



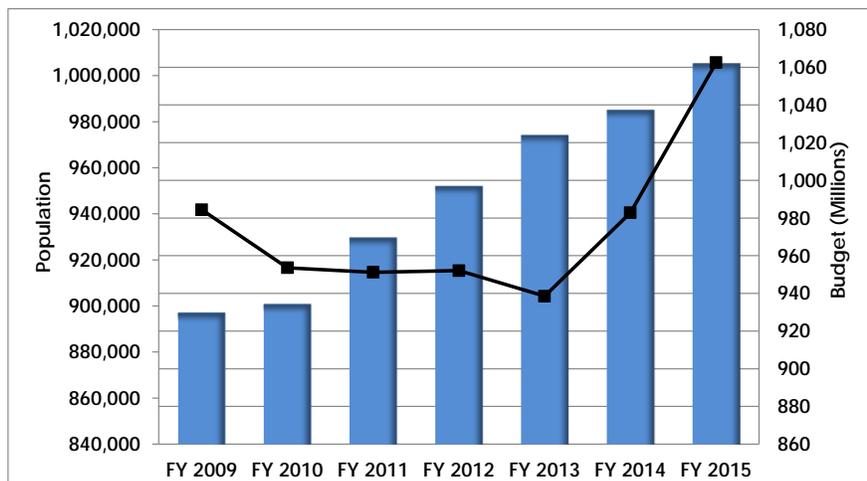
FY 2015 Recommended Budget

Monday, May 19, 2014

Wake County Board of Commissioners:

Today is the beginning of my sixth week as your new County Manager and it is my privilege and responsibility to present you, the Wake County Board of Commissioners, and our community a recommended budget for fiscal year 2015. As your new County Manager, I have put significant effort into learning about the County and the services we provide. I have worked diligently to study your priorities and goals so that this budget becomes a tool for furthering those goals and providing the services that citizens expect.

Fortunately, my arrival comes as the local and national economy continues to improve: building permits are up, unemployment is down and sales tax continues to recover. All these trends support increased revenues with the fiscal year 2015 General Fund budget exceeding \$1 billion for the first time. At the same time, the population of the County is expected to exceed one million people for the first time.



Population and Budget Growth

As I developed my first budget recommendation for Wake County, I likened my role to that of an Investment Manager expected to generate a sound return to those investing in our community. Over the past year, the County welcomed approximately 20,000 new residents and new businesses, like MetLife. Those individuals and businesses invest in the community through payment of property and local sales taxes, and in return, expect opportunities for education as well as a safe, healthy and vibrant community.

Wake County is consistently rated as one of best places to live in the nation which spurs the new investment and is frankly one of the primary reasons that I was attracted to pursuing the position of County Manager here. The normal revenue growth can be likened to interest earnings – return on the revenue base yields some new dollars. While a property tax could be viewed as needing an additional infusion of capital to bolster the investment. The last six years of moving through the recession required a delicate balance of not seeking additional



FY 2015 Recommended Budget

investment through property tax increases despite stagnant or declining revenues while we continue to provide services to a community that grew by more than 100,000 people during that same period of time.

My budget recommendation to you today is able to accommodate many requests through the normal “return on investment” but also includes a request for an increase in the base community investment.

As I provide an overview of the initiatives included in the budget recommendation, it is shaped around the board’s focus areas established at your retreat in February. The focus area goals and objectives serve as a prospectus as to what the taxpayers, the investors, can expect from their investment.

FISCAL STRENGTH AND STEWARDSHIP

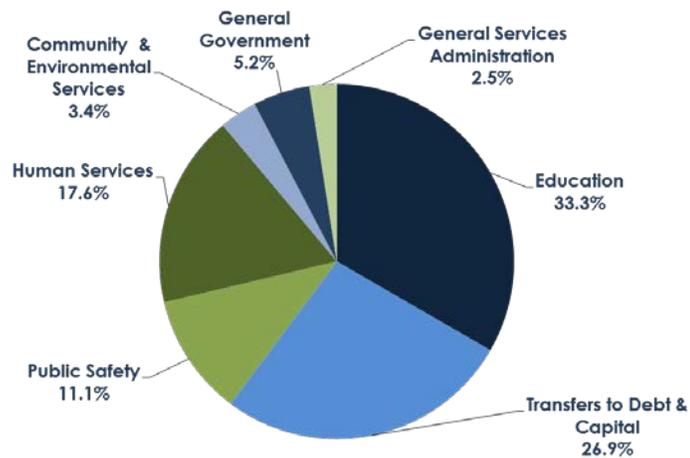
I will begin with the focus area of Fiscal Strength and Stewardship as the budget is the primary tool for communicating our financial plan for the upcoming year. The goal is “*Continue to exercise sound financial management and ensure Wake County’s long-term fiscal strength.*”

