

WAKE COUNTY RECOMMENDED BUDGET FY 2017

Monday, May 16, 2016

Wake County Board of Commissioners:

I am pleased to share with you today my Fiscal Year 2017 Recommended Budget. As you will see throughout this memorandum, the biggest factor driving our needs in Wake County is growth.

More than one-million people now call Wake County home. The latest data from the U.S. Census Bureau show we are the second fastest growing county of more than one-million people in the nation.

On average, we grow by 64 people a day. Demographers project that Wake County will continue growing by 250,000 people – about the population of Durham – each decade.

10 Fastest Growing Counties with >1,000,000 Residents, July 1, 2015

County growth rate, 2010-2015



Growth is creating new challenges for us, as we try to maintain the great quality of life that is drawing so many people here. We focused on addressing those challenges in the Fiscal Year 2017 Recommended Budget.

We also focused on the Wake County Board of Commissioners' goals as we built this budget. The board told us to use the goals to guide the decisions we made as we worked through the budget process, and that is exactly what we did.

THE BUDGET BIG PICTURE

This year is different than the past eight years, because we conducted a countywide reappraisal, which updated real property values. After a reappraisal occurs, counties are required to identify the revenue neutral property tax rate, which is the rate that would generate the same amount of revenue as the previous year.

Our current tax rate is 61.45 cents. The revenue neutral tax rate for FY2017 is 58.7 cents. The difference between the two is 2.75 cents. At the 58.7-cent tax rate, our starting point for revenues from all sources – including property and sales taxes, fees, and federal and state funding – was \$1.18 billion.

\$1.18 billion
Available Revenue at
Revenue Neutral Tax Rate

MAKING DECISIONS: IT STARTS WITH THE BASE

We began the process to decide how to spend that funding by closely examining our base budget. We looked for areas where we could save money by streamlining our processes or better utilizing existing resources. We made sure any one-time expenses from FY2016 did not carry over into FY2017. Conversely, we verified that new items added to the budget part of the way through FY2016 were fully funded in FY2017. In addition, we ensured that commitments critical to the core operations of the county – like funding debt service – were fully accounted for to protect our AAA-AAA bond rating.

We also noted what I call “the rising cost of the status quo.” Essentially, that means the cost of doing business is increasing, and we have to account for that.

MAKING DECISIONS: REVENUE VERSUS REQUESTS

After considering all those factors, we arrived at a base budget of \$1.15 billion.

We then subtracted the base budget amount from the \$1.18 billion in available revenue and arrived at a difference of nearly \$30 million. That is how much funding we had leftover to invest in new budget requests.

This year, our county departments, external partners and the education sector submitted 113 expansion requests, totaling \$68 million, which is more than double the amount of available revenue.

\$30 million available to
fund new budget requests of **\$68 million**

They came from: County departments
External partners
Education sector

Clearly, we do not have enough existing funding to meet all of our needs. That is our reality. Therefore, we had to make tough choices as we weighed how to most effectively spend our limited dollars.

MAKING DECISIONS: FY2017 RECOMMENDED BUDGET

After months of work and analysis, I present to you today a recommended General Fund operating budget of \$1,199,783,000, which we round to \$1.2 billion. It requires a 1.35-cent property tax increase for a total proposed tax rate of 60.05 cents.

As good stewards of your tax dollars, we closely evaluated all the requests submitted for new or additional funding. During that process, I looked at a number of factors, including how we can take better responsibility for those in our care and custody; positively impact vulnerabilities in our community; recruit and retain an excellent workforce; maintain our high quality of life and build capacity to address continuing growth. All of them played into our decision-making process.

General Fund Operating Budget

\$1,199,783,000

Includes a 1.35-cent property tax rate increase
for a total proposed tax rate of 60.05 cents

FOCUS AREA: OUR COMMITMENTS

The first area we focused on was the obvious “must dos.” These requests were non-negotiable. They were contracts and commitments we have to make good on. They include \$2 million for the Board of Elections to hold the presidential election in November; \$566,000 to staff and operate the new Middle Creek Library, which is under construction now and scheduled to open in January 2017; and an additional \$137,000 for compliance with state-mandated programs such as NCFASST.

