

**Wake County Board of Commissioners
Budget Work Session**

May 29, 2020

2:00 P.M.

Wake County Justice Center Room 2800

Commissioners Present:

Jessica Holmes, Chair

Greg Ford, Vice-Chair

Vickie Adamson

Matt Calabria

Susan Evans

Sig Hutchinson (Left at 3:50 p.m.)

James West

County Staff Present:

David Ellis, County Manager; Johnna Rogers, Chief Operating Officer; Chris Dillon, Assistant County Manager; Nicole Kreiser, Assistant County Manager; Denise Foreman, Assistant County Manager; Ben Canada, Assistant to the County Manager; Bill Greeves, Chief Information & Innovation Officer; Emily Lucas, Chief Financial Officer; Derwick Paige, Chief Community Vitality Officer; Scott Warren, County Attorney; Andrew Sawyer, Communications Specialist; Kelly Stratton, Communications Manager; Todd Taylor, Financial Services Manager; Paarth Mehta, Senior Budget & Management Analyst; Heather Drennan, Budget and Management Services Deputy Director; Michael James, Senior Budget and Management Analyst; Michelle Venditto, Budget and Management Services Director; Aaron Brown, Budget and Management Services Intern; Ross Hatton, Budget and Management Services Intern; Michelle Burgess, Budget and Management Analyst; Michael Gammon, Senior Budget and Management Analyst; Tammy DePhillip, Budget and Management Analyst; Shelita Cole, ERP Systems Manager; Denise Hogan, Clerk to the Board; Yvonne Gilyard, Deputy Clerk to the Board; Portia Johnson, Executive Assistant to the Board; and Michelle Cerett, Executive Assistant to the Board.

Others Present: Ms. Cathy Moore, Superintendent, Wake County Public School System; Dr. Jim Martin, Chair, Wake County Public School System; Mr. David Neter, Chief Operating Officer, Wake County Public School System; Mr. Jonathon Blumberg, Attorney, Wake County Public School System; Mr. Mark Winters, Chief Financial Officer, Wake County Public School System; Ms. Terri Kimzey, Budget Director, Wake County Public School System; and Ms. Trisha Posey, Accountant, Wake County Public School System.

Welcome and Meeting Called to Order:

Chair Holmes called the meeting to order at 2:00 p.m. and welcomed everyone to the meeting. She recognized the following school board staff in attendance: Ms. Cathy Moore,

Superintendent; Dr. Jim Martin, Board Chair; Mr. David Neter, Chief Operating Officer; Mr. Jonathon Blumberg, Attorney; Mr. Mark Winters, Chief Financial Officer; Ms. Terri Kimzey, Budget Director; and Ms. Trisha Posey, Accountant. She said this is the final opportunity for questions to be answered prior to the adoption of the budget next week.

FY 2020 Recommended Budget

Ms. Michelle Venditto, Budget and Management Services Director, provided an overview of today's agenda.

Agenda

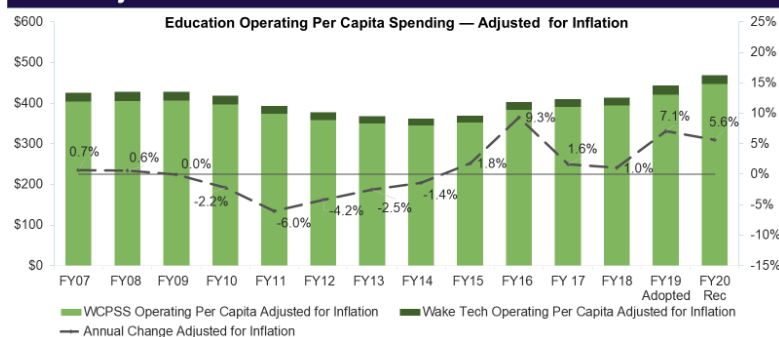
- Budget Follow-up
 - Education
 - County Operating
 - County Capital
- Issues Raised by Commissioners
- Board Discussion Regarding Changes to the Budget
- Technical Corrections
- Budget Ordinance Overview
- Next Steps
- Appendix – Fund Balance Information

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She shared the per capita spending for the Wake County Public School System and Wake Tech. She said the Fiscal Year 2020 budget recommendation for education funding is the highest in county history after an adjustment for inflation.

