

**Wake County Board of Commissioners  
Board Retreat  
March 16th, 2018  
8:30 a.m. - 5:00 p.m.  
Andrews Center for Medical Education  
Conference Room 1 & 2**

**Commissioners Present:**

Jessica Holmes, Chair  
Sig Hutchinson, Vice Chair  
John Burns  
Matt Calabria  
Greg Ford  
Erv Portman  
James West

**Staff Present:**

David Ellis, County Manager; Johnna Rogers, Deputy County Manager; Scott Warren, County Attorney; Denise Foreman, Assistant County Manager; Chris Dillon, Assistant County Manager; Denise Hogan, Clerk to the Board; Yvonne Gilyard, Deputy Clerk to the Board; Nicole Kreiser, Assistant County Manager; Dara Demi, Communications Director; Kerry McComber, Communications Manager; Michelle Venditto, Budget Director; Heather Drennan, Assistant Director, Budget and Management Services; Bill Greeves, Chief Information and Innovation Officer; Emily Lucas, Interim Finance Director; Todd Taylor, Debt Manager; Joseph Threadcraft, Environmental Services Director; Frank Cope, Community Services Director; Mark Forestieri, Facilities, Design and Construction Director; Regina Petteway, Human Services Director; Chris Snow, Open Space and Parks Director; Michael James, Senior Budget Analyst; Paarth Mehta, Budget Analyst; Tammy DePhillip, Budget Analyst; Margaret Murphy, Budget Analyst; and Michael Gammon, Budget Analyst.

**Others Present:**

Mr. George Alwon, Raleigh Consulting, facilitator for the retreat.

**Welcome and Overview of the Retreat**

Chair Jessica Holmes welcomed everyone to the retreat.

Mr. Rick Carrico, Chief Financial Officer, WakeMed welcomed the Board of Commissioners. He shared that WakeMed has three hospitals and three free standing emergency rooms, and generates over a billion a year in revenue. He said that WakeMed has the equivalent of a kindergarten classroom in births daily. He said that WakeMed just applied for a trauma designation at WakeMed Cary Hospital. He noted the growth in the Wake County area. He said the bond rating is strong and the hospital is in a good position. He said the Wake County region is stable and collaborates with local colleges such as UNC, Duke University, and Campbell University. He said there are challenges in being a healthcare provider in the area. He said there are over 9,000 employees at WakeMed. He said WakeMed is a patient oriented organization. There are over 1200 physicians at WakeMed. He said Wake Community Care (ACO) is the fourth largest in the country. He said behavioral health is a priority in Wake County and there is a Behavioral Health Strategy Officer that is housed at WakeMed.

Commissioner West asked about the vulnerable population and indigent care and whether there is a balance. Mr. Carrico said the cost for indigent care is a balancing act and the majority of indigent care is generated through the emergency room.

Chair Holmes commended staff for their work in providing information to the board including the meals provided for the retreat.

Mr. David Ellis, County Manager, asked the board and staff to have fun and enjoy the time at the retreat. He thanked staff for their preparation and work toward the retreat. He said the goals are to provide information for the FY 2019 Budget outlook for timing for the debt, capital, and capacity. He said that staff would assist with questions that are generated from the presentations. He said there will be opportunity for questions from the board.

Mr. Ellis asked staff to introduce themselves.

Ms. Michelle Venditto, Director, Budget and Management Services, shared the focus areas for the retreat.

## Today, we plan to focus in two areas.....

### Operating Budget

**Staff to present:**

- Demographics
- FY19 General Fund preview
- Education Funding
- County Expansions
- Multi-year Forecast

**Board Exercise & Discussion**

- WCPSS Funding Strategies
- Operating Budget Choices

### Debt and Capital

**Staff to present:**

- Debt capacity
- Education CIP
- County CIP
- New plans seeking funding
- Referendum options

**Board Exercise & Discussion**

- What's on the Ballot Exercise?

She shared a recap from the January 2018 Goals Retreat.

### Recap from January

- Staff presented benchmarking data related to WCPSS
- Board updated Board Goal Areas objectives and initiatives in highly participative breakout groups
- Board identified priority initiatives for 2018 (Top 22); Staff leads have been assigned to each initiative
- Staff presented historical financial trends, including per capita and per pupil spending
- Staff presented a high-level, multi-year forecast using a base set of per capita and per pupil spending assumptions

Ms. Johnna Rogers, Deputy County Manager, shared that each board member received a copy of the top 22 prioritized Board Goals with Initiative Leads from the follow up Work Session after the first retreat.

Ms. Venditto shared the total General Fund Forecast information.

## Total General Fund forecast with County projected at per capita and WCPSS forecast at per pupil plus 2% growth plus new schools

(in millions)	2018 Budget	2019 Request	Per Capita/Pupil Projections				
			2019	2020	2021	2022	2023
County Operations	\$556.8	\$584.9	\$572.9	\$583.6	\$597.0	\$611.8	\$625.6
Wake Tech	\$51.0	\$59.7	\$46.0	\$56.0	\$57.8	\$60.6	\$62.7
WCPSS - Operating	\$430.9	<b>\$430.9</b>	\$447.1	\$467.5	\$487.5	\$508.2	\$535.1
WCPSS – Debt/Capital	\$224.6	\$232.3	\$232.3	\$232.2	\$242.8	\$246.7	\$252.3
<b>Total General Fund</b>	<b>\$1,263.3</b>	<b>\$1,307.8</b>	<b>\$1,298.3</b>	<b>\$1,339.3</b>	<b>\$1,385.1</b>	<b>\$1,427.3</b>	<b>\$1,475.7</b>
Revenue Forecast	\$1,263.3	\$1,292.7	\$1,292.7	\$1,330.9	\$1,369.7	\$1,408.7	\$1,448.9
Total General Fund	\$1,263.3	\$1,307.8	\$1,298.3	\$1,339.3	\$1,385.1	\$1,427.3	\$1,475.7
<b>Surplus (Gap)</b>	<b>\$0.0</b>	<b>-\$15.1</b>	<b>-\$5.6</b>	<b>-\$8.4</b>	<b>-\$15.4</b>	<b>-\$18.6</b>	<b>-\$26.8</b>
<b>Property Tax Revenue</b>							
Per Penny	\$14.3	\$14.6	\$14.6	\$15.0	\$16.9	\$17.3	\$17.7
<b>Increase in Tax Rate to Close Gap (cents)</b>							
	<b>0.00</b>	<b>1.03</b>	<b>0.37</b>	<b>0.56</b>	<b>0.92</b>	<b>1.07</b>	<b>1.51</b>

5 County Operations and Wake Tech Include Operating, Debt and Capital

WAKE COUNTY

Ms. Venditto noted that 76 percent of property tax revenue is funding for education.

## Funding for Education on average accounts for 76% of property tax revenue

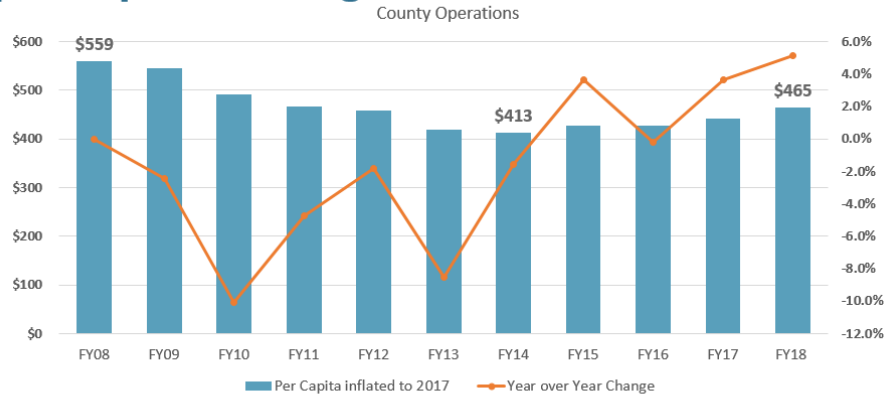
	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
<b>Allocated Property Tax Rate</b>											
Wake County Public School System - Operating and Capital	52.43	40.54	38.75	38.76	38.40	38.15	36.63	41.70	43.60	42.67	43.05
Wake Tech Community College - Operating and Capital	01.16	01.52	02.33	02.17	01.96	01.89	02.53	02.81	02.92	02.79	03.41
County Services - Operating and Capital	14.21	11.33	12.32	12.47	13.04	13.36	14.24	13.29	14.93	14.60	15.04
<b>Total</b>	<b>67.80</b>	<b>53.40</b>	<b>5340</b>	<b>5340</b>	<b>53.40</b>	<b>53.40</b>	<b>53.40</b>	<b>57.80</b>	<b>61.45</b>	<b>60.05</b>	<b>61.50</b>
<b>% Allocated Property Tax Rate</b>											
Wake County Public School System - Operating and Capital	77%	76%	73%	73%	72%	71%	69%	72%	71%	71%	70%
Wake Tech Community College - Operating and Capital	2%	3%	4%	4%	4%	4%	5%	5%	5%	5%	6%
County Services - Operating and Capital	21%	21%	23%	23%	24%	25%	27%	23%	24%	24%	24%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

6

WAKE COUNTY

Ms. Venditto shared scenario information about the highest per capita funding.

## When adjusted for inflation, highest County per capita funding was \$559



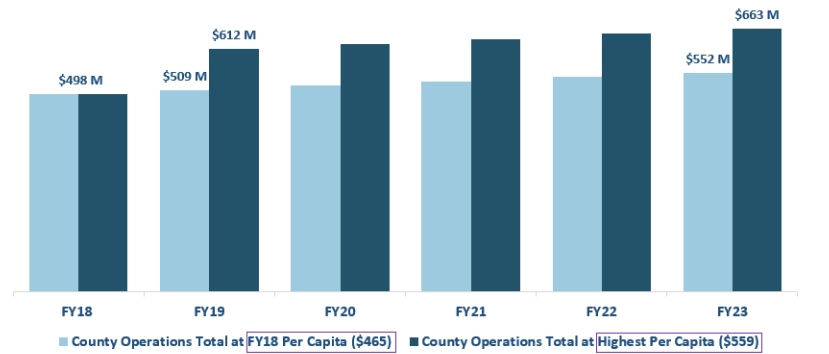
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Excludes Transfers for Debt and Capital and Education

WAKE COUNTY

She shared a scenario about the county operations funding.

## If County Operations funding was returned to highest per capita levels, would require \$103 million



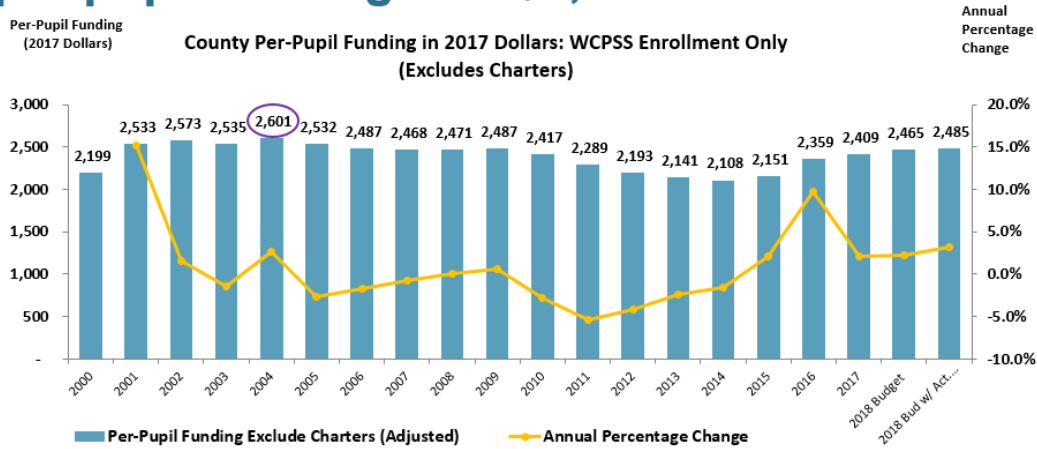
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Excludes Transfer for Debt & Capital

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Ms. Venditto shared the inflation adjustment for the per pupil funding.

## When adjusted for inflation, highest County per pupil funding was \$2,601

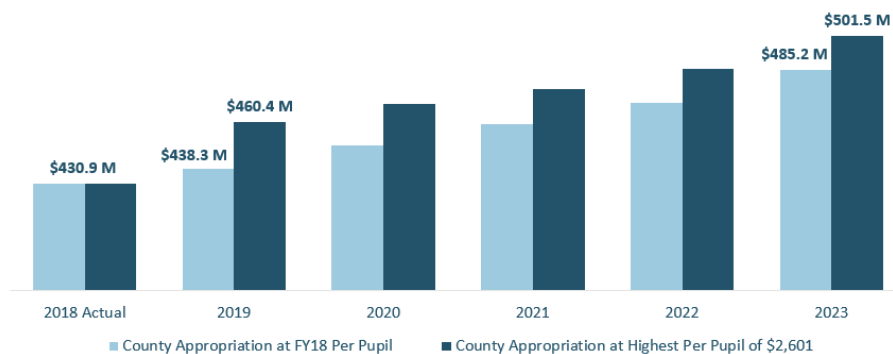


9

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Ms. Venditto shared how the funding looks if it is returned to the highest per-pupil spending.

## If WCPSS funding were returned to highest per pupil spending, would require \$29.5 million

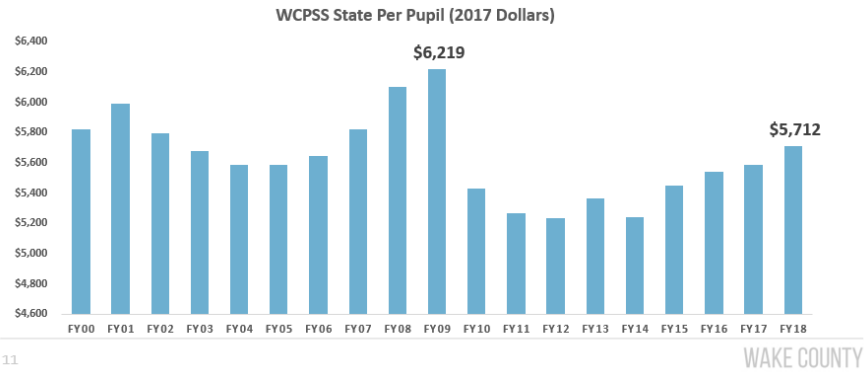


10

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Ms. Venditto shared information about state per pupil funding being at the highest level.

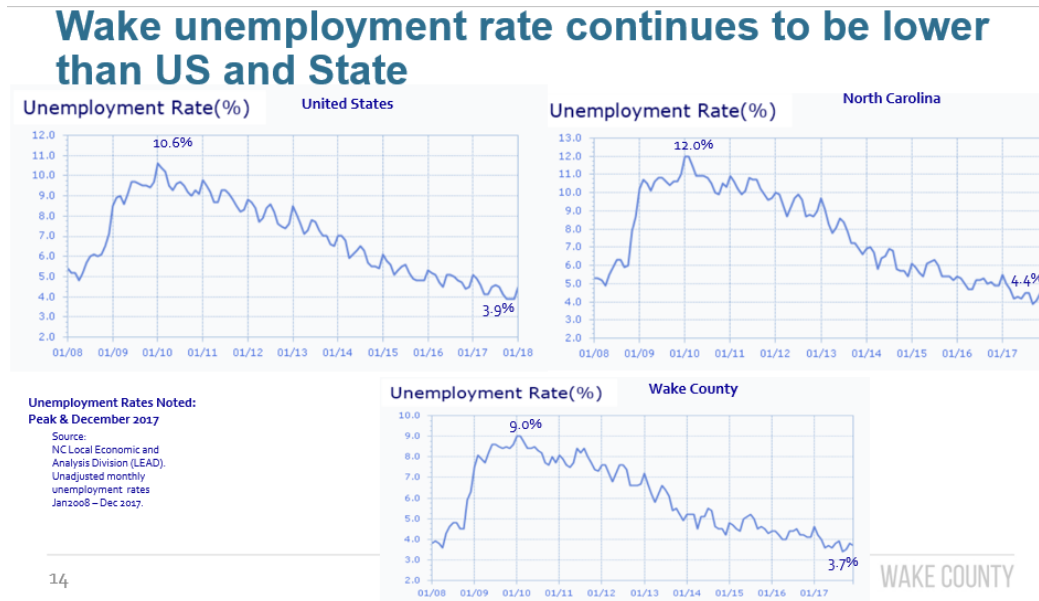
## If State per pupil funding were at highest level; \$81.3M more than today



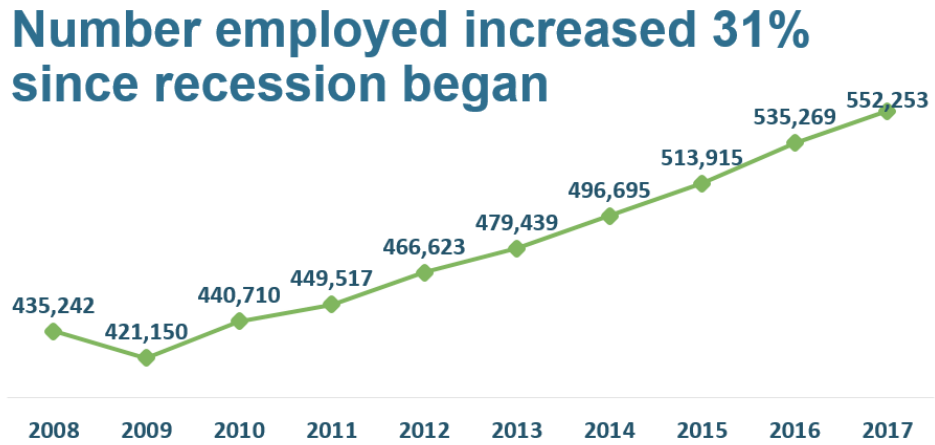
Ms. Venditto shared the demographics that impact the county's revenue picture and demand for services.

- Economic Influencers: employment, income, inflation, tax base
- Growth and service demand drivers: population, K-2 enrollment, community college enrollment, poverty

Ms. Venditto shared the per capita information.



Ms. Venditto shared information about the number of employees since the recession began.



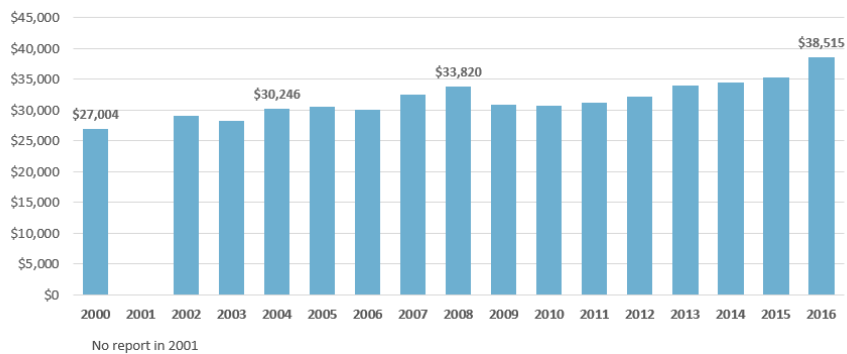
Source: NC Local Economic and Analysis Division (LEAD). Unadjusted employment rates Jan2008 – Dec 2017.

15

WAKE COUNTY

She shared information about the per capita income.

### Per capita income grew 25% since 2010



Sources: U.S. Census Bureau, 2002-2016 American Community Survey 1-Year Estimates.  
2000 Census, Summary File 3 Sample Estimate.

Note: Income estimates shown are in unadjusted current dollars

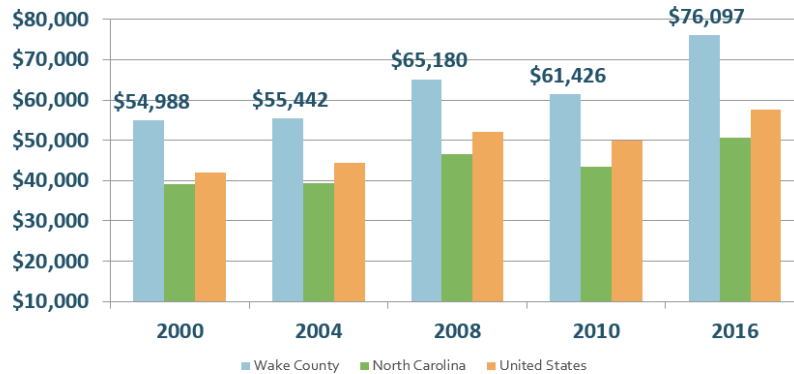
16

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She shared information about median household income and the growth.



