

INAUGURAL REPORT OF THE BLUE RIBBON COMMITTEE ON THE FUTURE OF WAKE COUNTY

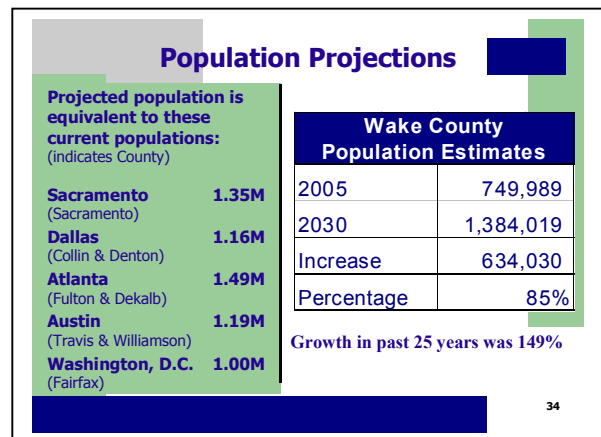
EXECUTIVE SUMMARY

INTRODUCTION

A true community is much more than bricks and mortar. It is defined not simply by how it looks, but also by how it governs, by the richness of its social fabric, and by the spirit of its people. But any great city or county starts first with bricks and mortar – the buildings, roads, water lines and other infrastructure that create the foundation for us to stand upon and function as a society.

Wake County citizens have long supported responsible investment in quality infrastructure to create the foundation for a successful, positive place in which to live, work, learn and play. In recent years, our citizens have demonstrated their commitment to a successful future with resounding support as evidenced by successful bond referenda for funding public schools, libraries, jails, open space preservation and workforce development and training provided by Wake Technical Community College.

Wake County is a very attractive place for businesses and citizens, garnering a worldwide reputation as one of the best places to live and work in the United States. Advantages both geographic and created have led to these accolades. In addition to a moderate climate, the Wake County area offers a strong sense of community, outstanding educational opportunities, easy access to the ocean and mountains, excellent arts and cultural attractions, a range of exciting sports teams at all levels from high school to college to professional league, historic preservation, volunteer programs and an impressive countywide parks, recreation and open space program.



Because Wake County has been a very successful economic model, we are now at a critical juncture as rapid growth tests our renowned life quality. We want to continue being recognized nationally and internationally as one of the best places to live and run businesses, but we must plan for and invest wisely in our future to maintain that recognition. Sound planning includes not just a blueprint for the buildings to meet the needs of a growing population, but having strategies in place for how we are going to pay for these capital projects.

The Wake County Board of Commissioners established the Blue Ribbon Committee on the Future of Wake County in December 2005, with the charge of examining the capital needs of meeting projected growth over the next 25 years and recommending funding strategies. The committee of 65 business and community leaders brought to the table a tremendous amount of valuable expertise and experience, representing a broad spectrum of interests and viewpoints. The economic health of our county should be

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a major consideration in its long-range planning, and we are pleased for the opportunity to have a voice and a role in shaping this critical aspect of our future.

The challenges facing us are daunting, but not insurmountable. By 2030, Wake County's population is expected to nearly double, to 1.4 million. The number of students in the Wake County Public School System is expected to reach 282,000, more than double the current level of about 120,000. Wake Tech's student population is projected at 103,720 in 2030, up from 52,300 in 2006. We expect to need between 3,200 and 3,800 jail beds, compared with the existing 1,320. And in Wake County, an average of 27 acres of land are converted from natural to built environments everyday.

It is clear that we cannot stand still if we are to progress responsibly toward a future that preserves the standards of education and quality of life that we currently enjoy. We well understand that we need to maintain our high standards for quality if we are to remain competitive in a global economy. And that means that we need to continue making prudent investments in our infrastructure.

