



# Foundations for the Future

## 2008 Fiscal Year Adopted Budget

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May 21, 2007

Wake County Board of Commissioners:

Each May, I have the privilege of presenting the Board of Commissioners and citizens with a balanced budget for the next fiscal year. One goal of the Commissioners and County staff has been to plan not only for today's needs, but also for the needs of tomorrow. This recommended budget furthers this goal—we will maintain and enhance our existing services while laying the foundation for citizens to have a successful future in Wake County.

At this time last year, the Blue Ribbon Committee on Infrastructure was finalizing its recommendations for addressing the County's rapid growth. Those recommendations assumed a growth rate of 25,000 persons per year. Our most recent data shows that, in fact, we grew by almost 36,000 persons from July 2005 to July 2006. At a pace of 98 new citizens per day, Wake County is the 6th fastest growing County in the United States. This tremendous growth has brought us a healthy regional economy. Recently, Forbes Magazine ranked Raleigh the #1 city in America for jobs. But rapid growth also brings many challenges, such as providing classroom space for our school system which is projected to grow by 8,000 students a year, and providing development services for the 1,000 residential building permits issued each month.

In January, the Board of Commissioners identified a number of priority focus areas for the County to concentrate its efforts. Among these focus areas are an Educated Citizenry, Healthy Community, Vital Economy and Safe Community. In addition to these broad focus areas, specific goals for 2007 were established with a commitment to continuing work on certain 2006 goals. The 2007 goals are:

- Implement Blue Ribbon Committee recommendations;
- Initiate quality-of-life bond referenda in the fall of 2007 for Wake Tech, libraries and open space;
- Take an active role with the Citizens' Facility Advisory Committee to evaluate cost-effective strategies for the school building program;
- Work to design and implement a continuum of care for mental health facilities and services;
- Develop an implementation plan to address results of the Community Assessment;
- Complete the work of the county-wide Stormwater Task Force and recommend an implementation plan;
- Evaluate and implement a series of anti-littering measures that include strategies for education, clean-up and enforcement;
- Work with municipalities and the Greater Raleigh Chamber of Commerce to create an inventory of sites for large-scale economic development; and
- Implement strategies from the Gang Prevention Task Force.

You will find that the FY2008 Recommended Budget allocates resources to many of these specific goals. In particular, the budget emphasizes education for our children. Last fall, the citizens of Wake County laid a foundation for the future by approving a \$970 million bond referendum for school construction. With the voters' approval to use general obligation bonds, we will construct 17 new schools, renovate 13 existing schools, and provide additional classroom space for our growing public school system. As we discussed last year, the tax increase required to support the operating and capital portion of school construction would total 4.7 cents over the life of the bond program. The Recommended Budget partially implements this referendum, and includes a 3.6-cent tax increase to fund the debt and operating costs of the new schools.

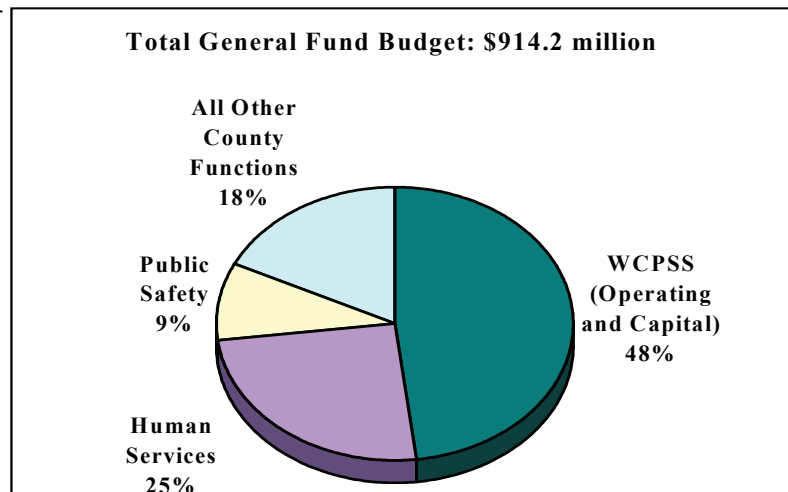
The Recommended Budget also lays foundations in other service areas

that directly support the Board of Commissioners' goals. In the next fiscal year, we will open a new Northern Regional Center in Wake Forest to better provide clinical, child welfare, and economic self-sufficiency services to our growing population. As part of our on-going commitment to mental health services, the Community Improvement Plan funds new facilities to support the mental health continuum of care. And to meet the long-term needs of the Wake County Sheriff's Office, we will partner with the City of Raleigh to construct a new law enforcement-training center.