## Median household income has grown 38% since 2000



17

WAKE COUNTY

Commissioner Portman asked for the per capital information comparison from 2014 to 2018. Ms. Venditto said she could provide this information to the board.

## Building Permits increased 18% over past two years but still far below pre-recession levels



18

WAKE COUNTY

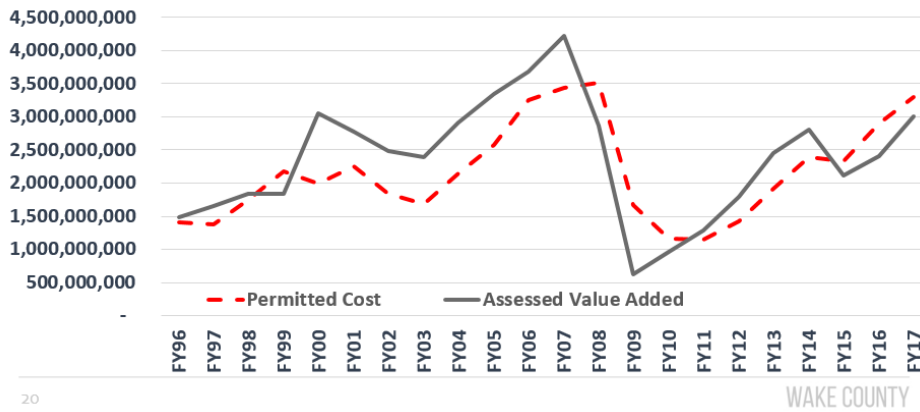
She shared that new construction commercial permits have held steady for the past five years.

**New construction commercial permits issued hold steady for the past 5 years and are approximately 50% of pre-recession levels**



She said that 80 percent of the value permitted is added to the tax rolls.

**On average, 80% of value permitted is added to the tax rolls the following year**



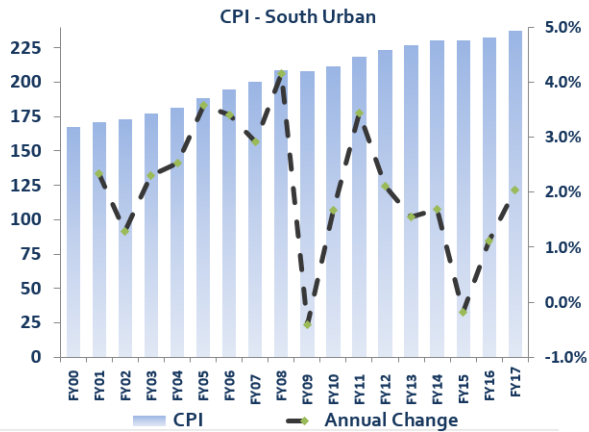
She shared information about the inflation for the past five years.

## Inflation has averaged 1.25% over the most recent 5 years

### Consumer Price Index

Consumer Price Index (CPI) – the South Urban index is used as an indicator of inflation

Pre-recession, inflation averaged 2.8%

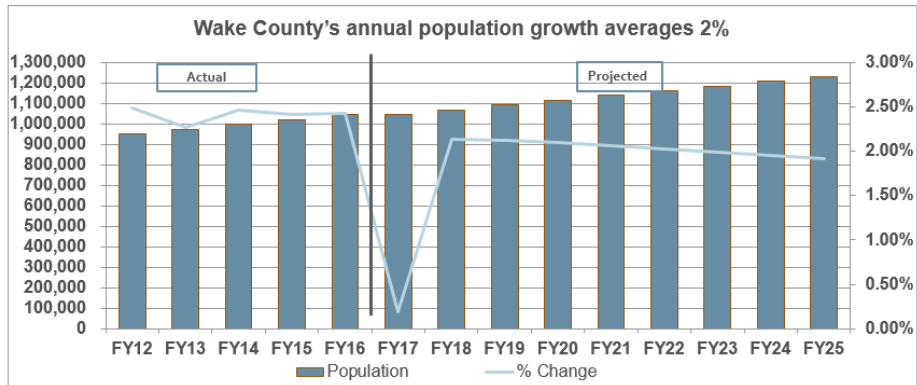


21

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She shared information about the population.

## Wake's Population estimated to reach 1.2 million by 2025



Sources: \*U.S. Census Bureau Annual Estimates (July 1, 2016)

\*\*North Carolina Office of Budget and Management County Population Projections (October 7, 2017)

22

WAKE COUNTY

Commissioner West noted residential and commercial building permits have increased. He asked how this fits into the projections.

Ms. Rogers said that the figures may not return to pre-recession levels. She said that the numbers are the new normal at 2 percent growth as opposed to 4 percent before the recession.

Commissioner Portman said that an assumption pre-recession is a false projection. He said that spending is advocated for accomplishments.

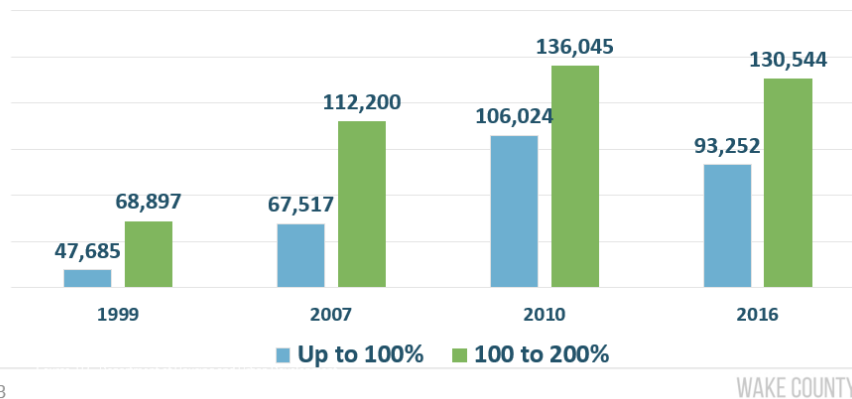
Chair Holmes said that poverty does not exist in all communities and it may not be apparent to all groups.

Mr. Ellis said that even though citizens work, but are still at the poverty level.

Commissioner Portman said the working wage has increased and benefits and healthcare reduces the burden on the community.

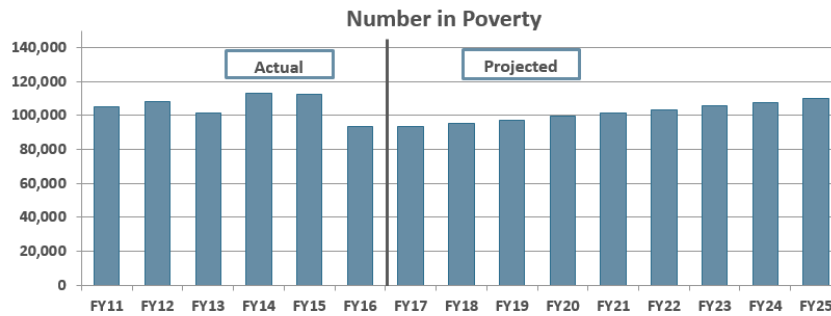
Ms. Venditto shared the poverty information.

**The number of persons living in poverty in Wake is larger than populations of 75% of the counties in the state**



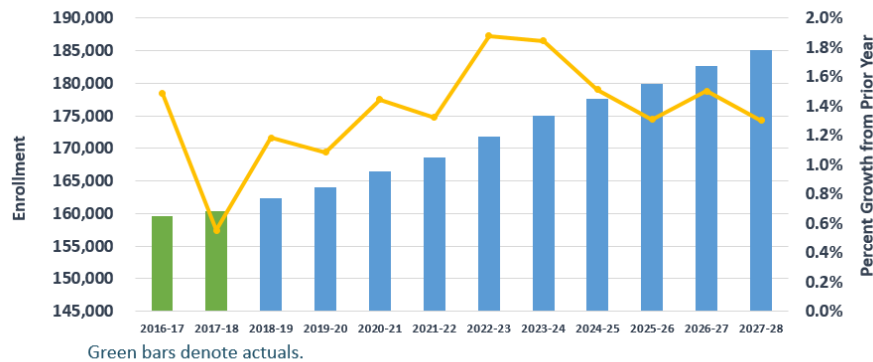
She shared information about the population and poverty levels.

**At current level of 9% of total population, those living in up to 100% of poverty could rise to over 100,00 in 2025**



Ms. Venditto shared information related to projected students for the next ten years.

**WCPSS is projected to add 24,614 students over the next ten years, an increase of 15.3 percent**



Vice-Chair Hutchinson asked if the trend will continue to rise. Ms. Venditto said that growth is at a slower pace than pre-recession.

Chair Holmes said that private and charter schools affect the numbers. She noted that Wake County Public Schools is still responsible for funding the charter school students.

Ms. Rogers said that last year there were several charter schools that opened and that this affected market share results. She said the 10 percent total growth in charter schools is shared later in the presentation.

Commissioner Ford asked if the charter schools are included in the \$29.5 Million that would bring the county back to the pre-recession numbers. Ms. Venditto said it does.

Commissioner West said Wake County Public Schools tried a charter concept for oversight by the schools.

Chair Holmes said in the past five years, there was a request by the Wake County Public School System to the General Assembly requesting a pilot for private charter like schools' flexibility. There was discussion during this time about using public funding for charter like schools.

Commissioner Portman raised the question about whether it is fair to use public funding for charter schools since they do not carry the same burden as the public schools.

Commissioner Ford said that in 2016, Wake County Public Schools asked that Barwell Road and Walnut Creek Schools be converted to charter schools and the State Board of Education declined the request.

Chair Holmes said that the Board of Commissioners does not want the schools to be segregated or separated into smaller districts.

Commissioner Portman said the large school system is efficient and is a strength to deliver good outcomes at an affordable price.

Ms. Venditto indicated that projections are difficult to predict for future years.

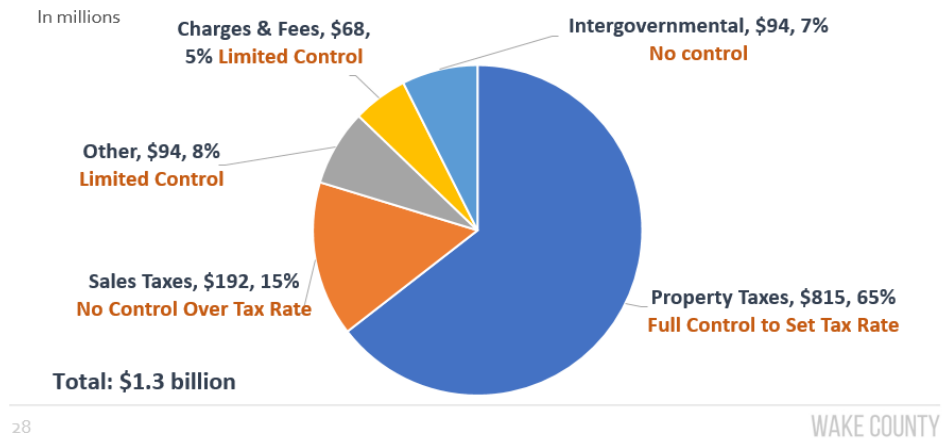
## The Future is Difficult to Predict



Time	1 - 2 Years	3 - 5 Years	6 - 7 Years
Revenues & Expenditures	Realistic Predictable Data	Conservative	More Conservative & Cautious
Economic Uncertainty	Low	Moderate	High
Need for Margin of Error	Low	Moderate	High

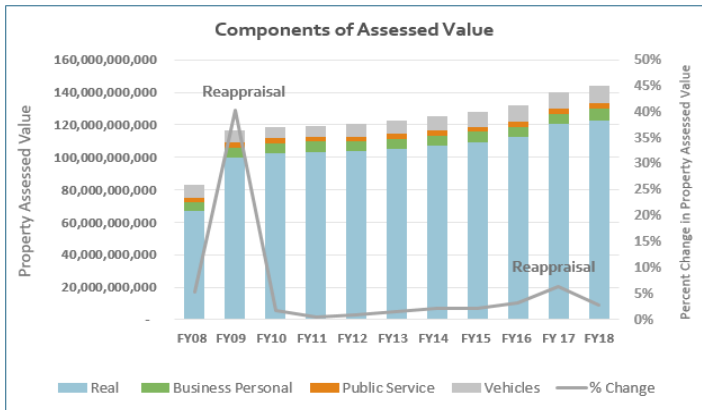
Ms. Venditto said that property tax represents 70 percent of the general fund.

## Property Tax represents 70% of General Fund; only revenue within full control of Board



She said that real property makes up 85 percent of total assessed value. She shared information about the property tax.

# Real property makes up 85% of total assessed value



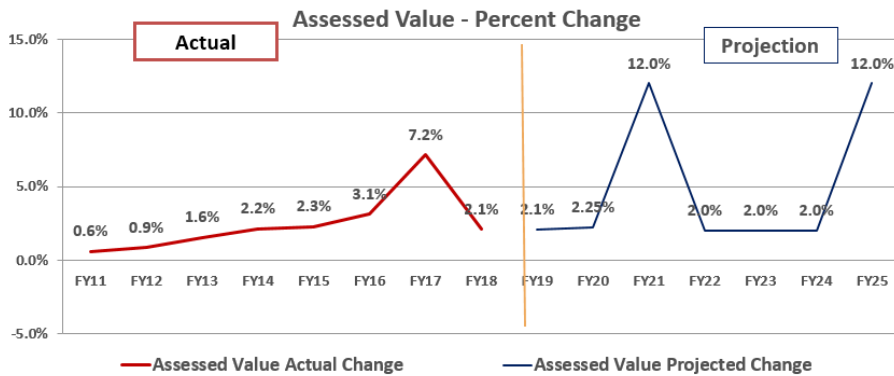
- New construction is valued annually based on the schedule of values of the last reappraisal
- Reappraisal captures market value
- Vehicles and Business Personal Property Valued Annually

29

WAKE COUNTY

Ms. Venditto shared the assessed value projection.

# Assessed Value Projection is consistent with recent experience



30

WAKE COUNTY

Ms. Venditto shared the property tax base growth rate assumptions.



## Property Tax Base growth rate assumptions lowered based on increased reappraisal estimate

	2018	2019	2020	2021*	2022	2023	2024	2025*
Property Tax Valuation Growth	2.10%	2.10%	2.25%	12.00%	2.00%	2.00%	2.00%	12.00%
Prior	2.10%	2.10%	2.50%	10.50%	2.50%	2.50%	2.50%	10.50%
Net Change in Growth	0.00%	0.00%	-0.25%	1.50%	-0.50%	-0.50%	-0.50%	1.50%

\*Reappraisal Year

FY19 projections based on more recent information

Assessed valuation increased in reappraisal years from 8% to 10%, a realistic amount based on current market values

Years following reappraisal lowered because of increased based and slightly more conservative approach

Commissioner West asked how much the lottery proceeds contribute to the revenues. Ms. Rogers said they contribute \$10 Million.

Commissioner Portman asked what the percent of revaluation is 12 percent instead of 7.2 percent. Ms. Rogers indicated that the last reappraisal was in 2008 before the recession and there has been at least five percent growth since the last reappraisal. Discussion was made about the cost benefit to a two-year reappraisal for a sustainable tax rate. Ms. Rogers said market values are well above current assessed values. She said before 2008 the growth values exceeded 40 percent. She said of the 12 percent growth, 2 percent is the normal annual revenue growth and 10 percent of the whole property tax base.

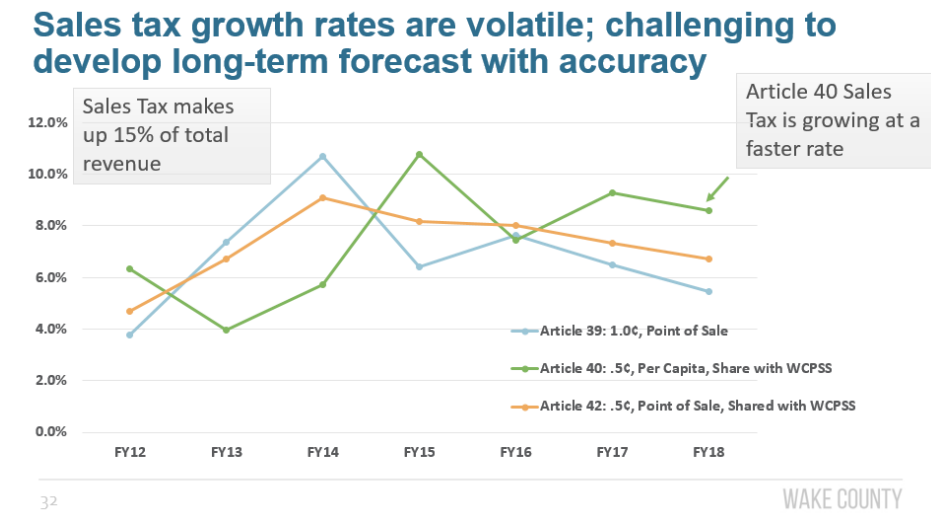
Commissioner Portman asked how much conversation has occurred about a shorter revaluation process. Ms. Rogers said that staff has had numerous conversations and Mr. Marcus Kinrade, Wake County Revenue Director, will continue to reevaluate a shorter reevaluation process. Ms. Rogers said that the cost benefit of a yearly reappraisal may be difficult because of state requirements.

Commissioner Portman said modest inflation in the tax rate may be the better option. Ms. Rogers said in Virginia the variable is the variation, not the tax rate. She said in North Carolina the variable is the tax rate. Ms. Rogers said changes in the state laws will be necessary to make changes in the property values. She said the state prohibits the purchase price be used when determining values.

Commissioner West said that he and Chair Holmes met with community leaders in Southeast Raleigh. He said the property values in certain areas were increasing more than the worth of the home.

Commissioner Burns said income increases will be necessary when considering evaluation of property values.

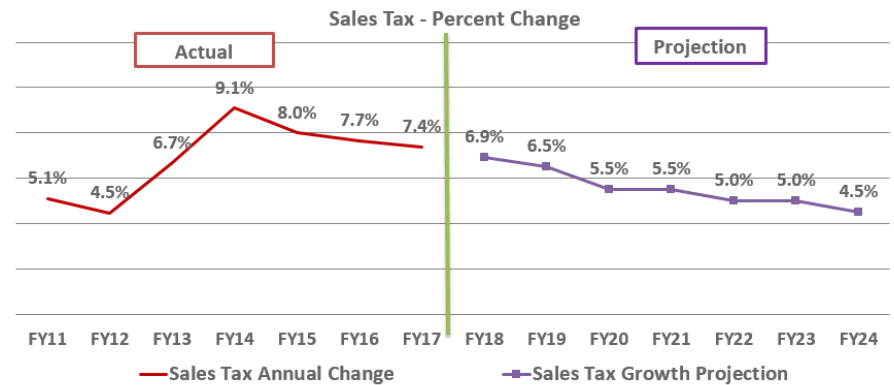
Ms. Venditto shared the sales tax forecast information.



Ms. Rogers said that hospital tax is not included in the above sales tax figures.

Ms. Venditto shared the following projection information.

## Projection remains conservative to account for volatility from economic changes



33

WAKE COUNTY

Ms. Venditto shared the economic and population growth information.

## Economic and Population growth drives increase in sales tax projection

	2018	2019	2020	2021	2022	2023	2024	2025
Sales Tax Growth	6.90%	6.50%	5.50%	5.50%	5.00%	5.00%	4.50%	4.00%
Prior	6.00%	6.00%	5.50%	5.50%	5.00%	5.00%	4.50%	4.00%
Net Change in Growth	1.60%	0.80%	-	-	-	-	-	-

FY18 actual collections higher than projection

FY19 projections revised based on more recent information

Article 40 growth and Medicaid Hold Harmless funds from the state outpacing budget

34

WAKE COUNTY

Ms. Venditto shared the normal growth estimates.

