

**Item Title:** FY 2019 Budget Revisions

**Specific Action Requested:**

**That the Board of Commissioners approves budget revisions to the FY 2019 General Fund, General Fund Fund Balance, Major Facilities Operating Fund, South Wake Landfill Partnership Fund, and County Capital Projects 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:** This item is needed to make revisions in the FY 2019 Wake County budgetary funds that require amendments in revenue and expenditure appropriations prior to the close of the fiscal year on June 30, 2019.

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

**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 2019 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 3, 2019</b>	<b>\$1,335,302,753</b>	<b>\$1,335,302,753</b>
<b>Adjustments</b>		
A. Sheriff – Overtime	500,000	4,000,000
B. Human Services – Automation Projects	1,500,000	1,500,000
C. Environmental Services – Contaminated Wells		190,000
D. Tax Administration – DMV Fees		135,000
E. Hurricane Florence Unspent Appropriation		(1,500,000)
F. Register of Deeds – Real Property Transfer Tax	215,000	
G. Vacancy Savings		
Community Services		(150,000)
EMS		(800,000)
Information Services		(440,000)
Housing		(370,000)
Human Resources		(150,000)
Finance		(100,000)
CCBI		(100,000)
<b>Total Adjustments</b>	<b>\$2,215,000</b>	<b>\$2,215,000</b>
<b>Final Amended Budget</b>	<b>\$1,337,517,753</b>	<b>\$1,337,517,753</b>

#### A. Sheriff's Office:

The Wake County Sheriff's Office requires an additional \$4.0 million of appropriation to cover personnel overages related to overtime costs and Hurricane Florence. The Sheriff's Office continues to experience high overtime rates required to staff vacant positions, especially in the Detention and Medical units. The FY 2019 budget included salary adjustments and new pay bands to increase the recruitment and retention of employees in the Sheriff's Office. The FY 2020 budget includes additional overtime funding of \$1.6 million for the Detention and Medical Units, as well as funding for additional Medical Unit positions. These changes provide the additional resources the Sheriff's Office needs to fill vacant positions with full-time employees and reduce the need for end of year budget adjustments in the future.

The total amount of funding required to balance the Sheriff's Office's personnel overages is partially offset by higher than anticipated Sheriff related revenue collections for the detention of Federal inmates and State Detainees in the amount of \$500,000.

**B. Human Services:**

Increase the Human Services budget by \$1,500,000 with revenues estimated above current budget. Funds will be applied to capital projects described later in the item summary.

**C. Environmental Services:**

Environmental Services will provide private well-water testing to low-income residents in eastern Wake County at risk for radiological contaminants. \$190,000 is needed to increase the contract to provide the water sample collection and testing.

**D. Tax Administration:**

The NC Department of Transportation implemented a midyear increase on credit card and overhead fees for the Tag and Tax Program, which collects vehicle property taxes on behalf of the County. \$135,000 is needed to cover these additional state fees. The FY 2020 budget includes \$450,000 in additional funding for a full year of the estimated state Tax and Tag fee increase.

**E. Hurricane Florence Unspent Appropriation**

On September 17, 2018 the Board of Commissioner's appropriated \$2,000,000 to cover the costs of salaries and overtime, shelter operations, debris removal, storm repairs, and other expenses associated with the County's response to the emergency created by Hurricane Florence. The budget appropriation provided adequate funding until the eligible costs were determined for reimbursement through FEMA or other disaster recovery/response programs. \$1.5 million of the appropriation will be reallocated.

**F. Register of Deeds – Real Property Transfer Tax**

The Real Property Transfer tax is projected to exceed budget by \$215,000 in FY 2019 based on historical trends and the volume and value of real estate deeds recorded with the Register of Deeds year to date in FY 2019. This state-imposed excise tax is \$1 per \$500 of the sale price. The County collects the tax and remits one-half of the proceeds to the state (less up to a 2 percent administrative fee). The County portion can be used for any authorized public purpose.

**G. Available Lapsed Salary Across County Departments**

Several County departments (Community Services, EMS, Information Services, Housing, Human Resources, Finance, and CCBI) are projected to have lapsed salaries and benefits at the close of the 2019 fiscal year. These lapsed salaries 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 salaries and benefits reallocated within in this agenda item total \$2,110,000.

## 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 2019 fiscal year:

- i. Approximately \$1,000,000 of FY 2019 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 2019 fiscal year, and
- ii. Approximately \$2,000,000 of 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 2019 fiscal year, and
- iii. Approximately \$1,000,000 of employee and employer health insurance contributions funding intended to offset health claim expenditures with the final specific amount determined after financial records are closed for the 2019 fiscal year, which will be set aside for future appropriation as outlined in the table below.

Health Insurance Committed Fund Balance			
FY18 Commitment	FY19 Proposed Commitment	FY20 Budget (Use of Fund Balance)	Committed Fund Balance Remaining
\$2,500,000	\$1,000,000	(\$1,000,000)	\$2,500,000

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, 2019 to indicate these funds are not generally available and that authority to spend these funds requires additional Board action.

## MAJOR FACILITIES OPERATING FUND

Revenues generated by Occupancy and Prepared Food and Beverage Taxes are projected to exceed the FY 2019 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 represents the first adjustment to the Major Facilities Fund budget during FY 2019. A portion of expenditures are based on a fixed annual distribution such as the Raleigh Holdback, competitive project allocation, and debt service payments for the PNC Arena. These projects remain unchanged in the revised budget.

Meanwhile, other expenditures are based on a percent of actual revenues and distributions to various organizations, including the Raleigh Convention Center, the Greater Raleigh Convention and Visitors’ Bureau, Centennial Authority (management of

PNC Arena), and Town of Cary Hold Harmless. These expenditures are recommended for revision based on revised projected revenues and in accordance with the enabling legislation and Interlocal Agreement and corresponding amendments. After the revised projections, the amount contributed to Fund Balance will increase from \$1,189,000 in the Adopted Budget to \$1,538,000 in the Year-End Wrap-Up Ordinance.

