

WAKE COUNTY RECOMMENDED BUDGET FY 2017

FY 2017 Budget Work Session
June 13, 2016
2:00 PM



Overview

- **FY 2017 Recommended Budget Overview**
- **WCPSS Building Program & FY 2017 – 2023 CIP Request**
- **Employee Pay Information**
- **Items of Clarification**
- **Public Hearing Feedback**
- **Issues/ Comments from Commissioners**
- **Next Steps**

**FY 2017
RECOMMENDED BUDGET
OVERVIEW**

Recommended FY 2017 General Fund Budget

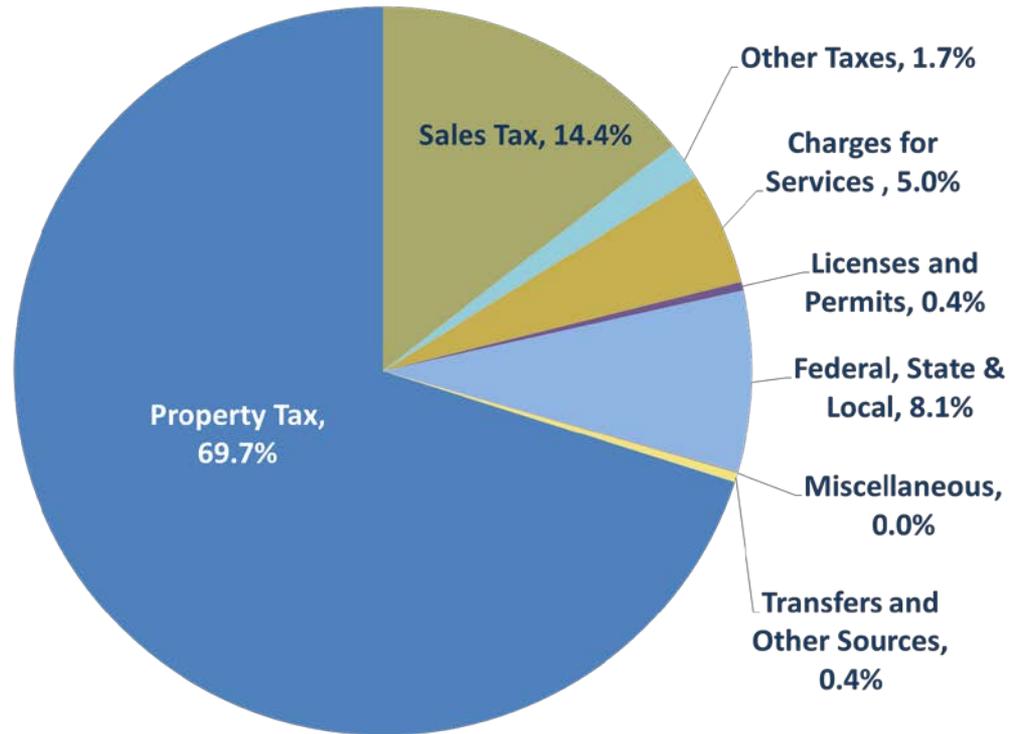
\$1,199,783,000

Recommended property tax rate -
60.05 cents

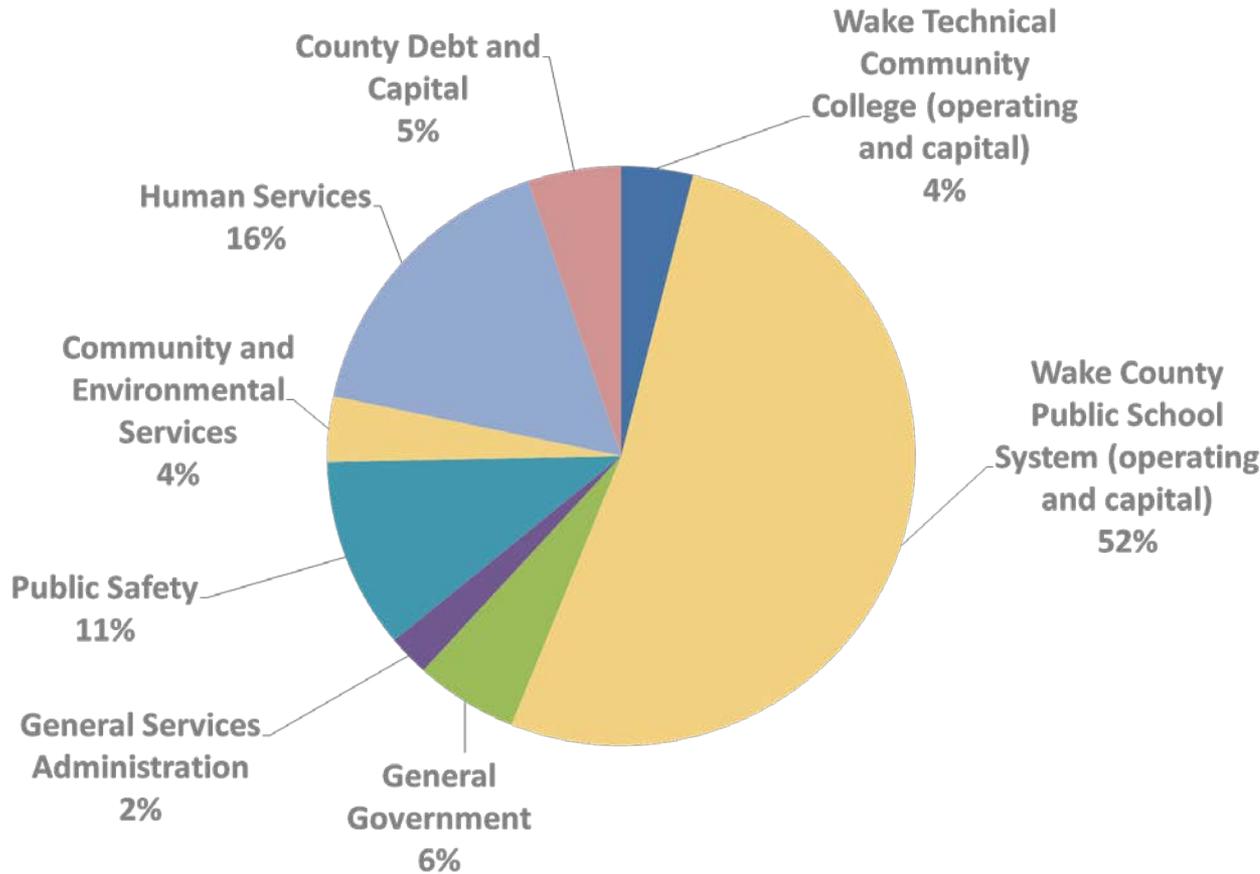
1.35 cent increase from the revenue-neutral rate of 58.7 cents

Revenues

Property and Sales Taxes make up 84% of the County General Fund revenue



Expenditures



44% (\$526.8 million) supports spending for County operations, debt service and capital

52% (\$625.9 million) supports WCPSS operating and capital

4% (\$47.2 million) support Wake Tech

Other Funds FY 2017 Appropriations

| <u>Fund</u> | <u>Primary Revenue Source(s)</u> | <u>FY17 Adopted</u> |
|--------------------------------------|---|---------------------|
| Debt Service | Transfers from property & sales taxes, Bond | \$280,790,000 |
| Housing and Community Revitalization | Intergovernmental - Federal | \$6,723,000 |
| Capital Area Workforce Development | Intergovernmental - Federal | \$5,197,000 |
| Fire Tax District | Property taxes | \$25,438,000 |
| Transportation | Grants, Medicaid, Fare Box | \$7,419,000 |
| Grants | Intergovernmental | \$2,539,924 |
| Major Facilities | Prepared food & occupancy taxes | \$51,842,000 |
| Solid Waste Operating | Charges for Services | \$14,777,000 |
| South Wake Landfill Partnership | Charges for Services | \$16,200,000 |
| Corporate Fleet | Charges for Services | \$8,439,000 |
| County Capital | Transfers from property taxes, bonds | \$51,013,000 |
| Education | Transfers from property taxes, bonds | \$120,750,574 |
| Fire Rescue | Property taxes, debt financing | \$6,444,000 |
| Major Facilities | Prepared food & occupancy tax transfers | \$1,158,000 |
| Solid Waste | Charge for Service transfers | \$3,149,000 |

