for Crosby Garfield

Expansion Request	Requested			Recommended		
	FTEs	Expenses	Revenues	FTEs	Expenses	Revenues
Crosby Center Program Assistants	2.000	110,525	15,866	-	-	-
Temporary Agency Services	-	(50,000)	-	-	-	-
<b>Total</b>	<b>2.000</b>	<b>\$60,525</b>	<b>\$15,866</b>	<b>-</b>	<b>-</b>	<b>-</b>

Support daily operations in Southeast Raleigh and Eastern Wake by assisting with:

- program planning and implementation
- data collection and reporting
- staff alternative operational hours (evenings and weekends)
- outreach and engagement of community residents and partners
- research best practices to inform collective impact/community revitalization work
- strengthen human capital development coaching model development and facilitation

# Board Discussion Regarding Changes to the Budget



# Technical Corrections

# General Fund

	FTE	Revenues	Expenditures
<b>General Fund - Recommended</b>	<b>4,264.247</b>	<b>\$1,466,200,000</b>	<b>\$1,466,200,000</b>
<b>Reallocation of Utility Chargebacks</b>			
General Services Administration			(51,925)
Community Services			20,496
Environmental Services			2,572
Human Services			14,194
Housing and Community Revitalization			2,790
Sheriff			6,400
Fire Services			1,018
Emergency Medical Services			2,974
Public Safety Communication			1,481
<b>Subtotal</b>			<b>\$0</b>
<b>Remove Accessory Structure Permit Expansion</b>			
Environmental Services	(3.000)	(220,000)	(392,860)
Budgeted Reserve – Well Water Testing			172,860
<b>General Fund - Revised Recommended</b>	<b>4,261.247</b>	<b>\$1,465,980,000</b>	<b>\$1,465,980,000</b>

# Accessory structure permit rules delayed

FY20 Funding	Recommended			Revised Recommended		
	FTEs	Expenses	Revenues	FTEs	Expenses	Revenues
On-Site Wastewater Staff	3.000	\$392,860	\$220,000	-	-	-
Budgeted Reserve – Well Testing	-	-	-	-	\$172,860	-

- Budget amounts proposed to address new On-Site Wastewater rules are under legislative review and will not be implemented in the next year
- A need for funds has been identified to address well water radiological containments
  - Reported to Glue on September 10, 2018
  - Update to Board planned on June 10, 2019



# Housing Special Revenue Fund

Program	Recommended	Revised	Changes
Community Development Block Grant	2,492,401	2,492,401	-
HOME Investment Partnerships	1,152,933	1,152,933	-
Housing Opportunities for Persons with AIDS	815,995	815,995	-
County Affordable Housing	269,974	269,974	-
Emergency Solutions Grants	161,478	161,478	-
Continuum of Care			
Rapid Rehousing	150,032	-	(150,032)
Shelter Plus Care – 2/20 – 1/21	1,856,187	1,856,219	32
<b>Housing Special Revenue Fund Total</b>	<b>\$6,899,000</b>	<b>\$6,749,000</b>	<b>(150,000)</b>

- Continuum of Care funds (including Rapid Rehousing) are applied through Raleigh/Wake Partnership to End and Prevent Homelessness and distributed to partner agencies (like Wake County)
- Rapid Rehousing funds will remain in Wake County, but distributed to another partner agency
- Wake County will shift its focus to prevention through the Housing Resource Team, an FY20 expansion

A stylized, light blue map of Wake County is centered in the background of the slide. The map shows the county's irregular shape with various internal divisions.

# Budget Ordinance Overview

# Ordinances for Consideration

## **Annual Operating Budget Ordinances**

- General Fund
- Debt Service Fund
- Fire Tax District Fund
- Major Facilities Fund
- Solid Waste Operating Fund
- South Wake Landfill Partnership Fund
- Corporate Fleet Fund
- Human Services Transportation Fund

## **Personnel Authorization Ordinance**

## **Special Revenue Fund Project Ordinances**

- Housing and Community Revitalization Fund Projects
- Capital Area Workforce Development Fund Projects
- Grants and Donations Fund Projects