In the fall of 2007, as a response to the Blue Ribbon Committee's recommendation and Board of Commissioners' goal, we will ask citizens to again lay foundations for the future of Wake County when we propose three referenda on Wake Technical Community College, public libraries, and open space and water-quality protection. These referenda will secure financing for these County priorities, and ensure these needs are met for current and future citizens.

### LAYING OUR FOUNDATIONS FOR THE FUTURE

The total recommended General Fund Budget is \$914,207,000. The funding allocation emphasizes the County's highest priority areas with the Wake County Public School System (WCPSS) receiving 48% of the budget for operating, capital, and debt service needs. Human Services receives 25%, Public Safety 9%, and all other County functions combine for 18%.



### REVENUES

Our economic vitality has helped create the strongest tax-base growth in the state, which allows us to fund our priorities. In FY 2008, the property tax base is estimated to increase by 4.2% over the FY 2007 actual base. New revenue

Revenue Growth	
Property Taxes ("regular" growth)	\$28.7 million
Sales Tax	15.4 million
Human Services and All Other	-9.9 million
<b>Total Revenue from Normal Growth</b>	<b>\$34.2 million</b>
3.6 cent tax increase	28.1 million
<b>Total</b>	<b>\$62.3 million</b>

from normal growth in property taxes will equal \$28.7 million, while the revenue generated by the tax increase for the school system comes to \$28.1 million. Growth in sales tax revenue, our second largest revenue source, continues to increase at a steady rate. Projected income in FY 2008 will grow by \$15.4 million (10.9%) over the FY 2007 adopted amount, for a total of \$157.3 million. All other revenues will decrease by \$9.9 million, largely due to a decrease in state reimbursements that previously went to the County but will now go directly to providers. Overall, the Recommended Budget includes \$62.3 million in new revenue.

### EXPENDITURES

Expenditure Growth	
WCPSS Operating & Capital	\$39.9 million
Fund Prior Commitments	\$15.3 million
Maintain Current Operations	\$8.9 million
Wake Tech	\$2.6 million
Opening New Facilities	\$0.9 million
All Other County Expenditures	(\$5.3 million)
<b>TOTAL</b>	<b>\$62.3 million</b>

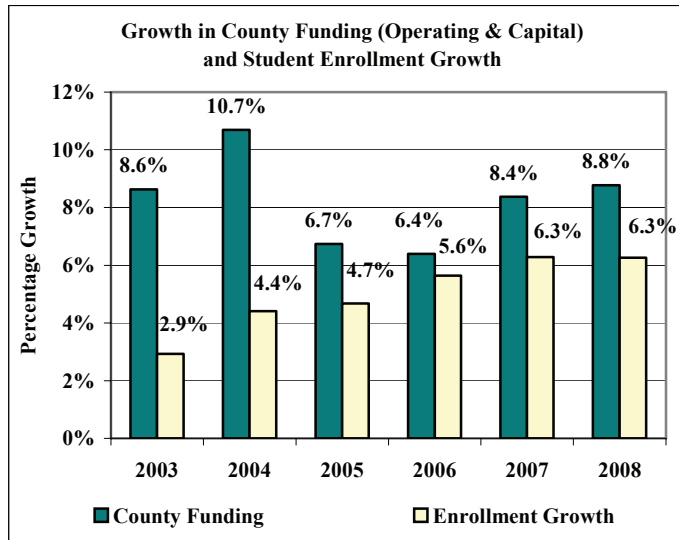
Even with strong revenues and clear priorities, the choices are never easy as we work to meet very

real and competing needs while balancing the budget. Of the \$62.3 million in new revenue, almost two-thirds (\$39.9 million) is recommended for the Wake County Public School System (WCPSS) to fund the WCPSS operating budget and to pay for debt service and cash funding of school building programs. The remaining funds are designated

for prior commitments, maintaining current operations, Wake Tech, and the opening of new facilities. There is a net reduction of \$5.3 million in all other County expenditures.