WCPSS BUILDING PROGRAM & FY 2017 - 2023 CIP REQUEST

Overview

- Recap Since BOC Work May Work Session on Debt and Capital
- FY 2017 – 2023 WCPSS CIP Request
- CIP 2013
- WCPSS 2017 – 2023 and County Debt Capacity
- FY 2017 Capital Budget Ordinance and Appropriation for WCPSS
- Next Steps

WCPSS CIP FY 2017 – FY 2023 Request (Attachment 1)

- Adopted by Board of Education May 31, 2016
- Seven year CIP is intended to be updated annually, similar to County's seven year CIP.
 - First year is funded (contingent upon acquisition of debt)
 - Years 2-7 are planned but to be updated based on revised assumptions, project timelines, etc.
 - Items not included are considered "horizon"
- "Board of Commissioners has various options in how to provide funds...and also has various options for the timing of such actions to meet appropriations"

WCPSS CIP FY 2017 – 2023 Projects

(Attachment 2)

- 14 New Schools (\$703.2 M + \$12.95 M in CIP 2013)
 - 10 Elementary, 2 Middle, 2 High
 - Locations of Schools Opening Beyond 2020 Not Identified
- 11 Renovations (\$569.8 M + \$30.5 M in CIP 2013)
- Other Items: Life Cycle Improvements, Furniture and Equipment, Land Acquisition, SNAP (Space Needs Analysis and Prioritization), Technology, Mobiles, Program Management, Contingency (\$708.5 M)

WCPSS Combined Building Programs (FY 2017 – FY 2023)

- \$176 million remains for CIP 2013
- FY 2017 – 2023 CIP totals \$1.98 B
- Total 7 Years for WCPSS equals \$2.16 B

| | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | TOTAL |
|-------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| New Schools | \$ 44 M | \$145 M | \$72 M | \$ 49 M | \$ 146 M | \$ 137 M | \$ 110 M | \$ 703 M |
| Major Renovations | \$ 83 M | \$ 72 M | \$ 157 M | \$ 149 M | \$ 35 M | \$ 53 M | \$ 21 M | \$ 570 M |
| Other | \$ 0.5 M | \$52 M | \$100 M | \$129 M | \$150 M | \$137 M | \$141 M | \$709 M |
| Total WCPSS 2017 - 2023 | \$127 M | \$270 M | \$329 M | \$326 M | \$332 M | \$326 M | \$271 M | \$1.98 B |
| CIP 2013 | \$176 M | | | | | | | \$176 M |
| Total WCPSS Capital Programs | \$303 M | \$270 M | \$329 M | \$326 M | \$332 M | \$326 M | \$271 M | \$2.16 B |

Remaining CIP 2013 Appropriations

| Projects | Future Appropriations | | |
|--|-----------------------|-----------------------|--|
| | Summer 2016 | Spring 2017 | Notes |
| New Schools Projects | | | |
| E-28 New Elementary: Poole Road | | 23,390,708 | Will be reallocated because E-28 is planned as part of FY 2017 - FY 2023 CIP |
| E-45 Elementary | | 2,000,000 | |
| M-11 Large Middle: Apex (2018) - Site Acquired | 45,787,762 | | |
| Vandora Springs Elem (2017) | | 2,000,000 | |
| Renovations | | | |
| Stough Elem (2018) | | 2,435,856 | |
| East Wake Middle (2018) | | 4,185,349 | |
| Apex High (2019) | | 5,085,445 | |
| Other Projects | | | |
| Life Cycle Replacements | | 34,181,360 | |
| Environmental and ADA | | 1,991,122 | |
| Assessment of Facilities | | 400,006 | |
| Life Cycle Furniture Replacements | | 581,868 | |
| Mobile Classroom Relocation | | 13,083,159 | |
| Educational Equipment Replacements | | 704,175 | |
| Technology-Infrastructure | | 15,021,664 | |
| Startup Designs | 9,800,000 | 5,277,677 | |
| Program Contingency | | 252,931 | |
| Program Management | | 9,661,852 | |
| TOTAL | \$ 55,587,762 | \$ 120,253,172 | |