Recommended Budget

The recommended budget is \$1.063 billion and proposes to increase the property tax rate to 57.8 cents, a 4.4 cent increased investment to support the \$983.8 million School’s 2013 Capital Improvement Program (CIP).

Last fall, the voters were asked to authorize the use of the County’s general obligation pledge to issue

\$810 million in bonds for the School System’s capital program. The voters approved the referendum with the knowledge that as much as a 4.86 cent tax increase, and new investment, would be necessary to fund the total program. At the Board of Commissioners’ work session last Monday, we reviewed the County’s debt and capital planning assumptions, which have improved since the original estimate for the bond. With these revisions, it is possible to fulfill our funding commitment with a 4.4 cent property tax increase, which is 0.46 cents less than the original forecast. This tax increase will allow the County to finance the building program (as we



FY 2015 Recommended General Fund



FY 2015 Recommended Budget

promised the public we would do) and adhere to our strong financial policy of having full funding in place prior to the issuance of any debt.

Looking at the total budget by areas of investment; education, transfers for debt and capital, human services and public safety represent 89 percent of the total budget. The '15 budget will grow by \$79.8 million, an 8.1 percent increase over the 2014 adopted budget. Of that amount \$55.7 million is associated with the tax increase necessary for the school's CIP 2013, and all other sources grew by \$24.0 million or 2.4 percent. As the budget must be balanced within available revenue sources, my goal was to evaluate the more than \$61 million in requests and strive to fund the highest priorities first within the available new growth.

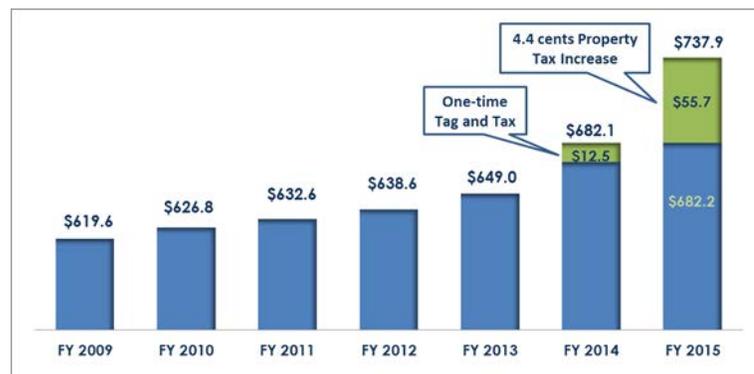
Revenue Category	FY 2014 Adopted	FY 2015 Recommended	Dollar Change	Percent Change
Taxes				
Property Taxes	682,085,000	737,930,000	55,845,000	8.2%
Sales Tax	132,481,000	147,883,570	15,402,570	11.6%
Other Taxes	10,740,421	13,224,685	2,484,264	23.1%
Taxes Total	825,306,421	899,038,255	73,731,834	8.9%
Intergovernmental (Fed, State & Local)	87,813,713	90,089,164	2,275,451	2.6%
Charges For Services	61,400,880	62,009,128	608,248	1.0%
Licenses & Permits	3,624,386	4,716,459	1,092,073	30.1%
Miscellaneous	1,370,460	1,769,245	398,785	29.1%
Transfers & Other Sources	3,284,140	4,912,749	1,628,609	49.6%
Total Revenues	982,800,000	1,062,535,000	79,735,000	8.1%
<i>Property Tax Increase</i>		<i>55,700,000</i>	<i>55,700,000</i>	<i>-</i>
Normal Revenue Growth	982,800,000	1,006,835,000	24,035,000	2.4%

General Fund Revenues

Allow me to provide a brief overview of where the majority of the 2.4 percent normal revenue growth is generated.

Property Tax

Property tax assessed values grew by \$2.2 billion, a 1.8 percent increase over the prior year. Real, business personal and public service values will increase in total by approximately 4 percent, while motor vehicle property values are estimated to decline by 2.6 percent.



