

## June 8 Budget Work Session Commissioner Questions and Responses

**1. Chair Ford - COVID-19 will continue to have a significant impact on programs and services. Aside from CARES Act funds, please identify areas of the budget where additional cuts and/or additional increases in services may be necessary should revenues fall further than projected for the model used? In other words, since revenue shortfalls projected in this budget were modeled after the revenue losses from the Great Recession, and the actual shortfalls in the year ahead are even sharper than anticipated, what is our plan to adjust? What is our contingency plan for this scenario, should additional cuts be necessary (or program enhancements beyond what currently qualify for CARES Act reimbursement)?**

Response: The revenue projections used in connection with the development of the FY 2021 recommended budget replicate the Great Recession to the extent of initial, sharp declines; however, we currently anticipate the length of this economic downturn to be of shorter duration (seeing recovery by the 4<sup>th</sup> quarter of FY 2021). Should revenue losses be deeper or longer than projected, staff would consider completing another budget reduction exercise that would likely include cuts to capital programs, hiring freezes, position eliminations, and reductions in non-mandated services.

The scenario described above is an example of why the Board should consider not appropriating all available fund balance. The fund balance would allow the County to maintain operations at the recommended levels without additional cuts should actual revenues deviate from projections.

The only items eligible to be applied to CARES Act funding are those associated with the County's response to COVID-19. General County activities, services, and functions are not eligible to be applied against these funds.

**2. Chair Ford - Per Pupil Funding - Is it possible to include any CARES Act appropriation from WakeGov to WCPSS in the Per Pupil Funding formula? If so, does a portion of any CARES Act appropriation to WCPSS have to go to charter schools? Same goes with any conversions from within their capital to operating. While not recurring, they are part of the appropriation nonetheless and should be included in overall operating fund allotments.**

Response: The CARES Act appropriation cannot go toward the County's per pupil funding of WCPSS. We are researching if any CARES Act appropriation made to WCPSS by the County for COVID-19 related expenditures would be required to be shared with charter schools.

The operating appropriation the County makes to WCPSS is budgeted in WCPSS's Local Current Expense Fund. Regardless of the County's intent of the appropriation, WCPSS must allocate funding to charter schools, in accordance with NCGS 115C-218.105.

**3. Chair Ford - I anticipate that fund balance will be considered as an option as a one-time revenue source for the Board's adopted budget. Fund balance exists for a variety of reasons, one of them being emergency situations like we find ourselves in. How much leeway (in dollars, approximately) exists between what is currently anticipated in our fund balance and the "hard stop" of what is needed to maintain our triple triple-A bond ratings?**

Response: Fund balance is one of many factors used by bond rating agencies to determine a local government's rating. Many factors, including growth in the tax base, personal income, retail sales, and

federal/state legislation, are outside of the County's control. Rating agencies closely monitor factors within the County's control, such as development of and adherence to fiscal policies, setting the property tax rate, monitoring and controlling expenditures, and ensuring adequate fund balance to meet obligations. Rating agencies do not have "hard stop" values related to fund balance, and each rating agency weighs fund balance differently. Rating agencies have an expectation that fund balance is not used for recurring operations and expansions of budgets.

**4. Chair Ford - ABC funds - Traditionally these funds are used for recovery and related education programs. Is this practice based on an adopted policy (by BOC or internally by staff) or is it simply our custom? If the latter, what restrictions, if any, exist on those funds?**

Response: Historically these dollars have been used to support one-time initiatives related to Housing and Human Services to acknowledge the ABC Board's desire to give back to the community.

**Related: Has the ABC Board adjusted their revenues based on current and adjusted sales trend projections? If so, what are those updated numbers for Wake County?**

Response: Wake ABC Board has communicated an intent to distribute \$5 million in excess revenues in July 2020.