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

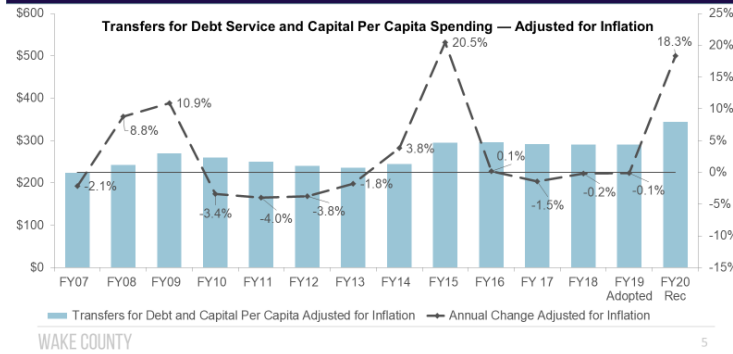


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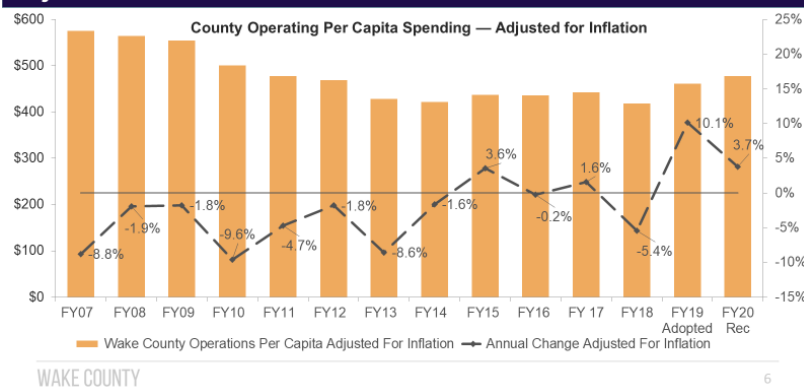
She shared how the debt and capital per capita align with the voter approved bond programs.

Debt and Capital Per Capita Aligns with Voter Approved Bond Programs



She shared the history of the county spending per capita and said it is 24 percent below the Fiscal Year 2007 peak after an adjustment for inflation.

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



Ms. Venditto shared the general fund historical actuals, which were provided by the Finance Department. She shared a breakdown of the county, Wake County Public School System, and Wake Technical Community College components of the tax rate.

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

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

Figures include Operating and Capital

She shared the revenue generated for each \$.01 of property taxes.

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

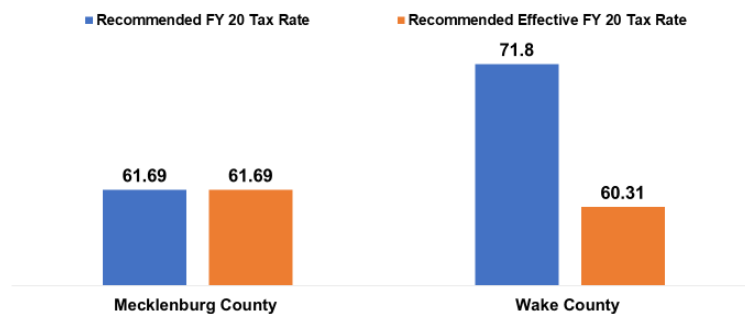
Increment of Property Tax Rate per \$100 of Assessed Valuation	Revenue Generated Per Increment
0.1	\$1,492,000
0.2	\$2,984,000
0.3	\$4,476,000
0.4	\$5,968,000
0.5	\$7,460,000
0.6	\$8,951,000
0.7	\$10,443,000
0.8	\$11,935,000
0.9	\$13,427,000
1.0	\$14,919,000

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She shared a chart comparison for Wake County and Mecklenburg County's effective tax rates. She said if the county were to perform a re-appraisal today, the effective property tax rate would drop to \$60.31.