Property Tax Revenue Growth (in millions)



FY 2015 Recommended Budget

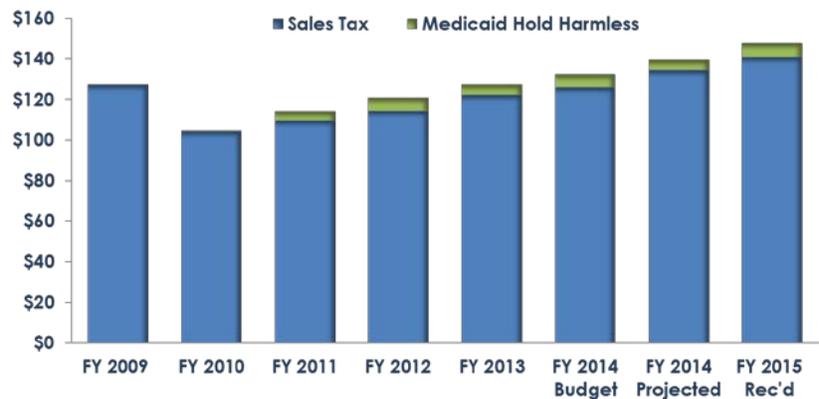
Beginning in July of 2013, the State began assessing and collecting taxes on vehicles – the Tag and Tax program. Since the inception of the program, vehicle registrations have consistently lagged behind prior years. It is expected that 2015 will establish a new baseline for vehicles with normal growth resuming in 2016.

The recurring revenues generated from this property tax growth are approximately \$12.6 million. The increase is offset by the loss of one-time Tag and Tax revenues that will be collected in 2014 as a result of transitioning to the new program.

Sales Tax

Sales tax is the second largest revenue source. During the recession, the County lost more than \$50 million in sales tax revenue. After better than anticipated growth in 2014, the recommended budget will mark the first year that the sales tax estimate will exceed prerecession levels. Base sales tax growth over '14 projections is 5 percent.

After adjusting for an increased estimate for Medicaid Hold Harmless, the total sales tax revenue is \$147.9 million.



Sales Tax Growth (in millions)

Other General Fund Revenues

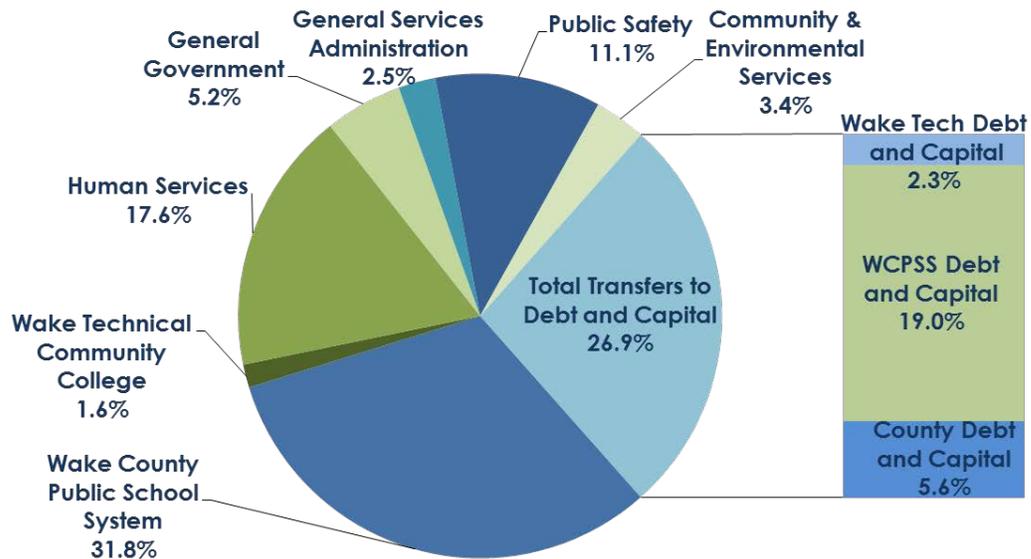
All other revenues total \$176.6 million and are projected to grow by \$8.4 million.

