

# Board of Commissioners

## Budget Work Session

June 8, 2020



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# Agenda

- Technical Adjustments
- Public Hearing Summary
- Commissioner Question Follow-up
  - Debt and Capital
  - General Fund
  - WCPSS Funding
  - Fund Balance
- Board Discussion

A stylized, semi-transparent map of Wake County is centered in the background of the slide. The map is a darker shade of blue than the background and shows the county's irregular borders.

# Technical Adjustments

# General Fund Technical Adjustments

	Revenues	Expenditures
<b>General Fund – Recommended</b>	<b>1,456,796,000</b>	<b>1,456,796,000</b>
Reallocation of Security Chargebacks		
General Services Administration	-	(137,967)
Human Services		180,642
Housing	-	(42,675)
Health Insurance Intrafund Transfer*	7,500,000	7,500,000
<b>General Fund – Revised Recommended</b>	<b>1,464,296,000</b>	<b>1,464,296,000</b>

\*Health Insurance Intrafund Transfer: Technical change to financial entries to improve ability to conduct projections, reporting, and analysis. No impact on programming, benefits, or actual cost experience.

# Capital Area Workforce Development Fund Technical Adjustments

	Revenues	Expenditures
<b>Capital Area Workforce Development Fund – Recommended</b>	<b>5,603,000</b>	<b>5,603,000</b>
NC Department of Commerce: Disaster Recovery Dislocated Workers Grant COVID-19	693,160	693,160
House Wake!: Rapid Rehousing	100,090	100,090
<b>Capital Area Workforce Development Fund – Revised Recommended</b>	<b>6,396,250</b>	<b>6,396,250</b>

- Received supplemental funding from NC Department of Commerce for Dislocated Workers Program
- Received \$100,090 in new funding from Wake County Housing and Community Revitalization to support Rapid Rehousing program

# Budget ordinances reflect FY21 Recommended Budget with technical adjustments

- General Fund Operating Ordinance
- Debt Service Fund Ordinance
- Fire Tax District Fund Ordinance
- Major Facilities Fund Ordinance
- Solid Waste Operating Ordinance
- South Wake Landfill Partnership Fund Ordinance
- Corporate Fleet Fund Ordinance
- Capital Improvement Projects Fund Ordinance
- Grants and Donations Fund Project Ordinance
- Personnel Authorization Ordinance

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.

# Public Comment Summary

# Public Comment Summary

Category	Count	% of Total
Tax Rate – General Property Rate	5	0.35%
Human Services, Housing, Behavioral Health	2	0.14%
Libraries	22	1.56%
EMS	335*	23.73%
Other County Departments and Functions	9	0.64%
Community Organizations		
Marbles	717	50.78%
NC Symphony	92	6.52%
United Arts	101	7.15%
Other community organizations	7	0.50%
WCPSS	113	8.00%
Other Education (Smart Start, Wake Tech)	6	0.42%
Other/General Feedback	3	0.21%
<b>Total</b>	<b>1,412</b>	

\*233 EMS comments from a retirement community in Chatham County

A faint, light blue map of Wake County is centered in the background of the slide.

# Board of Commissioner Questions

# Debt and Capital

# Response: Refund Debt

**Question: Are there any existing opportunities to refinance existing debt at lower rates that haven't yet been explored?"**

- County staff continually monitors bond market to refund eligible debt at lower 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.

# County Capital Program Reductions and Adjustments

**Question: 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?**

## FY21

- Move design funding for Public Health and Swinburne to FY22
- Decreased infrastructure pavement and eliminated innovation level funding
- Removed Whitaker Mill land purchase from EMS Master Plan

## FY22

- Decreased infrastructure pavement level funding
- Moved South Wilmington St. Center upgrades, Commons Center upgrades, and User Behavior Analytics Platform to FY24

## FY23

- Moved Radio Tower Replacement to FY25
- Moved Sky Bridge, Elevator Modernization, and Exterior Window Replacement to FY24
- Moved portion of Annex design funding to FY24

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.

# WCSO Simunition Training Center Study

**Question: What was the result of the FY 2020 study for the need for an additional Sheriff Training Facility?**

- 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.

# WCSO Electronic Health Records

**Question: What is the timeline for the new Electronic Health Records system?**

- 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

# Emergency Operations Center Renovations

**Question: Can CARES Act funds be used towards the planned renovation of the Emergency Operations Center?**

- Funding must be spent by December 30<sup>th</sup>, 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

# Five County Stadium

**Question: 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?**

- Wake County has a lease with the Milwaukee Brewers Affiliate, which owns the Carolina Mudcats, through 2023
- County staff will begin negotiations in 2021
- Ownership of the stadium is 85% Wake County and 15% Town of Zebulon

# General Fund

# Sales Tax Redistribution

**Question: Assistance describing how the General Assembly redistribute sales tax. What do we see coming with redistribute of Sales Tax?**

- 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.

# State and Federal Grants

**Question: 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?**

- The County does not currently have information regarding State or Federal funding reductions. If such reductions occur, County budget adjustments may have to be made accordingly.
- 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.