## Normal revenue growth estimated at 3% or \$37 million

Revenue Item (in millions)	FY18 Adopted	FY18 Adjusted *	FY19 Base Projection	FY18 Adj v FY19	% FY18 Adj v FY19
Property Taxes	885	885	906	21	2.4%
Sales Taxes	192	192	203	11	5.7%
Intergovernmental	94	60	63	3	5.0%
Charges, Permits and Fees	68	68	68	0	0.0%
All Other Revenues	24	24	26	2	8.3%
<b>Total</b>	<b>\$1,263</b>	<b>\$1,229</b>	<b>\$1,266</b>	<b>\$37</b>	<b>3.0%</b>

“Normal” is considered forecasted growth without a tax increase

\*\$34M reduction in state revenue due to state assuming payment responsibility for Childcare Subsidy (offset by reduction in expense)

35

WAKE COUNTY

Ms. Venditto shared the revenue increase information driven by Human Services reimbursements.

## Intergovernmental Revenue increases primarily driven by Human Services reimbursements

Human Services receiving reimbursement for services increases revenue and expense by almost \$2M

Libraries State funding also increasing

Revenue Item (in millions)	FY18 Adopted	FY18 Adjusted	FY19 Base Projection	FY18 Adj v FY19	% FY18 Adj v FY19
Federal	12	12	13	1	8.3%
State	82	48	50	2	4.2%
<b>Total</b>	<b>\$94</b>	<b>\$60</b>	<b>\$63</b>	<b>\$3</b>	<b>5.0%</b>

36

WAKE COUNTY

Ms. Venditto shared information about the limited ability to increase charges and fees.

## Limited ability to increase charges and fees

*Departments conduct annual fee review for cost recovery*

Revenue Item (in millions)	FY18 Adopted	FY18 Adjusted	FY19 Base Projection	FY18 Adj v FY19	% FY18 Adj v FY19
EMS Billing	27	27	27	-	0.0%
Medicaid / Medicare / Client Fees	14	14	14	-	0.0%
Planning & Permitting	6	6	7	1	16.7%
Recording/ROD	6	6	6	-	0.0%
Other	14	14	14	-	0.0%
Election Reimbursement	1	1	-	(1)	-100.0%
<b>Total</b>	<b>68</b>	<b>68</b>	<b>68</b>	<b>-</b>	<b>0.0%</b>

*No control over fees for EMS, Medicaid, Medicare, ROD and as rates are capped by the enabling body, federal or state governments*

37

WAKE COUNTY

Commissioner Burns asked if the base projection for the real property transfer tax is \$13 million. Mr. Scott Warren, County Attorney, said the real transfer property fee is set by the state, is statutory, and the board cannot place impact fees on properties.

Commissioner Portman said the board could use technology to streamline impact and construction fees and provide expedited lines. He said the private sector may want to pay a premium that would in turn have a benefit to the construction industry and compensate the public for the cost of development. Mr. Warren said that the City of Raleigh has a similar process.

Ms. Rogers said there was a fee analysis performed a few years ago comparing county and municipal fees. Ms. Rogers said that when turn-around times have lengthened, the solution has been to add additional staff. She said greater volume indicates more demand.

Vice-Chair Hutchinson asked whether the county could consider expedited permitting. Mr. Warren said he could provide this information to the board.

Ms. Venditto shared the revenue increases.

# Other Revenues increase by \$2 million

## Real Property Transfer Taxes Increasing

Real property transfer taxes increasing 8.3%, driven by growth in real estate

## Appropriation of Fund Balance

Planned Use of Fund Balance for Reappraisal efforts in FY19, and Opioid and Tobacco Prevention pilot

Revenue Item (in millions)	FY18 Adopted	FY18 Adjusted	FY19 Base Projection	FY18 Adj v FY19	% FY18 Adj v FY19
Real Property Transfer Tax	12	12	13	1	8.3%
Local, Misc, and Other Taxes	7	7	7	0	0.0%
Transfers	4	4	4	0	0.0%
Fund Balance	1	1	2	1	100.0%
<b>Total</b>	<b>\$24</b>	<b>\$24</b>	<b>\$26</b>	<b>\$2</b>	<b>8.3%</b>

38

WAKE COUNTY

Ms. Venditto shared that \$15 Million would be needed to meet debt commitments and annualizations.

## \$15 million taken “off the top” from revenues to meet debt commitments and annualizations

Spending Area	FY18 Adopted	FY18 Adjusted	FY19 Base Projection	Change
<b>Operating</b>				
County Departments	499	465	470	5
WCPSS	431	431	431	0
Wake Tech	21	21	21	0
<b>Transfers for Debt and Capital</b>	<b>312</b>	<b>312</b>	<b>322</b>	<b>10</b>
WCPSS	225	225	234	9
Wake Tech	30	30	24	(6)
County	57	57	64	7
<b>Total</b>	<b>\$1,263 M</b>	<b>\$1,229 M</b>	<b>\$1,244 M</b>	<b>\$15 M</b>
<i>Total Per Capita</i>	<i>\$1,179</i>	<i>\$1,147</i>	<i>\$1,137</i>	<i>\$14</i>



39

WAKE COUNTY

Ms. Venditto shared the expenditure base information.

# FY19 Expenditure Base

## Commitments of New Revenues

	Property Tax	Sales Tax	Other	Total
Total Normal Growth	\$21	\$11	\$5	\$37
Less Base Commitments:				
Debt and Capital	\$7	\$3	\$0	\$10
Base Increase			\$5	\$5
<b>Remaining by Source</b>	<b>\$14</b>	<b>\$8</b>	<b>\$0</b>	<b>\$22</b>

## County Base Increase Summary

Adjustment to Base Budget	Dollars
Less One-Time Funding	(\$3,400,000)
Annualization of Performance Pay	\$2,000,000
HS Expenditures Offset by State & Fed Revenue	\$2,000,000
Reduction in Vacancy Rate Projections	\$600,000
Retirement Rate increases set by state	\$1,200,000
Fleet, Fuel and Facility Adjustments	\$500,000
Transfer for Housing	\$1,000,000
Cost covered by planned use of Fund Balance: Opioid and Tobacco Prevention & Reappraisal	\$1,300,000

40

WAKE COUNTY

Ms. Venditto shared the numbers after adjustments for debt and capital.

**After adjusting for debt & capital and other base changes, \$22 million available for new requests**

	FY18 Adjusted	FY19 Base	Difference
Revenues	1,229	1,266	37
Expenditures	1,229	1,244	15
<b>Difference</b>	<b>\$0</b>	<b>\$22</b>	<b>\$22</b>

41

WAKE COUNTY

Ms. Venditto shared the revenues by source information.

## Allocating remaining revenues by source .....

Given the County is the taxing authority for the school system, property taxes are the only revenue under the Board's control, therefore:

- Remaining property tax allocated based on FY18 distribution amounts
- Sales tax assumed to be source for County expenditures

	Property Tax	Sales Tax	Total
<b>Remaining by Source</b>	<b>\$14</b>	<b>\$8</b>	<b>\$22</b>
Allocation:			
Education	\$9		\$9
County	\$5	\$8	\$13

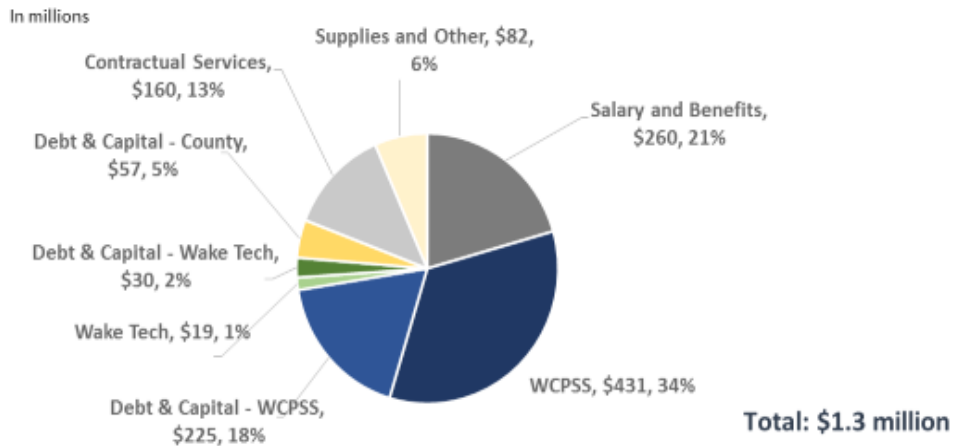
42

WAKE COUNTY

Ms. Venditto shared the salary information for the Wake County Public School System transfers for Debt and Capital. Commissioner Portman noted that the shifting of the state budget for funding education is not sustainable.

Ms. Venditto shared information on the budget expenditures.

## Largest Expenditures are WCPSS, Transfers for Debt and Capital, and Salary and Benefits



43

WAKE COUNTY

Ms. Venditto shared the statute for Wake Technical Community College.



# What does County funding support for Wake Tech?

**§ 115D-32. Local financial support of institutions.**

- (2) Current expenses:
  - a. Plant operation and maintenance:
    - 1. Salaries of janitors, maids, watchmen, maintenance and repair employees.
    - 2. Cost of fuel, water, power, and telephone services.
    - 3. Cost of janitorial supplies and materials.
    - 4. Cost of operation of motor vehicles.
    - 5. Cost of maintenance and repairs of buildings and grounds.
    - 6. Maintenance and replacement of furniture and equipment provided from local funds.
    - 7. Maintenance of plant heating, electrical, and plumbing equipment.
    - 8. Maintenance of all other equipment, including motor vehicles, provided by local funds.
    - 9. Rental of land and buildings.
    - 10. Any other expenses necessary for plant operation and maintenance.
  - b. Support services:
    - 1. Cost of insurance for buildings, contents, motor vehicles, workers' compensation for institutional employees paid from local funds, and other necessary insurance.
    - 2. Any tort claims awarded against the institution due to the negligence of the institutional employees.
    - 3. Cost of bonding institutional employees for the protection of local funds and property.
    - 4. Cost of elections held in accordance with G.S. 115D-33 and 115D-35.
    - 5. Legal fees incurred in connection with local administration and operation of the institution.

Ms. Venditto shared that Wake Tech’s recurring operating request includes required and discretionary items.

## Wake Tech recurring operating request

Expansion Category	Request Type	# of Requests	FY 2019 Costs
Commitment	RTP Building 1 Utility Costs and Full-year funding for positions approved in FY 2018	2	\$660,894
Maintain	Campus-Wide Utility and Merit Increases for existing facilities and County funded personnel	2	\$866,975
New	New Personnel requested to address growth in County funded programming and services; includes Wake Invests in Women	7	\$698,861
<b>Total</b>		<b>11</b>	<b>\$2,226,730</b>

Ms. Rogers said the driver of the Wake Tech budget is the capital budget. She said the technology is a core part of their facilities. She said that Mr. Bill Greeves, Chief Information and Innovative Officer, has worked with the staff at Wake Tech about their plan technology.

Ms. Venditto shared the additional request for one-time start up costs for the opening of the first RTP Campus Building.

## Additional request for one-time start up costs for opening of first RTP Campus building

	Amount Requested
FY 2019 One-Time Personnel Start-Up Costs	\$2,537,500
FY 2019 Recurring Operating Request	\$2,226,730
<b>FY 2019 Total Wake Tech County Operating Request</b>	<b>\$4,764,230</b>

Wake County provides first-year, one-time funding for staffing when Wake Tech opens a new building.

The State covers instructional costs in arrears based on course enrollment in Year 2 and beyond.

Mr. Michael James, Senior Budget Analyst, shared the NC Statutes specific on delegation of funding authority delegated to counties K-12 education.

There was discussion about school classroom funding.

Mr. James shared the information about the K-12 Benchmarking data.

# At January work session, shared NC K-2 benchmark data

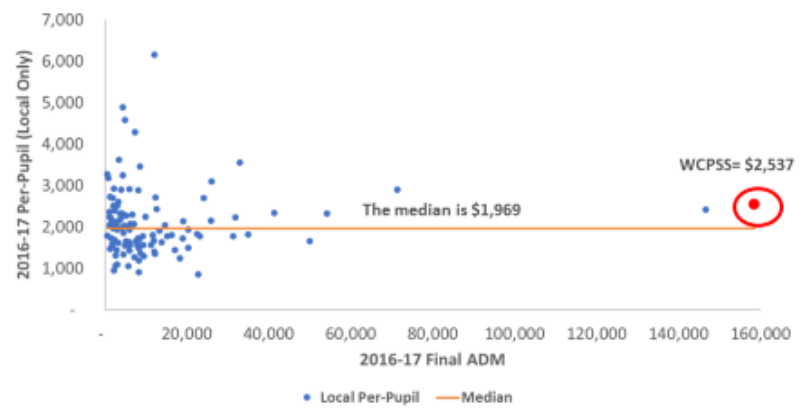
Per Pupil (PP) in North Carolina	Student Performance in North Carolina	Demographic Factors
<ul style="list-style-type: none"> <li>Enrollment and Per Pupil Correlations</li> <li>Top Ten Total, State and Local Per Pupil</li> <li>Total, State and Local Per Pupil for Top 10 Largest Districts</li> <li>NC District data is as of FY17</li> </ul>	<ul style="list-style-type: none"> <li>Top 10 Graduation Rates</li> <li>Top 10 SAT Scores</li> <li>Top 10 EOC/EOG Scores</li> <li>Data Correlations</li> </ul>	<ul style="list-style-type: none"> <li>% Free &amp; Reduced Lunch (North Carolina)</li> <li>US Census Data:                             <ul style="list-style-type: none"> <li>% College Degree</li> <li>Median Home Value</li> <li>Median household Income</li> </ul> </li> <li>Data Correlations</li> </ul>
	<b>Teacher Pay</b> <ul style="list-style-type: none"> <li>North Carolina Supplement</li> <li>National Teacher Average</li> </ul>	

7

WAKE COUNTY

He shared information about enrollment and local PPE.

## Enrollment and Local PPE

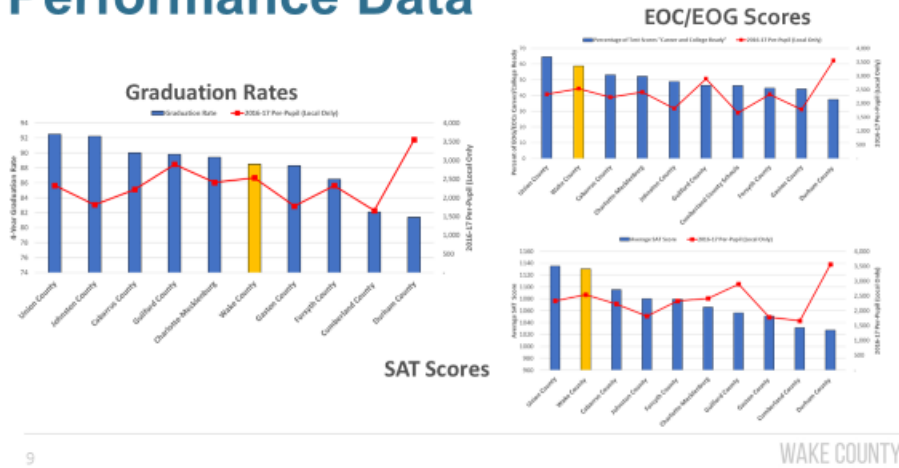


8

WAKE COUNTY

He shared information about performance data and information about graduation rates, EOC/EOG Scores, and SAT scores.

# Performance Data



He shared information about a scenario about the highest total per pupil of large districts.

## What if... the highest Total Per Pupil of Large Districts?

**\$300 million and 20 cent increase to fund Durham total per pupil level ; additional per pupil: \$1,899.**

NC Dept. of Public Instruction Data										
District	Enrollment (1)	Total Per-Pupil (2)	Total Per-Pupil Rank (2)	Federal Per-Pupil (2)	Federal Rank (2)	State Per-Pupil (2)	State Rank (2)	Local Per-Pupil (2)	Local Rank (2)	Free and Reduced Lunch (3)
Durham County Schools	32,907	10,641	32	1,114	64	5,971	81	3,566	6	66%
Guilford County Schools	71,396	9,767	51	1,106	52	5,685	104	2,896	15	65%
Forsyth County Schools	54,192	9,234	77	1,106	65	5,800	94	2,327	30	62%
Charlotte-Mecklenburg Schools	146,571	8,842	93	970	87	5,459	111	2,413	26	59%
<b>Wake County Schools</b>	<b>158,394</b>	<b>8,742</b>	<b>98</b>	<b>649</b>	<b>109</b>	<b>5,556</b>	<b>108</b>	<b>2,537</b>	<b>22</b>	<b>34%</b>
Johnston County Schools	34,964	8,575	102	814	101	5,945	83	1,817	67	48%
Gaston County Schools	31,268	8,497	108	1,049	74	5,670	105	1,778	74	66%
Cumberland County Schools	49,928	8,495	107	1,187	51	5,648	107	1,660	82	71%
Union County Schools	41,349	8,403	109	618	112	5,454	112	2,331	29	34%
Cabarrus County Schools	31,878	8,352	112	629	111	5,498	109	2,225	37	42%

(1) Data and Reports - Student Accounting, 2016-17 Average Daily Membership Final, (<http://www.ncpublicschools.org/bs/accounting/data/>)  
 (2) Statistical Profile, Table 24, 2016-17 Per-Pupil Rankings, (<http://apps.schools.nc.gov/ords/f?p=145:34::NO::>)  
 (3) Free and Reduced Meals Application Data, 2016-17, (<http://www.ncpublicschools.org/bs/resources/data/>)

He shared information on benchmarks since January.

## Since January, have updates on a couple of benchmarks

Local salary supplement for FY 2018 is available on NC-DPI website

Response to a question regarding how WCPSS would rank in average teach salary nationally if it were a state? What are the results before and after adjusting for cost of living?

11

WAKE COUNTY

He shared information about WCPSS and said they continue to have the highest average teacher supplement in the state.

## WCPSS continues to have the highest average teacher supplement in the state

North Carolina Teacher Supplements - Top 5 - Per Fiscal Year

School District	Year 2018		Year 2017	Year 2016	Year 2015	Year 2014		Increase FY14 to FY18	
	Teacher No. Rec. Supplmt.	Teacher Average Supplmt.	Teacher Average Supplmt.	Teacher Average Supplmt.	Teacher Average Supplmt.	Teacher No. Rec. Supplmt.	Teacher Average Supplmt.	Dollars	Percent
Wake County Schools	10,105	\$ 8,649	\$ 8,485	6,975	\$ 5,994	9,713	\$ 6,204	\$ 2,445	39%
Chapel-Hill/Carrboro City Schools	1,061	\$ 7,904	\$ 7,873	6,315	\$ 6,892	1,127	\$ 6,441	\$ 1,463	23%
Charlotte-Mecklenburg County Schools	10,624	\$ 7,159	\$ 6,985	6,764	\$ 6,632	10,287	\$ 6,083	\$ 1,076	18%
Durham County Schools	2,285	\$ 6,931	\$ 6,586	6,790	\$ 5,494	2,431	\$ 5,195	\$ 1,736	33%
Orange County Schools	626	\$ 6,274	\$ 6,358	5,200	\$ 5,197	604	\$ 4,881	\$ 1,393	29%
<b>State of North Carolina</b>	<b>100,818</b>	<b>\$ 4,337</b>	<b>\$ 4,194</b>	<b>3,870</b>	<b>\$ 3,689</b>	<b>100,945</b>	<b>\$ 3,553</b>	<b>\$ 784</b>	<b>22%</b>

The average teacher supplement has increased \$2,445, or 39% since FY 2014

12

WAKE COUNTY

Commissioner Portman asked why the teacher supplement dropped in 2015. Ms. Rogers said in 2015, there were increases in the amount of the supplement and Wake County Public School System took the time to report the information. Wake County Public School System had not implemented the supplement when the chart information was available.

Commissioner Calabria indicated that since this board was elected the teacher supplement has increased 51 percent.

There was discussion by board members about the teacher supplement.

Mr. James shared the information about the adjustments for cost of living, Wake County Public School System average teacher pay may surpass the national average in 2017.