EDUCATION

Education represents the largest category of the County budget. Including direct operating support and funding for debt and capital, the School System and Wake Tech represent 54.7 percent of the recommended budget. Appropriately, Education is a key board focus area with the goal being to *“Support an educated and skilled community through responsible funding of the Wake County Public School System and Wake Technical Community College.”*



FY 2015 Recommended Budget



FY 2015 Budget by Use

Wake County Public School System

Funding of public education is a shared responsibility between the State of North Carolina and its counties. The State’s responsibility is school operating instructional expenses and the counties’ primary responsibilities are building, equipping and maintaining school facilities and supplementing State funding when consistent with fiscal policies and within financial resources.

This year, Superintendent Merrill requested a significant increase in the school appropriation to address operating program enhancements and a 3.5 percent pay increase for all School System employees. After considerable discussion with staff and stakeholders, I have chosen to contemplate these separately, since one is much more closely aligned to State funding.

In this regard, my recommended budget includes a 3.1 percent increase, or \$10.2 million for the Superintendent’s request, but does not recommend funding for the 3.5 percent across the board pay increase for all School System employees.

As we all know, the North Carolina Governor has proposed his budget that included more funding for teacher salaries and State employee compensation. This is appropriate as the State bears that fundamental responsibility. Once the State resolves this, we will be in a much better position to understand future funding and decide how much to fund our school salary supplements, which is already the second highest in the State at an average \$6,200 per teacher.

Great schools with great teachers and support staff are fundamental to a community’s quality of life. They are a critical part of the foundation of a solid economic plan. For these reasons, I am committed to working with the Superintendent to understand the impact of the State’s



FY 2015 Recommended Budget

actions and will continue evaluating options to increase teachers' salaries and student achievement.

Wake Technical Community College

Wake County also has a commitment to funding our Community College. The growth at Wake Tech is critical to the educational development of Wake County citizens as they strive to enter into and advance within the workforce. The College educates nearly 70,000 students per year for both full-time enrollment and continuing education. Wake Tech serves as a vital instrument for economic growth and job creation within the county.

The '15 operating budget includes an increase of \$287,000 based on the 1.77 percent property tax growth. These dollars will be used to support the opening of new facilities which includes funding of start-up costs for educational positions at the new Vernon Malone College and Career Academy.

Malone College and Career Academy

As a new member of the Wake County team, I was thrilled to learn of the significant partnership between Wake Tech, the School System and the County in constructing and developing programming for the Vernon Malone College and Career Academy. Much work and collaboration has gone into a fall 2014 opening, and I am pleased Wake County is one of the three organizations supporting an educational program that can direct high school and Wake Tech students towards high demand jobs. Partnerships like this are clearly our future.

COMMUNITY HEALTH AND VITALITY

The third focus area for the Board of Commissioners is Community Health and Vitality. The goal in this focus area is short, but complex, *"Promote and protect the public health of the community."*

A number of departments provide services that promote and protect the health of our community. Investments in these areas have been included in this budget.

Environmental Health inspectors work to ensure that restaurants and food vendors are safe and inspected regularly and that our hotels, childcare facilities and nursing homes meet sanitation guidelines. The investment of \$140,000 for additional health inspectors is recommended as a result of growth in the number of inspected facilities, an increase of 12.5 percent since 2008, as well as an increase in the complexity of inspection rules.

The County also serves the community in promoting the public health and welfare of vulnerable populations through programs in the Human Services Department. This budget includes an additional \$660,000 for maintaining core services and priority initiatives; including:



FY 2015 Recommended Budget

- the addition of six child protective service workers;
- increased capacity for managing adult guardianship cases; and
- program enhancement to reduce the prevalence of sexually transmitted diseases, in support of the Healthiest Capital County goal.

We will also be adding 10 new school health nurses to provide essential health services in underserved areas which represent an additional investment of \$600,000 in the schools. These nurses are funded in the County's operating budget, but will increase the number of school nurses working with students with acute needs. This program expansion also helps in our efforts to become the Healthiest Capital County.

COMMUNITY PARTNERSHIPS AND ECONOMIC DEVELOPMENT

Your next focus area is Community Partnerships and Economic Development. The goal in this area is to, *" Increase collaboration among community partners and units of government to develop long range plans for land use, economic development, infrastructure and environmental programs to improve the prosperity, health and diversity of the community. We plan to develop and implement ongoing, long range planning initiatives to enhance the quality of life."*

Open Space

An objective in this goal area is to continue implementation of the Open Space program to maximize opportunities for public access and identify greenway partnerships. At the Boards' October 2013 work session, staff presented a proposal for providing public access to three Open Space properties for low impact use. Over the next few months, you will be asked to approve the schematic designs for the properties and their specific public uses:

- Turnipseed for trail hiking,
- Robertson's Mill Pond for canoeing and kayaking, and
- the Procter Property for horseback riding.

