



FY2016 Recommended Budget

Monday, May 18, 2015

Wake County Board of Commissioners:

Today, we share the results of a year-long effort, which culminates in the plan that will fund Wake County's priorities and initiatives for the upcoming year. A lot of time, effort and thoughtful discussion went into developing what I'm pleased to present to you today, the Recommended Fiscal Year 2016 budget for the County.

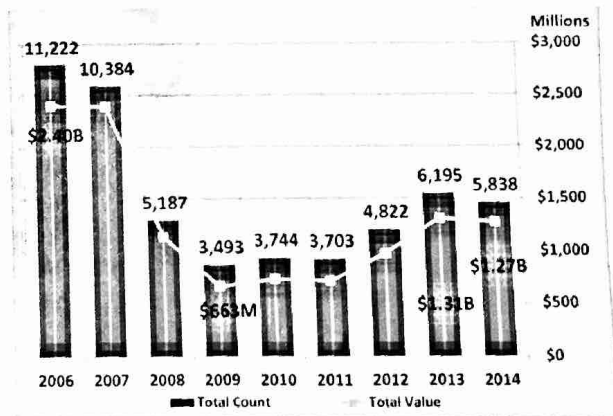
Before I get into the details of my presentation, I would like to give you some perspective on how we built this budget.

Wake County's Economic Picture

Most economists say that the County has made it through the recession, but some would argue that we have not fully recovered. When we talk about the recession, we will use 2008 as our benchmark year, because it is the best point from which to judge what life was like before the economic downturn.

When you look at the key indicators used to measure our economic vitality, you can see why some people think the economy has not completely recovered. Compare where we are now to where we were then, and it is clear we are making strides in most areas, but we continue to lag in others.

Take residential building permits, for example. Building permits drive our property valuation, and that, in turn, yields our largest revenue source, property taxes. Prior to the recession, permits reached a high of more than 11,000 and were valued at \$2.4 billion. In 2008, that number was nearly cut in half and generated half the value. A year later, that number plummeted to nearly 3,500 permits valued at \$663 million. After a series of rises and falls, the volume settled at \$1.27 billion in 2014, when we issued more than 5,800 permits.



Home prices tell a similar story. In 2008, the average selling price was nearly \$268,000. The following year, it hit a low of about \$249,000 and did not see much growth until 2014, when the average selling price jumped to almost \$278,000.

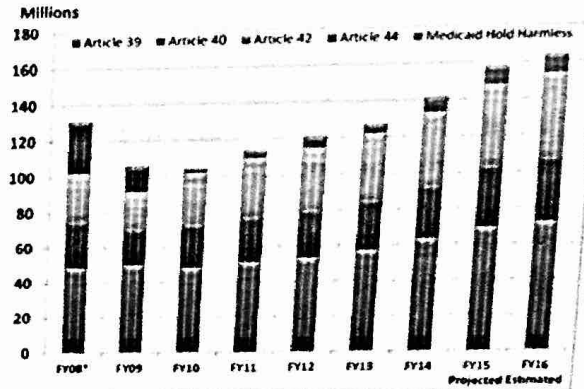
In 2008, the unemployment rate was 4.7 percent. In 2010, it surged to a high of 8.6 percent, leaving thousands of people jobless. After years of steady decline, the unemployment rate arrived at 4.1 percent in 2014, as more people went back to work.



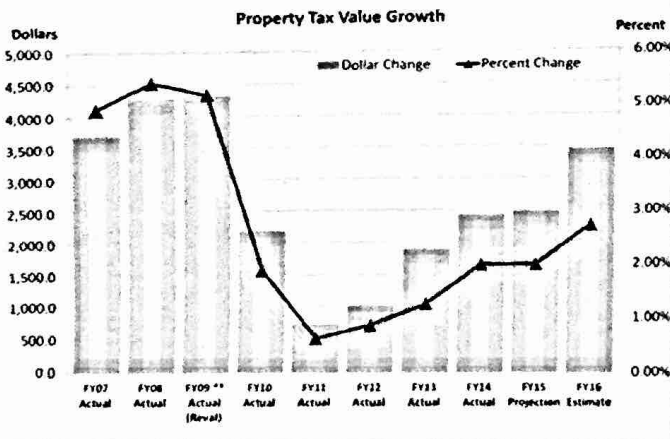
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The poverty rate in 2008 was 9.1 percent. It spiked to 12 percent in 2010 and gradually decreased from there to 10.7 percent in 2013, which is the latest figure available. It represents more than 100,000 residents – a number that is larger than the population of 70 of North Carolina’s counties.