## When adjusted for cost of living, WCPSS average teacher pay may surpass the national average in 2017

### Methodology

- Utilized National Education Association (NEA) Average Teacher Salary increases for the most recent three years available (FY 2014, FY 2015 and FY 2016) to estimate FY 17
  - Assume each state average grows at average growth rate from past two years

### Results

- If WCPSS were a state, it would rank 26<sup>th</sup>, ahead of NC at 33<sup>rd</sup>

### Cost of Living Adjusted Data

State	2017 Projected Average*	Rank	Cost of Living Adjustment		
			Adjustment Factor**	Adjusted Salary	Adjusted Rank
Michigan	62,028	11	96.54	\$ 71,509	1
Pennsylvania	65,888	10	111.82	\$ 65,580	2
Massachusetts	78,948	3	137.11	\$ 64,086	3
Ohio	56,707	20	98.74	\$ 63,919	4
Kentucky	52,940	28	93.92	\$ 62,737	5
California	80,265	2	142.78	\$ 62,570	6
Iowa	55,649	22	99.00	\$ 62,563	7
Illinois	61,961	12	111.77	\$ 61,701	8
New York	80,560	1	145.65	\$ 61,563	9
Wyoming	58,935	16	106.79	\$ 61,424	10
United States	\$ 59,245	N/A	111.30	\$ 56,290	N/A
<b>WCPSS</b>	<b>\$ 54,459</b>	<b>24</b>	<b>106.56</b>	<b>\$ 56,883</b>	<b>26</b>
North Carolina	\$ 49,509	37	100.35	\$ 54,912	33

\*Assumes average % growth from past two known years

\*\*Adjusts to United States population weighted average of **111.3**

13

WAKE COUNTY

Commissioner Portman noted that the board has provided the teacher pay to the national average. He said this has been met. He said that clarity is to be made on the teacher pay goal.

There was discussion by the board about the teacher pay and the responsibility of the county.

Mr. James shared the information about how the county has used a variety of formulas to arrive at school funding recommendations.

## County has used a variety of formulas to arrive at school funding recommendations

School Year / Fiscal Year	Board of Education Request (\$)	Total Adopted Budget (\$)	Adopted as % of Request	Increase Over Prior Year Adopted (\$)	Increase Over Prior Year Adopted (%)	Methodological Approach
2001-2002	\$208,942,000	\$193,000,000	92.4%	\$24,504,000	14.5%	Equivalent Tax Rate/Growth in Tax Base
2002-2003	\$203,000,000	\$203,000,000	100.0%	\$10,000,000	5.2%	Equivalent Tax Rate/Growth in Tax Base
2003-2004	\$231,000,000	\$223,700,000	96.8%	\$20,700,000	10.2%	Per Pupil, New Initiatives and Operating Costs Assoc. with New Schools
2004-2005	\$239,405,000	\$234,405,000	97.9%	\$10,705,000	4.8%	Per Pupil and Operating Costs Associated with New Schools
2005-2006	\$265,760,610	\$251,568,000	94.7%	\$17,163,000	7.3%	Per Pupil and Operating Costs Associated with New Schools
2006-2007	\$275,826,781	\$275,827,000	100.0%	\$24,259,000	9.0%	Per Pupil and Operating Costs Associated with New Schools
2007-2008	\$305,725,608	\$300,744,100	98.4%	\$24,917,100	9.0%	Evaluation of WCPSS Budget Request
2008-2009	\$355,484,906	\$316,200,000	88.9%	\$15,455,900	5.1%	Equivalent Tax Rate/ Growth in Tax Base
2009-2010	\$316,841,499	\$313,503,224	98.9%	(\$2,696,776)	-0.9%	Per Pupil
2010-2011	\$313,503,224	\$313,503,224	100.0%	\$0	0.0%	No Change
2011-2012	\$313,503,224	\$314,411,592	100.3%	\$908,368	0.3%	Transfer of County programs to WCPSS
2012-2013	\$323,190,913	\$318,341,737	98.5%	\$3,930,145	1.3%	Equivalent Tax Rate/Growth in Tax Base
2013-2014	\$326,639,200	\$327,496,020	100.3%	\$9,154,283	2.9%	Equivalent Tax Rate/Growth in Tax Base + Funds for Crossroads Admin Lease
2014-2015	\$365,957,404	\$337,676,400	92.3%	\$10,180,380	3.1%	Capacity within the Tax Rate; Increase for Teacher Supplement
2015-2016	\$389,773,230	\$386,000,000	99.0%	\$48,323,600	14.3%	Restore Per-Pupil Funding to Pre-Recession Levels; Increase for Teacher Supplement
2016-2017	\$421,749,600	\$409,911,000	97.2%	\$23,911,000	6.2%	Per Pupil and Operating Costs Associated with New Schools
2017-2018	\$455,129,360	\$430,911,000	94.7%	\$21,000,000	5.1%	Increase \$16 million, 2.5% on Per Pupil; Encourage BOE to allocate recurring unspent appropriation

Commissioner Portman said that this board has resulted in \$100 million more funding for the schools. He said 97 percent has been funded since the current board took office.

Mr. James shared information about comparisons of the funding formula across the state.

## What we've found in looking into funding formula across the state

### Benchmarking

Very few counties have formally agreed upon formulas (16)

Of these districts, enrollment is flat

Majority use a measure of per pupil funding and growth

### Approach & Components

Keep it simple

Use variables that are easy to agree upon and are known at the time budgets are developed

Components considered during this presentation:

1. Prior year actual per pupil amounts
2. Enrollment projection, including an estimate for charter funding
3. Facility costs for opening of new schools
4. Inflation

Mr. James shared the Wake County Public School System per pupil calculation.

## 1. WCPSS Per Pupil Calculation

### WCPSS Per Pupil Calculation

FY18 Total County Appropriation:	\$430.9M
FY18 WCPSS Portion:	\$398.7M
FY18 Charter Portion:	\$32.2M
FY18 WCPSS Enrollment (No charters)	160,429

### FY18 WCPSS Per Pupil: \$2,485

Calculation:

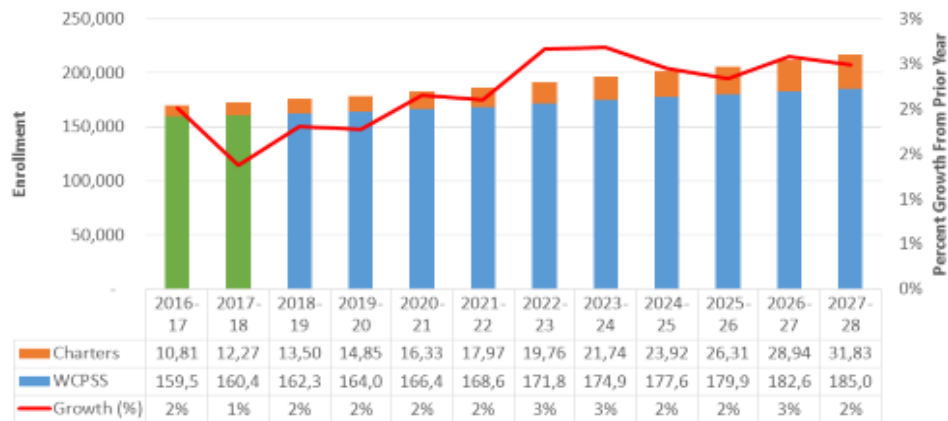
FY18 WCPSS Portion	\$398.7M
Divided by	
FY18 WCPSS Enrollment (No charters)	160,429

16

WAKE COUNTY

Mr. James shared information about finalized enrollment.

## 2. Enrollment



Green bars denote actuals.

WAKE COUNTY

Commissioner Portman introduced Mr. Tom Oxholm, former Board of Education member, that was present at the meeting.

Mr. James shared the costs of opening new schools.



### 3. Costs of Opening New Schools: Standard Elementary Assumptions

- |   |  |
|---|--|
| <p><b>1 Custodial</b><br/>         Standard Square Footage = 115,000<br/> <u>Cost per square foot = \$1.33</u><br/> <b>Total Custodial = \$152,950</b></p>              | <p><b>2 Utilities</b><br/>         Standard Square Footage = 115,000<br/> <u>Cost per square foot = \$1.35</u><br/> <b>Total Utilities = \$155,250</b></p> |
| <p><b>3 Building Maintenance</b><br/>         Standard Square Footage = 115,000<br/> <u>Cost per square foot = \$0.89</u><br/> <b>Total Maintenance = \$102,350</b></p> | <p><b>4 Grounds Maintenance</b><br/>         Standard Acreage = 25 acres<br/> <u>Cost per acre = \$863</u><br/> <b>Total Grounds = \$21,575</b></p>        |

Total **County** Cost for opening a standard elementary school = **\$432,125**

Mr. James shared the inflation information.

### 4. Inflation

<b>Data Source</b>	<b>Calculation for FY2019</b>										
U.S. Department of Labor, Annual Consumer Price Index (CPI) for All Urban Consumers Area: South Urban	For FY2019, 2017 would be the most recent known annual CPI										
	<table border="1" style="border-collapse: collapse; width: 100%;"> <thead> <tr> <th style="background-color: #4F81BD; color: white;">Year</th> <th style="background-color: #4F81BD; color: white;">2016</th> <th style="background-color: #4F81BD; color: white;">2017</th> <th style="background-color: #4F81BD; color: white;">Increase</th> <th style="background-color: #4F81BD; color: white;">% Change</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">CPI</td> <td style="text-align: center;">232.692</td> <td style="text-align: center;">237.456</td> <td style="text-align: center;">4.764</td> <td style="text-align: center;">2.05%</td> </tr> </tbody> </table>	Year	2016	2017	Increase	% Change	CPI	232.692	237.456	4.764	2.05%
Year	2016	2017	Increase	% Change							
CPI	232.692	237.456	4.764	2.05%							
	Inflation used would be 2.05% for FY2019										

Inflation amounts for FY 2015 - FY 2018 (Used for next slide)

Year	FY 2015	FY 2016	FY 2017	FY 2018
Inflation	1.6%	1.7%	-0.18%	1.11%

Note: Different factors could be applied to different expenditure types. In that case, WCPSS would need to provide details not currently available in their budget document

Mr. James shared the formula calculation information.

# Formula Calculation

Calculation Inputs		FY 19 Sample Calculation	
Highest Per Pupil	\$2,601	<b>FY19 Total Appropriation Projection:</b>	
Inflation*	-	<b>\$460.4M</b>	
<i>FY19 WCPSS Enrollment</i>	<i>162,327</i>	Calculation:	
<i>FY19 Charter Enrollment**</i>	<i>13,552</i>	Highest Per Pupil: \$2,601	
Total FY 19 Enrollment	175,879	<i>Times</i>	
Cost of Opening New Schools	\$2.9M	FY19 Total Enrollment (Incl. Charters): 175,879	
		<i>Plus</i>	
		FY19 New School Operating Cost: \$2.9M	
		<i>Equals</i>	
		<b>FY19 Per Pupil: \$2,618</b>	

\* No inflation assumed in this sample calculation because \$2,601 is the highest per pupil funding level after adjusting historical funding levels to 2017 dollars.

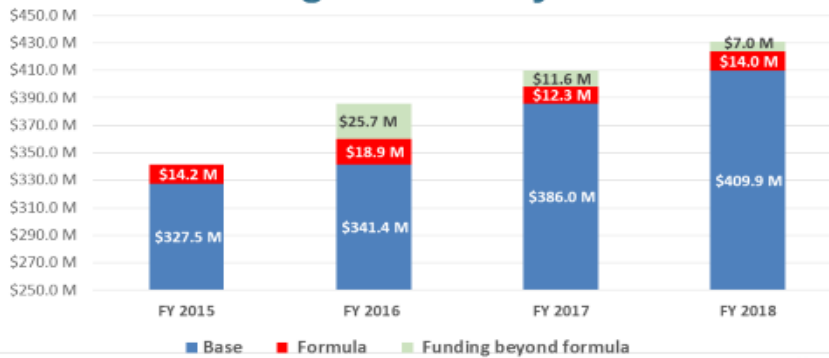
\*\* Charter Enrollment estimated at 10% growth. NOT USED IN ACTUAL BUDGETING. For Projection Purposes only. No Official Charter Enrollment Estimate

65

WAKE COUNTY

Mr. James shared the formula used to roll forward from FY 2014.

## Using the formula to roll forward from FY14 (BOE request fully funded), actual county appropriation exceeds amounts generated by formula

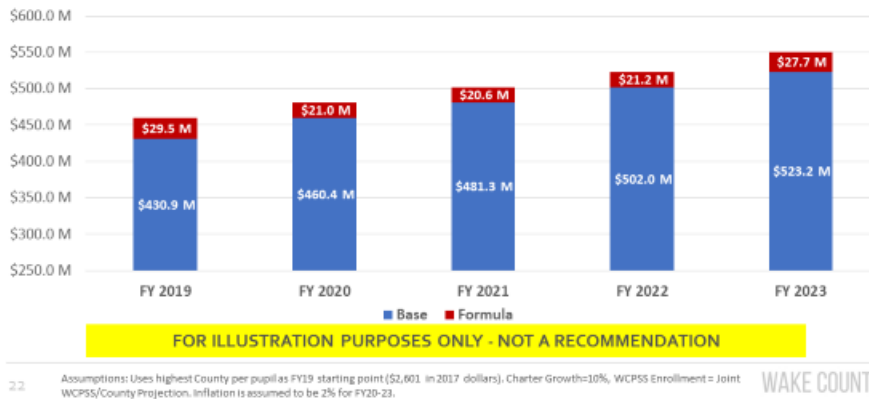


21

WAKE COUNTY

Mr. James shared a scenario if funding were reset to the highest per pupil around.

## If funding were reset to the highest per pupil (adjusted for inflation) of \$2,061, what would the formula yield over the next five years?



A short break was taken.

### Education Funding Strategy Discussion

Mr. George Alwon, Raleigh Consulting, said the annual budget debate is a challenge and the goal is to devise a better approach (predictable, transparent) to Wake County Public Schools funding. A formula is one strategy to address the challenge. Mr. Alwon posed questions for the board and asked them to provide brief feedback.

#### Question One:

What are your thoughts on the information you just heard?

Commissioner Ford commended staff for being proactive and responsive in providing information objectively and for providing the context for a path forward.

Chair Holmes said she was appreciative of the way that staff has communicated information in a “matter of fact, unbiased” manner. She expressed concern about the available revenues with all the competing needs that exist.

Vice-Chair Hutchinson said that Wake County has a robust school system with outstanding teachers. He said that the Board of Commissioners have ensured that teacher pay has reached the national average.

Commissioner Burns said there are more needs than available resources.

Commissioner Calabria said the presentation has identified the big picture of the accomplishments and provided direction to the board.

Commissioner Portman commended staff for their work in providing information for the discussion of the board.

Commissioner West said that the board has been given the tools and foundation needed to make informed decisions.

**Question Two:**

What does a “better” approach to determining Wake County Public School System funding look like?

Commissioner Ford said the approach is predictable and sustainable based on the formula provided. He said it will be key to establish a clear and transparent process to look at the Board of Education expansion request.

Chair Holmes said “predictability” and “unity” are the key words.

Commissioner Calabria said that both boards should look at joint goals and plan together for impacts.

Commissioner West said the roles are important and defining the issues are key.

Commissioner Burns said a better approach results in better communication.

Commissioner Portman said being less divisive and more collaborative should be the approach. He said the approach should be to fund every student, fund inflation, offset productivity, and be open to expansion requests that are justified by the benefit and the cost.

Vice-Chair Hutchinson said that having an outcome based process tied to measurable achievements is most effective.

**Question Three:**

How and when would you engage the Board of Education?

Commissioner Ford said the structure of joint Board of Commissioner and Board of Education meetings that are facilitated “soon” and “often.”

Commissioner Calabria said identifying discreet goals and achieving them is a good starting point.

Commissioner Portman said there should be recognition and there will always be tension because of the allocation of resources. He said that living within the needs and predicting beyond a one-year budget is necessary.

Commissioner West said collaboration, collective impacts, and joint needs assessment through the process is needed.

Chair Holmes said “often, but in a format that is conducive to the fair, unbiased, apolitical exchange of information in agreement on a certain set of facts.” She said the format should be surrounding conversations and include participation from everyone.

Commissioner West said a “fair exchange among equal” is an appropriate phrase.

Ms. Venditto shared an overview of the County Expansion Requests. She shared department requests and preliminary recommendations within the context of commitments, risk management, maintaining / improving service, and new services.

Ms. Venditto shared the information about the annual budget process.

## Budget Process



Ms. Venditto shared how county department expansions are evaluated.

- Expansion requests are additional funding beyond the Target Base Budget to maintain, improve or expand services to advance service delivery goals
- Requests are expected to align with Business Plans and demonstrate progress toward outcomes
- Departments provide details on program structure, new positions, equipment, and objectives
- Alignment with Board Goals is evaluated

She shared the questions that are given to the departments and explained that departments justify requests with standardized business case questions.

1. What problem does the department aim to solve?
2. How does this request relate to the department's business plan and targeted outcomes/metrics?
3. Who will this expansion serve and how will it improve services?
4. Which Board Goals does this expansion relate to and how will the proposal achieve the goal?
5. How does the County currently address this problem and/or provide this service?
6. What is the solution proposed and estimated in this expansion request?
7. How is this expansion related to the projected demand for future services?
8. How would the outcomes be measured?
9. What alternatives were considered?
10. Describe proposed responsibilities and duties for new position requests. Provide each major intended function, and the percentage of time devoted to each function.

Commissioner Portman asked about how the base budget is considered in the request. Ms. Rogers said realignment of the base can be made. Departments evaluate whether they are meeting their outcomes and objectives. There was discussion about departments looking at internal reorganization before expansion requests are made.

There was discussion about expansion requests.

Ms. Venditto shared the process of the budget expansion review.

Budget and County Manager's office review takes place in two phases

- Business Planning meetings in fall of 2018 to review service delivery trends, challenges

- Budget and Management Services staff review all base budgets, expansion requests, user fee requests, and revenue projections
- Targeted meetings with County Manager’s Office, Budget and Management Services and departments requesting expansion funding

Ms. Venditto shared the expansion requests.

## All County Operation Expansion Requests

Requests	FY19 Requests			FY19 Preliminary Recommendation		
	# of Requests	FTE	FY19 Request	# of Requests	FTE	FY19 Recommended
County Operations	113	103.45	15,000,000	90	87.45	9,800,000
Behavioral Health	9	-	3,600,000	9	-	3,400,000
Public Agencies	6	-	1,500,000	-	-	-
Performance Pay	1	-	5,900,000	1	-	5,900,000
Housing	6	5.00	6,500,000	6	5.00	6,500,000
<b>Total</b>	<b>135</b>	<b>108.45</b>	<b>\$32,500,000</b>	<b>106</b>	<b>92.45</b>	<b>\$25,600,000</b>
Corresponding Revenues			\$11,200,000			\$10,800,000

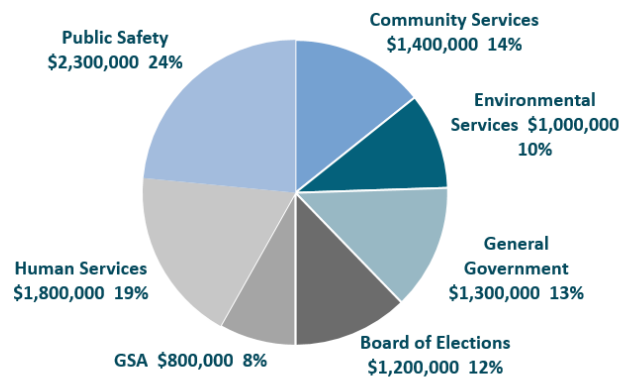
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WAKE COUNTY

Commissioner Portman asked about the expansion requests. Ms. Rogers said \$15 million of the total budget is being requested for expansions.

Ms. Venditto shared the county department expansion requests preliminary recommendations.

## County Department Expansion Preliminary Recommendations by Function total \$9.8 million



WAKE COUNTY

Commissioner West pointed out that 70 percent of requests are statutorily required. Ms. Rogers said that most of Human Services and Public Safety requests are statutorily required.

Chair Holmes noted that she is proud that the county is taking the whole child approach. She said there are over 2,200 children that are housing insecure. She said that she is proud that there are increases in behavioral health. She said the Adverse Childhood Experiences Study (ACEs) addresses some of those issues.

Commissioner Portman pointed out that a healthy lifestyle is bending the curve to offer support for cost savings to citizens. He said that the ACEs program would be effective in the beginning and the Familiar Faces program for the end for citizens that need mental health services.

Vice-Chair Hutchinson said the Population Health Task Force is working toward the social determinants of health for cost saving efforts.

Commissioner West said attention needs focus on maximizing efforts for fitting all the pieces together for synergy and collective impacts.

Ms. Venditto shared the department requests categorized.