With those items taken into account, we moved forward with the remaining requests. We worked carefully to use the commissioners’ goals as a guide to ensure we funded needs in areas where they want to see positive impacts and outcomes occur.

FOCUS AREA: CARE AND CUSTODY OF OTHERS

The next focus area we considered when reviewing budget expansion requests was how we take responsibility for those in the care and custody of the county. These are the children under our guardianship, at-risk adults and the people in our jails. They are an important yet vulnerable segment of our population. We have to keep in mind that as our county grows, these populations also grow. That is why we have to provide the right level of staffing and services to support their critical needs.

MAKING DECISIONS: CHILD WELFARE

Over the past 5 years, our Child Welfare Division has seen the number of children in foster care increase 36 percent from 546 to 734; the number of Child Protective Services assessments jump 12 percent from 5,219 to 5,817; and the number of adoptive families who receive financial assistance for their adopted children increase 5 percent from 1,040 to 1,090.

We cannot serve them well and meet state guidelines unless we increase our staffing to address the rising demand.

In this budget, we recommend adding 13 positions to our Child Welfare Division at a net cost of \$662,000. These new positions are essential to enhancing the safety of the youth currently in our care and those we are monitoring.

Why are more Child Welfare case workers and supervisors needed?

| ISSUE | 2010 | 2015 | INCREASE |
|--|----------------|----------------|----------|
| Number of children in foster care | 546 children | 734 children | 36% |
| Reports accepted for CPS assessment | 5,219 reports | 5,817 reports | 12% |
| Adoptive families receiving assistance | 1,043 families | 1,090 families | 5% |

MAKING DECISIONS: ADULT WELFARE

We are seeing the same scenario play out in the adult guardianship arena. The number of vulnerable people we assist with affordable housing and other needs has increased by 74 percent over the past five years.

With a \$757,000 investment, we can increase our funding to community partners who provide capacity through contracted services, and we can add five new positions within Human Services to reduce the average case load. That will enable staff to spend more time on each case and provide better service to each client.

74%

The increase in the number of adults in our guardianship since 2010

MAKING DECISIONS: BEHAVIORAL HEALTH OF INMATES

The Wake County Detention Center houses one of the largest concentrations of people with mental health and substance abuse issues in North Carolina.

In this budget, we are working to decrease the number of mentally ill people in the jail, while improving care for those who need to be there and enhancing discharge planning to reduce recidivism.

Therefore, we recommend investing \$500,000 to enhance the continuum of care at our detention facilities from the point of admission to the time of discharge. All residential inmates will be assessed early in the process to identify behavioral health needs. Clinical services will be increased to provide treatment to more individuals in need, and discharge planning will begin at the point of entry to increase the likelihood of success when inmates leave the jail.

Wake County Detention Center



We also propose increasing the funding for jail psychiatric and medical services by \$263,000 to more closely align with the actual demands experienced in recent years.

MAKING DECISIONS: MEDICAL AND DETOX UNITS STAFFING

Staffing is also a concern for Wake County Sheriff Donnie Harrison. He needs more medical detention officers to man the medical and detox units in the jail. With more staff, he can provide even better oversight to inmates who have physical or behavioral health issues.

We see the health and risk management benefits of this request. We have included nearly \$600,000 in the budget to hire 12 new officers to enhance the medical supervision and guidance these inmates need.

MAKING DECISIONS: JAIL RELIEF STAFFING

Another need within the jail is for more relief staffing. When detention officers are off work or a position is vacant, someone has to fill in for them. Right now, that is challenging, because there are not enough full-time employees to cover the absences and vacancies without accruing substantial overtime.

Adding 22 new positions at a cost of \$945,000 will provide the coverage needed to ensure the health and safety of the inmates and detention officers while reducing the high cost of paying staff to work overtime.