**5. Chair Ford - Given the impact of the pandemic on the federal and state budgets, are there any anticipated reductions in state or federal grants programs that would impact our budget? Are these grants considered part of our annual revenue? Are they excluded from the current rule that CARES Act money can't be used to fill budget shortfalls should those grants be reduced or cut?**

Response: The County does not currently have information regarding State or Federal funding reductions. State and Federal revenues are mostly in Human Services and are budgeted annually for related programming and cannot be budgeted for other purposes. The funds are unrelated to CARES Act rules. CARES Act funding cannot be used to replace loss of annual State and Federal revenues.

**6. Chair Ford - Debt Service - Are there any existing opportunities to refinance existing debt at lower rates that haven't yet been explored?**

Response: County staff continually monitors the bond market to refund eligible debt at lower bond rates. Because of a 10-year call feature in all of County's existing debt and regulatory restrictions on when refinancing may be pursued, we only can consider refunding debt that has aged 10 years. The County's next opportunity to consider a refunding will be when 2011 Bonds will be deemed eligible for refunding in early 2021. The viability of pursuing that refunding opportunity will be subject to interest rate fluctuations. All other viable refunding opportunities have been completed to date.

**7. Chair Ford - What impact does the proposed budget have on specific existing capital projects, or are those projects "protected?" What are the plans for reviewing our 7-year county building CIP based on the models assumed in the proposal?**

Response: The capital program is evaluated and re-forecasted based on revised revenue estimates on an annual basis. Currently, the program reflects impacts of lower property and sales tax revenue projections and shift of .21 cent property tax to the General Fund over the seven years. Specific project impacts follow.

FY21	FY22	FY23
<ul style="list-style-type: none"> <li>• Move design funding for Public Health and Swinburne to FY22</li> <li>• Decreased infrastructure pavement and eliminated innovation level funding</li> <li>• Removed Whitaker Mill land purchase from EMS Master Plan</li> </ul>	<ul style="list-style-type: none"> <li>• Decreased infrastructure pavement level funding</li> <li>• Moved South Wilmington St. Center upgrades, Commons Center upgrades, and User Behavior Analytics Platform to FY24</li> </ul>	<ul style="list-style-type: none"> <li>• Moved Radio Tower Replacement to FY25</li> <li>• Moved Sky Bridge, Elevator Modernization, and Exterior Window Replacement to FY24</li> <li>• Moved portion of Annex design funding to FY24</li> </ul>

**8. Chair Ford - What is the process for divesting the county from Five County Stadium? Also, who/what else funds the budget for the stadium, beyond ticket and concession sales? Local municipalities? The franchise owner? What is the current lifespan of this building?**

Response: Five County Stadium has been the home of the Carolina Mudcats baseball team since 1991. Wake County ('County') and the Town of Zebulon ('Town') own Five County Stadium as tenants in common (County 85% / Town 15%) as the result of an Inter Local Agreement (ILA) entered in 2002 and ensuing conveyance of interest in the Stadium from Town to County. Therefore, the joinder of County and Town are required for transactions involving Five County Stadium and its use.

A lease was entered January 1, 2003 between Town as Lessor and Carolina Mudcats Professional Baseball Club Inc. as Lessee for use of the Five County Stadium. The lease specifically defines responsibilities between the parties as follows: The Lessee is responsible for all ballpark operations; the Lessor is responsible for capital improvements, facility management and water utility. Rent payments through this lease have also served as a source of capital funding, in accordance with the lease.

An Amended and Restated Management Agreement was also entered January 1, 2003 between Town as Owner and Bait Shop, Inc. as Stadium Manager. The Management Agreement sets forth the rights to manage and operate the Stadium.

Five County Stadium was constructed in multiple phases, beginning in the early 1990's and continuing into 2000 and there is not a forecasted 'lifespan' for the building. Our building systems and building elements have a lifecycle and are evaluated periodically as described below. Our ongoing maintenance program coupled with the county's design guidelines and standards is intended to preserve county assets in perpetuity. It is our practice to professionally maintain our facilities through preventative maintenance schedules and address corrective maintenance needs in a timely manner. We plan lifecycle replacements for major facility systems and components through the County's Capital Improvement Program.