County's Debt Capacity

| | <i>LOBs for WCPSS and Wake Tech</i> | | <i>Referenda #1 (May 18 Ballot/Primary)</i> | | <i>Referenda #2 (May 20 Ballot/Primary)</i> | | <i>Referenda #43 (May 22 Ballot/Primary)</i> | | <i>Referenda #4 (May 24 Ballot/Primary)</i> | |
|---|-------------------------------------|---------|---|---------|---|---------|--|---------|---|---------|
| Year of Debt Issue | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 |
| WCPSS | ↕ | ↕ | TBD | TBD | TBD | TBD | | | | |
| Wake Tech | | | ↕ | ↕ | ↕ | ↕ | | | | |
| Future Needs | \$165 M | \$280 M | \$485 M | \$480 M | \$485 M | \$480 M | \$480 M | \$480 M | \$480 M | TBD |
| Tax Increase for Debt and Capital (Cents) Adopted | Jun-16 | Jun-17 | Jun-18 | Jun-19 | Jun-20 | Jun-21 | Jun-22 | Jun-23 | Jun-24 | Jun-25 |
| | | | 3.75 <small>Tax Increase for Future Capacity</small> | | | | | | | |
| Debt to Assessed Value | 1.54% | 1.57% | 1.57% | 1.62% | 1.58% | 1.63% | 1.67% | 1.69% | 1.58% | TBD |
| Operating Funds Fund Balance | 32.2% | 31.8% | 30.4% | 31.7% | 33.4% | 33.7% | 33.1% | 31.7% | 30.1% | TBD |

WCPSS CIP FY 2017 – FY 2023 Request and County's Debt Capacity

| | FY 2017 | FY 2018* | FY 2019** | FY 2020 | FY 2021 | FY 2022 | FY 2023 | TOTAL |
|---|---------|----------|-----------|---------|---------|---------|---------|------------|
| WCPSS | \$127 M | \$270 M | \$329 M | \$326 M | \$332 M | \$326 M | \$272 M | \$1.9814 B |
| WTCC | \$38 M* | TBD | TBD | TBD | TBD | TBD | TBD | TBD |
| Parks/ Open Space | ? | ? | ? | ? | ? | ? | ? | ? |
| Libraries | ? | ? | ? | ? | ? | ? | ? | ? |
| Other | ? | ? | ? | ? | ? | ? | ? | ? |
| Total to Date | \$165 M | \$280 M | \$329 M | \$326 M | \$332 M | \$326 M | \$272 M | TBD |
| Max Capacity | \$165 M | \$280 M | \$485 M | \$480 M | \$485 M | \$480 M | \$480 M | \$2.855 B |
| Difference | \$0 M | \$10 M | \$156 M | \$154 M | \$153 M | \$154 M | \$208 M | \$834 M |
| * FY 2017 Preliminary; FY 2018 to be updated per annual update of CIP. | | | | | | | | |
| **Beginning in 2019, impact of 3.75 cents tax increase to fund max capacity. Tax Rate for WCPSS FY 2017 - 2023 CIP is 2.30 cents of 3.75 cents. | | | | | | | | |

- FY 2017 & FY 2018 funded within existing capacity with LOBs
- FY 2019 and beyond funded with GOs and tax increase needed to fund program above County's existing capacity

WCPSS FY 2017 Projects in FY 2017 - 2023 CIP

| Projects | Amount | Notes |
|------------------------------------|--------------------|--------------------------|
| H-13 New High (Lg) (Fuquay-Varina) | \$ 44,000,000 | <i>Partial Contracts</i> |
| Apex High Renovation | 46,000,000 | <i>Partial Contracts</i> |
| Vandora Springs | 33,679,411 | |
| East Wake Middle | 1,000,000 | |
| Fuquay-Varina High | 2,000,000 | |
| Public Infrastructure | 555,000 | |
| | 127,234,411 | |