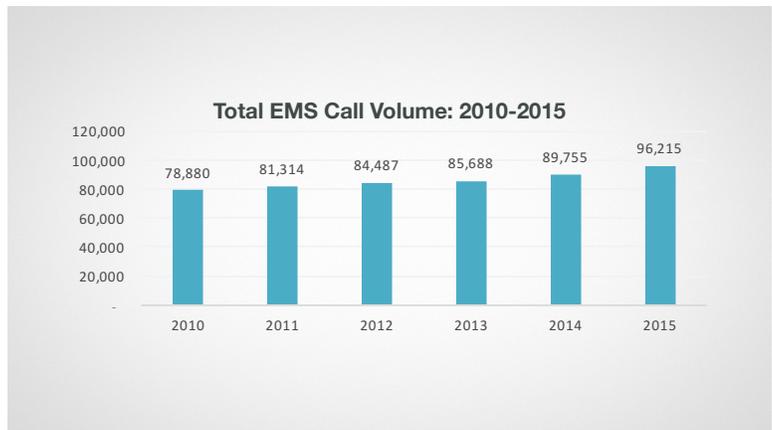
FOCUS AREA: PUBLIC SAFETY

Next, we reviewed the new budget requests that fell under the board goal of public safety. As you know, it is our responsibility to make sure that, as we grow, we are resourced properly to keep our residents safe.

MAKING DECISIONS: EMS CONVERSION

We are seeing the impact of that growth in the number of calls to which our paramedics are responding. It has gone from less than 80,000 calls in 2010 to nearly 100,000 calls in 2015 – a 22-percent increase.

That is why we recommend investing \$154,000 in this budget to convert an Eastern Wake EMS shift from 24-hours to 12-hours. This change will provide a higher level of service to the community by better aligning our resources to meet the growing demand.

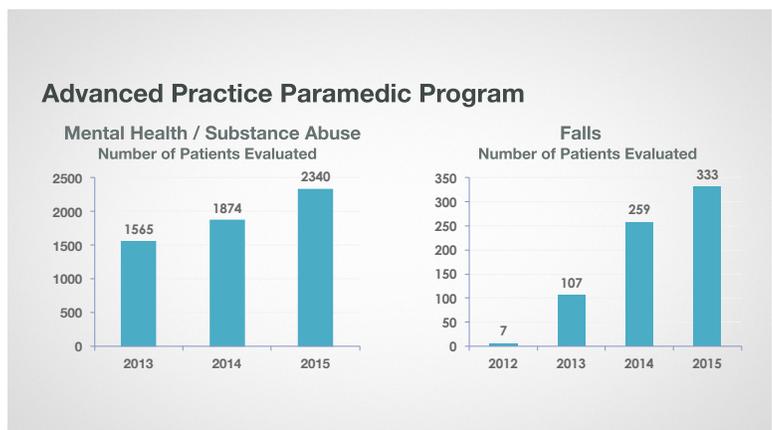


MAKING DECISIONS: EMS APP EXPANSION

We also propose expanding our nationally recognized Advanced Practice Paramedic program. It allows our most highly skilled and specially trained paramedics to respond to our most challenging calls.

The number of calls they have responded to over the past three years has steadily increased, and based on our projected population growth, that is unlikely to change.

We have seen their work be particularly effective in redirecting people suffering from mental health or substance abuse crises to



facilities other than the Emergency Department, if there is not an emergent medical reason to send them there.

We recommend investing \$387,000 to fund six new positions to ensure our APP program continues to successfully support the increasing need for its service.

MAKING DECISIONS: FIRE TAX DISTRICT

We see an opportunity in this budget to make some positive changes to our Fire Tax District that will benefit our residents and the firefighters.

First, we want to modify the existing funding formula for the Fire Tax District, so it more accurately reflects the cost of providing fire services to the unincorporated areas of our county. By improving the formula, we can ensure that the amount of funding we pay to each municipality for fire services mirrors the level of service delivered.

We also want to implement a comprehensive new pay plan to correct below-market salaries. Our Human Resources Department recently conducted a market survey, and it showed many of our contract fire departments' pay is as much as 40 percent below the market rate.

In addition, we want to increase capital funding for fire trucks and equipment, such as breathing apparatus and turnout gear, to help keep fire crews safe on the job.