To provide this access and to continue to be good stewards of open space, one position and temporary staffing is included in this budget at a first year cost of \$50,000.

PUBLIC SAFETY

The next focus area is Public Safety with the goal to, *"Provide a safe and secure community through coordinated efficient and effective, professional, public safety services."*



FY 2015 Recommended Budget

The Fire Services Department, Sheriff's Office, Emergency Medical Services (EMS) and our public safety communications infrastructure have a direct impact on the safety of our residents. A large portion of the expansions in the FY 15 budget are in the area of public safety.

EMS

The Wake County EMS System is known for prompt, compassionate and excellent care. This recommended budget provides an additional \$950,000 to the EMS System to support this work.

EMS services are delivered in Wake County by staff at Wake EMS and three contract agencies: Apex, Eastern Wake and Cary EMS.

Increases in EMS call volume, require equipment and staff to keep pace with the demands of providing services in a growing county. Addressing this need requires a new peak-load unit in Western Cary to operate during the busiest times of day and the conversion of two 24-hour shifts to 12-hour shifts. The conversion will add four additional positions to Wake EMS. A new supervisor district including four new supervisors will also be created to ensure quality services.

EMS will replace equipment for a mobile simulation training program. This highly effective program allows for more dynamic training exercises in the field which enhance the skills of our responders.

Contract agencies will receive funding for new emergency response personnel and replacement vehicles in '15.

Fire Services

The Fire Services' budget will increase by \$200,000 with the addition of two new positions to support the Fire Commission and the 19 municipal and not-for-profit departments providing services within the Fire Tax District. Enhanced County staff support to the Fire Commission is important to promote sustainability of the Fire Tax District as the Commission pursues long-term cost control measures that address challenges identified in their Long Range Business Plan. These positions represent a responsible investment in the County's goals of sound fiscal management and strategic resource allocation.

CCBI

From safety, we turn to law enforcement. This year, twelve dedicated DWI law enforcement officers have been added in our community. The City-County Bureau of Investigation (CCBI) is experiencing increased workload in their blood and alcohol analysis lab as a result of these new dedicated officers. To handle the volume, CCBI will receive analysis equipment and two chemists which will help them to process cases in a timely manner.



FY 2015 Recommended Budget

Sheriff

The past two years have been extremely busy for the Sheriff's Office with the opening of the Hammond Road Detention Center and the Justice Center. The request from the Sheriff this year supports the fine-tuning of operations. Included in the overall \$947,000 increase are:

- \$500,000 in additional funding for hospitalization and safekeeping of inmates in State facilities, as well as additional food costs for the inmate population.
- An additional courthouse deputy is requested due to the expanded courtrooms utilized by the 10th Judicial District; and
- Two positions and increased operational funds are added to support critical technology infrastructure, which is the primary source that enables officers to find records and conduct investigations in the field.

Public Safety Support

The '15 budget recommends a high priority CAD Administrator position within the Information Services Department to prepare for the replacement of the current CAD system, which supports the Raleigh-Wake Communications Center and law enforcement, fire and (EMS) responders across the County. The current CAD will no longer be supported by Motorola beyond 2018, and the County portion of the replacement cost is included in the 2015 to 2021 Capital Improvement Program. Once CAD implementation is complete in 2018, the position will continue to serve as the technical liaison between Wake County public safety agencies and the Raleigh-Wake Communications Center. This position will play a leadership role in future CAD-related projects designed to improve County public safety service, and maximize the return on this significant investment.

EFFECTIVE AND EFFICIENT GOVERNMENT OPERATIONS

The Board of Commissioners focus areas are all encompassing. The next one is Effective and Efficient Government Operations with the goal, *"Support management initiatives to continually improve the quality, responsiveness, efficiency and cost-effectiveness of county services."*

Development Related Activities

Let's begin with development related activities. Emerging from the recession has led to increased building in both the commercial and residential sectors. In order to remain responsive to the development community and facilitate continued growth, five positions for inspections and permitting are included in the '15 budget for the Community Services Department.