WCPSS FY 2017 – 2023 CIP in Adopted Budget Book (Attachment 3)

- WCPSS capital projects are appropriated by project per GS 115C-429
 - Appropriated through separate action by Board of Commissioners at regular board meetings
- Projects that are debt funded are not appropriated until debt is secured (libraries, fire trucks, WCPSS)
- Projects for which debt has been authorized are shown in budget book
- Funds are identified in capital projects ordinance to demonstrate intent of action during fiscal year

FY 2017 CIP Ordinance (Attachment 4)

Section 6: WCPSS CAPITAL. (A) REVENUES. It is estimated that the following revenues will be available in the Wake County Public Schools Capital Projects Fund for the fiscal year beginning July 1, 2016:

| | |
|---|---------------------|
| Transfer from the General Fund | \$22,946,000 |
| Pooled Investments | <u>888,574</u> |
| TOTAL WAKE COUNTY PUBLIC SCHOOLS CAPITAL PROJECTS FUND | \$23,834,574 |

Section 6(B): EXPENDITURES. The following amount is appropriated to the Wake County Public Schools Capital Projects Fund for the fiscal year beginning July 1, 2016:

| | | |
|---|------------------------------------|---------------------|
| ELEMENT: | Wake County Public School System | |
| PROGRAM: | CIP 2013 | \$22,946,000 |
| PROGRAM: | WCPSS Administrative Lease Reserve | |
| PROJECT: | Transfer to General Fund | <u>888,574</u> |
| TOTAL WAKE COUNTY PUBLIC SCHOOLS CAPITAL PROJECTS FUND | | \$23,834,574 |

Section 7: It is estimated that \$95,416,000 will be available for final CIP 2013 appropriations for the Wake County Public School System after the authorization of general obligation bonds bond anticipation notes in FY 2017. Specific appropriations for projects will be made after authorization of the notes.

FY 2017 CIP Ordinance Continued

Section 8: It is estimated that \$127,234,000 will be available to fund additional projects for the Wake County Public School System after the authorization of limited obligation bonds bond anticipation notes in FY 2017. Specific appropriations for projects will be made after the authorization of the notes.

Section 9: The Board of Commissioners supports the Board of Education’s creation of a capital improvement program, which includes the purchase of land, construction of new schools, expansion and improvements to existing schools, and repairs to existing schools. The Board of Commissioners has various options in how to provide funds to provide the additional amounts requested and will use appropriate financing structures of funding the annual appropriations as updated during each fiscal year’s capital budget development. The FY 2017 – 2023 WCPSS CIP is as follows:

| | New Schools | Major Renovations | Other | Total |
|--------------|-----------------------|-----------------------|-----------------------|-------------------------|
| FY 2017 | \$ 44,000,000 | \$ 82,679,411 | \$ 555,000 | \$ 127,234,411 |
| FY 2018 | 145,043,547 | 72,445,646 | 52,300,970 | 269,790,163 |
| FY 2019 | 71,889,883 | 156,646,863 | 100,065,879 | 328,602,626 |
| FY 2020 | 48,960,317 | 148,743,738 | 128,514,997 | 326,219,052 |
| FY 2021 | 146,595,105 | 35,415,078 | 149,725,685 | 331,735,868 |
| FY 2022 | 136,841,786 | 53,000,000 | 136,563,579 | 326,405,365 |
| FY 2023 | 109,894,208 | 20,807,110 | 140,779,009 | 271,480,326 |
| TOTAL | \$ 703,224,846 | \$ 569,737,846 | \$ 708,505,120 | \$ 1,981,467,812 |

Next Steps

| | WCPSS CIP 2013 | FY 2017 - 2023 WCPSS CIP |
|--------------|---|--|
| June 2016 | \$22.9 Million in CIP Ordinance Transferred from General Fund | |
| Summer 2016 | Appropriate \$55.8 Million of CIP 2013 Projects | |
| Jan/Feb 2017 | \$95 Million GO Notes Authorized | \$127 Million of LOB Notes Authorized |
| March 2017 | Appropriate Remaining CIP 2013 Projects | Appropriate \$127 Million of FY 2017 CIP Projects |
| April 2017 | | Finalize update of WCPSS CIP for FY 2018 - FY 2024 |

Questions?