In order to make these changes possible, we recommend increasing the Fire Tax District rate by 1.48 cents, which would bring the District's total tax rate to 9.6 cents. Residents who live in the unincorporated areas of the county and the Town of Wendell are charged this tax for fire services.

FOCUS AREA: COMMUNITY HEALTH

As we addressed the county's public safety needs in this budget, we also looked closely at another important board goal – community health.

MAKING DECISIONS: MENTAL HEALTH / SUBSTANCE ABUSE

Right now, we are facing a serious mental health and substance abuse problem across the country and in Wake County. Estimates show one in five adults will experience a mental illness. In Wake County, that could represent as many as 200,000 people.

Providing the appropriate care for them is a challenge that our community is not currently meeting. It is evident in the rising number of involuntary commitments we are seeing.

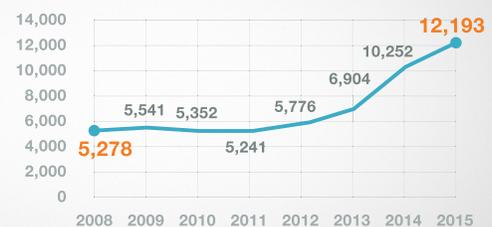
In the past three years, the number of involuntary commitments has doubled. That increase is an indication of a community-wide problem associated with reduced state funding; structural changes in the system; demand for services outpacing the available treatment infrastructure; the complex mental illness, substance abuse and physical health needs of a population with limited access to affordable care; and unmet access to housing.

In this budget, we recommend increasing our current commitment of more than \$25 million

1 in 5
adults in the U.S. will
experience a mental illness

In Wake County, that
could be as many as
200,000 people

Growing number of involuntary commitments stresses existing infrastructure



for crisis services, inpatient care, adult treatment and other support programs by \$1.1 million. This includes an additional \$600,000 to enhance treatment opportunities for people who need access to mental health care without an appointment and after standard business hours.

This funding will also enhance Mental Health First Aid training to increase awareness of the symptoms associated with mental illness and assist our community with appropriate responses to those struggling with it, as well as provide childcare for new mothers receiving substance abuse treatment.

MAKING DECISIONS: SCHOOL NURSES

Another way we worked to address the county's health needs in this budget and in previous budgets is by adding 10 new nurses to the Wake County Public School System.

This is the third year of a four-year phased plan to reduce the nurse-to-student ratio. By adding these 10 new nurses, we will reduce the ratio from one nurse to 2,300 students in FY2013 to one nurse to 1,700 students in FY2017 – a 35-percent improvement.

The new positions will allow us to better serve the children, so they can focus on their number-one priority – learning.

MAKING DECISIONS: ENVIRONMENTAL SERVICES STAFFING

We are also addressing the impact growth is having on public health by adding more health and safety inspectors to our Environmental Services department.

These are the folks who monitor our water quality and make sure the restaurants you eat at, the community pools you swim in and the hotels your guests sleep in meet state code. The number of inspections they are responsible for completing has grown from 5,312 in FY2011 to 5,569 in FY2015.

To meet this increase in demand, our staff has to grow, too. That is why we have included \$568,000 in this budget to fund five new inspectors, as well as one-time costs for vehicles and equipment. With their additional oversight, we can give the public greater peace of mind that these sites are safe for them to enjoy.

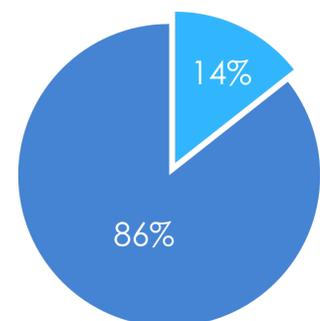


MAKING DECISIONS: FOOD AVAILABILITY

As we talk numbers, I want to share a powerful health-related statistic that I hope resonates with our community.

Fourteen percent of our population is food insecure. That means about 130,000 people in Wake County may not know where their next meal is coming from. More than one-third of them are children.