All these elements are major drivers for our two largest revenue sources: sales tax and property tax. In 2008, the sales tax generated \$127.2 million. That figure dropped dramatically in 2010 to about \$100 million, a revenue loss of \$25 million that was made up by budget cuts rather than revenue enhancements. The sales tax is estimated to reach \$157 million in FY2015 as consumer confidence returns and after an expansion of the sales tax base by the General Assembly.



Our property tax growth averaged more than \$4.2 billion prior to the recession. The base was reset with revaluation in January 2008 at the peak of the real estate market. The following year, the tax base growth plummeted, reaching a low point in FY2011 of less than \$1 billion in new value. While values are expected to grow by almost \$3.5 billion in FY2016, they remain significantly below pre-recession levels and may not reach those levels again in the near future.



This exemplifies what we call “the new normal.” Not everything is going to return to the way it was before the economic downturn. The recession caused municipal managers across the country to take a hard look at the needs of their communities, and examine how local governments delivered products and services. Many services moved to new delivery models as a result, taking advantage of business process improvements and high-tech enhancements.

As we embrace this “new normal,” we have to keep the County’s population growth in the forefront. From 2008 to 2014, we grew by nearly 134,000 people. Just this past August, we officially reached the 1-million mark. The influx shows no signs of stopping. Each day, 62 more people call Wake County home. Twenty-two of those are due to natural increase, which equates to about a kindergarten class a day.

During the recession, we tried to be mindful of maintaining services without increasing the tax burden during a challenging economic time. In order to meet our commitments, we cut County department budgets and deferred tax increases of 1.3 cents for the school system and Wake Tech.

In some ways, we are still playing catch up. Although we have become more efficient in some areas, our gains in efficiency are not keeping pace with the rising demand for service. We have to find opportunities to do more without further decreasing our expenditures, while, at the same time, being



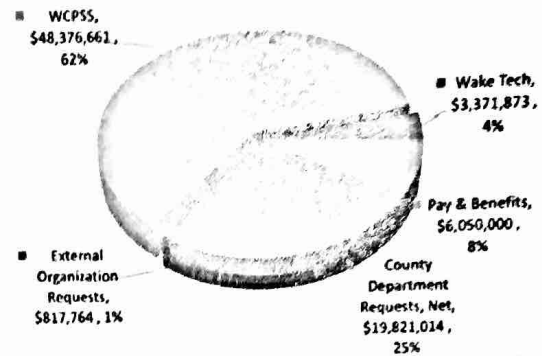
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measured in our funding increases. That point was plainly illustrated by the budget expansion requests we received this year.

Budget Expansions

Departments inside the County, as well as Wake Tech, the public school system and outside organizations, asked for a combined total of \$72 million in additional funding. This amount far exceeded our anticipated "normal" revenue growth of roughly \$30 million.

The challenge in balancing the budget resided in two main areas: prioritizing expenditures and determining if a tax increase was needed to fund our highest priorities. Because we made funding and staffing cuts during the recession, there were not many places left where we could further reduce our spending without cutting service. More and more people are counting on the services we offer, and we cannot justify reducing them when demand is so high.



That said, I think it is important to guide you through the thoughtful and deliberate process we followed, when we built this budget. We began by looking at last year's adopted budget, and took out salary and benefits calculations and prior year one-time costs. Then, we added items that the board had approved throughout the year and updated the countywide charge backs. This left us with our FY2016 target base.

At that point, we gave the departments a target budget to meet, and for needs beyond that target, they could request a budget expansion. Each department had to articulate, justify and defend their rationale for the additional funding. They had to clearly show us what their needs were and why they were important.

Emergency Medical Services is a good example. EMS was given \$34.5 million as a target base. Their staff identified \$3.9 million in additional needs not covered by the base budget. They shared this information with us in a formal presentation, during which we asked questions and gained a better understanding of their needs. We will give you more insight on the funding EMS will receive later in this presentation.

After evaluating our base and the items outside it, we looked at our revenue growth over the past year. Property tax and sales tax generated \$31.9 million. We had to keep in mind that much of our budget is already dedicated or required spending. About \$10.7 million came off the top first for debt services. We allocated the rest, \$21.2 million, to fund new requests.