Five County Stadium capital costs are funded by Occupancy and Prepared Food/Beverage Taxes.

**9. Commissioner Evans – What would be the result for existing Community Organizations if we reduced the FY20 appropriation by 7%?**

Response: FY21 Recommended Budget includes \$500,000 for Community Organizations. Board of Commissioners to identify which organizations receive funding.

Organization	FY20 Budget	7% Reduction	50% Reduction
Food Bank of Central & Eastern NC	12,000	11,160	6,000
Interfaith Food Shuttle	25,000	23,250	12,500
East Wake Education Foundation	50,000	46,500	25,000
Communities in Schools	100,000	93,000	50,000
InterAct	100,000	93,000	50,000
NC Symphony	100,000	93,000	50,000
Universal School Breakfast Program	258,000	239,940	129,000
United Arts Council of Wake County	511,000	475,230	255,500
Marbles Kids Museum	650,000	604,500	325,000
<b>Total Organization Funding</b>	<b>\$1,806,000</b>	<b>\$1,679,580</b>	<b>\$903,000</b>

**10. Commissioner Calabria - What it would cost to restore each one of the items described by the library commission?**

**“The proposed FY21 budget reductions for Wake County Public Libraries will have a severe impact on services and programs, including those geared to young children and vulnerable populations. The library system will lose:**

- **The 9am to 10am opening hour which accounts for almost one-quarter million visits annually and more than 200,000 circulated items.**
- **50% of preschool and toddler programs – these promote school readiness and success.**
- **Every Family Ready to Achieve (EFRA) initiative at five libraries serving our most vulnerable communities – these promote literacy, social skills, life skills and leadership.**
- **Adult program hours for job readiness services like “Get That Job” and WCPL’s “Job Lab” as well as counseling for disadvantaged and first-generation college applicants.**
- **The 8pm to 9pm closing hour, which in addition to thousands of visits and more than 100,000 circulated materials, will also reduce study/tutoring time and WIFI accessibility.”**

Response: The items are not independently costed, retaining the same level of library services would mean restoring the full reduction to the library hours - \$1,929,053.

**11. Vice Chair Adamson - The \$10.8 million Fund Balance we used for COVID-19, could we move this to keep Per Pupil spending level?**

Response: Not necessarily. Staff’s recommendations related to the \$10.8 million appropriation of fund balance in March and April for the COVID-19 response was done under the assumption that the County would receive federal and/or state revenues (or be able to record a future reimbursement) to offset this appropriation prior to June 30. If the County had not received the federal funding, the use of \$10.8 million would have dropped combined fund balance ratios to exactly 30%.

**12. Vice Chair Adamson - I am reviewing our Fund Balance Policy and am looking at the page titled Fund Balance: "If a catastrophic economic event occurs that results in a deviation of five percent (5%) or more from total budgeted revenue or expenditures, that amount committed for working capital can be reduced by board action. At that time, the Board will also adopt a plan on how to return committed for working capital back to the required level for fiscal health". I think a pandemic counts as a catastrophic economic event. If a pandemic does not qualify as a catastrophic what would be a catastrophic event? This was adopted May 16, 2014.**

Response: While a pandemic may be considered a "catastrophic event," the policy reads that the "if a catastrophic event...**results in** a deviation of 5% of budgeted revenues or expenditures..." While this COVID-19 event has been impactful, the resulting revenue loss is projected to only be between 1.5-2.0%, and therefore does not trigger the actions referenced in this portion of the policy.

Further, this portion of the policy is designed to allow the board to make adjustments when events occur mid-year ("deviation...**from budgeted** revenue or expenditures..."), and reducing working capital is the only viable solution that exists to complete that fiscal year's operations. In the current case, the County is projecting to meet FY 2020 operating needs within the guidelines, and therefore does not trigger the actions referenced in this portion of the policy. The consideration of fund balance to balance the FY 2021 budget would not fall under this criterion.