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



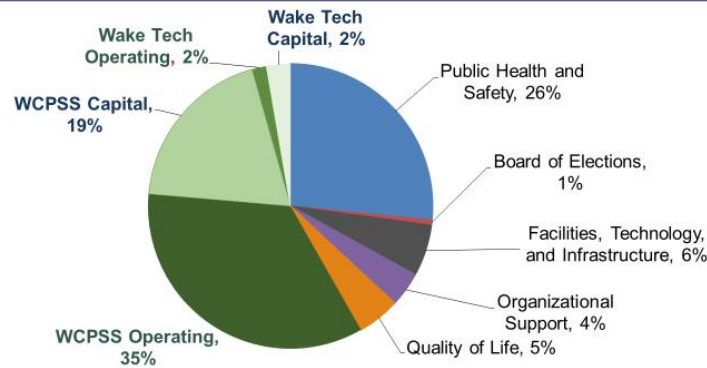
Calculation: Sales Assessment Ratio x Actual Property Tax Rate = **Effective Tax Rate**

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She shared a chart of the funding percentages by category.

Education — Operating 37% and Debt & Capital 21%



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Ms. Venditto shared an education funding comparison between Wake and Durham counties.

Education Funding Comparison

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

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

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

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

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She shared the Wake County Public School System per pupil funding comparison for Wake and Durham Counties.

WCPSS Per Pupil Comparison

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

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*Includes Capital Outlay supported by Operating allocation

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Commissioner Calabria shared information on an article that came out recently comparing per pupil funding between the two counties. He asked how the per pupil funding could be higher in

Durham County when their budget is less than Wake County. Ms. Venditto said Durham County has fewer students and a smaller budget, which shifts the numbers.

Commissioner West asked what the comparisons indicate. Ms. Venditto said they indicate the objectives of the two boards are different.

She shared the top 10 school districts in the state in terms of per pupil funding.

Top 10 Districts – County Per Pupil Funding

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

Note: Rankings are out of 115 districts statewide

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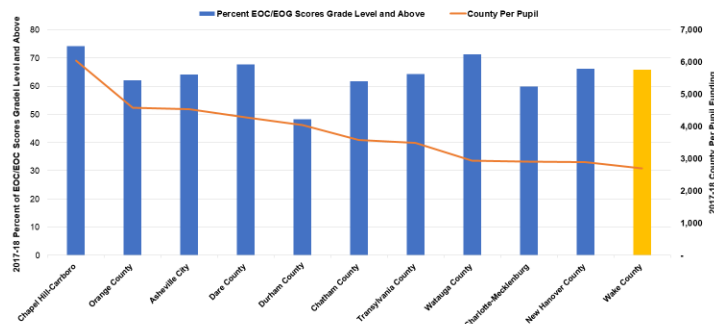
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Vice-Chair Ford asked if the funds include state and local funding. Ms. Venditto said the figures above only reflect county funding.

Chair Holmes asked how many students are in the Chapel-Hill/Carrboro City Schools. Mr. Michael James, Senior Budget and Management Analyst, said their current enrollment is 12,307 total students.

She shared a grade comparison for the top 10 per pupil funded schools.