**Commitments** – Previous actions; capital commitments from prior year approved projects, mid-year changes, annualizations of partial year funding

**Risk management** – Mitigate risk, comply with regulations, or replace technology reaching end-of-life, reduce fraud, waste or abuse

**Maintain** – Continue service at current level, meet increased demand from customer service growth or increasing complexity of rules and regulations

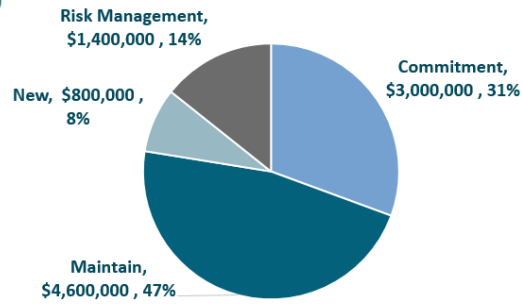
**New** – Enhanced or new services that will yield increased productivity or quality of services, achieve cost savings, or address an emerging need

Ms. Venditto shared the preliminary recommendations to maintain service levels.



## Largest portion of County department preliminary recommendations are to maintain service levels

Total: \$9,800,000



10

WAKE COUNTY

She shared the commitment information.

Theme	# of Requests	FTE	FY19 Cost	FY19 Revenues	Recurring Cost
Capital Projects Obligations	7	-	1,200,000	-	400,000
Multi-Year Service Plans	4	2.00	500,000	-	500,000
Opening New Facilities	3	-	200,000	-	200,000
New Libraries	6	22.00	1,100,000	-	1,100,000
<b>Total</b>	<b>20</b>	<b>24.00</b>	<b>\$3,000,000</b>	<b>-</b>	<b>\$2,200,000</b>

### Capital Projects Obligations

Replace 13 year old Board of Elections Voting Equipment  
Ongoing Operating costs for IT Projects implemented

### Capital Projects Obligations

Staffing or Utilities for:  
Turnipseed Nature Preserve  
EMS New Hope Station  
Oak City Multi-Services Center

### Opening New Facilities

Revenue - Real Estate Appraisers for moving to 4-year Reappraisal Cycle  
Increase in Elections Early Voting to 17 Days

### Multi-year Service Plans

Cary Regional Library  
Morrisville Library  
Wake Forest Library

Ms. Venditto shared the Risk Management expansions.

Theme	# of Requests	FTE	FY19 Cost	FY19 Revenues	Recurring Cost
Cash Handling	2	1.00	100,000	-	100,000
Technology	3	2.00	300,000	-	300,000
Regulatory Compliance	9	13.50	1,000,000	300,000	900,000
<b>Total</b>	<b>14</b>	<b>16.50</b>	<b>\$1,400,000</b>	<b>\$300,000</b>	<b>\$1,300,000</b>

### Cash Handling

Increase oversight of cash handling by adding a Revenue Manager to oversee continued centralization of cash receipts  
 Funding for an annual external audit of Register of Deeds

### Technology

Redesign 5 Year old WakeGov.com built on technology reaching end of life  
 Change Management and Communications Specialist to enhance roll-out of new technologies org-wide  
 IT Engineer to mitigate key person dependency for critical Financial, Payroll and HR systems

### Regulatory Compliance

Meet timeliness and accuracy requirements set by the federal and state agencies

- Adult protective services 30-45 day mandated timeframe
- 95% Food and Nutrition Services applications and reviews
- Communicable Disease mandated 30 day reporting and investigation
- 5 day state mandated timeliness requirement for vital records

Ms. Rogers reported that the cash handling request is organization wide.

Ms. Venditto shared information about maintaining services.

### General Government

Contract increases unable to fund in the base  
 Elections Specialist and Mapping Technician to respond to increase in population, staffing requirements and jurisdictional modifications

### Environmental Services

Preserve water quality through increased inspections and testing  
 Extend Animal Control emergency response

### Human Services

Physician Extender in Health Clinics to increase clients served  
 Continue Recovery Court to assist high-risk, high-need adults in the criminal justice system

### Public Safety

Staff and deploy two additional ambulances, first new units added since 2014  
 Increase recruitment efforts for hard-to-fill vacancies in EMS and Sheriff's Office

Ms. Venditto shared the new or enhanced services information.

Theme	# of Requests	FTE	FY19 Cost	FY19 Revenues	Recurring Cost
Expand Services	1	1.50	100,000	-	100,000
Innovative Solutions	4	2.00	300,000	100,000	200,000
Investments	9	6.20	400,000	100,000	400,000
<b>Total</b>	<b>14</b>	<b>9.70</b>	<b>\$800,000</b>	<b>\$200,000</b>	<b>\$700,000</b>

Expanded Service	Innovative Solutions	Investments
Open Sunday hours at Holly Springs, Leesville, and Middle Creek Large Community Libraries	IT Business Analyst to assist county departments with improving the efficiency and effectiveness of operations	Human Resources Consultant to develop and deliver training for 800 county-wide supervisors and managers
	Pilot program with the Triangle Land Conservancy for an urban agricultural farm at Walnut Hill Preserve	Digital media asset tool to create central repository for photos and graphics

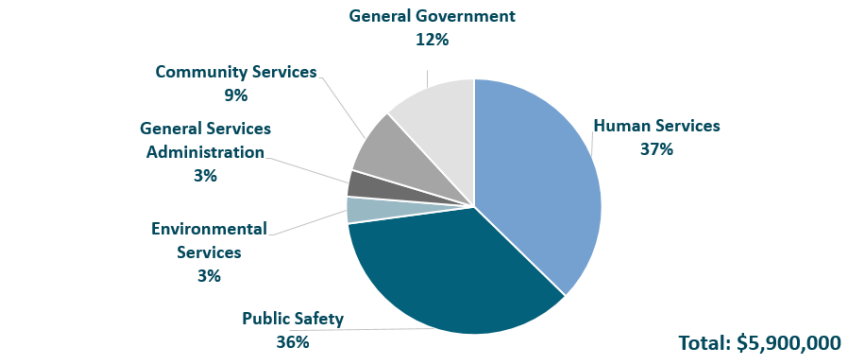
Ms. Venditto shared the preliminary recommendation for county department expansion requests.

## Preliminary recommendation for County department expansion requests by category

Theme	# of Requests	FTE	FY19 Costs	FY19 Revenues	Recurring Cost
Commitments	20	24.00	3,000,000	-	2,200,000
Risk Management	14	16.50	1,400,000	300,000	1,300,000
Maintain	42	37.25	4,600,000	400,000	3,500,000
New/Enhanced	14	9.70	800,000	200,000	700,000
<b>Total County Departments</b>	<b>90</b>	<b>87.45</b>	<b>\$9,800,000</b>	<b>\$900,000</b>	<b>\$7,700,000</b>

Ms. Venditto shared the performance pay increase information.

**Cost of 3% performance pay increase allocated by expenditure function totals \$5.9 million for ¾ of a year**



Ms. Venditto shared the plan information to use \$3,4 Million of fund balance for Behavioral Health.

**Plan to use \$3.4 million of fund balance to maintain and start new projects for Behavioral Health**

Maintain	New
<p>Independent Living to stabilize frequent users of community services; 8 efficiency units designed for 3-5 month stays</p> <p>School-based ACE Program to disrupt the school-to-prison pipeline for at-risk school youth; 85.5% not using after 30 days</p> <p>Partial Hospitalization Program to reduce length of stay in inpatient facilities; 97% not readmitted to hospital</p> <p>Consultant Contracts to implement a developing Behavioral Health Plan</p>	<p>Behavioral Health Urgent Care to provide triage, referral, and initial treatment; goal is to have results like Carolina Outreach in Durham where 89% were seen the same day and most discharged with meds</p> <p>Mobile Crisis for First Responders to manage crises, de-escalate, and provide mental health first aid; goal is to have results like Austin, TX where 63% avoided transport to facility</p> <p>School-based Mental Health Team to add 4 care coordinators to enhance focus on pre-K, K, and I/DD children, family engagement</p>

Ms. Venditto shared information about the behavioral health fund balance source of revenue.

## Behavioral Health fund balance is the source of revenue

Requested Projects	Planned and Requested Use of Fund Balance	Remaining Fund Balance
<b>FY2018 Beginning Fund Balance</b>		\$14,417,533
Reserved Funding for FY2018 Contract with Alliance Behavioral Health (ABH)	(\$1,004,000)	\$13,413,533
<b>1/16/2018 Approved Board Action</b>		
Permanent Supportive Housing Technical Assistance, Consultant Services for Special Projects, Predictive Analytics/Identifying Familiar Faces Project	(\$325,000)	\$13,088,533
<b>Future Planned Projects</b>		
FY2019 Budget Request	(\$3,437,140)	\$9,651,393
Permanent Supportive Housing – Capital and Operating Support	(\$8,000,000)	\$1,651,393
Adult Crisis Services Facility Support (request from ABH)	To Be Determined	-

Commissioner Portman asked about fund balance information for behavioral health. He asked how the county can assess the fund balance as a result of savings and whether it is being used where it is needed.

Ms. Denise Foreman, Assistant County Manager, said that savings is evaluated annually. She said there are predictions of vacancies that occur that causes for inconsistency in the savings.

Commissioner Burns asked what happens next year when the fund balance has been exhausted. Ms. Venditto said there may be need for increases from one year to the next.

Commissioner Portman said he read a recent article about the number of beds that are needed moving forward. He said there are challenges to reduce the backlog of the emergency room and the hospitals.

Commissioner Ford said the Behavioral Health Summit was last fall and asked for an update on the Behavioral Health Plan.

Ms. Foreman said Wake County is under Wake Behavioral Plan and it should be completed in May. She said this will be a horizon for wrapping up the year. She said that two private hospitals are opening 140 patient beds. She said building capacity will assist with more beds and services to reduce the issues.

Vice-Chair Hutchinson commended Ms. Foreman for her work but indicated there is a lack of expansion for Medicaid. He said there are changes that may bring forward funding for Behavioral Health.

Chair Holmes acknowledged Ms. Regina Petteway, Wake County Human Services Director, that joined the meeting.

Commissioner West asked what collaborations are being made toward the recent mental health support in the schools in light of the recent school shooting.

Ms. Foreman said focus is being placed on the younger students to educate them about school violence.

Mr. Ellis said the county has had a role in Behavioral Health. He said that bringing in the experts to assist with the areas of concern of school safety is key.

Commissioner Portman said that Alliance Behavioral Healthcare has indicated they are interested in an Adult Crisis Center in Wake County.

9

Ms. Venditto shared the public agency requests.

## Public Agency requests total \$1.5 million

Agency	FY18 Budget	FY19 Total Request	FY19 Change
North Carolina Symphony	100,000	100,000	-
Wake County Arts Council	488,864	550,000	61,136
East Wake Education Foundation	50,000	60,000	10,000
Communities in Schools	100,000	100,000	-
Marbles	650,000	650,000	-
Wake County SmartStart	588,592	1,886,512	1,297,920
Universal Breakfast	199,000	199,000	-
Interfaith Food Shuttle	20,000	25,000	5,000
Food Bank of Eastern & Central NC	6,000	12,000	6,000
InterAct	75,000	100,000	25,000
Advocates for Health in Action	-	100,000	100,000
Legal Aid	50,000	-	(50,000)
<b>Total</b>	<b>\$2,327,456</b>	<b>\$3,782,512</b>	<b>\$1,455,056</b>

A break was taken for lunch.

Commissioner Burns asked about the \$50,000 Legal Aid request from Fiscal Year 2018. Ms. Venditto said this was a one-time request in last fiscal year.

Mr. Ellis said there was a delay in the contracts submitted to the county and it did not make it to the presentation at the last Work Session. He said they did not spend their funding from last fiscal year.

Ms. Venditto shared information about Housing. She said in this section, the review will include the beginnings of implementing the Housing Affordability Plan to include:

- Current funding sources
- Cost of implementing the plan in priority order
- Future funding needs

Ms. Petteway shared the Affordable Housing Plan roadmap and the initiatives underway.

## Affordable Housing Plan is the roadmap over the next 20 years

- Adopted by Board on October 16, 2017
  - 56,000 working families unable to find housing that's affordable (making less than \$39,000 per year)
  - This will grow to 150,000 in 20 years (if status quo)

### Initiatives underway

- Preserving & Increasing Affordable Housing:
  - Permanent Supportive Housing – Requests for Interest (RFI) in process
- Preventing & Reducing Homelessness:
  - Women's Shelter – CDBG funding committed

Ms. Petteway shared current funding sources.

# Currently, there are three funding sources totaling \$13.5 million

- 1 General Fund**  
Largely County Human Services dollars
  - South Wilmington Shelter
  - Cornerstone
  - Supportive Housing
  - McKinney Team
- 2 County Transfer**  
Largely Federal dollars
  - CDBG
  - HOPWA
  - HOME
  - Shelter Plus Care
- 3 Housing Fund**  
County dollars transferred from Capital Budget (will be)

Source	FY18
General Fund	\$5.8M
Housing Fund	\$6.2M
County Transfer*	\$1.5M
<b>Total</b>	<b>\$13.5M</b>

\*Slides going forward include \$1 million county transfer as part of the base, \$525,000 is one-time and excluded.

Chair Holmes pointed out there is a need for a women’s shelter to provide equity in Wake County. Ms. Petteway said that is on the horizon.

Ms. Petteway shared the initiatives to add 500 affordable housing units per year.

## Preserving & increasing Affordable Housing initiatives would add at least 500 units per year at a cost of \$8.7 million

Type of Funding	FY18	FY19	FY20	FY21
Ongoing	\$2.6M	\$4.7M	\$9.3M	\$11.8M
One-time	\$0.5M	\$2.1M	\$2.0M	-
<b>Total</b>	<b>\$3.1M</b>	<b>\$6.8M</b>	<b>\$11.3M</b>	<b>\$11.8M</b>
<b>Additional each year</b>		<b>\$3.7M</b>	<b>\$4.5M</b>	<b>\$0.5M</b>

- Increased production of tax credit rental stock could lead to 80-300 new units per year
- Creation and execution of Acquisition and Preservation Fund could lead to 400-700 new units per year
- Affordable Homeownership Program could add 5-15 new homes annually
- Permanent Supportive Housing would provide higher level of onsite care, reducing repeat problems
- Land Use & Disposition could lead to 500 ADU’s and 5,000 units total from land disposition

Commissioner West said that persons without affordable housing have a loss of wealth that compounds the issue.

Commissioner Holmes said that when wages are stagnant and there are citizens on fixed incomes, it adds a domino effect to the affordable housing issue.



Vice-Chair Hutchinson said it is important to enroll the municipalities in critical conversation along with the private sector to discover incentives for the profitability and affordability in developments in Wake County.

Commissioner Calabria said there is an affordable housing shortage and a housing affordability issue. He said the emphasis should be in working with the municipalities where 81 percent of the population resides.

Commissioner Portman said that incentives such as job training skills are needed to assist with affordable housing.

Chair Holmes said active outreach to municipalities, the changing of Wake County's UDO, and an assessment of surplus property are all needed for providing affordability of housing.

Mr. Ellis said adding affordable housing units over time is important. He said tools and resources are needed to obtain older developments and to retain affordable units.

Commissioner Burns said that purchasing available land will assist with affordable housing needs.

Chair Holmes encouraged staff to inquire about the purchase of the property across from the Oak City Multi-Services Center for potential affordable housing.

Commissioner West said focus on the market and opportunities will provide hope and will encourage citizens.

Mr. Ellis said that the process will be a passive and reactive approach for affordable housing in Wake County.

Ms. Petteway shared the initiatives toward homelessness for women and the additional \$2 Million for Fiscal Year 2019.

## Preventing & reducing homelessness for women initiatives would add 37 beds at a cost of \$700,000 in increased recurring operating support

Type of Funding	FY18	FY19	FY20	FY21
Ongoing	\$8.5M	\$8.7M	\$9.2M	\$9.2M
One-time	-	\$2.0M	-	-
<b>Total</b>	<b>\$8.5M</b>	<b>\$10.7M</b>	<b>\$9.2M</b>	<b>\$9.2M</b>
<b>Additional each year</b>		<b>\$2.2M</b>	<b>(\$1.5M)</b>	<b>-</b>

- Acquisition and rehabilitation of Urban Ministries property to add 37 beds for homeless women
- Ongoing operating to support opening of new women's shelter

Ms. Petteway said there is a non-profit partner that is interested in assisting with a Women's Shelter, which is more cost effective for Wake County.

Ms. Petteway shared information about the proposed increased support by \$1 Million.

## Proposing increased operational support by nearly \$1 million

Type of Funding	FY18	FY19	FY20	FY21
Ongoing	\$1.7M	\$2.3M	\$2.4M	\$2.6M
One-time	-	-	-	-
<b>Total</b>	<b>\$1.7M</b>	<b>\$2.3M</b>	<b>\$2.4M</b>	<b>\$2.6M</b>
<b>Additional each year</b>		<b>\$0.6M</b>	<b>\$0.1M</b>	<b>\$0.2M</b>

- Maintain relationships with partners, clients and colleagues to implement 20-year, Affordable Housing Plan
- Identify opportunities, report outcomes and ensure program compliance
- Supervise housing development, rehabilitation, community revitalization
- Escalation costs in development, programming, staff investments

She shared the initiatives identified that will require recurring funding of \$10.3 Million.

## Initiatives identified will require increased recurring funding of \$10.3 million

Type of Funding	FY18	FY19	FY20	FY21
Ongoing	\$12.9M	\$15.8M	\$20.9M	\$23.7M
One-time	\$0.5M	\$4.1M	\$2.0M	-
Total	\$13.4M	\$19.9M	\$22.9M	\$23.7M
<b>Additional each year</b>		<b>\$6.5M</b>	<b>\$3.1M</b>	<b>\$0.7M</b>

- Maintain relationships with partners, clients and colleagues to implement 20-year, Affordable Housing Plan
- Identify opportunities, report outcomes and ensure program compliance
- Supervise housing development, rehabilitation, community revitalization
- Escalation costs in development, programming, staff investments

She shared the ABC funding available and said that sustainability of the initiatives are needed.

## ABC funds available for FY19 but long-term funding strategy is needed

Projects	Planned and Requested Use of ABC Revenues	Remaining ABC Revenues
<b>FY2017 Ending Balance</b>		\$8.0M
<b>FY2018 Adopted Budget Commitments</b>		
Drug Overdose and Tobacco Prevention Program (Year 1)	(\$0.3M)	\$7.7M
Sheriff Inmate Program	(\$0.1M)	\$7.6M
Housing Emergency Assistance	(\$0.1M)	\$7.5M
<b>Future Planned Projects</b>		
Drug Overdose and Tobacco Prevention Program (Year 2)	(\$0.6M)	\$6.9M
<b>FY2019 Budget Request</b>	<b>(\$6.5M)</b>	<b>\$0.4M</b>

Chair Holmes asked about whether there is funding for Drug Treatment Court. Ms. Petteway said the Drug Overdose and Tobacco Intervention Program budgets provide funding for the Drug Treatment Court.

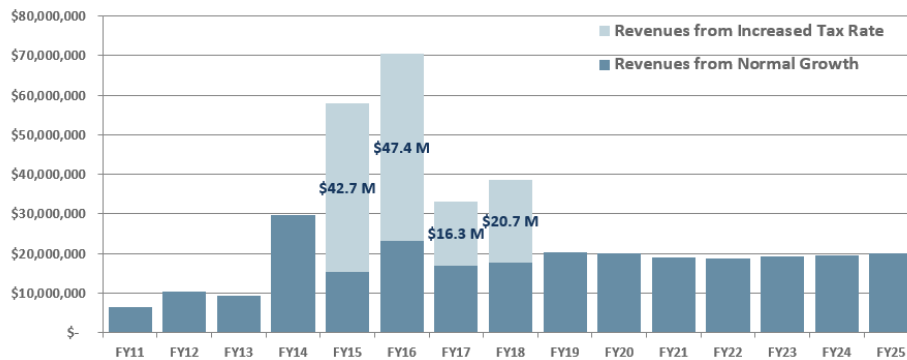
Commissioner West asked about the new funding of housing. Ms. Rogers said \$10.3 Million is devoted toward these efforts.

Commissioner West asked about Mental Health Court in Wake County. He said as Durham County has a court. Ms. Foreman said that Wake County Courts has a program.

Ms. Venditto said a multi-year operating forecast will provide preliminary County Operations recommendations, Wake Tech request, WCPSS Formula scenario, and increases for the Housing Plan within the context of projected revenue.