**13. Vice Chair Adamson - I am reviewing the S&P Global Ratings report dated April 2, 2020. Note: On Page 2 is a "Credit Profile" LOB's have a AA+ so this is why the rate is higher. FitchRatings Issue Report April 6, 2020 page 3 middle section Operating Performance - "Fitch believes the county would maintain a reserve cushion well above the level needed for a 'aaa' financial resilience assessment in a moderate economic decline given the county's superior revenue and spending control and solid reserves." "Finally, the county maintains accessible reserves in the debt service and county capital projects fund that totaled over \$189 million, which we consider substantial." FitchRatings Issue Report April 6, 2020 page 4 blue box in upper right "Fitch believes the county would maintain a reserve cushion well about the level needed for a "aaa' financial resilience assessment in a moderate economic decline".**

Response: The County's overall credit ratings and ratings on its **General Obligation** ("GO") debt is triple-A from all three Rating Agencies. Each agency's respective rating of the County's Limited Obligation Bonds ("**LOBs**") debt is one grade below County's General Obligation ratings. In case of S&P this means County LOBs are rated AA+. In terms of risk assessment, LOBs *always* are viewed by rating agencies and investors as a slightly higher risk compared to General Obligation debt. This is because GO debt is collateralized by the full taxing authority of the County, while LOBs are collateralized by the asset(s) being financed and annual budget appropriation.

In event of economic downturn, the Rating Agencies expect the County to react like its response to the 2008 economic crash – disciplined and calculated response by controlling expenditures in face of reduced revenues.

Each agency has own measurement of reserves:

- Fitch is most flexible on fund balance measurement.
- S&P measurement is slightly more restrictive than Fitch.
- Moody's has highest and most stringent measurement for fund balance.

If the County loses the AAA rating from Fitch, then likely the other ratings already would be downgraded.

Based on Moody's quantitative scoring of County's recent General Obligation Bond transaction, if fund balance were below stated 30% policy threshold, staff's analysis is that initial aggregate scoring would place County in double-A range (i.e., downgrade from triple-A) before final review by Moody's rating committee.

A portion of the \$189 million referenced above is not included in the County's own 30% fund balance measurement. Capital project fund balances may be due to contract(s) which are in process but not yet been spent, and we would not consider that funding available for operating or ongoing purposes.

The County would be intentionally creating a "structural imbalance" by drawing down reserves to fund ongoing operations. The rating agencies will note the disparity.

**14. Vice Chair Adamson – Recommended Budget Presentation Slide 4 CARES Act - I understand time is of the essence with these funds but we need a Work Session on how best to spend these funds.**

Response: Staff provided a general framework on how these dollars may be spent at the May 18 board meeting, placing highest priority on the County's emergency response, community response, and continuity of local government services. The County awaits further guidance from the US Treasury on allowable uses. As guidance is released from the US Treasury, County staff consults with state experts to ensure these eligible uses comply with statutory and constitutional provisions granted to local governments. County staff only will propose additional specific programs and initiatives as deemed allowable by federal and state guidance.

**15. Vice Chair Adamson - Recommended Budget Presentation Slide 43 Aligns all EMTs and paramedics under County Management - Postpone/separate from Budget process and bring to Work Session/Public Safety Committee meeting. Recommended Budget Book Page 47: Emergency Medical Services - Last paragraph "the budget includes transition of contract agency staff to Wake EMS county employees for a fully consolidated EMS agency." Is this still part of the budget? Page 60: Emergency Medical Services - "Realign Cary and EWWMS contract agencies and transition to County positions (88.00 EFTs) - Is this still part of the budget?**

Response: The FY21 budget includes partial year savings from discontinuing contracts with nonprofit EMS agencies. EMS will begin the fiscal year with non-profit contracts in place. Recommendations for realignment of services to be presented to Board in August.

**16. Vice Chair Adamson - Recommended Budget Presentation Slide 45 - What is the timeline for the new Electronic Health Records?**

Response: The FY 2018 and FY 2020 Adopted County Capital Budgets included a total of \$1.4 million for the implementation of an Electronic Health Records system for the Wake County Detention Centers. The Wake County Sheriff's Office has selected Fusion-EHR to provide the Electronic Health Records system. The Wake County Sheriff's Office anticipates the electronic health records implementation to be completed in Fall of 2021.