PROCESS

The committee began its work on January 3, 2006. In order to make informed decisions about funding strategies, the committee needed to understand and assess the planning already underway for major infrastructure needs. To that end, we received comprehensive presentations on the following topics:

- Wake County Demographics and Population Trends
- Economic Development and Jobs
- The Wake County Public School System Long-Term Capital Plan
- Wake Technical Community College's Long-Term Capital Plan
- The Countywide Water/Sewer Plan
- Wake County's Parks & Open Space Preservation Plan
- Wake County's Criminal Justice Facilities Master Plan
- Roads and Transportation Needs
- Wake County's Finances
- Financing Mechanisms Used by Other High Growth Areas (peer counties)

To delve more deeply into these areas and begin formulating recommendations, the committee divided into the following seven work groups aligned with the topics: Criminal Justice Facilities, Finance, Parks & Open Space, Public Schools, Transportation (Mobility Choices), Wake Tech and Water/Sewer Planning. The work groups met with topic experts and key staff to learn as much as they could about the plans before formulating recommendations and reporting out to the full committee on May 9.

With issues this complex and solutions this challenging, the Blue Ribbon Committee understood that it would be difficult to reach absolute agreement on all points, and therefore, chose to operate by consensus – that is to say, the committee sought common ground, workable solutions and compromises as necessary to offer recommendations for the greater good of the community.

INFRASTRUCTURE PLANS AND SPENDING NEEDS

The committee was charged, in part, with compiling an inventory of current infrastructure plans and projected costs for public and technical schools, transportation, water and sewer, parks, open space, and criminal justice facilities, and determining spending needs and revenues to meet them.

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The work groups examined the long-term capital plans for each area from now until 2030 and determined that projected spending needs exceed available revenues in all cases but for water and sewer plans, which are typically funded with user fees charged to customers by the municipal providers.

The other exception is for transportation and roads. While additional spending of \$6 billion was identified, roads and mass transit generally are paid for by federal and state dollars, which removes that topic from direct County responsibility. However, because roads and traffic issues play such a vital role in the local economy and our community's quality of life, the Wake County Board of Commissioners has a clear leadership and partnership responsibility in promoting regional transportation solutions, even if they do not involve direct expenditure of County dollars. Additionally, Wake County needs much stronger support from the state and federal governments to meet our transportation needs and responsibilities.

Infrastructure Plans -- Cost Summary

Capital Area	Projected Funding Needs to 2030	Anticipated Funding	Additional Spending Needs Not in Current Budgets
Public Schools	\$ 11,700,000,000	Tax supported debt	\$ 11,100,000,000
Water/Sewer	\$ 1,200,000,000	User fees to customers	None, user fees pay
Wake Tech	\$ 618,100,000	Tax supported debt	\$ 618,100,000
Criminal Justice Facilities:			
Phase I	\$ 464,900,000	Tax supported debt	None, included in County's current CIP
Phase II	\$ 361,600,000	Tax supported debt	\$ 361,600,000
Open Space	\$ 300,000,000	Tax supported debt and partnerships	\$ 300,000,000
Transportation/Roads	\$ 12,000,000,000	Traditional federal and state dollars	\$ 6,000,000,000
Total	\$ 26,644,600,000		\$ 18,379,700,000
County Borrowing Capacity at Baseline -- Not Currently Budgeted			\$ 7,100,000,000
Difference to be Eliminated with Expenditure Reductions or Revenue Increases			\$ 11,279,700,000

Note: All dollar amounts are nominal, with expected inflation included.

COST CONTAINMENT

This report recommends a two-pronged approach to meeting future infrastructure needs: continuing to control costs while also seeking new sources of revenue.

The Committee agreed that opportunities to redesign capital plans and reduce costs should be pursued vigorously before requiring Wake County households and businesses to pay higher taxes and fees.

We understand and accept that there are differences of opinion about the details and funding levels of some of the proposed capital plans. The Committee did not resolve these issues, but did agree with the principle that **opportunities to redesign capital plans and reduce costs should be pursued vigorously before requiring Wake County households and businesses to pay higher taxes and fees.**

A specific recommendation from the Finance Work Group states:

- The needs and costs identified in each infrastructure area should be fully evaluated and every effort made to minimize costs while still achieving plan objectives before implementing additional revenue strategies.

Several recommendations pertaining to schools also fit the cost containment category, specifically that the County Commissioners and Board of Education should:

- Evaluate changes in school designs that reduce costs but improve efficiency, so long as educational experience is not impaired.
- Seek state legislative change for increasing the cap on charter schools (at least in Wake County) to help reduce the capital needs of the local education agencies and counties.
- Seek state legislative change for local systems and/or counties to have the authority to enter into public/private partnerships that may reduce costs on a long-term basis.
- Expand the use of year-round schools as a cost control.