That is why in this budget we recommend contributing \$500,000 to the Food Bank of Central & Eastern North Carolina through our capital fund. We also propose increasing the funding for Universal School Breakfast from \$90,000 to \$130,000, and providing \$20,000 to Wake Interfaith Food Shuttle to create food pantries in five local schools to help feed the hungry. These three investments will create better access to food for many people in our county.



MAKING DECISIONS: COMMUNITY STRENGTHENING

Looking out for our most vulnerable communities is critical. While building this budget, we consciously sought out ways to create more opportunities for people in need to succeed.

For example, we recommend creating a new position that will manage two pilot projects – one in southeast Raleigh and the other in eastern Wake County – that will support vulnerable communities. The position will be responsible for bringing together partner agencies to determine how to best leverage our resources to generate collective outcomes in our county.

FOCUS AREA: GREAT GOVERNMENT

Let's take a look at the investments we are proposing in this budget to ensure we develop and maintain a great government.

We have an incredible team here at Wake County. Because of them, we can do so much good in our community. Our employees are smart. They are talented, and they are passionate about serving our more than one-million residents to the best of their abilities.

We owe it to our citizens and our staff to continue running this county in a transparent and effective way, while looking ahead at opportunities to do what we do even better. Many of the items that we recommend funding in this budget are included to keep our organization operating smoothly and take our performance to a higher level.

MAKING DECISIONS: MODERNIZING INFORMATION SERVICES

In order to deliver top-notch customer service, we must have the right resources in place to meet the needs of our 21st century customers.

We live in a time where people conduct the bulk of their business on cell phones and tablets. We have to keep up in this ever-changing world of technology, or we will not be able to deliver the level of service that our growing population demands.

That is why we recommend replacing our current email system with a new email platform and updating how we manage our records digitally – important structural components of IT services.

We also propose modernizing our IT structure.

This reorganization would position CIO Bill Greeves as Chief Information and Innovation Officer. This places a greater emphasis on integrated technology and leveraging of innovation throughout the organization.

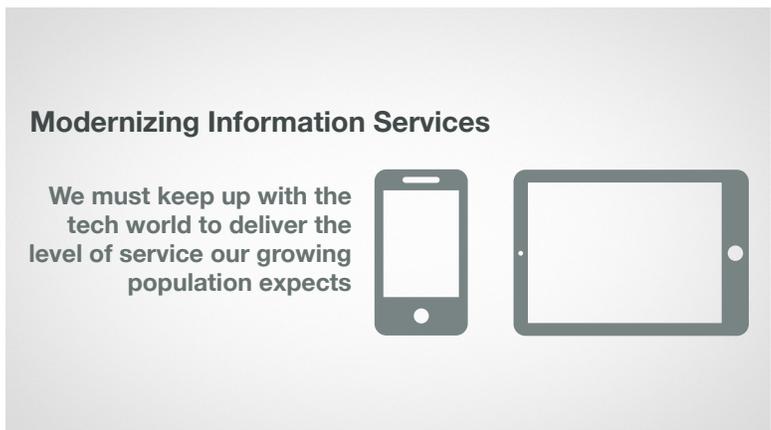
In all, these recommended changes would cost \$1.3 million and include creating eight new positions.

MAKING DECISIONS: MAINTAINING COMPETITIVENESS

IT is not the only area where we want to support internal changes that will ultimately improve our external services. We also want to make Wake County more competitive in the marketplace, so we can attract and retain great employees. Our workforce is currently about 4,000 employees strong.

We did a market study earlier this year, which indicated the majority of our pay bands are not in line with our benchmark local governments and private sector employers. To improve our ability to compete for the best and the brightest employees, we propose revising our pay structure for hourly employees and making adjustments for salary compression.

We also recommend providing three-percent performance pay to staff who demonstrate exemplary work every day.



By adding these items to the budget, we can better recruit top talent and encourage them to stay with us for many years to come. That will go a long way to making our government even stronger.