**17. Vice Chair Adamson - Recommended Budget Book Page 35: I am not sure I completely understand how the GA redistribute Sales Tax. What do we see coming with redistribute of Sales Tax?**

Response: N.C. § 105-524 redistributes sales tax revenue across the state. Statute establishes that a portion of sales taxes are collected by the state from all counties and then redistributed to some counties. No changes are anticipated with this state legislation.

**18. Vice Chair Adamson - Recommended Budget Book Page 55: With Oak City Cares do we still need the Cornerstone Building? What different services do they provide?**

Response: Familiar Faces experience chronic homelessness and co-occurring disabling conditions like mental health and substance use diagnoses. Many of these clients have tried to utilize services at Oak City Cares but are not able to properly function in that busy environment and require specialized attention if they are to be housed. Cornerstone creates a safe space in a less congested area to reach out, build trust, and stabilize in housing. Both buildings provide some overlapping services, but moving forward, through building upfits and program revamp, Cornerstone will be set up as the space to take on a more focused attention to specifically support the familiar faces population through a best-practice permanent supportive housing model.

Oak City Cares	Both	Cornerstone
Public Computers	Coordinated Entry Intake	18-19 efficiency units for Bridge Housing
Coffee Café	Shower	Housing for Persons with AIDS program
Primary Urgent Care	Public Telephone	Substance Abuse Programming
Public Health	Laundry	Temporary Mailing Address
Youth and Children Assessments, Screenings	Mental Health	Traveler's Aid

**19. Vice Chair Adamson - Recommended Budget Book Page 60: Emergency Medical Services - How will the cuts effect service to our citizens?**

Response: The FY21 reductions should not have significant impacts on service delivery at the 4% level. Further reductions would have an impact. The budget removes the least utilized in-service ambulance in EMS' fleet. The budget also removes one 12-hour ambulance budgeted for FY20 but not yet put into service.

**20. Vice Chair Adamson - Recommended Budget Book Page 140: Service Area: Provide Outdoor Recreation Resources - Number of group camp users Actual 2,567 Target 2,700 - What type of camps do we offer? Where? Who camps with us?**

Response: Three types of camping are available for Wake County campers – PROS Camps, Outside Group Day Camps, and Outside Group Overnight Camps. PROS Camps are open to all citizens and vary in length from 3 to 5 days in summer months and are offered at six Park facilities (Harris Lake, Lake Crabtree, Yates Mill Park, Blue Jay Point Park, Crowder Park and Oak View Park). Outside Group Day Camps are mainly YMCA camps at Lake Crabtree County Park tracked by facility reservations. Outside

Group Overnight Camps are limited to scouting groups of 50 or less at Harris Lake County Park's primitive campsite. The statistics noted in the budget book are the combined results for Outside Group Day Camping and Outside Group Overnight Camping. Statistics for PROS Camps are included in overall program participation on page 141 of the budget book. Please note that all camps are currently cancelled through July due to COVID 19.

Outside Group Day Camps: In FY19, there were 45 reservations resulting in 2435 users. In addition to our regular day camps, Lake Crabtree County Park serves as the site for a YMCA day camp that reserves park shelters, receives programs from staff, and rental of boats.

Outside Group Overnight Camps: In FY 19, there were 41 reservations resulting in 132 users. Harris Lake County Park exclusively operates a primitive group camp site that can be reserved by guides, scouts and like groups for overnight use. This type of primitive camp site provides a unique outdoor experience that enhances and develops those camping skills you learn through scouts. The goal is to leave those comforts of home behind and practice the "Leave No Trace" principles, while using the bare necessities already provided at this camp site. No vehicles are allowed back at the camp site and all equipment is typically carried in by backpack. Overnight camping groups have a maximum of 50 scouts. (<http://www.wakegov.com/parks/harrislake/Pages/information.aspx>)

PROS Camps: Statistics for PROS Camps are included overall program participation (Budget Book Page 141). PROS staff offer camps mostly in the summer months to members of the public. These camps typically have 10-15 participants and are focused on school age children. Each park provides up to 40 hours of camp per year, running from three to five days as either full or half day camps. They cover a variety of cultural, environmental, and recreational themes with titles like Farm History Camp (Oak View), Discovery Day Camp (Harris Lake), or Polliwogs: Animals (Crowder).