## **Capital Improvement Fund Project Ordinance**

- County Capital Projects
- Fire Tax District Capital Projects
- Major Facilities Capital Projects
- Housing Capital Projects
- Solid Waste Capital Projects
- Wake Technical Community College Capital Projects
- Wake County Public School System Capital Projects

# NC General Statute - Ordinance

## Article 3. The Local Government Budget and Fiscal Control Act

### § 159-8. Annual balanced budget ordinance.

(a) Each local government and public authority shall operate under an annual balanced budget ordinance adopted and administered in accordance with this Article. A budget ordinance is balanced when the sum of estimated net revenues and appropriated fund balances is equal to appropriations. Appropriated fund balance in any fund shall not exceed the sum of cash and investments minus the sum of liabilities, encumbrances, and deferred revenues arising from cash receipts, as those figures stand at the close of the fiscal year next preceding the budget year. It is the intent of this Article that, except for moneys expended pursuant to a project ordinance or accounted for in an intragovernmental service fund or a trust and agency fund excluded from the budget ordinance under G.S. 159-13(a), all moneys received and expended by a local government or public authority should be included in the budget ordinance. Therefore, notwithstanding any other provision of law, no local government or public authority may expend any moneys, regardless of their source (including moneys derived from bond proceeds, federal, state, or private grants or loans, or special assessments), except in accordance with a budget ordinance or project ordinance adopted under this Article or through an intragovernmental service fund or trust and agency fund properly excluded from the budget ordinance.

(b) The budget ordinance of a unit of local government shall cover a fiscal year beginning July 1 and ending June 30. The budget ordinance of a public authority shall cover a fiscal year beginning July 1 and ending June 30, except that the Local Government Commission, if it determines that a different fiscal year would facilitate the authority's financial operations, may enter an order permitting an authority to operate under a fiscal year other than from July 1 to June 30. If the Commission does permit an authority to operate under an altered fiscal year, the Commission's order shall also modify the budget calendar set forth in G.S. 159-10 through 159-13 so as to provide a new budget calendar for the altered fiscal year that will clearly enable the authority to comply with the intent of this Part. (1971, c. 780, s. 1; 1973, c. 474, s. 5; 1975, c. 514, s. 3; 1979, c. 402, s. 1; 1981, c. 685, s. 2.)

# General Fund Ordinance

- Establishes the tax rate for Wake County and the Wake County portion of Research Triangle Park
- Establishes the General Fund revenue sources and expenditure budget by department
- Describes administrative authority, fee changes, and other requirements
- Reflects the WCPSS Purpose and Function allocation

**Section 11: FEE CHANGES:** As authorized in Section 153(A)-102 of the North Carolina General Statutes, the following fees are hereby established or amended, effective on July 1, 2019.

Fee Name	Fee Description	Current Fee	New Fee
<b>Community Services</b>			
Library Late Fees	Overdue fines for materials.	\$0.10/day \$2/max/item or \$10/account	\$0
Standard Color Map Sales	Printing standard County GIS color maps.	\$2-10	\$0
Special Project Sales	Customized map projects produced through interaction between GIS staff and the customer.	\$30/hour	\$0
<b>Environmental Services</b>			
Dog Adoption Fees	Cost recovery for dog adoptions. Increase adoption fee to be comparable with fees of other area shelters. Fees may be temporarily waived or reduced by Animal Center.	\$0-45	\$0-95
Cat Adoption Fees – Younger than 5 Years	Cost recovery for cat adoptions. Fee criteria based on age of cat. Establish fee for cats younger than 5 years. Fees may be temporarily waived or reduced by Animal Center.	\$0-45	\$0-45
Cat Adoption Fees – Older than 5 Years	Cost recovery for cat adoptions. Fee criteria based on age of cat. Establish fee for cats 5 years and older. Fees may be temporarily waived or reduced by Animal Center.	\$0-45	\$0-15
Cat Boarding Fee	Cats held at the Animal Center. Cost recovery for cats.	\$8/day	\$10/day
Combines Child Boarding into Animal Boarding Fee	Combines Child Boarding into Animal Boarding Fee		