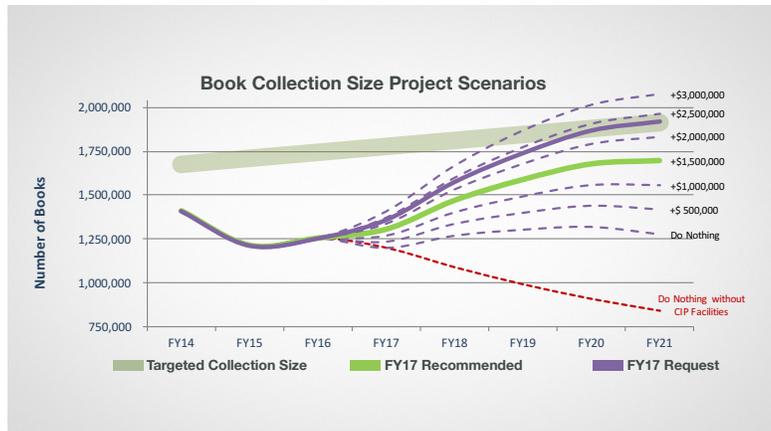
FOCUS AREA: QUALITY OF LIFE

As we developed this budget, we also considered requests for funding that would help Wake County maintain the high quality of life that brings so many people here to live, work, learn and play. We want to provide new opportunities for residents to experience and enjoy the unique culture our county offers.

LIBRARY BOOKS

During the recession, we had to cut back substantially on our library book budget, and we are still trying to catch up from that deficit.

That is why we have included \$3.8 million – a \$1.5 million increase from FY2016 – in this budget to purchase new books for our public library system. With it, we can buy the newest bestsellers while replacing old favorites that are simply worn out from years of use. We estimate that, in all, we could buy as many as 200,000 new books, which is the equivalent of filling the shelves of a community library in Holly Springs or Cameron Village.



Although this is a substantial amount of funding, it still does not meet all of our library system’s book needs.

FOCUS AREA: PARTNER AGENCIES

Many of the agencies that we partner with to provide services to our residents also made funding requests for next fiscal year. The nine organizations we propose funding cover a diverse array of needs and address many of the board’s goals.

MAKING DECISIONS: SMARTSTART

The first one I will highlight is SmartStart.

We propose providing an additional \$162,900 for a total contribution of \$488,600 to this organization. The additional funds will allow SmartStart to add another Pre-K classroom, which will help prepare disadvantaged children in our county for success in kindergarten.

Studies show access to early education can increase high school graduation rates by as much as 44 percent. That is a strong return on investment – and one we hope our contribution helps render for children in need in our county.



MAKING DECISIONS: UNITED ARTS COUNCIL OF RALEIGH AND WAKE COUNTY

Another partner agency I would like to recognize is the United Arts Council of Raleigh and Wake County.

We propose contributing an additional \$66,000 to this nonprofit group to pay for transporting 4th grade students to local museums or cultural venues, so they can experience arts and culture firsthand – some for the first time. The additional funding would bring the total amount of county funding budgeted for the United Arts Council in FY2017 to \$411,600.



FOCUS AREA: EDUCATION

Now, let's talk about investing in the education of our K-12 students and those who take learning to the next level at Wake Tech.

MAKING DECISIONS: WAKE TECH

Wake Tech is the largest community college in the state, serving nearly 70,000 students each year.

We propose providing a total of \$19.8 million to the college. It would fund Wake Tech's facility operating costs, as well as its start-up costs for new facilities. It would also fund hiring additional technology staff and support efforts to develop a long-range technology master plan to be paid for from the capital fund.