### Wake County Public Schools

The FY 2008 Recommended Budget continues the Board's commitment to quality education. County funding continues to outpace the growth in the number of students. Over the past six years, the increase in County funding has consistently exceeded the increase in enrollment.



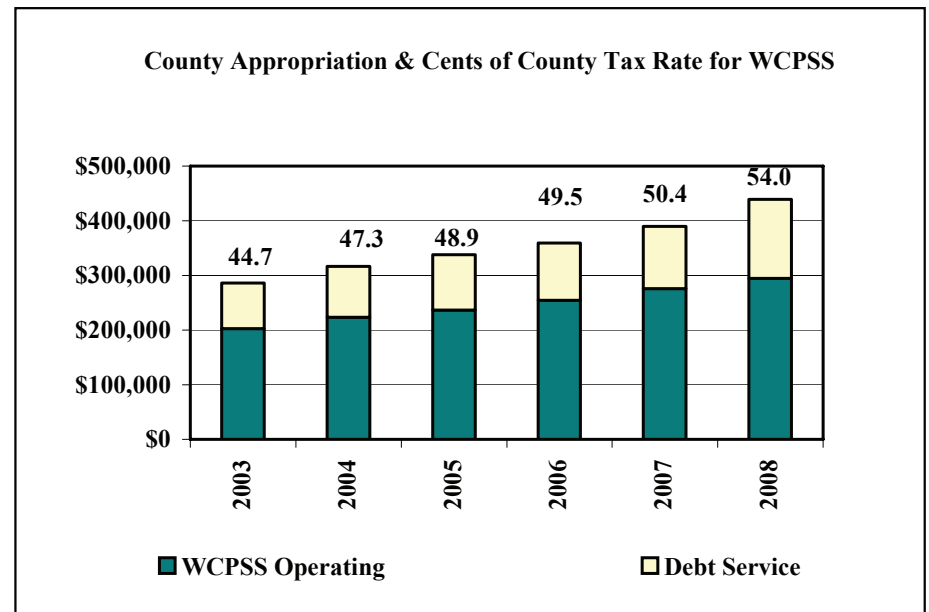
The Board of Education requested total funding of \$305.7 million for FY 2008, an increase of roughly \$30 million over FY 2007. The Recommended Budget funds an additional \$18.9 million to WCPSS, for a total appropriation of \$294.7 million.

The Recommended funding will increase the County's per pupil funding from the FY 2007 level of \$2,084 to \$2,094 in the FY 2008. For the past five years, the growth in the County's appropriation for operating and capital (debt service) has increased at a greater percentage than student enrollment.

In the November 2006 bond referendum, voters approved the use of general obligation bonds for school construction, allowing us to borrow at the lowest interest rates. Consistent with the financial plan supporting the referendum, in which we identified a 4.7-cent total tax increase

to support the schools' building program, the Recommended Budget calls for a 3.6-cent tax increase to begin to implement WCPSS' CIP 2006. Of this 3.6-cent increase, 2.7 cents is necessary to support the debt service and capital costs of the school construction program. An additional 0.9 cents is needed to support the operating costs associated with additional square feet for 9th grade centers and the operating costs of transitioning 19 elementary schools and 3 middle schools to a multi-track year-round calendar. The remaining 1.1 cents in tax increases will be implemented in upcoming budgets.

In addition to partially implementing the 2006 bond program, the budget supports our prior commitments to the school system, namely the opening of new schools and costs associated with schools operating on a year-round calendar. Funds are provided to operate and maintain six new elementary schools opening in permanent facilities (three of these schools opened in prior years at early-start campuses), the opening of two middle schools (Wendell Middle will open as an early-start middle school at the Hwy 97 modular complex and East Cary Middle will open for six graders and continue to house 9th graders for FY 2008), and the addition of two ninth grade centers for Wake Forest-Rolesville and Wakefield High Schools.