It should be noted that during this committee's tenure, the Board of Commissioners and Board of Education formed a Citizens' Facilities Advisory Committee. The 12-member committee includes members who have expertise in corporate leadership, architecture, engineering, financial management and public administration. Its charge is to evaluate the Wake County Public School System's capital improvement program, along with its design criteria and construction management practices, and communicate findings to both boards and the public. This action supports the Committee's recommendation to examine school design to determine any potential cost savings, and we commend both boards for taking this step.

REVENUE STRATEGIES

While cost containment strategies are the highest priority recommendation for this Committee, it is unlikely that those alone will meet the demands of growth, nor will they do so in a timely manner. This community faces an urgent need for new schools and facilities to support workforce development and public safety, roads, and water and sewer lines, along with the expressed desire of the electorate to preserve open space in order to protect water quality.

It is clear that while pursuing cost controls, additional revenue sources also must be explored and implemented where necessary, in order to continue to meet our responsibility to citizens to protect their already sizeable investment in public facilities. Postponing our building programs on any front will put this investment at risk, and could quickly begin to degrade the quality living experience that this community has come to expect.

It is clear that while pursuing cost controls, additional revenue sources also must be explored and implemented where necessary, to meet our responsibility to citizens to protect their already sizeable investment in public facilities.

The Committee's Work Groups examined many options for additional revenue sources. Currently, the County's main revenue source for capital projects is the property tax.

The Committee recommends these strategies:

- Reassess real property every four years instead of every eight years, and leave the tax rate at its current level rather than decreasing it to make the result revenue neutral;
- Seek authority from the General Assembly to implement a local option sales tax of up to 1%, with half dedicated to public school construction needs and half dedicated to transportation (roads, transit) needs.

The Committee also recommends that the County consider seeking authority from the state legislature to assess a real estate transfer fee of up to 1%, which would be dedicated to school construction, but it should be noted that the Committee was sharply divided on its support for this recommendation.

In the area of transportation and mobility choices, the committee recommends these steps:

- Support establishment of toll roads to fund Wake County road construction needs, provided toll revenues are dedicated to specific projects and do not supplant existing funds. However, this support should clearly and directly be tied to the State of North Carolina prioritizing the NC Highway Trust Fund so that it provides the funding needed at the local level to cover construction costs needed to complete projects in this region.
- Urge the state to modernize its distribution formula so that areas with higher traffic demands and gas tax revenues like Wake County receive a larger distribution of the state and federal funding. Also, advocate for County's fair share of federal transportation and transit funding.

KEY RECOMMENDATIONS

In addition to the cost containment and revenue strategies outlined above, the Work Groups put forth a number of other recommendations that are specific to shaping future services in the areas of criminal justice, water supply, workforce development, open space preservation and transportation. The specific recommendations from each Work Group are outlined more fully in each infrastructure section of this report but the following captures those recommendations identified by the Committee as highest priority for the County Commission's consideration. *Their placement does not reflect the issue's relative importance; they are listed here alphabetically by topic.*

Criminal Justice

- The County should proceed with development of a new 340,000-square-foot Criminal Courthouse adjacent to the existing Public Safety Complex. This state-of-the-art criminal court should be connected to the existing PSC and the existing Courthouse, which will be renovated for use as a Civil-Family Courthouse. A facility to house public records and selected administrative components of approximately 100,000 square feet should be constructed adjacent to the proposed Criminal Courthouse. To the extent that all of the space in the building is not needed immediately for courtrooms and support functions, the County should consider upfitting that space and leasing it to the private or nonprofit sector that would benefit from being in that setting (e.g., defense attorneys, substance abuse programs, etc.)
- The County should commission a study to determine the implication of de-centralizing Traffic Court out of downtown in order to reduce the number of people required to come to the Courthouse.