# CARES Act

- CARES Act funding may only be used for eligible expenses associated with the County's COVID-19 response
  - General County activities, services, and functions are not eligible
  - Per pupil funding or any portion of County's operating appropriation to WCPSS is not eligible
- County presented CARES Act funding plan May 18
  - Await additional guidance from US Treasury of certain, specified uses contemplated by Board
  - Staff will present specific program initiatives and plans as guidance becomes available

# EMS Reductions

**Question: Is the termination of service contracts with the EMS contract agencies still part of the budget? How will the cuts effect service to our citizens?**

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

# Election Precinct Officials

**Question: How much would increasing the Precinct Official stipend cost?**

- 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.

# Election Precinct Officials

**Question: Are we having problems recruiting Precinct Officials? If so, do we believe raising the hourly rate from 8.67 to 15.00 an hour would help with the recruitment?**

- 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.

# Library Program Reductions

**Questions: What it would cost to restore each one of the items described by the library commission? What library programs will be eliminated?**

- 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.
- Retaining the same level of library services would cost \$1,929,053
- Libraries developed a plan to allow placement of RIFd employees through attrition such that no employees will be terminated.

# Grant Application Staff

**Question: Do we have a staff person or department responsible for finding and applying for grants?**

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

# Oak City and Cornerstone

**Question: With Oak City Cares do we still need the Cornerstone Building? What different services do they provide?**

## Oak City Cares

Public Computers  
Coffee Café  
Primary Urgent Care  
Public Health  
Youth and Children  
Assessments, Screenings

## Both

Coordinated Entry Intake  
Shower  
Public Telephone  
Laundry  
Mental Health

## Cornerstone

18-19 efficiency units for  
Bridge Housing  
Housing for Persons with  
AIDS program  
Substance Abuse  
Programming  
Temporary Mailing Address  
Traveler's Aid

# Oak City and Cornerstone (cont'd)

- 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

# Use of ABC Funds

**Question: 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?**

- Recently, 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.
- No Board or staff policy dictates the use of ABC funds.

# Recommended Budget includes use of ABC funds for the Drug Overdose Prevention program and Human Services capital projects in FY21

Requested Projects	Planned and Requested Use of Fund Balance	Remaining Fund Balance
<b>FY20 Current Fund Balance</b>		\$4,881,742
<b>Project Uses</b>		
FY21 Recommended Budget – Drug Overdose Prevention Program	(\$845,688)	\$4,036,054
FY21 Recommended Budget – Transfer to County Capital for HS Master Plan-Public Health Center	(\$2,000,000)	\$2,036,054

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

# Community Organizations

- 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>

# WCPSS Funding

# Maintaining FY 20 per pupil would require additional \$11.95 million

	FY 20 Actual	FY 21 Estimated as of January 7, 2020	Above/(Below) FY 20 Actual
<b>Per Pupil Funding</b>	<b>\$2,931.71</b>	<b>\$2,931.71</b>	<b>-</b>
WCPSS Membership	161,907	161,940	33
Charter Membership	14,084	18,127	4,043
<b>Total Membership</b>	<b>175,991</b>	<b>180,067</b>	<b>4,076</b>
<b>Total Funding</b>	<b>\$515,955,101</b>	<b>\$527,904,763</b>	<b>\$11,949,662</b>

# Enrollment Considerations

- Enrollment Projections – Pre-COVID
  - Anticipating 6-8 new charter schools
  - Anticipating total membership growth of 4,076
- Enrollment Considerations due to COVID
  - Now projecting only one new charter school – how does this impact WCPSS enrollment?
  - Did economic downturn impact in-migration to County, reducing total new membership (as seen in last recession)?
  - Do public health concerns impact parent decisions around homeschooling or other school choices?

# WCPSS Per Pupil Funding Options

## 1. Delay Funding Decision

- Keep funding at FY 2020 levels and gather data on the following:
  - Actual sales tax data for March – June
  - Actual enrollment data systemwide (WCPSS and charters)
- Use data gathered in summer/fall to decide if:
  - Funding is available
  - How much is needed based on systemwide enrollment
- Short-term solution – recurring revenue source would need to be identified for future years

# WCPSS Per Pupil Funding Options

## 2. Reduce WCPSS Capital

- Reduce County's cash allocation to WCPSS capital program in FY 2021
- Short-term solution – recurring revenue source would need to be identified for future years
- Requires amendments to the WCPSS FY 2021 CIP
- Could potentially restore CIP funding mid-year if actual sales tax better than projections

## 3. Appropriate Fund Balance

- Current calculation of available fund balance does not support appropriation equal to full per pupil
- Short-term solution – recurring revenue source would need to be identified for future years
- Creates structural imbalance
- Leaves no operating cushion should actual revenues be less than projections

# WCPSS Per Pupil Funding Options

## 4. Raise Taxes

- Funding per pupil calculation would require tax increase of approximately .66 cents
- Resolves structural imbalance – recurring revenue source to match recurring expenditure
- Does not impact County operations, capital programs, or fund balance
- Increases tax burden for residents and businesses

## 5. Cut County Operations

- Recommended budget already includes County operational cuts of 4%
- Further operational cuts would consider reductions in non-statutorily mandated services (libraries, parks, housing) and position eliminations

# Fund Balance

# Fund Balance

The following slides cover several questions received by staff regarding use of fund balance in the FY21 budget.