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

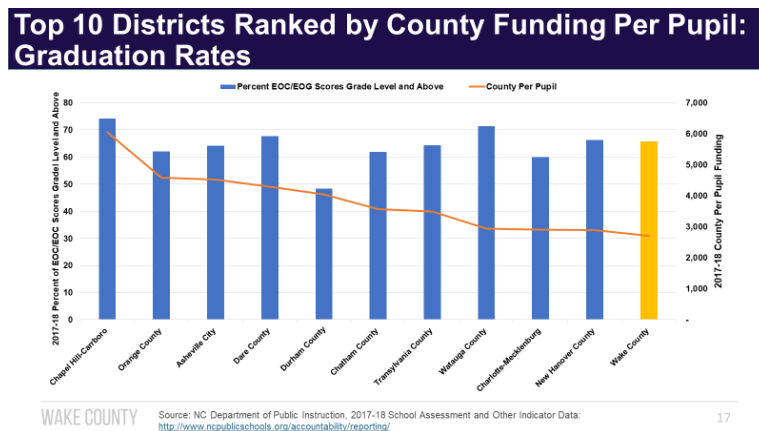


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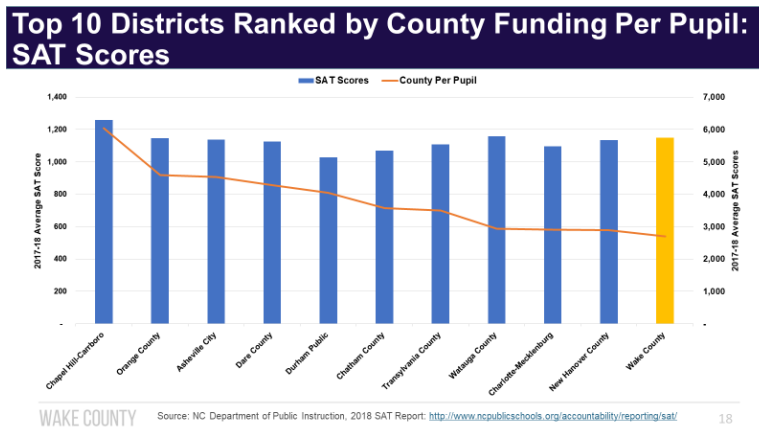
Source: NC Department of Public Instruction, 2017-18 School Assessment and Other Indicator Data:
<http://www.ncpublicschools.org/accountability/reporting/>

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She shared the graduation rate for the top 10 per pupil funded schools.



She shared SAT scores for the top 10 per pupil funded schools.



Ms. Venditto shared a breakdown of Wake Tech funding function areas for FY 2020. She said Wake County Public School's plant operations and maintenance costs represent what the county is statutorily responsible for funding.

Wake Tech Function Areas – FY 2020 Budget

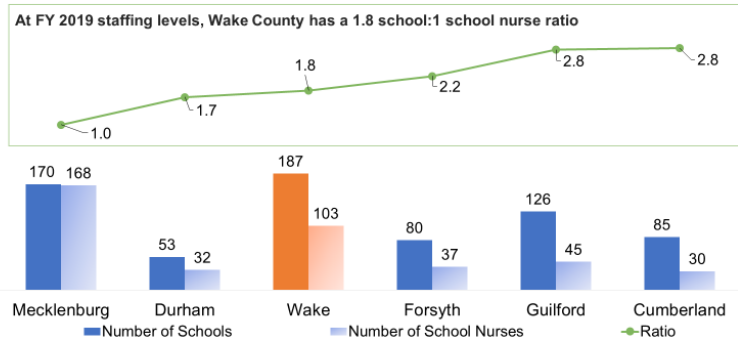
Function Area	Description of Services	Funding Amount
Institutional Support (Non-ITS)	General support services and initiatives, including: College-wide facility insurance, GoRaleigh Bus Service, dental and vision insurance, six warehouse positions, County portion of the Presidents salary and benefits,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

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She shared a breakdown of school nursing staff in North Carolina's largest counties.

School nurse staffing compared to NC's largest counties



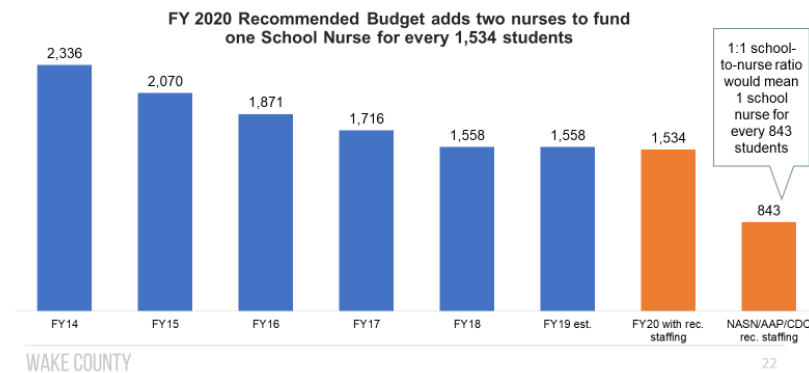
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Commissioner Evans said the per school population of students in Wake County schools is much higher than those compared above

Vice-Chair Ford said school nurses complete a wide variety of tasks.

Ms. Venditto said 86 nurses would be needed to meet the 1 school:1 school nurse ratio.

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



Vice-Chair Ford asked what the cost would be to add the 86 nurses. Ms. Rogers said the estimated cost would be approximately \$9 million annually.

Ms. Venditto shared allocation contingencies for the NC Freedom Park project.