Ms. Venditto shared the property tax revenue data without a tax increase.

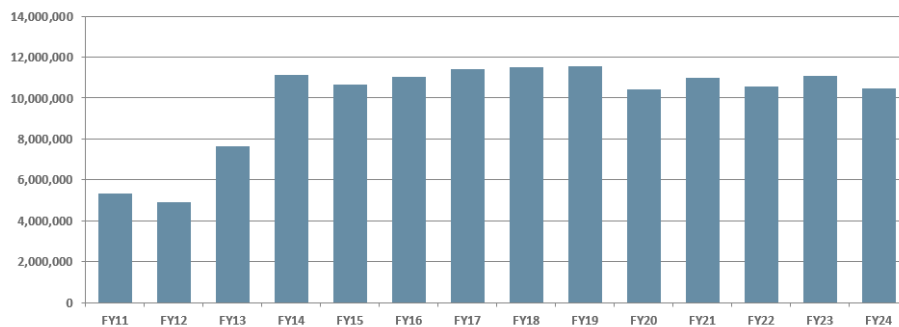
### Annual new property tax revenues, without a tax increase, has been between \$15 and 20 million



Commissioner Portman asked if a property tax has ever been implemented four years in a row in Wake County. Ms. Rogers said that there has not been a property increase four years in a row in this decade.

Ms. Venditto shared new sales tax revenue information.

### Annual new sales tax revenue has been in the \$11 million range



Ms. Venditto shared the five-year projection scenario.

## Normal revenue growth is unable to accommodate forecasted scenario

	2018 Adjusted	2019 Prelim Rec	Projections			
			2020	2021	2022	2023
<b>Revenue Forecast</b>	<b>\$1,229</b>	<b>\$1,277</b>	<b>\$1,299</b>	<b>\$1,333</b>	<b>\$1,367</b>	<b>\$1,401</b>
Expenditure Forecast						
County Operating	\$465	\$489	\$499	\$510	\$520	\$530
Increase in Transfer to Housing		\$7	\$10	\$10	\$11	\$12
Wake Tech - Operating	\$21	\$26	\$26	\$27	\$27	\$28
WCPSS - Operating	\$431	\$460	\$481	\$502	\$523	\$551
<i>Debt &amp; Capital - County, WCPSS, Wake Tech</i>	<i>\$312</i>	<i>\$322</i>	<i>\$331</i>	<i>\$339</i>	<i>\$348</i>	<i>\$356</i>
<b>Total Expenditure Forecast</b>	<b>\$1,229</b>	<b>\$1,304</b>	<b>\$1,347</b>	<b>\$1,388</b>	<b>\$1,429</b>	<b>\$1,477</b>
<b>Surplus (Gap)</b>	<b>\$0</b>	<b>-\$27</b>	<b>-\$48</b>	<b>-\$55</b>	<b>-\$63</b>	<b>-\$76</b>
Property Tax Revenue Per Penny	\$14.3	\$14.6	\$15.0	\$16.9	\$17.3	\$17.7
Increase in Tax Rate to Close Gap (cents)		1.83	3.20	3.23	3.62	4.31

There was discussion about funding gaps in the revenue forecast. Ms. Rogers said the capital projections are predictable but operation projections are unknown.

Chair Holmes said that when the board has discussion about the school system, the conversation is around the investment being made. In a limited budget situation, when critical decisions are made, it is important to prioritize basic necessities while maintaining wants for the county.

Ms. Rogers said the only revenue source that the board has control of is property tax. She said that staff is providing an illustration of the same level of historical property tax without operating from sales tax growth.

Ms. Venditto shared information on comparing available revenues allocated by source.

## Comparing scenario to available revenues allocated by source... what is the gap?

<i>(in millions)</i>	Available Revenues			Forecasted Expenditures	Gap
	Property Tax	Sales Tax	Total		
Allocation:					
Education	\$9		\$9	\$34	(\$25)
County	\$5	\$8	\$13	\$15	(\$2)
<b>Total</b>	<b>\$14</b>	<b>\$8</b>	<b>\$22</b>	<b>\$49</b>	<b>(\$27)</b>

If remaining revenue was allocated based on FY18 distribution, the majority of County Operations scenario could be funded; a larger gap exists for Education

### Exercise 2: Balancing the budget

Mr. Alwon asked board members to provide feedback to questions.

To what level would you constrain expenditures or increase revenues?

Commissioner West said that it is important to engage the community and meet people where they are and let them know the county is making a good investment.

Commissioner Portman said providing clarity in a multi-year plan and linking needs to a sustainable funding source is important. He said that providing the benefits to the community is key.

Commissioner Burns said more options are needed. He said regulated, moderate, and minimal impact fees are needed to assist with school cost. He said new development is not paying for itself.

Vice-Chair Hutchinson said the board must clearly provide the citizens clarity in what is being offered.

Commissioner Calabria said sufficient information must be available in order for the board to support the funding. He said the board must be self-regulated in knowing that there are restricted sources or revenue.

Commissioner Ford said that using the information that has been provided by staff and following the board goals enables the connection of the vision to the outcomes.

Chair Holmes said that moving back to the basics such as housing, food, and clean water are priority, then the movement can be toward the “wants” of what can be afforded.

Commissioner West said that “you pay now, or you pay later.”

Mr. Alwon asked board members to respond to question two.

What other information would help you understand the implications of choices and tradeoffs?

Commissioner Portman said that staff has provided information to the board and the focus should be on programmatic themes in the budget.

Commissioner Calabria said the board needs to consider the end result and measure the outcomes.

Commissioner Burns said it is important that there is understanding of the implications of needs that are not met.

Chair Holmes said the request from the Board of Education will assist with prioritization.

Commissioner Ford said understanding the opportunity cost is key.

Vice-Chair Hutchinson said clarity of outcomes would be helpful.

Commissioner West said Mr. Jim Collins wrote in his book *Great By Choice* the importance of empirical creativity, productive paranoia, and fanatic discipline. He said the book explores three behaviors that allow companies and organizations to thrive in chaotic and uncertain environments. He said much can be learned from the behaviors.

A break was taken.

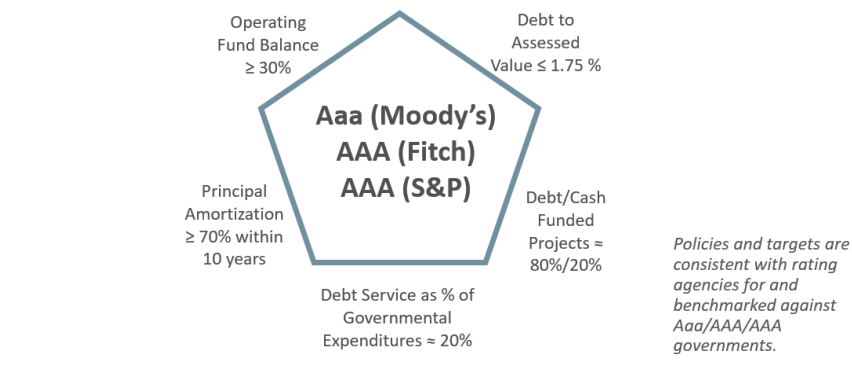
Ms. Emily Lucas, Deputy Finance Director, shared an overview of the debt and capital.

She shared the covered items.

- Review debt and capital policies / guidelines;
- Explain changes to financial planning model assumptions; and
- Share capital capacity options to fund future plans and any associated tax increases.

Ms. Lucas shared the seven-year capital plan.

### Seven-Year Capital Plan Developed Around Context of Policies and Targets



She shared the Debt and Capital Policies and Guidelines.

- Maintain adequate reserves ( $\geq 30\%$  General Fund + Debt Service Fund Revenues)
- Debt to assessed value managed within expected ranges ( $\leq 1.75\%$ )
- Debt repayment schedule of  $\geq 70\%$  principal paid within ten years
- Strive for annual debt service expenditures to be  $\leq 20\%$  of total governmental expenditures
- Access to funding secured prior to funds appropriated or any commitment to contracts
- Variable rate debt  $< 25\%$  of overall debt outstanding
- Strive to maintain an 80 Debt / 20 Cash funding ratio



Ms. Lucas shared the information about debt financing.

## Debt Financing Creates the Lowest Burden to Taxpayers

- Cost of capital is spread over time
- Current and future taxpayers share cost and benefit of the asset



	Example \$97M High School	
	100% Debt	100% Cash
Amount Spent Over Three Years	\$27.7 M	\$97 M
Tax Increase Assuming Zero Capacity Exists	0.68 cents	2.3 cents

She shared the information about when the county uses debt.

## When Does the County Use Debt?



Cost to build/purchase is large

- A single asset (jail, courthouse, or office building)
- A collection of like assets that total a large amount and/or part of a multi-year program
  - Libraries, open space, and parks
  - School and community college facilities and equipment
  - Fire apparatus

Expected life of the asset is longer than one year

Must spend proceeds according to IRS guidelines

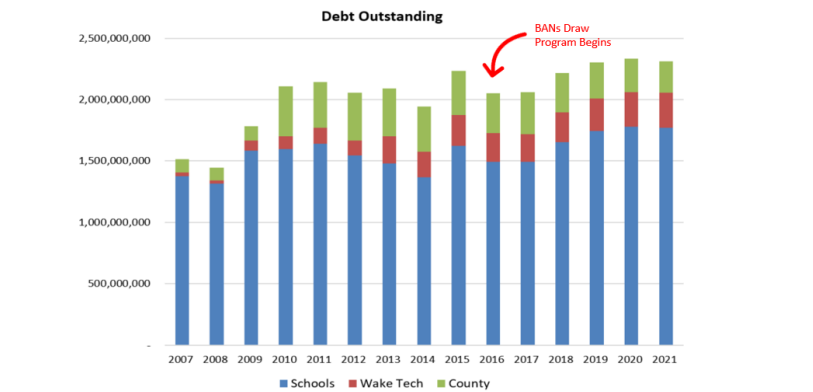
She shared information about which debt options are best.

## Which Debt Options are Best?

It depends...	General Obligation (GO) Bonds	Limited Obligation Bonds (LOBs)
Purposes	Large volume of capital needs (schools) Discretionary projects (libraries, parks, open space)	Essential governmental projects that must move forward even if GO referenda fails (public safety, human services)
Method	Referendum approved by the voters	Local Government Commission approval
Security/Collateral	Full faith and credit (taxing power) of governmental unit Voters approve pledge of future tax dollars	The asset(s) for which funds are being borrowed Annual appropriation of debt service payment by governing board
Cost	Lowest cost permanent financing option	Slightly higher cost financing option (typically rated a notch below GO Bonds)

Ms. Lucas shared how the education needs drive increase in county debt.

## Education Needs Drive Increase in County Debt



She shared information about the future prediction for revenues and expenditures.

## The Future is Difficult to Predict



Time	1 - 2 Years	3 - 5 Years	6 - 7 Years
Revenues & Expenditures	Realistic Predictable Data	Conservative	More Conservative & Cautious
Economic Uncertainty	Low	Moderate	High
Need for Margin of Error	Low	Moderate	High

Ms. Lucas shared the rate assumptions increasing for short term debt.

## Rate Assumptions Increasing For Short Term Debt

	2018	2019	2020	2021	2022	2023	2024	2025
<b>GO BANs - Variable Interest Rate</b>	<b>2.00%</b>	<b>2.64%</b>	<b>3.07%</b>	<b>3.17%</b>	<b>3.17%</b>	<b>3.17%</b>	<b>3.17%</b>	<b>3.17%</b>
Prior	1.46%	1.74%	1.97%	2.06%	2.19%	2.27%	2.27%	2.27%
<b>Net Change</b>	<b>0.54%</b>	<b>0.90%</b>	<b>1.10%</b>	<b>1.11%</b>	<b>0.98%</b>	<b>0.90%</b>	<b>0.90%</b>	<b>0.90%</b>
<b>LOB BANs - Variable Interest Rate</b>	<b>2.20%</b>	<b>2.84%</b>	<b>3.27%</b>	<b>3.37%</b>	<b>3.37%</b>	<b>3.37%</b>	<b>3.37%</b>	<b>3.37%</b>
Prior	1.66%	1.94%	2.17%	2.26%	2.39%	2.39%	2.47%	2.47%
<b>Net Change</b>	<b>0.54%</b>	<b>0.90%</b>	<b>1.10%</b>	<b>1.11%</b>	<b>0.98%</b>	<b>0.98%</b>	<b>0.90%</b>	<b>0.90%</b>

County's short term debt instruments – GO BANs and LOB BANs

New tax legislation added .35% to .56% to prior assumptions of short-term interest rates

There are still cost savings of using BAN programs vs. bonds

Ms. Lucas said the county's investment earnings base exceeds its short-term rate debt base.

## Rate Assumptions Also Increasing For Investments

	2018	2019	2020	2021	2022	2023	2024	2025
<b>Investment Rate</b>	<b>1.00%</b>	<b>1.63%</b>	<b>2.38%</b>	<b>2.88%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>	<b>3.00%</b>
Prior	1.00%	1.35%	1.75%	2.00%	2.25%	2.50%	2.50%	2.50%
<b>Net Change</b>	<b>-</b>	<b>0.28%</b>	<b>0.63%</b>	<b>0.88%</b>	<b>0.75%</b>	<b>0.50%</b>	<b>0.50%</b>	<b>0.50%</b>

An upward trend in these rates has a *net-positive* effect for County

- County's Investment earnings base exceeds its short-term rate debt base

She shared the rate assumptions for permanent debt.

## Rate Assumptions Unchanged For Permanent Debt

	2018	2019	2020	2021	2022	2023	2024	2025
GO Bonds - Fixed Rate TIC	2.87% *	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
LOBs - Fixed Rate TIC	3.75%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%

\*Actual bond sale results

County's permanent debt instruments – GO Bonds and LOBS

2018A GO Refunding Bonds sold 2/21/2018 with 2.87% actual TIC

- \$9.8M estimated total debt service savings over life of bonds (3.25% estimated TIC)

Permanent debt assumptions remain conservative

Ms. Lucas shared the model assumptions.

## Model Assumptions Recap

	2018	2019	2020	2021*	2022	2023	2024	2025*
<b>Tax Revenues</b>	Total Property Tax Rate	61.50	61.50	61.50	56.01	56.01	56.01	51.01
	Property Tax Rate for Capital	18.76	18.76	18.76	17.08	17.08	17.08	15.56
	Property Tax Valuation Growth	2.10%	2.10%	2.25%	12.00%	2.00%	2.00%	12.00%
	Sales Tax Annual Growth	5.48%	6.66%	5.50%	5.50%	5.00%	5.00%	4.00%
<b>Interest Rates</b>	Investment Rate	1.00%	1.63%	2.38%	2.88%	3.00%	3.00%	3.00%
	GO BANs - Variable Interest Rate	2.00%	2.64%	3.07%	3.17%	3.17%	3.17%	3.17%
	GO Bonds - Fixed Rate TIC	2.87%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
	LOB BANs - Variable Interest Rate	2.20%	2.84%	3.27%	3.37%	3.37%	3.37%	3.37%
	LOB Bonds - Fixed Rate TIC	3.75%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%

\* Reappraisal Year

Ms. Lucas shared a chart of the Fiscal Year 2019 Capital Plan.

## FY2019 Capital Plan Funded at Existing Tax Rate

18.76¢ of Property Tax Rate (\$275 Million)

Dedicated To:

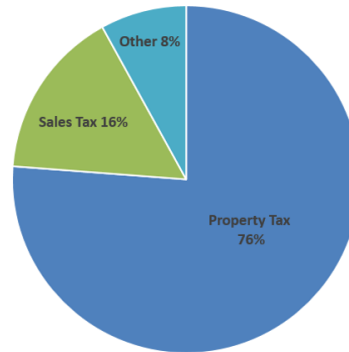
- Debt Service: \$221 Million
- WCPSS Cash Funded Capital: \$23 Million
- County Cash Funded Capital: \$31 Million

Sales Tax Transfer - \$46 Million

- Portion of Article 40 (30%) and Article 42 (60%)
- All used toward WCPSS debt service

Other Funding Sources Total \$31 Million

- Includes lottery proceeds, federal subsidies, and interest income



Commissioner Portman asked if it is advantageous to close the gap on micro tax changes or re-evaluate the property tax assessments for a sustainable tax rate. Ms. Rogers said that raising tax rates before the needs are determined can be difficult.

Commissioner West asked about a breakdown of the revenue neutral tax rate. Ms. Rogers said that when tax value increases, state law requires that the tax rate be set at a revenue neutral rate. She said a revenue neutral rate could be an increase or decrease. She said the shorter reappraisal cycle will assist with less impact of home values.

Ms. Lucas shared the Fiscal Year 2019 Capital Plan.

## FY2019 Capital Plan Funded at Existing Tax Rate

- Because the County has no remaining GO authorization, WCPSS and WTCC capital needs continue to be debt funded with LOBs until successful referenda
- No funding for new County programs at current tax rate

LOBS	
WCPSS	\$ 312,406,000
WTCC	\$ 79,455,000
<b>Total Debt</b>	<b>\$ 391,861,000</b>
Cash	
WCPSS	\$ 23,209,000
WTCC	\$ -
COUNTY/OTHER	\$ 31,259,679
<b>Total Cash</b>	<b>\$ 54,468,679</b>
<b>FY 2019 Total</b>	<b>\$ 446,329,679</b>

Policies and Guidelines	Target	2019
Fund Balance Ratio	≥ 30%	30.4%
% Debt Paid in 10 Years	≥ 70%	42.8%
Debt : Capital Ratio	≤ 80%	88%
Debt : Assessed Value Ratio	≤ 1.75%	1.56%

Ms. Lucas shared how the future capacity information is limited without a tax increase.

## Option A: Future Capacity is Limited without a Tax Increase

	2020	2021	2022	2023	2024	2025
<b>Tax Increase</b>	n/a	n/a	n/a	n/a	n/a	n/a
Total Debt	\$ 235,000,000	\$ 235,000,000	\$ 235,000,000	\$ 235,000,000	\$ 235,000,000	\$ 235,000,000
Total Cash*	\$ 52,000,000	\$ 52,000,000	\$ 53,000,000	\$ 54,000,000	\$ 55,000,000	\$ 56,000,000
<b>Total Capacity</b>	<b>\$ 287,000,000</b>	<b>\$ 287,000,000</b>	<b>\$ 288,000,000</b>	<b>\$ 289,000,000</b>	<b>\$ 290,000,000</b>	<b>\$ 291,000,000</b>

\*Cash capacity includes County projects identified in CIP

Policies and Guidelines	Target	2020	2021	2022	2023	2024	2025
Fund Balance Ratio	≥ 30%	30.3%	31.5%	31.5%	31.1%	30.7%	30.2%
% Debt Paid in 10 Years	≥ 70%	73.2%	72.6%	71.9%	72.3%	72.9%	73.8%
Debt : Capital Ratio	≤ 80%	81%	81%	81%	81%	81%	80%
Debt : Assessed Value Ratio	≤ 1.75%	1.58%	1.47%	1.44%	1.41%	1.37%	1.21%

WCPSS plan alone exceeds amount available without a tax increase

In order to protect the Fund Balance Ratio without a tax increase, the Debt:Capital Ratio exceeds policy limits

She shared Option B which provides financial policies at risk.

## Option B: Maximum Capacity Puts Adherence to Financial Policies at Risk

	2020	2021	2022	2023	2024	2025
<b>Tax Increase</b>	4.5¢				1.0¢	
Total Debt	\$ 418,000,000	\$ 416,000,000	\$ 388,000,000	\$ 450,000,000	\$ 423,000,000	\$ 419,000,000
Total Cash*	\$ 96,000,000	\$ 108,000,000	\$ 101,000,000	\$ 117,000,000	\$ 101,000,000	\$ 105,000,000
<b>Total Capacity</b>	<b>\$ 514,000,000</b>	<b>\$ 524,000,000</b>	<b>\$ 489,000,000</b>	<b>\$ 567,000,000</b>	<b>\$ 524,000,000</b>	<b>\$ 524,000,000</b>

\*Cash capacity includes County projects identified in CIP

Policies and Guidelines	Target	2020	2021	2022	2023	2024	2025
Fund Balance Ratio	≥ 30%	30.5%	32.4%	33.3%	31.8%	31.4%	30.1%
% Debt Paid in 10 Years	≥ 70%	73.2%	71.9%	70.4%	69.9%	69.8%	70.2%
Debt : Capital Ratio	≤ 80%	81%	79%	79%	79%	80%	80%
Debt : Assessed Value Ratio	≤ 1.75%	1.60%	1.55%	1.60%	1.66%	1.71%	1.60%

Staff does not recommend utilizing Maximum Capacity:

- Pushes financial policy limits
- Limits flexibility to adjust for changing economic conditions

Ms. Lucas shared option C.