# Purpose and Function

		FY 19 Amended
PURPOSE	Instructional Services	
FUNCTION	Regular Instructional Services	150,943,124
	Special Populations Services	48,758,487
	Alternative Programs and Services	17,214,181
	School Leadership Services	15,630,225
	Co-Curricular Services	15,713,218
	School-Based Support Services	34,695,469
		<u>282,954,704</u>
	<b>Systemwide Support Services</b>	
	Support and Developmental Services	6,192,470
	Special Populations Support and Development Services	4,956,150
	Alternative Programs and Services Support and Development Services	1,863,701
	Technology Support Services	14,910,351
	Operational Support Services (Fund 2)	96,568,037
	Operational Support Services (Fund 4)	71,961
	Operational Support Services (Fund 8)	909,362
	Financial and Human Resource Services	14,894,551
	Accountability Services	2,137,434
	Systemwide Pupil Support Services	4,032,558
	Policy, Leadership, and Public Relations Services	8,703,158
		<u>-</u>
	<b>Ancillary Services</b>	
	<b>Non-Programmed Charges</b>	32,760,664
	<b>Total</b>	<u><u>470,955,101</u></u>

# Purpose and Function Statute

**§ 115C-429. Approval of budget; submission to county commissioners; commissioners' action on budget.**

(a) Upon receiving the budget from the superintendent and following the public hearing authorized by G.S. 115C-428(b), if one is held, the board of education shall consider the budget, make such changes therein as it deems advisable, and submit the entire budget as approved by the board of education to the board of county commissioners not later than May 15, or such later date as may be fixed by the board of county commissioners.

(b) The board of county commissioners shall complete its action on the school budget on or before July 1, or such later date as may be agreeable to the board of education. The commissioners shall determine the amount of county revenues to be appropriated in the county budget ordinance to the local school administrative unit for the budget year. The board of county commissioners may, in its discretion, allocate part or all of its appropriation by purpose, function, or project as defined in the uniform budget format.

(c) The board of county commissioners shall have full authority to call for, and the board of education shall have the duty to make available to the board of county commissioners, upon request, all books, records, audit reports, and other information bearing on the financial operation of the local school administrative unit.

(d) Nothing in this Article shall be construed to place a duty on the board of commissioners to fund a deficit incurred by a local school administrative unit through failure of the unit to comply with the provisions of this Article or rules and regulations issued pursuant hereto, or to provide moneys lost through misapplication of moneys by a bonded officer, employee or agent of the local school administrative unit when the amount of the fidelity bond required by the board of education was manifestly insufficient. (1975, c. 437, s. 1; 1981, c. 423, s. 1.)



# Personnel Ordinance

## Establishes FTE authorization

- Authorizes the County Manager to transfer authorized positions

## Establishes Pay Bands and Position Classifications

- Authorizes the County Manager to establish or modify classifications
- Continues existing Pay Bands and Classifications; will present to the Board in summer the results of the pay and classification study with recommended changes

## Establishes Living Wage – Increases from \$15.06 to \$15.76 per hour



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# Next Steps

# Next Steps

- Incorporate any consensus changes from today's work session into the FY20 Recommended operating budget and FY 2020-26 capital budgets
- Place all ordinances on the June 3 regular meeting agenda for Board consideration of adoption

A stylized, light blue map of Wake County is centered in the background of the slide. The map shows the county's irregular shape with various indentations and protrusions.

# Appendix - Fund Balance Information

# Maintaining Adequate Fund Balance

## Why does it matter?

- Fund balance is a key ratio rating agencies review.
- County expenditures are fairly even throughout the year, while revenues vary significantly month to month.
- Having fund balance ensures we meet our operating and debt service obligations.

## What is adequate?

- Policy: maintain a combined General Fund and Debt Service Fund total fund balance of at least 30% of combined revenues.
- 30% = 3.6 months of a fiscal year
- Commensurate with other AAA-rated local governments

# What makes fund balance go up or down?

- Revenues > Expenditures = Fund Balance Increase
- Expenditures > Revenues = Fund Balance Decrease
- General Fund: typically revenues exceed expenditures
- Debt Service Fund: expenditures can vary greatly from year to year over a long-term program.
- It is important to keep the General Fund as strong as possible to mitigate years where the Debt Service Fund uses fund balance.