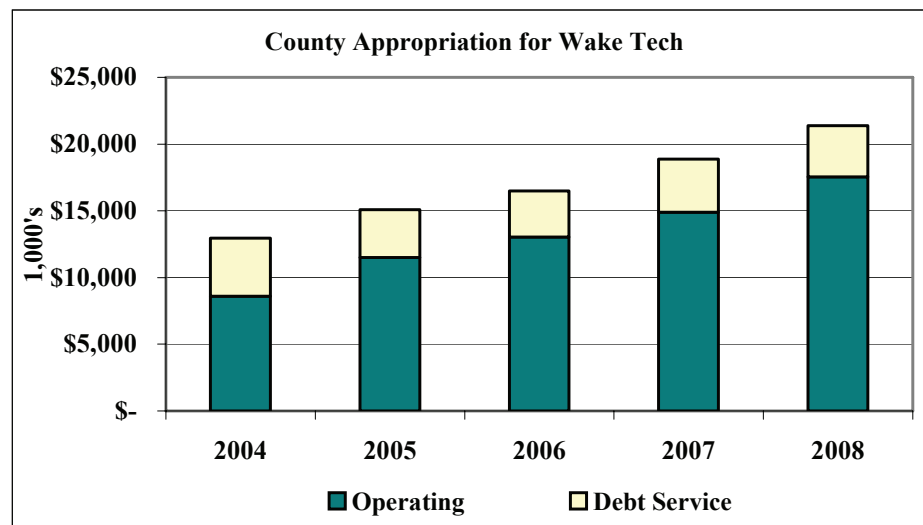


In addition, the County appropriation to WCPSS has exceeded WCPSS' share of growth from County property tax revenue for the past six years. For FY 2008, the recommended budget for WCPSS operating and debt service equals 80 percent of the property tax rate (54.0 out of 67 cents).

### Wake Technical Community College

The FY 2008 Recommended Budget also supports the Board of Commissioners' priority area of an educated citizenry by providing an additional 18% to Wake Technical Community College (Wake Tech), for a total appropriation over \$17.5 million. Funding supports the third year of start-up staffing of Wake Tech's North Campus. Funding also supports salary and benefit increases for County-funded positions and an increase for utilities and maintenance to support the addition of 152,840 square feet at Wake Tech's North Campus (134,840 sq. ft.) and the Chapanoke Road Public Safety Center (18,000 sq. ft.).

The Community Improvement Plan (CIP) also includes an additional \$1 million for minor capital needs at College facilities. These funds are for furniture, fixtures and equipment for the main campus and may also be used to further equip and outfit the North Campus.



### Human Services

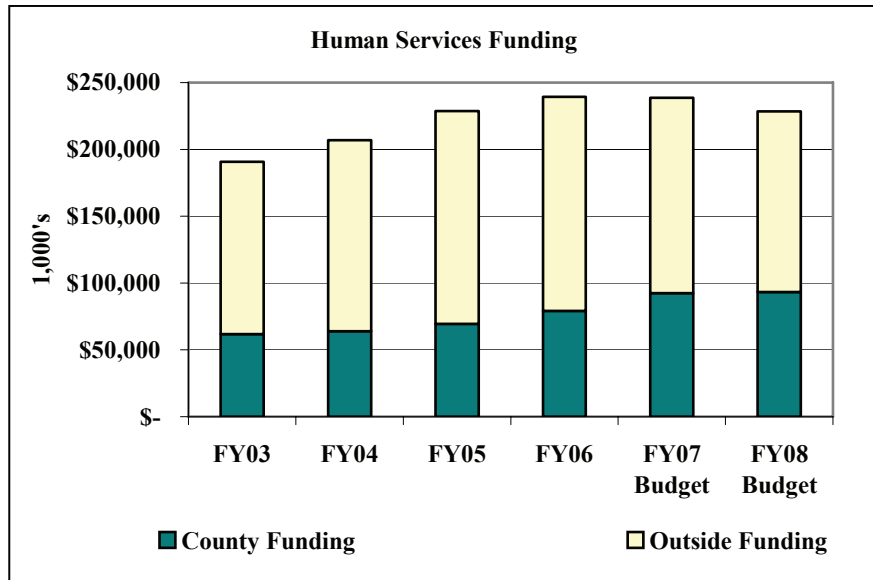
In January 2008, the County will open the new Northern Regional Center in Wake Forest. This new regional center will bring a variety of services closer to citizens in the County's northern areas, including: Sheriff's Office, child welfare, mental health, public health clinics, revenue collection, animal control and building inspection, to name a few of the programs. The Human Services budget includes \$1.2 million to provide 40 new positions for this center, including staff for child protective services, economic services such as Medicaid, and health clinics.

The budget also provides additional resources to keep up with demand from our growing population. The budget funds 16.9 new staff members to maintain service levels in child welfare and community health, and provides a coordinator for Wake County's Gang Prevention Partnership. The budget also includes funding for additional school nurses.