## Option C: "Strawman" (50% of Max Capacity) Evaluates Tax Impact, Policy & Program Needs

	2020	2021	2022	2023	2024	2025
<b>Tax Increase</b>	3.5¢		.75¢		.50¢	
Total Debt	\$ 388,000,000	\$ 386,000,000	\$ 358,000,000	\$ 420,000,000	\$ 393,000,000	\$ 389,000,000
Total Cash*	\$ 89,000,000	\$ 97,000,000	\$ 89,000,000	\$ 109,000,000	\$ 98,000,000	\$ 97,000,000
<b>Total Capacity</b>	<b>\$ 477,000,000</b>	<b>\$ 483,000,000</b>	<b>\$ 447,000,000</b>	<b>\$ 529,000,000</b>	<b>\$ 491,000,000</b>	<b>\$ 486,000,000</b>

\*Cash capacity includes County projects identified in CIP

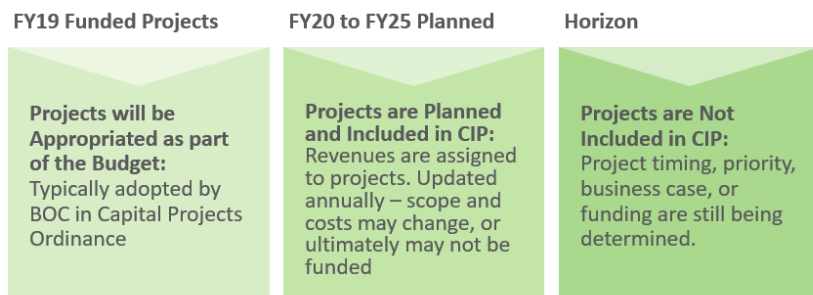
Policies and Guidelines	Target	2020	2021	2022	2023	2024	2025
Fund Balance Ratio	≥ 30%	30.3%	31.9%	33.2%	32.2%	31.9%	30.9%
% Debt Paid in 10 Years	≥ 70%	73.2%	72.0%	70.6%	70.2%	70.2%	70.6%
Debt : Capital Ratio	≤ 80%	81%	80%	80%	79%	80%	80%
Debt : Assessed Value Ratio	≤ 1.75%	1.59%	1.54%	1.58%	1.62%	1.66%	1.54%

A less than maximum capacity choice:

- Reduces tax impact in near term
- Creates cushion in the model
- Allows accomplishment of some capital program requests, not all

Ms. Venditto shared the Seven-Year Capital Improvement Plan.

**Capital programs are projected on a rolling 7-year plan with all project shown in the plan funded based on current revenue forecasts**



Ms. Venditto shared the county capital responsibilities for Wake Tech.

**County capital responsibilities for Wake Tech**

NCGS 115D-32

- The tax-levying authority of each institution shall be responsible for providing, in accordance with the provisions of G.S. 115D-33 or 115D-34, as appropriate, adequate funds to meet the financial needs of the institutions for the following budget items:
- (1) Plant Fund: Acquisition of land; erection of all buildings; alterations and additions to buildings; purchase of automobiles, buses, trucks, and other motor vehicles; purchase or rental of all equipment necessary for the maintenance of buildings and grounds and operation of plants; and purchase of all furniture and equipment not provided for administrative and instructional purposes.

She shared information about Wake Tech’s 7-year CIP.

## Wake Tech's 7-year CIP totals \$660 million

- A rolling seven-year CIP was established in FY18 and is updated and evaluated annually
- The capital program responds to growth in enrollment, demand for educational programming, maintaining facilities and a solid technology infrastructure

Ms. Venditto shared Wake Tech's Seven-Year Capital Program.

## Wake Tech's 7-year Capital Program is \$660.4 million

(in millions)	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	Total
RTP Classroom Building 2	37.1							37.1
RTP Classroom Building 3 & Parking Deck				6.6	45.2	40.9	5.7	98.4
RTP Classroom Building 4 & Energy Plant					5.8	40.8	45.9	92.5
RTP Classroom Building 5 & Parking Deck						4.5	35.9	40.3
<b>RTP Campus Total</b>	<b>37.1</b>	<b>0.0</b>	<b>0.0</b>	<b>6.6</b>	<b>51.0</b>	<b>86.2</b>	<b>87.4</b>	<b>268.3</b>
North Wake Automotive & Collision Repair		35.5						35.5
North Wake Health Sciences Building & Parking Deck	0.7	7.4	40.0	54.4				102.6
<b>North Wake Campus Total</b>	<b>0.7</b>	<b>42.9</b>	<b>40.0</b>	<b>54.4</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>138.1</b>
Main Facilities Management & Warehouse Building, Power Mechanics	16.5							16.5
Main Advanced Industries Building & Parking Deck	3.5	29.2	45.0	6.7				84.5
<b>Main Campus Total</b>	<b>20.0</b>	<b>29.2</b>	<b>45.0</b>	<b>6.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>101.0</b>
Public Safety Simulation Building				6.0	34.8	5.0		45.8
<b>Public Safety Education Campus Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>6.0</b>	<b>34.8</b>	<b>5.0</b>	<b>0.0</b>	<b>45.8</b>
Campus-Wide Repairs, Alterations & Infrastructure Upgrades	11.6	9.2	5.7	5.7	5.7	4.7	4.7	47.2
Technology Acquisition and Infrastructure	10.0	10.0	10.0	7.5	7.5	7.5	7.5	60.1
<b>Total Program</b>	<b>\$79.5</b>	<b>\$91.4</b>	<b>\$100.7</b>	<b>\$86.9</b>	<b>\$99.0</b>	<b>\$103.4</b>	<b>\$99.6</b>	<b>\$660.4</b>

Ms. Venditto shared the statute for the county capital responsibilities for WCPSS.

### NCGS 115C-408

- (b) To insure a quality education for every child in North Carolina, and to assure that the necessary resources are provided, it is the policy of the State of North Carolina to provide from State revenue sources the instructional expenses for current operations of the public school system as defined in the standard course of study.



- It is the policy of the State of North Carolina that the facilities requirements for a public education system will be met by county governments.
- It is the intent of the 1983 General Assembly to further clarify and delineate the specific financial responsibilities for the public schools to be borne by State and local governments.

Ms. Venditto shared the WCPSS Fiscal year 2018-2024 CIP.

WCPSS FY18- 24 CIP is \$2.19 Billion

- Adopted by Board of Education May 2, 2017
- A seven-year CIP was established in FY18 and is updated annually
- Provides for predictable, level funding
- Plan addresses growth and area crowding

## WCPSS FY 2018 - 24 CIP: 13 New Schools and 13 Major Renovations (in millions)

<b>New Schools</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>	<b>FY21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>Total</b>
Elementary Schools	57.6	70.7	6.3	24.8	70.5	40.1	46.2	316.2
Middle Schools	60.4	2.0		73.1		39.0	39.0	213.6
High Schools	52.1		68.2	3.0	4.0	122.5	81.0	330.8
<b>Subtotal - New Schools*</b>	<b>\$170.1</b>	<b>\$72.7</b>	<b>\$74.6</b>	<b>\$100.9</b>	<b>\$74.5</b>	<b>\$201.6</b>	<b>\$166.2</b>	<b>\$860.5</b>
<b>Renovations</b>	<b>FY 18</b>	<b>FY 19</b>	<b>FY 20</b>	<b>FY21</b>	<b>FY 22</b>	<b>FY 23</b>	<b>FY 24</b>	<b>Total</b>
Elementary Schools	8.9	88.2	44.2	103.3	86.1	12.8	31.0	374.4
Middle Schools	0.0	57.9	3.0		25.0	19.0	3.0	107.9
High Schools	49.6	32.7	72.7					155.0
<b>Subtotal - Renovations*</b>	<b>\$58.5</b>	<b>\$178.7</b>	<b>\$119.9</b>	<b>\$103.3</b>	<b>\$111.1</b>	<b>\$31.8</b>	<b>\$34.0</b>	<b>\$637.3</b>
<b>Total New and Renovations</b>	<b>\$228.7</b>	<b>\$251.4</b>	<b>\$194.5</b>	<b>\$204.2</b>	<b>\$185.5</b>	<b>\$233.4</b>	<b>\$200.2</b>	<b>\$1,497.8</b>

## WCPSS FY 2018 – 24 CIP: Other Program Components average \$115 million per year (in millions)

Category	FY 18	FY 19	FY 20	FY21	FY 22	FY 23	FY 24	Total
Life Cycle Replacements		1.9	29.0	29.8	30.7	31.6	32.6	155.6
Equipment/ADA/Environmental		5.0	5.2	5.3	5.5	5.6	5.8	32.3
Technology		28.2	29.0	29.9	30.8	31.7	32.7	182.4
Security	4.1	4.2	4.4	4.5	4.6	4.8	4.9	31.4
Mobiles			1.3	1.3	1.4	1.4	1.5	6.9
Program Management		8.2	9.9	7.5	7.4	10.6	8.3	51.9
Property Acquisition	10.0	10.3	10.6	10.9	11.3	11.6	11.9	76.6
Space Needs Analysis and Prioritization (SNAP)	6.0	15.0	15.0	16.0	15.0	6.0	16.0	89.0
Program Contingency	9.4	11.4	8.7	9.1	8.6	9.8	9.2	66.1
<b>Total Other</b>	<b>\$29.5</b>	<b>\$84.2</b>	<b>\$113.0</b>	<b>\$114.4</b>	<b>\$115.2</b>	<b>\$113.2</b>	<b>\$122.8</b>	<b>\$692.3</b>

## WCPSS FY 2018 - 24 CIP Summary Total (in millions)

Program Areas	FY 18	FY 19	FY 20	FY21	FY 22	FY 23	FY 24	Total
New Schools	170.1	72.7	74.6	100.9	74.5	201.6	166.2	<b>860.5</b>
Renovations	58.5	178.8	119.9	103.3	111.1	31.8	34.0	<b>637.3</b>
Other	29.5	84.2	113.0	114.4	115.3	113.2	122.8	<b>692.4</b>
<b>Total</b>	<b>\$258.2</b>	<b>\$335.6</b>	<b>\$307.5</b>	<b>\$318.6</b>	<b>\$300.8</b>	<b>\$346.5</b>	<b>\$323.0</b>	<b>\$2,190.2</b>

### March

WCPSS staff presented the updated cost model to the BOE Facilities Committee on Monday, March 12<sup>th</sup>

Board of Education is currently reviewing annual update draft

Joint Facilities Core Team will review annual update draft

**April:** Board of Education resolution approving annual update

**May:** Board of Commissioners approves and includes annual update in budget document

There was discussion about joint use and shared use, facilities, contingency plans and the green initiatives for schools.

Ms. Rogers said the Facilities Team discusses these plans and working together collaboratively assists in moving forward with these initiatives.

Commissioner Ford said that during the joint Board of Education meeting it is important to review the Seven-Year CIP Agreement, developing a process for budget expansion proposals, school safety is captured, new construction and renovations, and joint use and shared use of space.

Ms. Venditto shared the information about capacity and the strawman option.

**After making Education the first priority against capacity, an average of \$69 million / year is available for all other needs under the “Strawman Option”**

"Strawman Option" (in millions)	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25
<b>DEBT</b>						
WCPSS	277.0	265.7	248.1	298.8	266.6	266.6
Wake Tech	81.4	90.7	79.4	91.5	95.9	92.1
<b>Unallocated Capacity</b>	<b>\$30.0</b>	<b>\$30.0</b>	<b>\$30.0</b>	<b>\$30.0</b>	<b>\$30.0</b>	<b>\$30.0</b>
Debt Capacity	388.4	386.4	357.5	420.3	392.5	388.7
<b>CASH</b>						
WCPSS	29.3	52.9	52.7	47.8	56.4	56.4
Wake Tech	10.0	10.0	7.5	7.5	7.5	7.5
<b>Unallocated Capacity</b>	<b>\$50.0</b>	<b>\$33.7</b>	<b>\$29.2</b>	<b>\$54.0</b>	<b>\$34.2</b>	<b>\$33.3</b>
Cash Capacity	89.3	96.6	89.4	109.3	98.1	97.2
<b>Total Unallocated Capacity</b>	<b>\$80.0</b>	<b>\$63.7</b>	<b>\$59.2</b>	<b>\$84.0</b>	<b>\$64.2</b>	<b>\$63.3</b>

Ms. Venditto shared the County Capital Program overview.

## County Capital Program Overview

**Organized by Elements, which group similar projects**

Automation	Criminal Justice	Parks & Open Space
Community Capital	Economic Development	Public Safety
County Buildings	Libraries	

**Several funding sources support the County CIP**

General Fund Transfer	Municipal Reimbursements
General Obligation Bonds	Charges
Limited Obligation Bonds	

She shared the six priorities that drive development of the County capital program.

## Six priorities drive development of the County capital program

- |  |   |  |
|--|---|--|
| <p><b>1 Health &amp; Safety</b><br/>Ensure life, safety, and basic environmental concerns</p>                          | <p><b>2 Maintenance</b><br/>Provide operating expense savings and / or maintain the integrity of current capital assets</p>                           | <p><b>3 Improve</b><br/>Improve existing facilities, technology systems and infrastructure to meet emerging needs and higher service levels.</p> |
| <p><b>4 Master Plans</b><br/>Within County's existing role, add new facilities and systems based on approved plans</p> | <p><b>5 Enhanced Service</b><br/>Expand service delivery with new facilities, infrastructure, and technology based on Board Goals and/or mandates</p> | <p><b>6 Partnerships</b><br/>Match contributions by partners to support community and systems infrastructure.</p>                                |

She summarized the Capital Planning framework.

## Capital Planning framework summarized

<b>Cost and Timing</b>	<b>Components</b>
Projects are typically > than \$100,000 and require more than 1 year to complete	Land, new construction, renovations, equipment, lifecycle replacements, infrastructure, technology equipment and infrastructure
<b>Master Plans</b>	<b>Funding</b>
Projects often a result of master planning processes and facilities condition assessments	The CIP is a funded plan; in order for a project to be in the CIP, there is a revenue source(s); <b>County capital is allocated 10% of the revenues dedicated to the Debt &amp; Capital Program and constrains the plan</b>

Ms. Venditto shared the county allocation for existing county program needs.

**County allocation can accommodate existing County program needs with limited capacity available for new programs**

(in millions)

Element	FY 19	FY20	FY21	FY 22	FY 23	FY 24	FY 25	Total
Automation	12.1	10.0	7.7	6.6	8.2	6.7	7.1	58.3
Community Capital	0.5	0.5	0.5	0.5	0.5	0.5	0.5	3.5
County Buildings	11.4	11.1	11.6	10.6	10.9	11.4	11.6	78.6
Criminal Justice	1.9	1.1	1.7	1.0	2.0	10.8	1.3	19.8
Economic Development	1.1	4.0	1.4	1.4	1.4	1.4	1.1	11.8
Libraries	3.7							3.7
Open Space	0.5	0.5	0.5	0.5	0.5	0.5	0.5	3.5
Parks & Recreation	0.8	0.8	0.8	0.8	0.8	0.8	0.8	5.6
Public Safety	2.9	4.5	6.6	8.9	3.4	4.9	2.9	34.1
<b>Total Uses</b>	<b>\$34.9</b>	<b>\$32.5</b>	<b>\$30.9</b>	<b>\$30.3</b>	<b>\$27.7</b>	<b>\$37.0</b>	<b>\$25.8</b>	<b>\$219.0</b>
<b>Available Capacity</b>	<b>\$5.2</b>	<b>-</b>	<b>\$2.4</b>	<b>\$3.7</b>	<b>\$7.0</b>	<b>-</b>	<b>\$10.6</b>	

Ms. Venditto shared a scenario about funding education and County Capital.

**After funding Education and County Capital, an average of \$43 million per year of capacity remains**

"Strawman Option"	2020	2021	2022	2023	2024	2025
(in millions)						
<b>DEBT</b>						
WCPSS	277.0	265.7	248.1	298.8	266.6	266.6
Wake Tech	81.4	90.7	79.4	91.5	95.9	92.1
<b>Unallocated Capacity</b>	<b>\$30.0</b>	<b>\$30.0</b>	<b>\$30.0</b>	<b>\$30.0</b>	<b>\$30.0</b>	<b>\$30.0</b>
Debt Capacity	388.4	386.4	357.5	420.3	392.5	388.7
<b>CASH</b>						
WCPSS	29.3	52.9	52.7	47.8	56.4	56.4
Wake Tech	10.0	10.0	7.5	7.5	7.5	7.5
County Capital Base	27.5	26.0	25.4	22.8	31.9	20.9
<b>Unallocated Capacity</b>	<b>\$22.5</b>	<b>\$7.7</b>	<b>\$3.8</b>	<b>\$31.2</b>	<b>\$2.3</b>	<b>\$12.4</b>
Cash Capacity	89.3	96.6	89.4	109.3	98.1	97.2
<b>Total Unallocated Capacity</b>	<b>\$52.5</b>	<b>\$37.7</b>	<b>\$33.8</b>	<b>\$61.2</b>	<b>\$32.3</b>	<b>\$42.4</b>

Mr. Frank Cope, Wake County Community Services Director, shared the information about the Greenway System Plan and the Parks Facilities Master Plan.

He shared the seven-year CIP proposal.

# 7-Year PROS CIP proposal constrained at \$20 million year

## \$140M over 7 years

- Acquire ~1,834 acres of open space
- Build ~ 15.3 miles of greenways
- Build and open Southeast Park
- Build and open Lake Myra Park
- Open Kellam-Wyatt Farm Preserve
- Expand Robertson Millpond Preserve
- Open Sinclair Nature Preserve
- Improvements at 8 existing County Park facilities

Unanimously approved by the Open Space and Parks Advisory Committee

Mr. Cope shared the Parks, Recreation, and Open Space Recommended CIP at \$20 million per year.

(in millions)	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Future Open Space	4.8	4.5	4.9	4.0	5.9	4.0	4.0	32.1
Future Greenways (Bridge the Gaps)	4.0	4.3	4.8	4.0	5.7	4.0	4.0	30.8
Existing Parks	0.0	8.8	10.3	12.0	6.5	0.0	0.0	37.6
New Parks	11.2	2.4	0.0	0.0	1.9	12.0	12.0	39.5
<b>Total</b>	<b>\$20.0</b>	<b>\$20.0</b>	<b>\$20.0</b>	<b>\$20.0</b>	<b>\$20.0</b>	<b>\$20.0</b>	<b>\$20.0</b>	<b>\$140.0</b>

He shared the open space acquisition information.

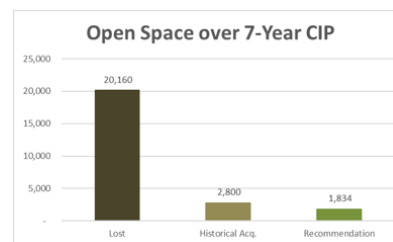
## Open Space Acquisition

Annually ~2,880 acres of open space and agricultural land are lost to development

Historically the County has acquired ~400 acres a year

Sustaining a ~400 acre a year preservation rate requires \$7.2 million annually

Recommended - \$4.0-5.9 million annually (~229 - 337 acres / year)



7 year net loss of ~18,400 acres of undeveloped land. Equivalent to over 3 Umstead State Parks

FY20	FY21	FY 22	FY 23	FY 24	FY 25	FY 26	Total
\$4.8	\$4.5	\$4.9	\$4.0	\$5.9	\$4.0	\$4.0	\$32.1

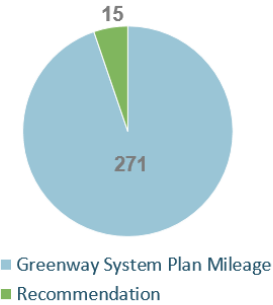
(in millions)

He shared the greenways information.