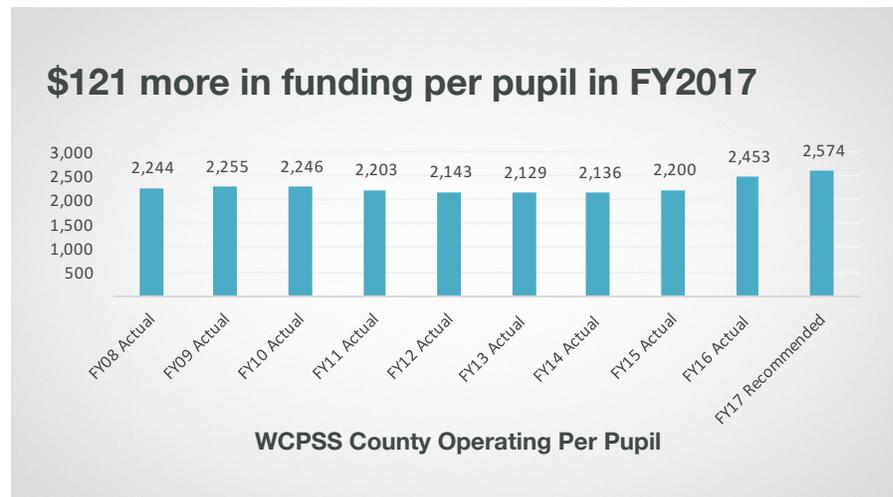


MAKING DECISIONS: WCPSS

Lastly, I want to discuss Wake County Public Schools.

In FY2016, this board gave the school system the largest single funding increase in history – \$44.6 million – for operating expenses, which is recurring. That record investment elevated per-pupil funding by almost \$200 to \$2,453 per student, based on Fall 2016 enrollment.

As we considered the \$35.7 million request from the school board for FY2017, our approach focused on per-pupil spending and our statutory requirement for funding the facility costs of new schools scheduled to open. Utilizing this approach, we arrived at a per-pupil amount of \$2,574 – a \$121 increase over the FY2016 per-pupil amount. At these levels, the appropriation for the schools will cross over the \$400 million mark and represent a 6.6-percent increase over FY2016.



Let's do the math for a full perspective. Our FY2016 record-setting investment, combined with the \$23.9 million we recommend investing in the schools in FY2017, totals \$68.5 million – a 20-percent increase in funding over two years. In addition, our education-related expenditures now represent approximately 56 percent of our total county General Fund.

Together, this clearly indicates our commitment to supporting the education of our youngest residents and those seeking life-long learning.

CONCLUSION

Overall, I feel strongly that we are presenting a good, solid budget that addresses the board goals while taking a measured approach to spending the county's limited tax dollars.

It also takes into account how we can take better responsibility for those in our care and custody; positively impact vulnerabilities in our community; recruit and retain an excellent workforce; maintain our high quality of life and build capacity to address continuing growth.

I understand that a General Fund budget of \$1.2 billion is a lot of money, but let me share with you some statistics that will help put that number in perspective for you.

The county General Fund operating budget has grown by \$216 million over the past 7 years. Of that increase, nearly \$100 million went to debt service, \$94 million went to the school system and \$3 million went to Wake Tech, with the remaining \$19 million going to the rest of county government.

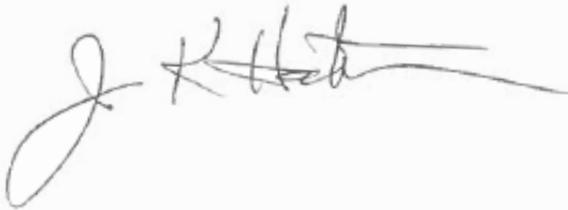
We have been very measured in how we expand county operations, while still being the second fastest growing county of our size in the country. Not only are we trying to meet the current demand, but we are also trying to prepare for the increased demand that we know is coming in the future. This budget allows us to do that.

The next step in this process is for the commissioners to hold public hearings on June 6 at 2 p.m. in the boardroom and at 7 p.m. at the Wake County Commons. As in past years, the board will also hold a work session dedicated to the budget on June 13 at 2 p.m.

On June 20, the commissioners will be asked to adopt the FY2017 budget during their normally scheduled 2 p.m. business meeting. In the meantime, residents can learn more about the budget by visiting wakegov.com/budget.

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

Respectively submitted,



Jim Hartmann
Wake County Manager



www.wakegov.com/budget

Operating Funds

| ORGANIZATION | OPERATING | DEBT & CAPITAL | TOTAL |
|-------------------|---------------|----------------|---------------|
| WCPSS | \$94 million | \$61 million | \$155 million |
| WAKE TECH | \$3 million | \$16 million | \$19 million |
| COUNTY GOVERNMENT | \$19 million | \$23 million | \$42 million |
| TOTAL | \$116 million | \$100 million | \$216 million |