FY 2015 Recommended Budget



With the increased development seen over the past two years, there has also been higher demand for septic permits. As a result, two positions are added in Environmental Services to increase capacity to review plans, issue permits and inspect these systems. This expansion of personnel will provide for timelier permit issuance as well as environmental protection.

Funding for these initiatives total \$425,000 in Environmental and Community Services.

NCFAST

For a number of months, the County has been working through the implementation of NC FAST. This has been a challenging implementation but progress has occurred. In February, the commitment was made to reduce backlog and to improve the utilization of the electronic case management program for clients in Food and Nutrition as well as Medicaid Services and 36 positions were added.

An additional \$2.5 million is included in the budget to maintain these positions and to provide more training and temporary staffing to assist Human Services. Our mission is to serve the people of Wake County, especially during this time of transition, and to make sure that we meet their needs, even when faced with technological challenges. In an effort to overcome these challenges, we have also strengthened our Customer Call Center with the addition of five Customer Service Representatives.

Revaluation

The '15 and '16 budgets will increase for the Revenue Department as they prepare for the upcoming Property Revaluation in 2016. Funding has been contributed annually over the past eight years towards the Revaluation Reserve, and this year's budget reflects use of \$1.5 million from that Reserve to conduct the process.



FY 2015 Recommended Budget

Pay and Benefits

In the few weeks that I have been here, one of the things I have been most impressed by is the caliber of our employees. Wake County is fortunate to have such fantastic people who have a passion for public service. Although we have significant competing needs, we have been able to provide for an average merit increase of 2.75 percent effective October 1.

The budget also includes an increase of \$750,000 in the employer cost of health insurance.

General Fund Summary

The items highlighted from the recommend budget are the areas with notable funding increases or where service enhancements are proposed. In summary, the total General Fund increases by almost \$80 million; eight percent from last year's adopted budget. We have added 54.5 positions to the General Fund to meet growth and workload demands, augment staff resources that will allow for operational efficiencies and maintain public safety service delivery levels.

With an overview of General Fund complete, I would like to briefly touch on a few of our other fund budgets.

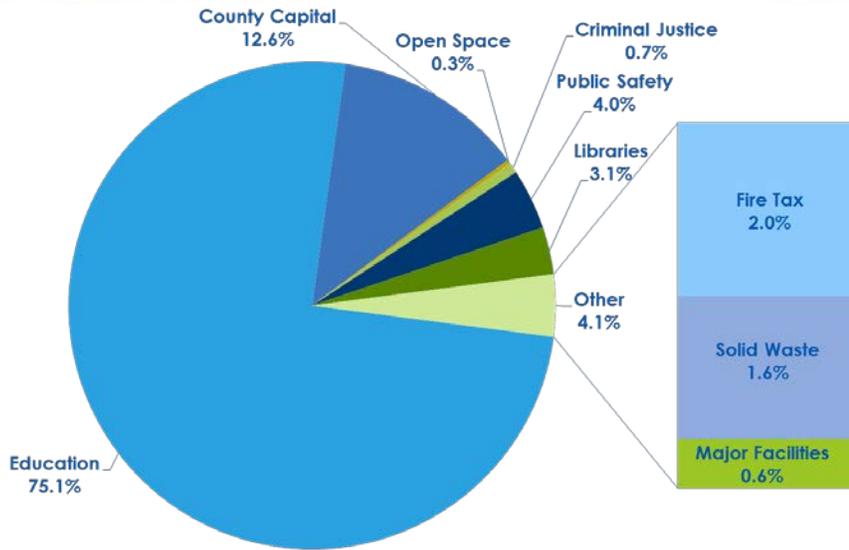
Revenue Category	FY 2014 Adopted	FY 2015 Recommended	Dollar Change	Percent Change
Transfers to Debt and Capital	232,443,000	286,531,000	54,088,000	23.3%
Wake County Public School System	327,496,020	337,676,400	10,180,380	3.1%
Pay and Benefits		5,050,000	5,050,000	-
Human Services	183,151,824	186,881,070	3,729,246	2.0%
Public Safety	115,327,092	117,873,859	2,546,767	2.2%
Revenue Department / Revaluation	7,309,892	8,692,480	1,382,588	18.9%
General Government	39,519,800	40,425,522	905,722	2.3%
General Services Administration	25,656,059	26,381,521	725,462	2.8%
Community & Environmental Services	35,705,375	36,545,148	839,773	2.4%
Wake Technical Community College	16,190,938	16,478,000	287,062	1.8%
Total Expenditures	982,800,000	1,062,535,000	79,735,000	8.1%
Property Tax Increase for Transfers		55,700,000	55,700,000	-
Expenditures Excluding Tax Increase	982,800,000	1,006,835,000	24,035,000	2.4%