## Greenways

Estimated - \$2 million a mile  
 Full greenway build out - \$542 million  
 Recommended - \$ 4.0 - 5.7M per year  
 \$30.8 million (15.4 miles)

Greenway System Plan



FY20	FY21	FY 22	FY 23	FY 24	FY 25	FY 26	Total
\$4.0	\$4.3	\$4.8	\$4.0	\$5.7	\$4.0	\$4.0	\$30.8

(in millions)

He shared the Tier One improvements to existing parks.

## Tier 1 Improvements to Existing Parks are a high priority of the plan

(in millions)

Project	FY20	FY21	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Harris Lake		4.7						4.7
Historic Yates Mill		4.1						4.1
Lake Crabtree			5.6					5.6
Crowder			4.7					4.7
Blue Jay Point				5.4				5.4
American Tobacco Trail				6.6				6.6
Historic Oak View					3.1			3.1
North Wake					3.4			3.4
<b>TOTALS</b>	<b>\$0.0</b>	<b>\$8.8</b>	<b>\$10.3</b>	<b>\$12.0</b>	<b>\$6.5</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$37.6</b>

See detail in PROS Appendix

Mr. Cope said that new parks total 25 percent of the plan.

## New Parks total 25% of plan

(in millions)

Project	FY20	FY21	FY 22	FY 23	FY 24	FY 25	FY 26	Total
Robertson Millpond Preserve	2.3							2.3
Southeast Wake County Park	8.9							8.9
Kellam-Wyatt Farm Preserve		2.4						2.4
Sinclair Nature Preserve					1.9			1.9
Lake Myra County Park						12.0	12.0	24.0
<b>TOTALS</b>	<b>\$11.2</b>	<b>\$2.4</b>	<b>\$0.0</b>	<b>\$0.0</b>	<b>\$1.9</b>	<b>\$12.0</b>	<b>\$12.0</b>	<b>\$39.5</b>

Vice-Chair Hutchinson shared information about leveraging of money for projects. He said that Walmart has indicated they are willing to partner with BMX bikes for open space. He said it is important that the public votes for the Open Space Bonds.

Chair Holmes asked about the Crooked Creek project and whether it has been added to the parks plan.

Mr. Cope said there are tiers to the Open Space Plan and there are projects that are not in the first tier, but in tier two or three. He said the criteria has been narrowed for all County Capital Projects. He said the Crooked Creek project was mirrored like all capital county projects. He said the Conservation Fund has acquired the property and is willing to hold it for a short amount of time. He said that staff will work with Wake County Finance regarding the financing and operating cost of the property. He said there is no specific plan has been identified on how to manage or fund the property. He said the Kellam-Wyatt Farm Preserve is expected before the board at a future meeting as a donation.

Commissioner West said that he wanted to ensure that projects for vulnerable communities are being executed and it is important that the board openly discuss projects and there are reasons given for prioritizing projects over others.

Ms. Venditto shared the Human Services Facilities Plan.

She said the Human Services Facilities Plan was presented to the Board of Commissioners on January 8, 2018. She said current facilities reach space capacity in 2021. A long-term plan is required to provide capacity and deliver critical services.

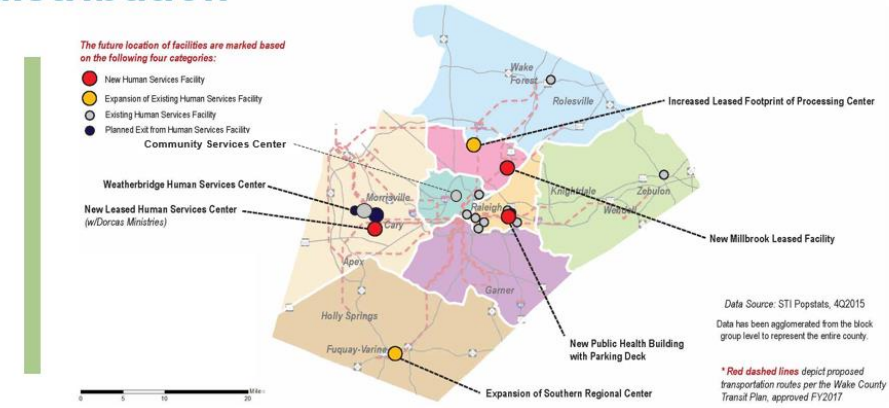


## Human Services Facilities Plan supports service delivery vision

- Support quality customer service w/ appropriate facility design
- Treat the whole client by grouping services together
- Improve accessibility to promote client self sufficiency
- Ensure site locations near population being served
- Flexibility of facilities to accommodate future changes
- Provide safe & secure employee work environment
- Utilize partnerships to strengthen service offerings

She shared the future Human Services facilities distribution.

## Future Human Services facilities distribution



She shared the Human Services Master Plan information.

## Human Services Master Plan: Preliminary Implementation Schedule FY 2019-25

Activities	Type		FY-2019	FY-2020	FY-2021	FY-2022	FY-2023	FY-2024	FY-2025
HS Millbrook	New Lease	July 1, 2018	Leased Facility						
HS Processing Center	Lease Exp.			Leased Facility					
Swinburne	Phased Renovation		County Owned		County Owned				
Community Service Center	Renovation			County Owned					
Crosby-Garfield	Renovation				County Owned				
SRC Expansion	Renovation					County Owned			
Public Health Center	New Building					County Owned			
Dorcas Center	Future Lease								Leased Facility

Legend: Leased Facility: (yellow bar) County Owned: (blue bar)

Ms. Venditto shared the Human Services Plan projects.

### First seven years of Human Services Plan projects

(in millions)

Facility	FY 19*	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	Total
Swinburne	0.4	0.8	15.0	-	-	-	0.1	16.3
Community Services Center	1.0	5.0	0.2	-	-	-	-	6.2
Crosby Garfield	-	-	-	-	-	0.5	0.5	1.0
Southern Regional Expansion	-	-	0.1	0.5	5.0	-	-	5.6
New Public Health Center	-	-	0.2	1.0	24.0	32.0	2.0	59.2
<b>Total</b>	<b>\$1.4</b>	<b>\$5.8</b>	<b>\$15.5</b>	<b>\$1.5</b>	<b>\$29.0</b>	<b>\$32.5</b>	<b>\$2.6</b>	<b>\$88.3</b>

\*FY19 projects are in current plan and funded with cash

Leverage existing leased property for administration	Demolition of Falstaff buildings and New Public Health Center (\$60 Million)
Small renovation at Crosby Garfield (\$1 Million)	Future sale of Sunnybrook
Moderate renovations at Community Services Center and Southern Regional Center (\$5M)	Additional Regional Centers in the future beyond 7 year period
Major renovation to Swinburne (\$15.7 Million)	

Ms. Venditto shared information about Public Libraries. She said staff is updating a library master plan to identify future projects after the completion of the existing bond projects. Current estimates range from \$10 - \$15 million per year beginning in FY 2020.

She shared information about the strawman capacity for new programs.

### After education and county, Strawman capacity unable to fully accommodate new programs

"Strawman Option" (in millions)	2020	2021	2022	2023	2024	2025
Unallocated Debt Capacity	30.0	30.0	30.0	30.0	30.0	30.0
Unallocated Cash Capacity	22.5	7.7	3.8	31.2	2.3	12.4
<b>Total Unallocated Capacity</b>	<b>\$52.5</b>	<b>\$37.7</b>	<b>\$33.8</b>	<b>\$61.2</b>	<b>\$32.3</b>	<b>\$42.4</b>
Additional Programs Seeking						
PROS	20.0	20.0	20.0	20.0	20.0	20.0
Human Services	5.8	15.5	1.5	29.0	32.5	2.6
Libraries	15.0	15.0	15.0	15.0	15.0	15.0
<b>Total Programs Seeking Funding</b>	<b>\$40.8</b>	<b>\$50.5</b>	<b>\$36.5</b>	<b>\$64.0</b>	<b>\$67.5</b>	<b>\$37.6</b>
<b>Surplus (Gap) in Funding</b>	<b>\$11.7</b>	<b>(\$12.8)</b>	<b>(\$2.7)</b>	<b>(\$2.8)</b>	<b>(\$35.2)</b>	<b>\$4.8</b>

### Capital & Referendum Planning

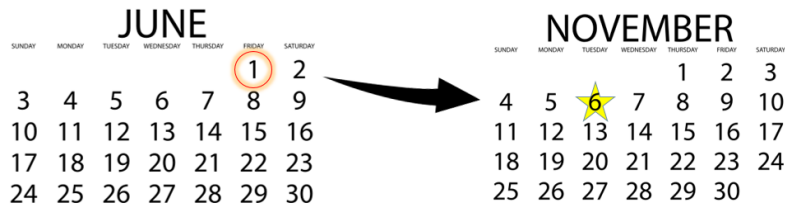
Ms. Lucas recapped allocations under the “strawman” approach.

## Recap of Allocations Under “Strawman”

	2020	2021	2022	2023	2024	2025
<b>DEBT</b>						
WCPSS	\$ 277.0	\$ 265.7	\$ 248.1	\$ 298.8	\$ 266.6	\$ 266.6
Wake Tech	\$ 81.4	\$ 90.7	\$ 79.4	\$ 91.5	\$ 95.9	\$ 92.1
<b>Unallocated Capacity</b>	<b>\$ 30.0</b>	<b>\$ 30.0</b>	<b>\$ 30.0</b>	<b>\$ 30.0</b>	<b>\$ 30.0</b>	<b>\$ 30.0</b>
Debt Capacity	\$ 388.4	\$ 386.4	\$ 357.5	\$ 420.3	\$ 392.5	\$ 388.7
<b>CASH</b>						
WCPSS	\$ 29.3	\$ 52.9	\$ 52.7	\$ 47.8	\$ 56.4	\$ 56.4
Wake Tech	\$ 10.0	\$ 10.0	\$ 7.5	\$ 7.5	\$ 7.5	\$ 7.5
County Capital Base	\$ 27.5	\$ 26.0	\$ 25.4	\$ 22.8	\$ 31.9	\$ 20.9
<b>Unallocated Capacity</b>	<b>\$ 22.5</b>	<b>\$ 7.7</b>	<b>\$ 3.8</b>	<b>\$ 31.2</b>	<b>\$ 2.3</b>	<b>\$ 12.4</b>
Cash Capacity	\$ 89.3	\$ 96.6	\$ 89.4	\$ 109.3	\$ 98.1	\$ 97.2
<b>Total Unallocated Capacity</b>	<b>\$ 52.5</b>	<b>\$ 37.7</b>	<b>\$ 33.8</b>	<b>\$ 61.2</b>	<b>\$ 32.3</b>	<b>\$ 42.4</b>
Programs Seeking Funding:						
PROS	\$ 20.0	\$ 20.0	\$ 20.0	\$ 20.0	\$ 20.0	\$ 20.0
Human Services	\$ 5.80	\$ 15.50	\$ 1.50	\$ 29.00	\$ 32.50	\$ 2.60
Libraries	\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0	\$ 15.0
<b>Total Programs Seeking Funding</b>	<b>\$ 40.8</b>	<b>\$ 50.5</b>	<b>\$ 36.5</b>	<b>\$ 64.0</b>	<b>\$ 67.5</b>	<b>\$ 37.6</b>
<b>Surplus (Gap) of Funding</b>	<b>\$ 11.7</b>	<b>\$ (12.8)</b>	<b>\$ (2.7)</b>	<b>\$ (2.8)</b>	<b>\$ (35.2)</b>	<b>\$ 4.8</b>

Ms. Lucas said a decision on the referenda should be made by June 1, 2018.

## Decisions on Referenda Purposes and Amounts Should be Decided by June 1



Ms. Lucas shared the referendum calendar.

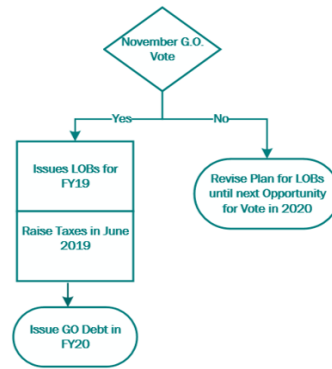
Referendum Calendar November 2018	
Date	Event
By June 1, 2018	Board of Education (BOE) approves Resolution requesting Board of Commissioners (BOC) to take steps to fund capital program
June 18, 2018 BOC Meeting	BOC adopts preliminary findings resolution
June 22, 2018	Publication of notice of intent to file an application with the Local Government Commission (LGC)
July 6, 2018	Application to the LGC due
July 23, 2018 BOC Meeting	Introduction of bond order by the BOC; file Sworn Statement of Debt with Clerk; set referendum date
July 27, 2018	Publication of bond order as introduced and notice of public hearing
August 6, 2018 BOC Meeting	BOC conducts public hearing regarding bond order, adopts bond order; adopts resolution calling for referendum
By August 9, 2018	Deliver certified copy of resolution calling for referendum to BOE
November 6, 2018	Referendum
December 3, 2018 BOC Meeting	Certification of results of referendum by the BOC

Ms. Lucas shared the referendum choices.

## Referendum Choices Impact Future Funding Options

Need to consider referendum options individually and as a whole:

- Purpose
- Amount
- 2018 and Future Timing



Ms. Lucas shared Option One of the bond programs.

## Option 1 – All Bond Programs Voted Every 4 Years

CALENDAR YEARS	2019		2020		2021		2022		2023		2024		2025	
FISCAL YEARS	FY 19		FY 20		FY 21		FY 22		FY 23		FY 24		FY 25	
<b>BALLOT QUESTIONS</b>														
WCPSS GO Bonds; Vote Every 4 Years	Vote Nov	New Tax Rate Set June	G.O Debt Avail					Vote Nov	New Tax Rate Set	G.O Debt Avail				
WCPSS Tax Increases		2.50							0.40+					
WCPSS Ballot Amounts				\$1.090 billion (estimated)								\$534 million (estimated) +		
WTCC GO Bonds; Vote Every 4 Years	Vote Nov	New Tax Rate Set June	G.O Debt Avail					Vote Nov	New Tax Rate Set	G.O Debt Avail				
WTCC Tax Increases		1.25							0.10+					
WTCC Ballot Amounts				\$343 million								\$188 million +		
PROS GO Bonds; Vote Every 4 Years	Vote Nov	New Tax Rate Set June	G.O Debt Avail					Vote Nov	New Tax Rate Set	G.O Debt Avail				
PROS Tax Increases		0.25							??					
PROS Ballot Amounts				\$80 million								\$40 million +		

Initial tax increase of 4.0 ¢ in FY 2020

If WCPSS and/or WTCC referendums fail, County still responsible for building programs

Ms. Lucas shared Option Two of the bond programs.

## Option 2 – Staggered Vote on Bond Programs

CALENDAR YEARS	2019		2020		2021		2022		2023		2024		2025	
FISCAL YEARS	FY 19		FY 20		FY 21		FY 22		FY 23		FY 24		FY 25	
<b>BALLOT QUESTIONS</b>														
WCPSS GO Bonds; Vote Every <b>2 Years</b>	Vote Nov	New Tax Rate Set June	G.O Debt Avail		Vote Nov	New Tax Rate Set June	G.O Debt Avail		Vote Nov	New Tax Rate Set June	G.O Debt Avail			
WCPSS Tax Increases		1.95				0.75				0.40+				
WCPSS Ballot Amounts		\$543 million (estimated)				\$547 million (estimated)				\$534 million (estimated) +				
WTCC GO Bonds; Vote Every <b>4 Years</b>	Vote Nov	New Tax Rate Set June	G.O Debt Avail						Vote Nov	New Tax Rate Set June	G.O Debt Avail			
WTCC Tax Increases		1.20								0.10+				
WTCC Ballot Amounts		\$343 million						\$188 million +						
PROS GO Bonds; Vote Every <b>6 Years</b>	Vote Nov	New Tax Rate Set June	G.O Debt Avail											
PROS Tax Increases		0.35												
PROS Ballot Amounts		\$120 million												

Initial tax increase of 3.5 ¢ in FY 2020

If WCPSS and/or WTCC referendums fail, County still responsible for building programs

Ms. Lucas shared the referendum history and list.

## Referendum History

Referendum	Purpose	Program Amount (in millions)	Bond Amount (in millions)	Tax for Capital and Debt Service (in cents)	% Voter Approval	Voter Turnout	% Voter Turnout
June 1993	Libraries	\$ 10	\$ 10	0.00	55.7%	46,319	18.5%
	Parks	\$ 10	\$ 10	0.00	50.5%		
	Wake Tech	\$ 30	\$ 30	0.00	51.3%		
	WCPSS	\$ 300	\$ 200	0.00	56.3%		
June 1996	WCPSS	\$ 400	\$ 250	0.00	79.0%	40,773	13.5%
June 1999	WCPSS	\$ 940	\$ 650	13.00	35.0%	90,741	24.5%
November 2000	Open Space	\$ 15	\$ 15	0.00	76.6%	275,112	68.8%
	Public Safety	\$ 20	\$ 20	0.00	57.8%		
	WCPSS	\$ 550	\$ 500	0.00	77.9%		
October 2003	Libraries	\$ 35	\$ 35	0.00	67.5%	87,724	20.9%
	WCPSS	\$ 550	\$ 450	0.00	64.2%		
November 2004	Open Space	\$ 26	\$ 26	0.00	73.8%	359,429	78.0%
	Wake Tech	\$ 40	\$ 40	0.00	74.8%		
November 2006	WCPSS	\$ 1,056	\$ 970	2.70	53.2%	207,800	40.5%
October 2007	Libraries	\$ 45	\$ 45	0.30	70.0%	56,032	10.9%
	Open Space	\$ 50	\$ 50	0.30	71.4%		
	Wake Tech	\$ 115	\$ 92	0.75	67.5%		
November 2012	Wake Tech	\$ 210	\$ 200	0.00	72.9%	488,599	74.6%
October 2013	WCPSS	\$ 940	\$ 810	4.40	57.7%	98,889	15.4%

# Board’s Decision List to Complete by June

1. Date of Referendum – November 2018 ✓

2. Allocation of capacity between programs:

Purpose	Debt Amount	Cash Amount
WCPSS		
WTCC		
PROS		
County/Other		

3. Questions on the November 2018 Ballot

Purpose	Yes	No	Amount	Frequency
WCPSS				
WTCC				
PROS				

*Based on the decisions made for the above items, the corresponding tax rate impact will be calculated.*

Ms. Rogers said that consideration should be made as to whether there should be three questions on the ballot every three years. She said the illustrations provide options of the questions are not that frequent on the ballot.

Ms. Rogers said that she can recall that October 2007, there were three bond questions on the ballot and it was pre-recession.

Ms. Lucas shared questions for the board to consider.

- Will programs other than Education be considered for a ballot question?
- If multiple questions, what will the frequency of the programs?
- If only WPCSS on ballot, how will other program needs be accomplished given the next opportunity for a referendum is calendar 2020?
- What will the tax rate implications be for using LOBs (when/if needed) over GO Bonds?
- What is the tax impact for each program?
- How does using cash instead of debt impact the program?
- How does the tax rate impact vary depending on the length of the bond program?

Mr. Alwon asked board members to share final comments for the day regarding the ballot questions.

Vice-Chair Hutchinson said the public supports Open Space, Wake Tech, Libraries, and the Wake County Public School System.

Commissioner Calabria said that he is in favor of the sever-year construction plan. He is in favor of a two-year school bond vote. He recommended stretching out the Open Space bonds.

Chair Holmes said that the board must take care in adding to the ballot. She asked that careful consideration be given to all the needs.

Commissioner Calabria said spacing out referendums every two years provides opportunities.

Commissioner Burns echoed the idea of a referendum every two years.

Commissioner Ford said that he agrees with the previous suggestions of board members.

Commissioner West said that it is important to ensure that all citizens are engaged and are educated about the bonds.

Mr. Ellis said that staff has provided information to build the budget for Fiscal Year 2019. He said the information provided will be helpful for a collaborative joint Board of Commissioners and Board of Education meeting on March 26, 2018. He said that the needs shared today tie into each other. He said that he would share with the board where the funding is going for the vulnerable community, open space, and other areas discussed. He said that awareness of services such as the Open Space and Parks is important to the community. He said that he is looking forward to presenting the budget to the board. He thanked staff for the job toward presenting the information to the board today.

Chair Holmes asked all the members at the table to share a word about the budget process. Everyone at the table participated.

## **Adjourn**

The meeting was adjourned at 4:00 PM.

Respectfully submitted,

Denise Hogan,  
Clerk to the Board, NCMCC