NC Freedom Park allocation contingencies

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

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

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Chair Holmes asked if the park staff has been in contact with the county regarding the progress of the project. Ms. Denise Foreman, Assistant County Manager, said they have been in contact and the delay is due to state funding.

Ms. Venditto shared cost estimates for the new Universal Breakfast sites.

Universal Breakfast New Site Estimates

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

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

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Commissioner Calabria asked why there was no funding increase from the Fiscal Year 2019 budget to the Fiscal Year 2020 budget. Ms. Venditto said there was no proposed increase added into the Fiscal Year 2020 budget. She said if the board chooses to fund the new sites, the additional funding will need added into the budget.

Ms. Venditto shared participation rates for the Universal Breakfast programs.

Universal Breakfast Participation Rates

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

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Commissioner Calabria said increasing the Universal Breakfast program is consistent with the board goals and he requested the funding to be added.

Ms. Cathy Moore, Superintendent, Wake County Public Schools, said Rogers Lane school is in need of the Universal program based on their percentage of free and reduced lunches. She said there were needs in the Southeast Raleigh area schools identified due to geographic location and census data information.

Chair Holmes said she is supportive of adding the three additional schools, but she asked Wake County Public Schools to review the current schools to ensure they still meet the guidelines. She said other resources for the schools should be considered as well.

Commissioner Calabria said the Food Security Work Group has been very helpful and he is grateful for the partnership.

Commissioner Hutchinson asked who identified the three new schools. Commissioner Calabria said Wake County Public Schools identified the three new schools.

Commissioner Hutchinson said he supports adding the three new schools. He asked what the goal will be for adding additional schools in the future.

Commissioner Calabria said adding these three schools will bring the total to 28 schools. He said there are no set targets, but the numbers change often and will be reviewed periodically.

Vice-Chair Ford said he is in support of adding the Universal Breakfast Program for the three additional schools.

Commissioner West asked about accountability and partnerships and said they should be monitored as well. He said it would be beneficial to helping the public understand the impacts of the Universal Breakfast Program.

Commissioner Evans said having the Universal Breakfast Program eliminates the stigma for children who receive free and reduced lunches.

Commissioner Calabria said test scores and grades according to data are shown nationally to improve with the implementation of the Universal Breakfast Program. He said feedback from local schools has been great and they have reported improvement in children's behaviors since the implementation of the program.

Chair Holmes asked for the wishes of the board in adding funding for the three schools. The Board all agreed, and staff was requested to add the funding into the Fiscal Year 2020 budget.

Ms. Venditto shared a breakdown of the operating expansion request for the Crosby Garfield Center. She said this item is being reconsidered at the request of Commissioner West.

Human Services FY20 Operating Expansion Request for Crosby Garfield

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

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

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

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Commissioner West said the data supports the need for the two new full-time employees. He said those receiving services at Crosby Garfield face many changes, including employment and affordable housing. He said this expansion request supports the commissioner goals as it relates to Social and Economic Vitality. He said this creates collaboration around collective impacts.

Commissioner Adamson said she supports the request, but she would like to see more data around the unmet needs.

Mr. David Ellis, County Manager, said several staff have toured this facility recently and there is a possibility of service expansion at the location. He said he is waiting for further information from their staff before sharing with the board.

Commissioner Adamson said she understood that the upstairs of the building is not in use. She said she is in support of remodeling of the upstairs and using it as a business incubator.

Commissioner Evans asked for clarification on the projected revenue. Ms. Venditto said the increased revenue is tied to the new positions. Mr. Paarth Mehta, Senior Budget and Management Analyst, said the additional revenue is increased state administration funding for the two new positions. Ms. Venditto said she is uncertain, but she believes it will be recurring funding.

Commissioner Calabria asked about the temp agency services funding. He asked if it would be a recurring funding. Ms. Venditto said it would be ongoing funding and received annually.

All Commissioners shared that they are in support of the expansion request being added to the budget.

Vice-Chair Ford said \$5 million of unspent money from Fiscal Year 2019 has been identified by staff for potential use.

Ms. Emily Lucas, Chief Financial Officer, said that funds remaining from Fiscal Year 2019 fall to county fund balance at the end of the year and use of these funds would be an appropriation of fund balance. She said fund balance is very important to the rating agencies. She said expenses are steady throughout the year, but revenue fluctuates due to the timing of real estate taxes. She said fund balance is used during these times to keep county expenses covered.