In addition to considering our immediate needs, it is also my responsibility to look at our long-term needs. Over the next several years, many large initiatives will impact our tax base or create the need for recurring revenue. The eight-year property revaluation will be completed this year, with new values set on Jan. 1, 2016. The FY2017 revenue-neutral tax rate will be established in June 2016.



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Just last week, we held the first of several public meetings to discuss transit options, which will require us to ask the community to increase the sales tax by one-half cent. The additional revenue will fund the plans that will meet our long-range transportation needs.

In FY2017, we will issue the last of the bonds from voter-approved referenda, and our need to build public schools and community college classrooms will not diminish, given our continuing population growth.

We must also look at our open space, parks and library programs to determine what the needs are for those services, because they're some of our most popular and heavily used.

We have limited capacity to issue new debt without a tax increase to fund our capital priorities. We must be diligent and prudent in our planning to ensure all these efforts are done in a fiscally responsible manner to protect the County's triple, triple "A" bond rating.

It is within this full context that this budget was developed.

After careful consideration and evaluation of all the requests, the budget recommendation to you today totals \$1.13 billion and includes a 2.9-cent property tax increase.

Education

Of the many budget expansion requests we received this year, the largest ones were for education. The total cost of Wake Technical Community College and Wake County Public School System's requests was almost \$52 million.

State statutes clearly define our funding role. The law (N.C.G.S § 115C-426(e)) requires counties to build, equip and maintain public schools and community college facilities, as well as supplement the operating expenses of state primary schools within "financial resources and consistent with the fiscal policies of the Board of County Commissioners."

It is the state's responsibility to fund school operations and instructional expenses using state revenues. Two-thirds of the Wake County Public School System's budget is funded by the state and dependent on legislative action.

With the House budget just released on May 14, that makes timing challenging. It leaves the County in the same place we were last year – not knowing if legislators would give teachers or other school system employees a raise.

A quality education system and an educated workforce are two of our most important economic development tools. They are important for all of North Carolina, not just Wake County. As I promised last year, I am committed to working with Superintendent James Merrill to develop a long-term funding plan to support the school system's strategic initiatives for improving student achievement.



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Wake County Public School System

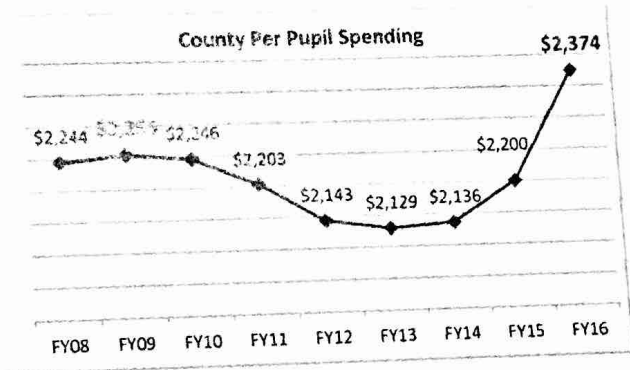
Good schools are what bring families here and keep them here. Parents want the very best for their kids. At the County, our sentiment is no different.

Each and every child in Wake County deserves to learn, grow and thrive in the classroom. We want to give all students the same access to an educational experience that will challenge their minds, enhance their knowledge and lay the groundwork for future success.

That is why we carefully considered the Wake County Board of Education's request for a funding increase of \$48.3 million.

While contemplating the recommendation for school funding, we looked back at per pupil funding from both the County and the state. Here is what we found.

In FY2009, the state per pupil spending in Wake County was \$5,149, and the County per pupil spending was \$2,255. In FY2014, the most recent year available for state expenditures, spending was \$5,006 on each student. County spending per pupil will be \$2,197 in Fiscal Year 2015. As you can see, spending still has not returned to prerecession levels.



Our goal for this budget was to restore per pupil funding to where it was before the recession. This budget recommendation increases school operating funding by 10.1 percent to a total of \$376 million, with \$34.6 million in new funding. That is \$2,374 per student, and it exceeds what we spent per pupil in FY2009 by \$177.

This represents a significant commitment to education, as it is the largest increase ever from the County to the school system's operating budget. This investment will establish a new level of funding, with a goal of moving to more stable and predictable funding in the future.