A key assumption in this budget is that the County's share of Medicaid will remain capped at 2006 levels. Last year, all North Carolina counties' current share of Medicaid was temporarily capped by the North Carolina General Assembly. For Wake County, this is a \$7 million issue. We are counting on the cap to continue or the Medicaid issue to be resolved altogether. If the cap is removed and Medicaid remains unresolved, we will need to address the issue during the year.

As part of Mental Health reform, the State expects that the capacity of community-based providers will increase so that clients receiving mental health services directly from Local Managing Entities (LMEs) can instead be served in the community, rather than by LMEs or the County government. In accordance with this approach, the Human Services department has reduced the number of direct-service staff positions, and it will continue reducing these positions into FY08. To ensure that adequate service levels exist within the community, the County has solicited information and proposals from community-based providers and has successfully brought in out-of-state providers to serve Wake County clients.

In other changes, Human Services' budget will decrease by \$16 million in both revenues and expenditures related to Medicaid-funded services. These reductions do not mean that Wake County consumers will lose benefits or receive less service. Instead, these reductions reflect the fact that community health providers are taking the responsibility to serve



Medicaid clients by billing the State directly for Medicaid reimbursement, and these transactions will no longer pass through the County's books. This reduction is shown in the chart above; while the County appropriation has grown 51% since FY2003, outside funding sources only grew 5% since FY2003. In fact, Human Services' outside funding sources are lower in FY2008 than last year.

The Board of Commissioners is committed to assuring a quality mental health continuum of care in Wake County as part of its Healthy Community goal. To respond to the State's mental health reform efforts, the County continues planning for and developing a broad range of mental health services for our citizens. The state-run psychiatric hospital in Raleigh, Dorothea Dix Hospital, will close in FY08, with some portions of the hospital shutting down as early as fall 2007. The County has developed plans for a full continuum of mental health care, including substance abuse medical detox, substance abuse treatment, and short-term mental health crisis beds. The \$5 million allocated in this FY08-14 CIP brings the total County funding available for this project to \$12.8 million, not including the funds spent on land acquisition. It is anticipated that additional funding from other sources will be required to fully fund the capital expense for these potential facilities.

**Sheriff's Office**

To further your goal of Safe Communities, the budget recommends a 5% increase for the Sheriff's Office, a \$2.8 million increase. A total of 14 new positions will bolster specific needs within the department and allow law enforcement officers to concentrate on field duties.

- Two investigators for the Sheriff's Office Intel/Gang Suppression Unit;
- Four additional school resource officers;
- Four positions for detention transport security;
- Two positions for the training division; and,
- One position for Courthouse security and one for recruiting.

The CIP funds a partnership between the Wake County Sheriff's Office and the City of Raleigh for a joint law enforcement training facility. The new site will take advantage of City-owned property located in Southeast Wake County. We are working with Raleigh to develop an interlocal agreement, which we will bring to you in early FY08. Two key provisions of the agreement will be the City's commitment to enter into a 50-year lease of the property to the County, and their commitment of approximately \$400,000 toward site-planning infrastructure costs. The Sheriff's Department portion of the project includes a building containing 36,844 square feet to house administrative, classroom, fitness and support spaces. In addition to the building, the site will include a running track, obstacle course, rappel tower, and parking for 170 vehicles.

**Public Safety**

The Recommended Budget supports our Emergency Medical Services system by providing an additional peak-load ambulance that will help the system meet response-time standards. The budget also funds improved safety equipment for EMS personnel, and the operating costs of the new Automatic Vehicle Locator system (AVL), which will enable ambulance units to respond to calls more quickly. We will also fund five new EMS dispatchers at the Raleigh-Wake Communications Center. These new positions will address the increase in service demand and help lower dispatch times, improving EMS service throughout the County.

We will also support the EMS system through our Community Improvement Plan, which provides \$2 million for future EMS facilities.

The Wake County EMS System – including the County’s Public Safety Department, six contracted agencies, and the EMS Peer Review Committee – is developing a long-range plan for facility needs. As part of this effort, the plan will identify opportunities to co-locate ambulance units with fire stations and other existing facilities.