Ms. Lucas shared information on the importance of maintaining an adequate fund balance.

Maintaining Adequate Fund Balance

Why does it matter?

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

What is adequate?

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

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She shared how revenues and expenditures effect the General Fund balance.

What makes fund balance go up or down?

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

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She shared how the fund balance is calculated.

How do we calculate fund balance?

The fund balance calculation is like a fraction:

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

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

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She shared Fiscal Year 2019 year end projections. She said the revenues increased \$78 million, which changed the fund balance percentage.

FY 2019 Projections

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

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

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

$$\text{FY 2019} \quad \frac{\$ 426,723,021}{\$ 1,348,427,029} = 31.6\%$$

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

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Ms. Lucas shared what effects the fund balance calculation.

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

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

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

See illustration on the following slide

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She shared a projection for Fiscal Year 2020 through Fiscal Year 26 Fund Balances. She said the buildup in “green” years is used in “red” years. She said this is a planned cycle based on debt obligations.

FY 2020 – FY 2026 Projected

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

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

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

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Ms. Lucas shared examples of planned and unplanned General Fund expenditures. She stressed that rating agencies have an expectation that fund balance is not used for general, recurring operating expenses.

Appropriating in the General Fund

Committed Purposes

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

Unplanned Events/Emergencies

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

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

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She shared how using the fund balance one-time effects many years.

Using fund balance once impacts every year

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

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

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

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

Fund Balance as a % of Revenues	31.2%	32.4%	33.2%	32.6%	32.1%	31.1%	31.9%
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Ms. Lucas said the fund balance should be used for one-time, unexpected things, not general recurring expenses.

Chair Holmes asked about the source of the \$5 million. Ms. Lucas said the money is from additional revenues earned or expenditures that were under budget in the General Fund for Fiscal Year 2019.

Vice-Chair Ford said it was his understanding that this was recurring funding and it would not affect the AAA bond ratings. Ms. Rogers said this is not recurring funding.

Commissioner Hutchinson said fiscal responsibility is important and he is uncomfortable with spending the fund balance.

Ms. Rogers said the \$5 million is from the enrollment reserve that has not been used. She said it was not included in the FY 2020 budget, therefore; if it is unspent this year, it will become fund balance.

Ms. Lucas said the \$5 million in enrollment reserve is part of the total \$6.4 million that is projected to be added to the fund balance at the end of Fiscal Year 2019.

Commissioner West asked if the county has ever dropped below the 30 percent fund balance. Ms. Rogers said the fund balance dropped below 30 percent in 2015 due to the recession. She said the tax increase was used to replenish the fund balance. She noted that sales tax revenue is expected to be down in Fiscal Year 2020.

Commissioner Calabria commented on the 30 percent goal. He said there are many factors are considered by the rating agencies. Ms. Rogers said some of the rating agencies require 30 percent fund balance, but all the rating agencies prefer it.

Ms. Rogers said the county policy on fund balance is 30 percent. She said due to the unstable economy, it is important to control the fund balance and the amount of debt that is issued. She said not doing so would jeopardize the AAA bond ratings.

Ms. Lucas said the rating agencies would request an explanation and a plan to replenish fund balance if the fund balance were to drop below 30 percent.

Commissioner Adamson said her understanding is that the Wake County Public Schools funding for Fiscal Year 2019 was projected based on enrollment, which was a new practice. She said if that had not been done, this \$5 million would have been allocated to WCPSS. Ms. Rogers said that is correct, but a larger tax increase would have been needed to generate the extra \$5 million in revenue.

Commissioner Adamson asked for clarification on where the Crooked Creek funding came from to purchase the Crooked Creek property. Ms. Lucas said it was taken from the debt service fund balance.

Commissioner Evans asked for clarification on the amount of money projected to be added to the fund balance on June 30th. Ms. Lucas confirmed the total estimate is \$6.5 million and enrollment reserve makes up \$5 million of that estimate.

Commissioner Evans asked how much of the fund balance could be used without getting too close to the 30 percent.

Ms. Lucas said using any amount of the fund balance for this purpose is concerning.

Ms. Rogers said staff recommendation would be to use fund balance only for unexpected costs, not general operation expenses.