The Wake County School Board has sole discretion on how to allocate the County's appropriation. That must be done in conjunction with the final state budget, which will likely not be approved by the time the County has to adopt this budget.

As the General Assembly deliberates its next biennial budget, we respectfully request that they consider increasing state per pupil funding for all 100 counties, as North Carolina's revenue picture improves.

Wake Technical Community College

Wake Tech is the largest community college in our state and one of the fastest growing community colleges in the nation. It is a key place where many students go after graduating from high school to continue their path to success. It is also one of the main sources of training in our community for people seeking jobs.



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It is our responsibility to help the college expand and enhance educational opportunities by providing the funding needed to build and operate its facilities. The recommended budget includes an additional \$2.9 million for Wake Tech, roughly an 18 percent increase over FY2015.

The funds will cover instructional start-up costs for new classrooms coming on line, which the state pays for in arrears. The money will also fund the operating costs of new facilities and hiring more IT staff. This \$2.9-million investment will help the college meet the demands of our growing County, while allowing it to remain a leader in secondary education, workforce training and life-long learning.

Public Safety

Another area receiving additional funding in the recommended budget is public safety. It will increase by nearly \$4.2 million and 34 positions to help protect our growing population.

More than half of that new funding, approximately \$2.6 million, will go to EMS. As the number of people living in Wake County increases, so does the demand placed upon our crews. They responded to nearly 90,000 calls last year alone, which is nearly 4,100 more calls than in 2013 and another step in an upward trend we have seen for several years. We have to make adjustments to ensure we are staffed and scheduled appropriately to meet this demand, because people's lives depend on it.

That is why in this budget we will implement the first year of a three-year plan to convert crews from 24-hour shifts to 12-hour shifts. To support this effort, we are providing EMS with 17 new employees, including a supervisor and three new ambulances. The move to 12-hour shifts will allow EMS to better manage peak service times, increase its availability and improve response times.

In addition to increasing demand for services, we are also dealing with a changing inmate population in our jail. More and more people entering the facility have substance abuse issues, mental health problems and other health concerns. The Wake County Sheriff is responsible for the safety and wellbeing of all inmates, as well as staff members. To ensure he meets those important requirements, the recommended budget allocates about \$1 million in additional funding to hire a Health Services Administrator, six detention officers and six nurses to work at the jail. These nurses will help meet the inmates' care needs while they are incarcerated and guide them towards appropriate treatment options when they are released.

This is one example of how the Sheriff's Office will use the \$1.4 million in additional funds and 15 new positions provided in this budget. The rest of this money will go towards adding two new deputies at the courthouse to enhance security, and increasing routing between the crisis center in Raleigh and outside treatment facilities for those with mental illness.

The recommended budget also provides \$162,000 in additional funding to the City-County Bureau of Investigation (CCBI). The organization not only supports the Sheriff's Office, but all law enforcement agencies in our County. This heavy workload combined with new standards that take more time to follow has generated a backlog of cases awaiting finger, hand or foot print identification. The longer the wait, the longer it takes to identify the criminals and get them off the streets.



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By adding a new position for a latent print examiner, we help reduce the backlog and allow new cases to be processed more efficiently. Between 2013 and 2014, CCSI increased the number of people positively identified by their prints from about 1,100 to 1,800, a 63 percent increase. By adding this new examiner, we can continue that upward trend.

Human Services

Equally important to public safety is the health and wellbeing of our growing County. As our population increases, so does the number of clients who depend on our services. That is why we have added \$2.5 million and 25 full- and part-time employees to the recommended budget in this area.

Our Human Services Department will use this new funding for multiple projects, including expanding maternal care services for pregnant women. We will extend clinic hours and add four part-time employees at our Sunnybrook location and launch a new clinic staffed with four full-time employees at the Millbrook location where care for expectant mothers is not currently available. These improvements will enable us to see 1,250 new patients annually and better serve our 4,500 existing patients by reducing the wait time for an appointment. Statistics show getting more women in to see a health care provider during the first trimester will help reduce infant deaths.

Another way we will use this funding is bringing 10 new nurses to the Wake County Public School System. We are in the process of implementing a four-year phased plan to improve the nurse-to-student ratio. Last year, we added 10 nurses, bringing the ratio down from 1:2,300 to 1:2,095. With the addition of 10 more nurses, we will lower that ratio even further to 1:1,904. These new nurses will spend time at more than 20 different schools countywide, serving children with needs ranging from allergies and illness to a lack of basic health care. By improving their health, we can help the students focus on learning.