EMPLOYEE PAY INFORMATION

Overview of Pay Structure

Pay Philosophy

- Market based – pay ranges bench marked against local governments and private sector
 - 28 Public Organizations surveyed/21 responded (75% participation)
 - Private Data: Compdata Surveys/Southeastern Region
- Approximately 1/3 of job classifications reviewed annually
 - 123 studied in 2016 (40%)

Pay Structure

- 303 Job Classes
- 4000 employees

Results of Market Study

- 62 positions under our midpoint or market before Band
Changes with percentages below market ranging from 0.1% to 30.1%

FLSA Changes Implemented by Feds *(Fair Labor Standards Act)*

FLSA Overtime Rule change to raise the minimum salary threshold for exemption to overtime – going from \$23,660 to \$47,476
(was preliminarily expected to be \$50,440 at time pay structure was being reviewed)

Impacts Exempt Bands 26, 27, 28 & 29 as the minimums are below the new FLSA salary

Living Wage

- First implemented December 1st 2015, a minimum of \$28,080 (\$13.50 per hour) for Bands 3 & 4
- Created salary compression for entry-level bands (*more about compression later.....*)
- Re-evaluate Living Wage Annually
- Universal Living Wage Calculator indicated Living Wage should increase
- New Living Wage will be \$29,640 (\$14.25 per hour)

Compression

....is created when pay bands structures are increased to reflect market conditions

- Salaries are adjusted for the employees whose salaries fall below the minimum of the new scale, but other employees in the band are not adjusted

Non-exempt pay bands are increasing approximately 10% with the structure change, therefore, propose to increase the pay of employees within the band where compression has been created

Impact of Changes

- **FLSA:** 423 employees; Impact - \$43,000
- **Living Wage:** 457 employees; Impact - \$155,000
- **Band Structure Changes and Labor Market Adjustments:** 726 employees; Impact \$1 million
- **Compression:** Employees impacted to be determined; Dollars reserved \$2 million

Goals of Recommended Changes

- Increase minimum and midpoints of all bands making Wake County's salaries more competitive
- Reduce turnover in many of our entry-level classes (especially Band 5)
- Extend maximum rates allowing more room for growth and retention of subject matter experts/long-term employees

ITEMS OF CLARIFICATION

General Fund – Technical Changes

| | <u>FTE</u> <u>Change</u> | <u>Expenditures</u> | <u>Revenues</u> |
|--|-----------------------------|------------------------|------------------------|
| General Fund - Recommended | | \$1,199,783,000 | \$1,199,783,000 |
| Human Services: NCDHHS Family Support Program | 1.00 | \$100,000 | \$100,000 |
| Human Services: Emergency Shelter Grant at S. Wilmington St. | | \$138,000 | \$138,000 |
| Total Changes | | \$238,000 | \$238,000 |
| General Fund - Adopted | | \$1,200,021,000 | \$1,200,021,000 |
| | | | |
| Housing and Community Revitalization Fund - Recommended | | \$6,589,000 | \$6,589,000 |
| Adjustments in Final Allocation | | \$134,000 | \$134,000 |
| Housing and Community Revitalization Fund - Adopted | | \$6,723,000 | \$6,723,000 |
| | | | |
| Grants and Donations Fund - Recommended | | \$2,497,232 | \$2,497,232 |
| Human Services: UNC Grant for Expanded HIV Testing Program | 2.00 | \$42,692 | \$42,692 |
| Grants and Donations Fund - Adopted | | \$2,539,924 | \$2,539,924 |

Universal School Breakfast Program

| FY | Budget | Revised Estimate | Change | Reason |
|------|-----------|------------------|----------|---|
| 2016 | \$90,000 | \$155,000 | \$65,000 | Increased participation |
| 2017 | \$130,000 | \$193,000 | \$63,000 | Increased participation and cost of meals |

School Breakfast participation has increased by **9.6%** from last year

3,700 students have been served during FY 2016 to date; this is an increase of **23%** from last year

There has been a **21%** increase in “paid lunch” students and a **4.5%** and **5.1%** increase in the free and reduced category, respectively