Commissioner Calabria asked what amount of fund balance use staff would feel comfortable with.

Ms. Lucas said she is concerned with any use of fund balance for general operation funds. She said there are one-time costs each year that the fund balance is needed for.

Commissioner Adamson asked if there are other unspent fund balances. Ms. Lucas replied that fund balances in other funds are for those specific purposes and not available for appropriation.

Ms. Rogers asked Ms. Heather Drennan, Deputy Budget and Management Services Director, to identify the portion of the expenditures in Fiscal Year 2020 that is for one-time cost. Ms. Drennan said that estimate is approximately \$3 million.

Chair Holmes asked if the \$6.4 million has already been transferred to fund balance. Ms. Lucas said it will not be transferred until the end of the current fiscal year.

Chair Holmes asked if this \$5 million was spent instead of transferred to fund balance, would the 30 percent fund balance policy be violated. Ms. Lucas said spending this money would not violate the fund balance policy.

Commissioner Hutchinson left the meeting at 3:50 p.m.

Commissioner Adamson suggested giving the \$5 million to the school system and lowering the proposed tax increase. Ms. Rogers said the county only has \$3 million in one-time costs.

Chair Holmes said if Wake County Public Schools had met their enrollment growth, this money would have been spent anyway. Ms. Rogers said if that had happened, a higher tax increase would have been needed to generate the additional revenue.

Commissioner West said it is important to look at this short term and long term.

Ms. Rogers said if funding is added to the FY 2020 budget for the Universal Breakfast expansion and the Crosby Garfield expansion request, staff will need to add an additional \$92,000 to the budget.

Commissioner Evans commented on the funding for 3 percent salary increases for all staff. She said if the county is not able to fully fund the schools, she is not sure staff increases are appropriate.

Ms. Rogers said other operating costs would be cut, not the employee raise. She said the current market calls for the 3 percent increases and anything less than that would be detrimental to Wake County employees.

Chair Holmes said it is important for county and Wake County Public School's staff to feel respected. She supports the 3 percent staff increases as well as the living wage increase.

Vice-Chair Ford said the county cannot dictate how Wake County Public Schools spends their funding.

Superintendent Moore shared information on the Wake County Public Schools plans for staff increases.

Commissioner Evans said if the Wake County Public Schools' budget is not fully funded, they will need to make cuts to their budget. She asked staff what other areas would be cut in order to fully fund the Wake County Public Schools' budget.

Manager Ellis said affordable housing and public agency funding would be cut since they are not required services.

Ms. Rogers said the county is spending 24 percent less than it was in 2007. She said the budgetary expenses consist primarily of statutory responsibilities.

Manager Ellis asked if the board would like staff to identify projected cuts so the Wake County Public School System budget can be fully funded.

Commissioner Calabria said Wake County Public Schools will always have unmet needs. He said staff worked very hard on the budget and he is not comfortable with cutting county

expenses. He said he agreeable to spending the \$3 million in one-time funding but nothing more.

Manager Ellis said the county and the school district are both playing catch up. He said it will happen over time but may not be as quickly as expected.

Chair Holmes asked if there is a consensus from the board to consider spending the \$3 million. Following further discussion, it was decided to ask staff to provide the board with charts showing the effects of spending the \$3 million.

Ms. Rogers said she will provide that information to the Board of Commissioners through email.

Chair Holmes cautioned board members to be mindful of the open meeting laws when responding “reply all.”

Ms. Venditto shared the revised general fund budget after revisions. She said the three new Full Time Employees (FTEs) in Environmental Services is not needed this year as originally planned.

General Fund			
	FTE	Revenues	Expenditures
General Fund - Recommended	4,264.247	\$1,466,200,000	\$1,466,200,000
Reallocation of Utility Chargebacks			
General Services Administration			(51,925)
Community Services			20,496
Environmental Services			2,572
Human Services			14,194
Housing and Community Revitalization			2,790
Sheriff			6,400
Fire Services			1,018
Emergency Medical Services			2,974
Public Safety Communication			1,481
Subtotal			\$0
Remove Accessory Structure Permit Expansion			
Environmental Services	(3,000)	(220,000)	(392,860)
Budgeted Reserve – Well Water Testing			172,860
General Fund - Revised Recommended	4,261.247	\$1,465,980,000	\$1,465,980,000

WAKE COUNTY

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She said the new on-site wastewater rules will not be implemented in the next year.