# Projected Fund Balance – FY 2020

- BOC has intentionally set aside funds for specific initiatives. Examples include:
  - Behavioral Health
  - Revaluation/reappraisal
  - ABC Revenues
- Some external entities have imposed restrictions on funds as well:
  - ROD Funds
  - LEO Separation Allowance
- County does not consider these funds available for ongoing needs

## General Fund (restated)

<i>(in thousands)</i>	Fiscal Year 2020
Total Fund Balance	345,329
Less:	
ROD Automation	(628)
Revaluation Reserve	(2,028)
Excess ABC Revenues	(5,882)
Behavioral Health	(11,177)
Insurance Reserve	(3,000)
Net Available Fund Balance	322,614

## Operating (Combined) Fund Balance (restated)

<i>(in thousands)</i>	Fiscal Year 2020
General Fund Fund Balance	322,614
Debt Service Fund Fund Balance	130,150
Total Fund Balances	452,764
Combined FY 2020 Revenues	1,474,142

Fund Balance as a Percent of Revenue	30.7%
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# Projected Fund Balance - FY 2020

## FY 2020 Projected Fund Balance

Combined Revenues	\$1,474,142
	30%
Minimum Combined Fund Balance	\$442,243
Projected Fund Balances:	
General Fund	\$322,615
Debt Service Fund	\$130,130
Total	\$452,745
Fund Balance as a Percent of Revenues	30.7%
<b>Fund Balance Above Minimum</b>	<b>\$10,502</b>

*In thousands*

# Scenarios of How Fund Balance Could Deviate from FY 2020 Projections

## What If #1 : FY 2020 Projected - Deeper Recession \$5 Million Less in Revenues

Combined Revenues	\$1,469,142
	30%
Minimum Combined Fund Balance	\$440,743
Projected Fund Balances:	
General Fund	\$317,615
Debt Service Fund	\$130,130
Total	\$447,745
Fund Balance as a Percent of Revenues	30.5%
Available Fund Balance	\$7,002

## What If #2: FY 2020 Projected - Less COVID Funds \$5 Million Not Reimbursable

Combined Revenues	\$1,474,142
	30%
Minimum Combined Fund Balance	\$442,243
Projected Fund Balances:	
General Fund	\$317,615
Debt Service Fund	\$130,130
Total	\$447,745
Fund Balance as a Percent of Revenues	30.4%
Available Fund Balance	\$5,502

## What If #3: FY 2020 Projected - Deeper Recession & Less COVID Funds

Combined Revenues	\$1,469,142
	30%
Minimum Combined Fund Balance	\$440,743
Projected Fund Balances:	
General Fund	\$312,615
Debt Service Fund	\$130,130
Total	\$442,745
Fund Balance as a Percent of Revenues	30.1%
Available Fund Balance	\$2,002

# Fund Balance Appropriations

- Maintaining fund balance above the policy threshold provides cushion to continue operations as budgeted, should the depth and duration of the economic downturn be greater than expected (i.e., revenues do not meet budget).
- If all of the projected “available” fund balance is appropriated and actual revenues do not meet budget, the County would have to consider deeper cuts, including:
  - Capital program reductions (all programs)
  - Additional position eliminations and reductions in force
  - Operating reductions, likely in non-statutorily mandated services

# Fund Balance Policy – Catastrophic Events

Policy Excerpt: "If a ***catastrophic economic event*** occurs that ***results in a deviation of 5% or more from total budgeted*** revenue or expenditures, that amount committed for working capital can be reduced by board action."

## Considerations:

- Current event has resulted in projected FY 2020 revenue loss of 1.5-2.0%
  - FY 2020 adjustments already made (1.5% identified savings) to resolve projected loss
- Policy is designed to allow board to make adjustments mid-year when reductions to working capital are only viable solution
  - Future FY 2021 recommended budget balanced within projected revenue constraints

# Fund Balance & Bond Ratings

- Rating Agencies expect a disciplined response to economic downturns by controlling expenditures in face of reduced revenues.
- The County would be intentionally creating a “structural imbalance” by drawing down reserves to fund ongoing expenses.
- Rating agencies do not have a “hard stop” value related to fund balance.
- Each agency has own measurement of reserves and consideration of other economic factors outside County control.
  - Based on County’s recent GO bond transaction, if fund balance fell below 30% policy, staff’s analysis is that initial aggregate scoring from Moody’s would place County in AA range (i.e., downgrade) before final review by rating committee.

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# Opportunity for Board of Commissioner Feedback

# Next step

- Consider budget for adoption at June 15 regular Board meeting