Community Services

Also important are the services that enrich the lives of those who live in Wake County. That is why the recommended budget includes a more than \$2 million increase and 19 new positions for our Community Services Department.

Much of the additional money will fund the opening of the Northeast Regional Library. It is located in northeast Raleigh but will also serve Rolesville and Wake Forest. The 22,000-square-foot facility is currently under construction. It was the first library from the 2007 bond that was scheduled to open to the public, but the recession forced us put those plans and all other projects the bond funded on hold until the economy improved. Now that we are in better financial times, we plan to open the library in FY2016. About \$924,000 in additional funding will pay for the 19 employees required to run the new facility, a three-month operating budget and a year of replacement books.

Another area impacted by the economic downturn was our library system's book budget. During the recession, we cut the funding allotted for buying new library books almost in half – roughly \$1.3 million. That meant collections for adults and children were not updated regularly like they had been in the past. Library staff says the age of the books directly correlates with circulation numbers. As the books get older, fewer people check them out.



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In this recommended budget, we provide our library system \$1 million in additional funding to buy new books. Although this investment doesn't return the book budget to pre-recession levels of \$2.7 million, it is a strong step in the right direction.

Environmental Services

When you go out to eat at a restaurant, you think about what to order – probably not the safety of the food or the facility. That is our job. Our inspection team is tasked with ensuring all restaurants, hotels and residential care facilities in Wake County meet state code. Municipalities do not provide this service.

Over the past few years, the number of these facilities has grown. We now have almost 1,500 more to inspect each year. In order to do that while meeting new state productivity rules, we need more employees. That is why this budget provides \$528,000 to our Environmental Services Department, which will fund three new inspector positions.

Another portion of those funds will go towards adding a position to the department's call center. The duties of the current four-person staff have expanded. They do more than answer phones and receive plan submittals. They also research permits, assist divisions with paperwork and mailings, and help internal customers archive information. The new position will allow this group to better meet the needs of customers inside and outside our offices.

Board of Elections

We are providing the Wake County Board of Elections with significant financial support in this budget to ensure we are following several new state statutes that govern the electoral process.

Last year, the General Assembly approved a bill that requires us to hold a Presidential Preference Primary in 2016 as a standalone election. That will cost \$892,000. Another \$405,000 is needed to pay for early voting at nine different sites for this primary.

State statute has also changed the length of time in which early voting is allowed for elections in 2016. Instead of providing the required 1,658 hours over a 17-day window, we must now provide the same level of service in a 10-day time frame without adjusting our operating hours. To achieve that, we must increase the number of early voting locations from 16 to 23, and buy the equipment needed to cast and tally votes, which will cost nearly \$100,000.

The law also requires that we hold two local elections for municipalities in 2015 and early voting before the May primary, as well. To fulfill our responsibility to meet all these state mandates, this budget provides the Board of Elections with \$2.6 million in additional funding for FY2016.

Remaining Departments

Lastly, the recommended budget increases funding for the remaining County departments by \$1.3 million and eight positions.

Of that, Information Services, which manages our web presence and technological capabilities, receives \$525,000 in additional funding and five new positions. This investment will enhance our online security, improve monitoring of our server infrastructure and help staff troubleshoot computer problems, while



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better supporting our electronic document management needs.

This budget also provides our Revenue Department with \$156,000 in new funds to hire two new managers. These positions will support the completion of revaluations and help lead an anticipated shift to a four-year revaluation cycle.

Along with additional funding for County departments, the recommended budget also makes a significant financial commitment to our 3,800 employees. It includes a 3-percent average performance-based pay increase totaling about \$6 million and more funding for the County's share of our health insurance.

This budget does not just cover our internal needs and those of our education partners. It also includes \$2.3 million in funding for several external organizations, including increases for the Healing Place, the Chamber of Commerce's Economic Development Office, United Arts and Smart Start. This marks a nearly 16-percent increase over FY2015 and represents a concerted effort to return our contributions to these groups to pre-recession levels.