**Other County Departments**

In response to Wake County’s rapid growth, and increasing service demands, the budget provides additional resources for the following County departments:

- Community Services—Three additional General Inspectors to keep up with workload demands; Branch Manager for the New Leesville Library; increased security for Public Libraries.
- Environmental Services—One position for the County’s animal shelter and one position for water quality protection.
- Finance—Increased funding for the department’s internal audit function.
- General Services Administration—Increase of \$1.3 million primarily to cover the full-year cost of new facilities opened in FY07 and increasing utility costs.
- Information Services—Four positions for desktop support, telecommunications, and land records applications.
- Planning—Additional Planner position for zoning and subdivision reviews.

**Solid Waste**

In June 2006, the County Commissioners laid the foundation for Wake County to dispose of solid waste in an effective, economical manner by approving the new South Wake Landfill. The FY08 budget for the South Wake Landfill Enterprise Fund totals \$5.8 million for the cost of operating the new landfill and revenue sharing with the Inter-local Agreement Partners. The FY08 budget for the Solid Waste Enterprise Fund totals \$25.5 million for the cost of operating the North Wake Landfill, Citizen Convenience Centers and recycling promotion, and other solid waste activities.

**Fire Tax District**

The Fire Commission, which makes recommendations relating to fire service in the Fire Tax District, unanimously recommends an FY 2008

operating budget consistent with its Long-Range Business Plan, approved by the County Commissioners in February 2005. The budget, maintains the tax rate at 10 cents, funds cost increases for fuel, liability insurance and department health plans. The FY 2008 budget does not include expansions for staffing; however, the Fire Commission is committed to developing a long-range staffing plan to address the staffing needs across the County.

**Support for Memberships and Public Agencies**

The budget includes County funding to community agencies and not-for-profit organizations. The Recommended Budget provides \$3.8 million for memberships, public agencies and contractual services. Memberships will require a 3.3% increase. The budget recommendation maintains our commitment to public agencies. For example, the recommended budget includes funding for the County’s commitment to the

Agency or Organization	FY 2007 Adopted	FY 2008 Requested	FY 2008 Recommended
<b>Memberships:</b>			
Capital Area Metro Planning Organization	\$ 161,634	142,954	142,954
Institute of Government	74,904	79,656	79,656
National Association of Counties	11,257	11,568	11,568
NC Assoc. of Co. Commissioners	61,523	66,313	66,313
RDU International Airport	12,500	12,500	12,500
Triangle J Council of Governments	170,788	196,000	196,000
<b>Total Memberships</b>	<b>492,606</b>	<b>508,991</b>	<b>508,991</b>
<b>Public Agencies:</b>			
Communities in Schools	\$ 75,000	75,000	75,000
East Wake Education Foundation	-	50,000	50,000
Exploris/IMAX	1,000,000	1,000,000	1,000,000
Healing Place for Men	250,000	250,000	250,000
Healing Place for Women	250,000	250,000	250,000
MEAC Tournament	200,000	200,000	200,000
North Carolina Symphony	34,000	100,000	34,000
Public Agency Funding Process	-	600,000	600,000
Soccer Sports Facility	150,000	150,000	150,000
Wake County United Arts Council	350,000	350,000	301,000
Women’s Commission	12,500	12,500	12,500
<b>Total Public Agencies</b>	<b>2,321,500</b>	<b>3,037,500</b>	<b>2,922,500</b>
<b>Contract Services:</b>			
Wake County Economic Development - EDGE3	100,000	153,483	100,000
Wake County Economic Development - General	295,000	295,000	295,000
<b>Total Contract Services</b>	<b>395,000</b>	<b>448,483</b>	<b>395,000</b>
<b>Total</b>	<b>3,209,106</b>	<b>3,994,974</b>	<b>3,826,491</b>

edge3 program, a five-year program in conjunction with North Carolina State University to attract technologically oriented employers to the County. The following table summarizes all public agency allocations:

## **EMPLOYEE PAY AND BENEFITS**

The County is able to provide excellent, customer-valued services because of the hard work and dedication of roughly 3,700 employees. Our pay system awards salary increases within market-competitive pay ranges based strictly on performance. We evaluate the competitiveness of our pay ranges each year through targeted salary studies. All pay ranges will be adjusted this year between 0.37% and 7.83% in the FY 2008 budget to ensure our ranges remain competitive. Approximately 150 employees' pay will be increased to bring their current salary to the new pay minimum. Also, the recommended performance pay increase is budgeted at an average of 4%.