# How do we calculate fund balance?

The fund balance calculation is like a fraction:

$$\frac{\text{General Fund Fund Balance} + \text{Debt Service Fund Fund Balance}}{\text{General Fund Revenues} + \text{Debt Service Fund Revenues}} = \text{Fund Balance as a \% of Revenue}$$

FY 2018 calculation:  $\frac{\$ 426,589,329}{\$ 1,270,966,944} = 33.6\%$

# FY 2019 Projections

General Fund project to add \$6.5 million to, the Debt Service Fund to use, as planned, \$6.5 million of, fund balance.

	FY 2019 Projected
General Fund:	
Revenues	\$ 1,324,753,079
Expenditures	\$ (1,318,169,004)
Add to (subtract from) Fund Balance	\$ 6,584,075
Debt Service Fund:	
Revenues	\$ 288,075,909
Expenditures	\$ (294,526,293)
Add to (subtract from) Fund Balance	\$ (6,450,383)
Net Add to (subtract from) Fund Balance	\$ 133,692

While projected fund balance is about the same as FY 2018, the fund balance percentage decreased because of the increase in revenues

FY 2019

$$\frac{\$ 426,723,021}{\$ 1,348,427,029} = 31.6\%$$

FY 2018

$$\frac{\$ 426,589,329}{\$ 1,270,966,944} = 33.6\%$$

# What makes fund balance *calculation* go up or down?

As revenues increase, the more fund balance we need to maintain adequate ratios.

- When fund balance increases at the same or a greater rate than the increase in revenues, fund balance goes up.
- When fund balance increases at a rate lower than the increase in revenues, fund balance goes down.
- When fund balance decreases and revenues increase or stay the same, the calculation goes down.

*See illustration on the following slide*



# FY 2020 – FY 2026 Projected

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Fund Balances	\$ 464,399,399	\$ 495,157,887	\$ 522,977,658	\$ 524,583,582	\$ 537,001,958	\$ 531,860,214	\$ 556,858,634
Net Revenues	\$ 1,486,191,234	\$ 1,526,434,678	\$ 1,575,909,447	\$ 1,610,081,427	\$ 1,673,165,641	\$ 1,712,072,413	\$ 1,745,152,867
Fund Balance as a % of Revenues	31.2%	32.4%	33.2%	32.6%	32.1%	31.1%	31.9%
% Change Revenues	10.2%	2.7%	3.2%	2.2%	3.9%	2.3%	1.9%
% Change Fund Balance	8.8%	6.6%	5.6%	0.3%	2.4%	-1.0%	4.7%

Years where the % change in fund balance is higher represent planned years to build up fund balance to pay future debt service payments.

Years where the % change in fund balance is low represent years where debt service expenditures will exceed current year revenues, and fund balance will be used.

# Appropriating in the General Fund

## Committed Purposes

- BOC has intentionally set aside money from a prior year for an initiative or requirement.
- Examples:
  - Behavioral Health
  - Revaluation/reappraisal
  - ABC Revenues

## Unplanned Events/Emergencies

- Seek to find expenditures savings before use of fund balance.
- One-time, non-recurring emergencies or unplanned events:
  - Hurricanes/tornadoes
  - Sudden loss of revenue (recession)
  - Capital projects

Rating agencies have an expectation that fund balance is not used for general, recurring operations.

# Using fund balance once impacts every year

**Question:** What if \$5 million of fund balance were used in FY 2020?

**Answer:** Assuming FY19 results presented earlier, fund balance slightly above target balance of 30%.

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
Fund Balances	\$ 459,399,399	\$ 490,157,887	\$ 517,977,658	\$ 519,583,582	\$ 532,001,958	\$ 526,860,214	\$ 551,858,634
Net Revenues	\$ 1,486,191,234	\$ 1,526,434,678	\$ 1,575,909,447	\$ 1,610,081,427	\$ 1,673,165,641	\$ 1,712,072,413	\$ 1,745,152,867
Fund Balance as a % of Revenues	30.9%	32.1%	32.9%	32.3%	31.8%	30.8%	31.6%

Every year’s fund balance decreases compared to the model:

Fund Balance as a % of Revenues	31.2%	32.4%	33.2%	32.6%	32.1%	31.1%	31.9%
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