	<b>FY19 Adopted Budget</b>	<b>FY19 Proposed Budget</b>	<b>FY19 Proposed - Adopted</b>
Occupancy Tax	26,810,000	29,573,000	2,763,000
Prepared Food Tax	30,505,000	31,085,000	580,000
<b>TOTAL REVENUES</b>	<b>\$57,315,000</b>	<b>\$60,658,000</b>	<b>\$3,343,000</b>
Greater Raleigh Convention & Visitors Bureau	6,787,000	7,478,000	691,000
Town of Cary Hold Harmless	1,308,000	1,446,000	138,000
City of Raleigh Hold Harmless	680,000	680,000	0
City of Raleigh Annual Distribution	1,000,000	1,000,000	0
Convention Center	29,396,000	31,384,000	1,988,000
Centennial Authority Operation 7%	3,347,000	3,524,000	177,000
Centennial Authority Debt Service	5,208,000	5,208,000	0
Centennial Authority Facility Improvements	2,000,000	2,000,000	0
Cary Sports Venues	2,000,000	2,000,000	0
Transfer to General Fund	1,400,000	1,400,000	0
Transfer to Major Facilities CIP	1,000,000	1,000,000	0
Transfer to Major Facilities CIP Competitive	2,000,000	2,000,000	0
Contribution to Fund Balance	1,189,000	1,538,000	349,000
<b>TOTAL EXPENDITURES</b>	<b>\$57,315,000</b>	<b>\$60,658,000</b>	<b>\$3,343,000</b>

## **SOUTH WAKE LANDFILL PARTNERSHIP FUND**

The South Wake Landfill is projected to exceed the original budget of 477,000 tons by 28,000 tons. The Solid Waste Division is now projecting 505,000 tons by the end of FY 2019 because of an unanticipated change in practice by a local waste hauler, Waste Industries. In January 2019, Waste Industries Garner Branch began redirecting most of their collected commercial and residential waste to the East Wake Transfer Station (which transfers waste to the South Wake Landfill). Previously, this waste was routed through a Waste Industries transfer station located in Garner for disposal at their regional landfill in Sampson County. The Garner transfer station has fallen into disrepair; Waste Industries is now primarily using the East Wake Transfer Station and South Wake Landfill.

The increased tonnage results in increased tipping fee revenues of approximately \$1.4 million and is offset by expenditure increases for operating vendor costs, rebates to municipal partners and post-closure costs.

	2019 Adopted Budget	2019 Proposed Budget	FY19 Proposed - Adopted
Tipping Fees	17,435,000	18,828,122	1,393,122
Interest Income	65,000	65,000	-
<b>TOTAL REVENUES</b>	<b>\$17,500,000</b>	<b>\$18,893,122</b>	<b>\$1,393,122</b>
Landfill & Transfer Station Operations	14,374,222	15,439,788	1,065,566
Partnership Rebates	3,125,778	3,453,334	327,556
<b>TOTAL EXPENDITURES</b>	<b>\$17,500,000</b>	<b>\$18,893,122</b>	<b>\$1,393,122</b>

## COUNTY CAPITAL PROJECTS FUND

### Element: Automation

- A. Appropriate \$1,500,000 of Human Services revenue to be transferred from the General Fund prior to the end of the year in the CIP Automation element. \$275,000 will fund a project related to financial controls and reporting enhancements in public health and will increase operational efficiencies and improve client customer service. \$1,225,000 will fund projects related to North Carolina Medicaid Transformation and NC FAST Document Management System. Automation funds will ensure compliance with State mandates, increase operational efficiencies, and improve client access to affordable care and service.

Element	Project	Current Appropriation	Reallocation/ Appropriation	Revised Appropriation
Automation	Public Health System	\$2,977,500	\$275,000	\$3,252,500
Automation	Human Services Automation Projects	\$525,000	\$1,225,000	\$1,750,000
<b>Total</b>		<b>\$3,502,500</b>	<b>\$1,500,000</b>	<b>\$5,002,500</b>

- B. Appropriate \$300,000 of Information Services operating and salary savings to be transferred into the Automation CIP for the WakeGov Redesign project. Information Services and Communications completed an RFP process in FY2019, following project scoping additional funding is necessary to complete the project.

Element	Project	Current Appropriation	Reallocation/ Appropriation	Revised Appropriation
Automation	WakeGov Redesign	\$400,000	\$300,000	\$700,000

### Element: County Buildings

- A. Reduce the expenditure and revenue budget of the Roof Replacements project by \$485,000. Municipal Reimbursements was incorrectly budgeted as a revenue source and will not be received. This is a technical correction.

Element	Project	Current Appropriation	Reallocation/ Appropriation	Revised Appropriation
County Buildings	Roof Replacements - General	\$515,465	(\$485,000)	\$30,465

**Attachments:**

1. Budget Memo: Sheriff's Office
2. Budget Memo: Human Services
3. Budget Memo: Environmental Services
4. Budget Memo: Tax Administration
5. Budget Memo: Non-Departmental
6. Budget Memo: Register of Deeds
7. Budget Memo: Community Services
8. Budget Memo: EMS
9. Budget Memo: Information Services
10. Budget Memo: Housing
11. Budget Memo: Human Resources
12. Budget Memo: Finance
13. Budget Memo: CCBI
14. Budget Memo: Major Facilities Operating Fund
15. Budget Memo: Solid Waste South Wake Partnership Landfill Fund
16. Budget Memo: County Capital - Automation
17. Budget Memo: County Capital - County Buildings