County Department Change from FY15-FY16				
Department	FY15	FY16	Dollar	Percent
	Adopted	Recommended	Change	Change
Board Of Commissioners	525,654	564,906	39,252	7.5%
County Manager	1,482,086	1,703,085	220,999	14.9%
County Attorney	1,767,364	2,142,048	374,684	21.2%
Board Of Elections	3,506,196	5,763,595	2,257,399	64.4%
Budget & Management Services	760,140	789,676	29,536	3.9%
Facilities Design & Construction	1,230,174	1,376,246	146,072	11.9%
Finance Department	2,228,050	2,476,935	248,885	11.2%
Human Resources	1,943,090	2,004,767	61,677	3.2%
Information Services	12,546,247	13,216,052	669,805	5.3%
Register Of Deeds	2,767,352	2,879,449	112,097	4.1%
Revenue Department	8,732,523	9,659,510	926,987	10.6%
General Services Administration	26,558,798	27,238,064	679,266	2.6%
Soil & Water Conservation District	438,565	486,771	48,206	11.0%
Cooperative Extension	209,529	239,529	30,000	14.3%
Community Services	28,121,388	29,950,471	1,829,083	6.5%
Environmental Services	9,028,659	9,868,348	839,689	9.3%
Human Services	188,801,506	190,360,612	1,559,106	0.8%
CCBI	5,712,585	5,333,932	(378,653)	-6.6%
Sheriff	75,493,218	76,081,363	588,145	0.8%
Fire Services	1,553,858	1,666,498	112,640	7.2%
Emergency Medical Services	35,038,616	36,805,121	1,766,505	5.0%
Emergency Communications	1,163,039	1,196,076	33,037	2.8%
Emergency Management	676,619	720,420	43,801	6.5%
Grand Total	\$410,285,256	\$422,523,474	\$12,238,218	3.0%

This is the first year Smart Start will receive funding from the County. Our recommendation of \$163,000 will be leveraged to access almost half a million dollars in state funds. We chose to provide this group with funding, because we believe that investing in education at all ages is important. Studies show helping children learn at an early age increases graduation rates up to 44 percent.

Conclusion

The recommended General Fund budget for FY2016 presented to you today totals \$1.13 billion. The recommended budget for all County funds totals \$1.7 billion. That includes the 2016-2022 Capital Improvement Plan that was presented to you at the May 11 work session.

The 2016 General Fund budget represents a \$67 million increase over the FY2015 budget. That increase is necessary. We have to meet the needs of our growing population. We have to invest more in our highest priorities: education, public safety and human services.

Education funding makes up more than half of our entire budget and is receiving half of the new revenue, because we believe it is a fundamental need for our community.



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Overall, the Wake County Public School System will see a 10.1-percent funding increase – the **largest ever** from the County to the school system's operating budget. With this recommended budget, the County per pupil funding to the school system will not just meet but exceed pre-recession levels. Wake Tech will see an 18 percent increase over FY2015.

Of the remaining \$30 million in new revenue, one-third is for debt service, which is the number-one commitment we must always ensure is fully funded. Meeting priority needs in public safety and human services, and providing funding for growing service demands round out the rest of the budget increase.

There are the usual uncertainties with the state budget, but this year there is added unpredictability due to the debate over local sales taxes at the legislature. There have been two bills introduced to make the local sales tax part of a statewide sales tax and redistributing those funds on a per capita basis statewide. As this debate progresses, we must be reserved in our growth estimates for the future.

I have shared a lot of important numbers with you today. Those numbers do not mean much without context, and that is what we have worked hard to provide. Every dollar and every position we appropriated in this budget has a strong rationale. It represents a concerted effort to do more for our growing community through measured funding increases. It also tells the story of how we plan to preserve and enhance the unique quality of life here that makes Wake County so attractive to so many.

We have provided each of you with a budget information packet that includes the budget book, as well as condensed break downs of each area receiving additional funding. These materials will also be made available to the public on our website at wakegov.com/budget. Citizens are also welcome to share their comments with us electronically on the budget webpage.

The next step in this process is for you to hold public hearings on June 1 at 2 p.m. in the boardroom and at 7 p.m. at the Wake County Commons. As in past years, you will also hold a work session dedicated to the budget on June 8 at 9 a.m. On June 15, you will be asked to adopt the FY2016 budget during your normally scheduled 2 p.m. business meeting.

With that, I thank for you for your time today and your thoughtful consideration.

Respectively submitted,

Jim Hartmann
County Manager