The County provides a comprehensive program of benefits to employees, including a 5% contribution to a 401(k) savings plan, participation in the state retirement system, County-paid life insurance and long-term disability, optional life insurance and short-term disability programs, and dental insurance. All of these benefits will remain unchanged in FY 2008.

One benefit, the County's health insurance plan, will change significantly in the upcoming year. As part of the budget message last year, I noted an employee committee would be formed to evaluate health insurance options and costs and to develop a recommendation for a sustainable, strategic plan for health care. The 22-member Health Insurance Core Team has completed a major portion of its work and made its recommendations to the Board of Commissioners in April. The FY 2008 budget funds the recommendations of this employee committee.

The Health Insurance Core Team developed its recommendations with the assistance of a consulting firm that specializes in health insurance plan design and implementation. The recommended plan was created within a framework of key values held by our organization, leadership input, competitive market data and employee feedback. Based on all of the planning and analysis, six major objectives served as the basis for the recommendation:

- Keep catastrophic coverage as a design element in all medical plan choices;
- Keep the overall value of the new plan choices comparable to our current choices, and include features designed to encourage employees and dependents to understand the real cost of their health care and make wise health care decisions;
- Continue to offer employees plan choices with meaningful distinctions between options in terms of benefits and employee costs;
- Manage long-term costs for the employees and the County;
- Support prudent benefit and health care choices through increased health education, a focus on wellness, and the provision of decision-support tools; and,
- Make dependent contributions more affordable through a revised employee-contribution strategy.

The Core Health Insurance Team recommendations address a wide range of issues related to our health insurance plans, and I will provide an overview of each of the major recommendations.

The first recommendation is to move to a calendar plan-year effective January 1, 2008, making it easier for employees to budget benefit expenses along with other annual expenses. As a result of this change, there will be two open enrollments this year: one for the current benefit plans that will continue to be offered from August through December, and a second one for the new full-plan year that will run from January 1, 2008, to December 31, 2008. The benefits for the current Base and Premium plans will remain the same, while the employee cost of the plan will increase approximately 6% for the five-month period.

For the 2008 plan year, employees will continue to have the choice of two plans: a point-of-service plan that is similar in structure to our existing plans and a consumer-driven health plan. The consumer-driven health plan will offer a new option designed to give employees and their dependents more control over how health care dollars are spent and will also allow them to apply savings toward future medical expenses. Enhancements to the health care plans will include: improvement of selected benefit provisions to meet industry standards, incentives designed to encourage healthy behaviors, and 100% coverage of preventive health care as prescribed by the American Medical Association guidelines for age and gender.

As a part of new plan options for 2008, the County will implement a

new contribution strategy that will require all employees to contribute toward the cost of health care premiums, and the County will begin subsidizing the cost of dependent coverage. Employee-only cost under the new plans is projected to be \$10 per month for the point-of-service plan and \$22 per month for the consumer-driven health plan. For the point-of-service plan, dependent coverage cost under the new plans will range from \$137 per month for employee and children to \$460 per month for employee and family. For the consumer-driven health plan, dependent coverage will range from \$207 per month to \$578 per month for employee and children and employee and family, respectively. Employees who currently have dependent coverage will see a savings in monthly premiums ranging from \$60 to \$340.

The last recommendation that I will highlight is regarding health care coverage at time of retirement. The County's current liability for providing health care coverage to those employees currently vested for that benefit is estimated to be approximately \$100 million and is projected to significantly increase over time. In order to minimize this future liability, the County will eliminate retiree medical coverage for employees hired after January 1, 2008. Current employees and those hired before January 1, 2008, will remain eligible under the current provisions.

As you see, there will be many changes occurring over the next few months, and the Core Health Insurance Team is currently working on a communications and education strategy so that all employees will be well-informed of these changes and have the tools and information necessary to make wise decisions for themselves and their families.