Parks & Open Space

The committee agrees that open space preservation is an important factor in the quality of life in Wake County, and recommends use of creative funding options to acquire open space, such as:

- Matching funds from state, federal and local municipalities;
- Corporate and private funding (i.e. Greenway sponsorships);
- Philanthropic venues (including fund raising and donations);
- Bargain sales at less than market value to preserve open space;
- Co-development and economies of scale with schools;
- Developer participation and incentives; and
- Farm and Working Land Preservation Incentives.

Public Schools

- Evaluate changes in school designs that reduce costs but improve efficiency, so long as educational experience is not impaired.

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- Seek state legislative change for increasing the cap on charter schools (at least in Wake County) to help reduce the capital needs of the local education agencies and counties.
- Seek state legislative change for local systems and/or counties to have the authority to enter into public/private partnerships that may reduce costs on a long-term basis.
- Expand the use of year-round schools as a cost control.

Transportation (Mobility Choices)

- Support establishment of toll roads to fund Wake County road construction needs, provided toll revenues are dedicated to specific projects and do not supplant existing funds. However, this support should clearly and directly be tied to the State of North Carolina prioritizing the NC Highway Trust Fund so that it provides the funding needed at the local level to cover construction costs needed to complete projects in this region.
- Urge the state to modernize its distribution formula so that areas with higher traffic demands and gas tax revenues like Wake County receive a larger distribution of the state and federal funding. Also, advocate for County's fair share of federal transportation and transit funding.

Wake Tech

- Continue to seek public support to issue general obligation bonds to support Wake Tech's capital needs.
- Pursue and encourage public/private partnerships to fund Wake Tech's capital and equipment needs, or to provide opportunities for leaseback arrangements or donations from individuals, corporations, foundations and.

Water & Sewer

- Accelerate implementation of the Little River Reservoir ahead of the currently planned date of 2025. Use of "Fast Track" permitting is encouraged.
- Explore opportunities to obtain additional water sources through joint municipal agreements or from sources outside of Wake County.
- Emphasize water conservation by changing the rate structure to eliminate flat or declining rates, and implement a long-term public education plan as a partnership between the County and its municipalities.

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NEXT STEPS

The Committee is eager to continue working with the Board of Commissioners to help educate the community about the infrastructure needs of this community as we continue to grow. It is clear that action must be taken now to prepare for the future. The Commissioners are urged to immediately start a dialogue with the citizens about the need for new sources of revenue even while trying to contain costs as well as begin working with state and other local officials to move the plans forward.

This conversation should clearly identify the important investments that must be made, so that the very attributes that make the County's quality of life great are not lost. Despite differences of opinion on how to implement certain strategies and plans, it is clear that the Committee is unified on the goal of keeping this county a great place to live, work, learn and play. We request that the Board of Commissioners reconvene the Blue Ribbon Committee within the next year to provide a status report on the recommendations made here.

CONCLUSION

Given the 25-year planning horizon, it is not possible to state with certainty today what the actual costs of the plans or project requirements will be, given an ever shifting regulatory environment, advances in technology and other developments that cannot be foreseen at this time. However, we concur that it is wise to take the long-term view and analyze overall plans and needs from a big-picture perspective, and we commend County leaders and staff for doing so and urge them to continue.

The recommendations in this report were made neither hastily nor lightly. They are the measured result of months of work, learning and deliberation by this committee, whose members took their charge seriously. We were privileged to have serving on this committee a group of business and civic leaders who rose to meet their charge with dedication, commitment and a sincere belief in working together for the good of the entire community. All committee members have embraced the challenges set forth, and have been passionate in their commitment to a strong future Wake County.

The work accomplished by this group is a significant step in mapping out Wake County's future, carrying on a tradition of sound planning that has occurred in recent years. This committee believes that its work is part of the legacy we are leaving to our children and our community, that it will make a notable difference in how Wake County looks and feels for our next generations who will live, learn, work and play here.

It is said that we shape our communities, and our communities shape us. It is quite evident that we have had at the table the best minds, the most positive attitudes and the energy and creativity needed to shape the best possible Wake County. We now call upon our local and state elected officials to act boldly and responsibly, with vision and a sense of urgency, in carrying out the plans that build upon Wake County's current strong foundation and that will ensure that we maintain a world-class quality of life here.