Capital Improvement Plan

At your work session last Monday, we reviewed the recommended Capital Improvement Plan. The CIP is funded through a portion of the 19.9 cents of the property tax rate that will be dedicated to debt and capital. The \$1.4 billion seven-year CIP includes the \$983.4 million Wake County Public Schools CIP 2013, the \$210 million Wake Tech CIP 2012 and \$290 million for County projects. The County CIP allocates dollars for high priority items for public safety such as EMS Stations, 800 MHz and CAD upgrades. It also allows the County to maintain its investment in its buildings and technology infrastructure assets.



FY 2015 Recommended Budget



FY 2015-21 Capital Improvement Plan: \$1.4 Billion

Over the past week, we revisited one project that had been listed as a future horizon project: a new emergency operations center. That project is now being recommended for funding in fiscal years 2019 to 2021. Over the next year, we will continue to seek partners and fully evaluate all options.

Solid Waste

Now to our Solid Waste fund. At your April Work Session the Solid Waste Director presented the results of their comprehensive financial plan. The \$13.5 million recommended budget maintains the household disposal fee of \$20 to fund convenience centers, household hazardous waste disposal, environmental education programs and the county’s litter control program.

Wake County also administers the South Wake Landfill in partnership with 11 municipalities. The recommended budget maintains the tipping fees for South Wake Landfill at \$30 per ton. The fee at the East Wake Transfer Station is recommended to be increased by \$3 to a total fee of \$39 per ton. The necessity for an increase in the tipping fee has been thoroughly evaluated and vetted by both staff and our municipal partners.

Fire Tax

The Wake County Fire Tax District Budget is \$21 million and maintains the existing tax rate at e cents. This rate provides funding to 19 municipal and not-for-profit fire departments, as well as funding for Fire Debt and Capital. One of the goals of the Board of Commissioners and our citizen-led Fire Commission is long-term financial sustainability without relying on tax rate increases to fund fire services.



FY 2015 Recommended Budget

Staff will continue to work with several fire departments in evaluating potential consolidation opportunities, while also working to identify efficiencies across the Fire Services system. The recommended Fire Tax budget reflects that approved by the Fire Commission.

SUMMARY

In summary, the recommended budget of \$1 billion and \$63 million represents continued investments in education, human services and public safety. The '15 budget aligns with the Board of Commissioners' goals for the upcoming year and will keep Wake County on a path that supports growth and meets increased service needs. While this budget is not able to fund all requests—either from County departments or the school system—it invests additional resources in the Board of Commissioners' highest priority areas and funds the school building program that was approved by voters. The budget includes a request for an increased community investment of a 4.4 cents property tax increase in support of the \$983.8 million school building program, increasing the property tax rate to 57.8 cents.

I have prepared a recommended budget as a plan based on our best assumptions about the future. As always, we will continue to monitor action by the legislature that may impact the County or School System budget.

Finally, it is great to be in Wake County. The County continues to be recognized as one of the best places in the country to live, work and start and grow businesses, and we will continue to make responsible investments as a community that provide quality services to our residents and maintains and enhances quality of life.

NEXT STEPS

We always invite and encourage feedback and input on the budget. There are a number of ways in which citizens can be involved. Immediately following the conclusion of the budget presentation, the budget will be posted online at www.wakegov.com.

The public can visit WakeGov.com to learn about the budget process. People can also email comments to budget@wakegov.com or speak at one of the two public hearings.

The next step will be for you to hold the public hearings on Monday, June 2, 2014, at 2 p.m. here in the boardroom, and at 7 p.m. at the Wake County Commons. As in past years, you will hold a work session dedicated to the budget on Monday, June 9 at 9 a.m. And, on Monday, June 16, 2014, you will be asked to adopt the FY 2015 budget during your normally scheduled 2 p.m. business meeting.



FY 2015 Recommended Budget

Your manager and staff look forward to working with you on the adoption of fiscal year 2015 Budget.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "J K Hartmann".

Jim Hartmann
County Manager