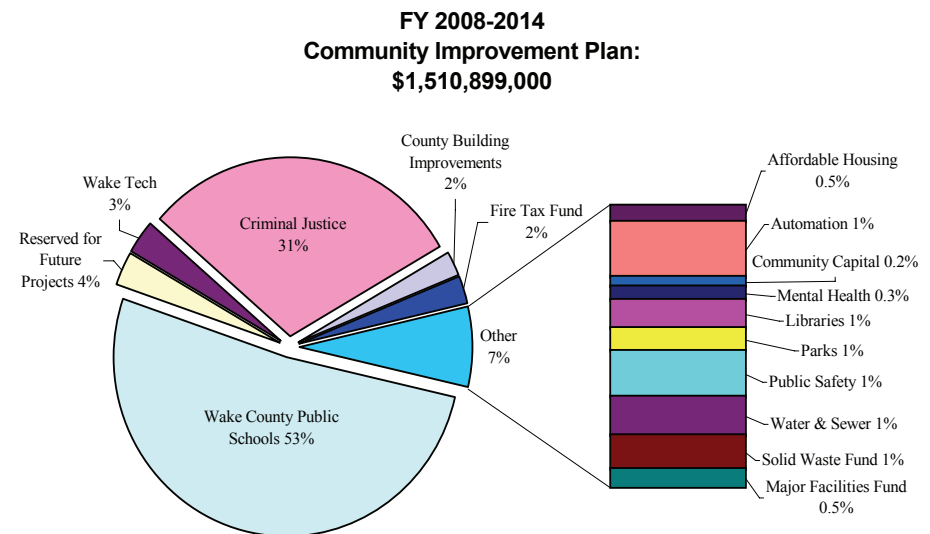
Providing an affordable, sustainable and quality health care plan is a priority for the County, and I would like to thank all of the members of the Core Health Insurance Team who have worked so diligently over the past year to put forth these recommendations that balance care for employees and their families and the fiscal stewardship our citizens expect.

## COMMUNITY IMPROVEMENT PLAN

The FY 2008-2014 Community Improvement Plan (CIP) totals \$1.5 billion, with FY 2008 accounting for \$370 million of those expenditures. The recommended CIP reflects the Board of Commissioners' priorities, and the seven-year plan invests heavily in education, for both

the Public Schools and Wake Technical Community College. It also allocates considerable resources to support mental health, criminal justice, law enforcement, and public safety.

The CIP lays the foundation for successful service delivery to future generations of Wake County citizens. Wake County has a proud legacy of planning for the long-term and of providing outstanding facilities for its citizens. Continuing this tradition of excellence, the FY 2008-2014 CIP is long-term oriented, anticipates future needs and supports responsible stewardship of existing facilities. It also supports many of the Board of Commissioners' goals that were adopted in 2007, such as promoting education, criminal justice and environmental stewardship.



## FOUNDATIONS FOR THE FUTURE

The FY2008 recommended budget:

- Provides funding for the Board of Commissioners' priority areas and goals
- Increases the property tax rate by 3.6 cents
- Continues our commitment to long-term planning and success

The process of balancing the annual budget is also a reminder of the challenges on the horizon. We are a prospering and growing county, and for that I am thankful. The growth, however, requires us to plan and invest for the future. This past year is great evidence of our need and ability to respond. The 65 member Blue Ribbon Committee on the Future of Wake County committed countless hours reviewing infrastructure plans and presenting recommendations for the County and the State legislature. Voters approved a \$970 million bond referenda for schools. We opened several new libraries throughout the County. The County entered into an agreement with Holly Hill Hospital for inpatient mental health beds with the impending closure of Dorothea Dix. Improvements in Public Safety technology continue to be implemented to reduce our response times to citizens. And, a Citizens Committee to look at how to save money in the construction of schools is hard at work. In the end, a strong foundation for a successful annual budget and the long-term health of the county is dependent on the appropriate balance of planning, investment, and fiscal stewardship. I believe we have that balance as we move into fiscal year 2008 and beyond.

We will continue the work of the Blue Ribbon Committee and pursue the recommendations they put forward. Among their recommendations are continued investments in our infrastructure. This fall, we will work with our partners and ask voters to approve three bond referenda—one for libraries, one for Wake Technical Community College and one for open space preservation. And, while these investments will require future increases in the property tax rate, we will continue to pursue other revenue sources from our North Carolina general assembly so that the entire burden of infrastructure investment does not fall on the Wake County property owner. Finally, being ever mindful that we are stewards of the taxpayers' money, we must continue to set priorities and pursue more cost-effective ways to deliver services to citizens. In the end, finding the right balance between planning, investment, and fiscal stewardship will provide our community a strong foundation both today and for future generations.

Respectfully submitted,



David Cooke  
County Manager

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