Accessory structure permit rules delayed

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

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

WAKE COUNTY

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She shared changes to the Housing Special Revenue Fund. She said the Rapid re-housing Program will now be managed by a partner agency.

Housing Special Revenue Fund

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

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

WAKE COUNTY

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Ms. Venditto shared information on the ordinances to be considered as part of the budget adoption.

Ordinances for Consideration

Annual Operating Budget Ordinances

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

Personnel Authorization Ordinance

Special Revenue Fund Project Ordinances

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

Capital Improvement Fund Project Ordinance

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

WAKE COUNTY

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She shared the General Statute information regarding annual balanced budget ordinance.

NC General Statute - Ordinance

Article 3. The Local Government Budget and Fiscal Control Act

§ 159-8. Annual balanced budget ordinance.

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

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

WAKE COUNTY

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She shared the purpose of the General Fund Ordinance.

General Fund Ordinance

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

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

Fee Name	Fee Description	Current Fee	New Fee
Community Services			
Library Late Fees	Overdue fines for materials.	\$0.10/day \$2 maximum or \$10/semester	\$0
Standard Color Map Sales	Printing standard County GIS color maps.	\$2-100	\$0
Special Project Sales	Customized map projects produced through interaction between GIS staff and the customer.	\$30/hour	\$0
Environmental Services			
Dog Adoption Fees	Cost recovery for dog adoptions. Inactive adoption fee to be comparable with fees of other area shelters. Fees may be temporarily waived or reduced by Animal Center.	\$0-45	\$0-95
Cat Adoption Fees - Younger than 5 Years	Cost recovery for cat adoptions. Fee criteria based on age of cat. Establish fee for cats younger than 5 years. Fees may be temporarily waived or reduced by Animal Center.	\$0-45	\$0-45
Cat Adoption Fees - Older than 5 Years	Cost recovery for cat adoptions. Fee criteria based on age of cat. Establish fee for cats 5 years and older. Fees may be temporarily waived or reduced by Animal Center.	\$0-45	\$0-15
Cat Boarding Fee	Cats held at the Animal Center. Cost recovery for cats. Boarding fee.	\$8/day	\$10/day

WAKE COUNTY

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She shared the purpose and function categories.

Purpose and Function

PURPOSE	Instructional Services	FY 19 Amended
	Regular Instructional Services	150,943,124
	Special Populations Services	48,759,487
	Alternative Programs and Services	17,214,181
	School Leadership Services	15,630,225
	Co-Curricular Services	15,713,218
	School-Based Support Services	34,695,469
		282,954,704
	Systemwide Support Services	
	Support and Developmental Services	6,192,470
	Special Populations Support and Development Services	4,956,150
	Alternative Programs and Services Support and Development Services	1,863,701
	Technology Support Services	14,910,351
	Operational Support Services (Fund 2)	96,568,037
	Operational Support Services (Fund 4)	71,961
	Operational Support Services (Fund 8)	909,362
	Financial and Human Resource Services	14,894,551
	Accountability Services	2,137,434
	Systemwide Pupil Support Services	4,032,558
	Policy, Leadership, and Public Relations Services	8,703,158
	Ancillary Services	
	Non-Programmed Charges	32,760,664
	Total	470,955,101

WAKE COUNTY

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She shared the purpose and function statute.

Purpose and Function Statute

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

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

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

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

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

WAKE COUNTY

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Ms. Venditto shared information on the Personnel Ordinance.

Personnel Ordinance

Establishes FTE authorization

- o Authorizes the County Manager to transfer authorized positions

Establishes Pay Bands and Position Classifications

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

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

WAKE COUNTY

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Ms. Venditto shared the next steps.

Next Steps

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

WAKE COUNTY

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Vice- Chair Ford shared the Greater Raleigh Convention and Visitors Bureau budget, which staff just received. He said it will be on the agenda for consideration at the June 3rd Regular Meeting of the board.

Commissioner West thanked staff for all their work on the budget.

Adjourn

Chair Holmes adjourned the meeting at 4:32 p.m.

Respectfully submitted,

Michelle L. Cerett, Executive Assistant to the Board