**21. Vice Chair Adamson - Recommended Budget Book Page 150 - I would like to make our Veterans Services more robust. Let's explore this as soon as the recovery has started.**

Response: Noted.

**22. Vice Chair Adamson - Recommended Budget Book Page 187: FY21 Discussion - The Budget includes a \$50,000 reduction to the maintenance contract for electronic security devices. Will this reduction cause citizens to stay in jail longer that might be released with an "ankle bracelet"?**

Response: This item is not related to jail/detention, but instead a maintenance contract for all of the cameras, card access readers, duress buttons, etc in all county buildings; managed by General Services.

**23. Vice Chair Adamson - Recommended Budget Book Page 274 to 276: Grants and Donations: Do we have a staff person/Department responsible for finding/applying for grants?**

Response: Departments individually find and apply for grants. After award, generally, program managers manage the programmatic grant activities. Human Services has two dedicated grant administration staff. Workforce Development has one dedicated grant administration staff.



**24. Vice Chair Adamson - Elections: Are we having problems recruiting poll workers? If so, do we believe raising the hourly rate from 8.67 to 15.00 an hour would help with the recruitment? How much would it cost and where would we find the funding?**

Response: The Board of Elections requested a funding increase to raise the Election Day Precinct Official stipend to a rough equivalent of \$11 per hour. The cost for this expansion request was \$144,670. Raising the stipend hourly equivalent to \$15 per hour would require an additional \$206,280, for a total budget increase of \$350,950. The Board of Election experiences a high attrition rate for its Precinct Officials. The majority of current Precinct Officials are retired individuals who are considered a vulnerable population for COVID-19. Staff has observed and heard that the low amount of the current stipend is not an adequate incentive for many individuals that would otherwise volunteer to serve. Staff have also been following State level developments around election funding. At this time, it looks like Wake County may receive some state funding but not at the level expected.

**24. Vice Chair Adamson - What library programs will be eliminated?**

Response: COVID-19 will impact the number of programs offered in FY20 and FY21 regardless of budget decisions. In FY19, the library system offered 1,066 adult programs and 10,660 youth programs. In FY20, the library system is on track to offer 998 adult programs and 8,909 youth programs. Libraries developed a plan to allow placement of Rived employees through attrition such that no employees will be terminated.

**25. Vice Chair Adamson - Can you provide us with the letters that were sent to the Community Funding Nonprofits?**

Response: Work session attachment.

**26. Vice Chair Adamson - Recommended Budget Book Page 357: Element Summary: Public Safety - What was the result of the FY2020 study for the need for an additional Sheriff Training Facility?**

Response: The FY 2020 Adopted County Capital Budget included \$100,000 to study the creation of a Simunition Training Center for the Wake County Sheriff's Office. The County has engaged Mossley to consult on the study; the scope of the study will focus on:

- Who would use the facility
- Space Programming
- Location, Size, and Construction
- Cost and Partnership Opportunities.

The County and the Sheriff's Office had completed introductory discussions for the project when COVID-19 halted work on the study.

**27. Vice Chair Adamson - Recommended Budget Book Page 359: Emergency Operations Center - Can we use CARES Act funds for this upgrade?**

Response: Funding must be spent by December 30, 2020, the renovation of the EOC and ground floor of WCOB could not meet that timeline. The Recommended FY 2021-27 County Capital plan currently includes a total of \$6.05 million for the renovation of the Emergency Operations Center in the Wake County Office Building. FY 2021 includes \$645,000 for design and preliminary work; FY 2022 includes the remaining \$5.4 million for the renovation.