Overview of ABC Fund Balance

| | | |
|--|--------------------|--|
| ABC Funds Available at 6/30/2016 | \$9,400,000 | |
| DWI Equipment Replacement Upgrade (CCBI) Automated sample preparation and blood substance identification equipment to identify more varied drugs, enable more timely prosecution of cases, and increased public safety | \$830,000 | FY17 Transfer to County Capital |
| Drug Treatment Court (HS) Provide County funding to allow the program to continue to assist individuals with substance abuse treatment and mental health services | \$304,000 | FY17 Transfer to Grants Fund |
| Earmarked for Oak City Center | \$4,000,000 | Future Appropriation |
| Remaining ABC Fund Balance | \$4,266,000 | Unassigned |

PUBLIC HEARING FEEDBACK

Public Comment Topics

- **External Public Agencies**
- **Board of Elections**
- **Employee Pay**
- **Support for the Recommended Budget**
- **WCPSS Operating Request**
- **Mental Health**

External Agency Funding

Operating Fund

| | FY16 Adopted | FY17 Rec'd | FY16 to FY17 | % Change |
|------------------------------------|--------------------|--------------------|------------------|------------|
| North Carolina Symphony | \$80,000 | \$100,000 | \$20,000 | 25% |
| United Arts Council of Wake County | \$345,000 | \$411,364 | \$66,364 | 19% |
| East Wake Education Foundation | \$45,000 | \$50,000 | \$5,000 | 11% |
| Communities In Schools | \$65,000 | \$65,000 | \$0 | 0% |
| Healing Transitions | \$600,000 | \$600,000 | \$0 | 0% |
| Marbles Kids Museum | \$650,000 | \$650,000 | \$0 | 0% |
| Wake County Smart Start | \$325,728 | \$488,592 | \$162,864 | 50% |
| Universal School Breakfast Program | \$90,000 | \$130,000 | \$40,000 | 44% |
| Interfaith Food Shuttle | \$0 | \$20,000 | \$20,000 | |
| Total | \$2,200,728 | \$2,514,956 | \$314,228 | 14% |

Capital Fund

Food Bank of Central & Eastern NC - \$500,000 to go towards renovation of a recently purchased larger facility on Capital Blvd which will allow distribution of 14 million more meals across their 34 county service area.

Dorcas Ministries - \$50,000 add to the organization's \$100,000 investment to establish a clinic for low to moderate income residents in the Cary/Morrisville region.

Board of Elections

| | <u>FY16</u> | <u>FY17</u> |
|-------------------|-----------------|-----------------|
| Base Budget: | \$3.15 M | \$3.17 M |
| Expansion Budget: | <u>\$2.64 M</u> | <u>\$2.02 M</u> |
| Total: | \$5.79 M | \$5.19 M |

BASE:

- >> Department Staffing & Operating
- >> One county-wide General Election

EXPANSION:

- >> 2016 Presidential Preference Primary
- >> 2015 Oct. and Nov. Municipal Elections
- >> Feb. and May 2016 Primary Early Voting
- >> Additional Voting Precincts (3) Cary 27519

BASE:

- >> Department Staffing & Operating
- >> One county-wide General Election

EXPANSION:

- >> Additional Presidential Election Funding
- >> Early Voting for the Presidential Election
- >> Additional Voting Precincts (2) TBD

- All Board of Elections requests for base and expansion budgets recommended for FY17
- County CIP includes funding for replacement of voting machine equipment in FY18/19
- Requests for changes must be directed to the WC Board of Elections for their approval

ISSUES / COMMENTS FROM COMMISSIONERS

Next Steps

- **Incorporate any consensus changes from today's work session into the budget**
- **Place all ordinances on the June 20 Regular Meeting agenda for consideration of adoption**

ATTACHMENTS

- 1. Board of Education Resolution Requesting Funding for FY 2017-23 Capital Improvement Plan**
- 2. WCPSS CIP FY 2017-23**
- 3. FY 2017 Budget Book Page for WCPSS CIP FY 2017-23**
- 4. CIP Project Ordinance FY 2017**