

# Debt and Financial Planning

BOC Work Session

March 10, 2017



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# Presentation Overview

- History
- Financial Policies and Debt Guidelines
- Updated Debt and Capital Model
  - Updated Capacity
  - Updated Assumptions
  - Results of February Bond Sale
- Discussion of Potential Referenda Scenarios, Timing, and Amounts
- Other Revenue Options and Uses

# County's Approach to Funding Capital

- Pay-As-You-Go/Cash
  - Transfer of Funds from County's General Fund to Various Capital Accounts (Funds)
- Debt
  - General Obligation Bonds
  - Limited Obligation Bonds
  - Installment Purchase Agreements

# Debt vs. Cash

- Debt financing allows the lowest burden to tax payers as the County provides legally required capital
- Cost of capital is spread over time
- Current and future taxpayers share cost and benefit of the asset



Willow Spring High

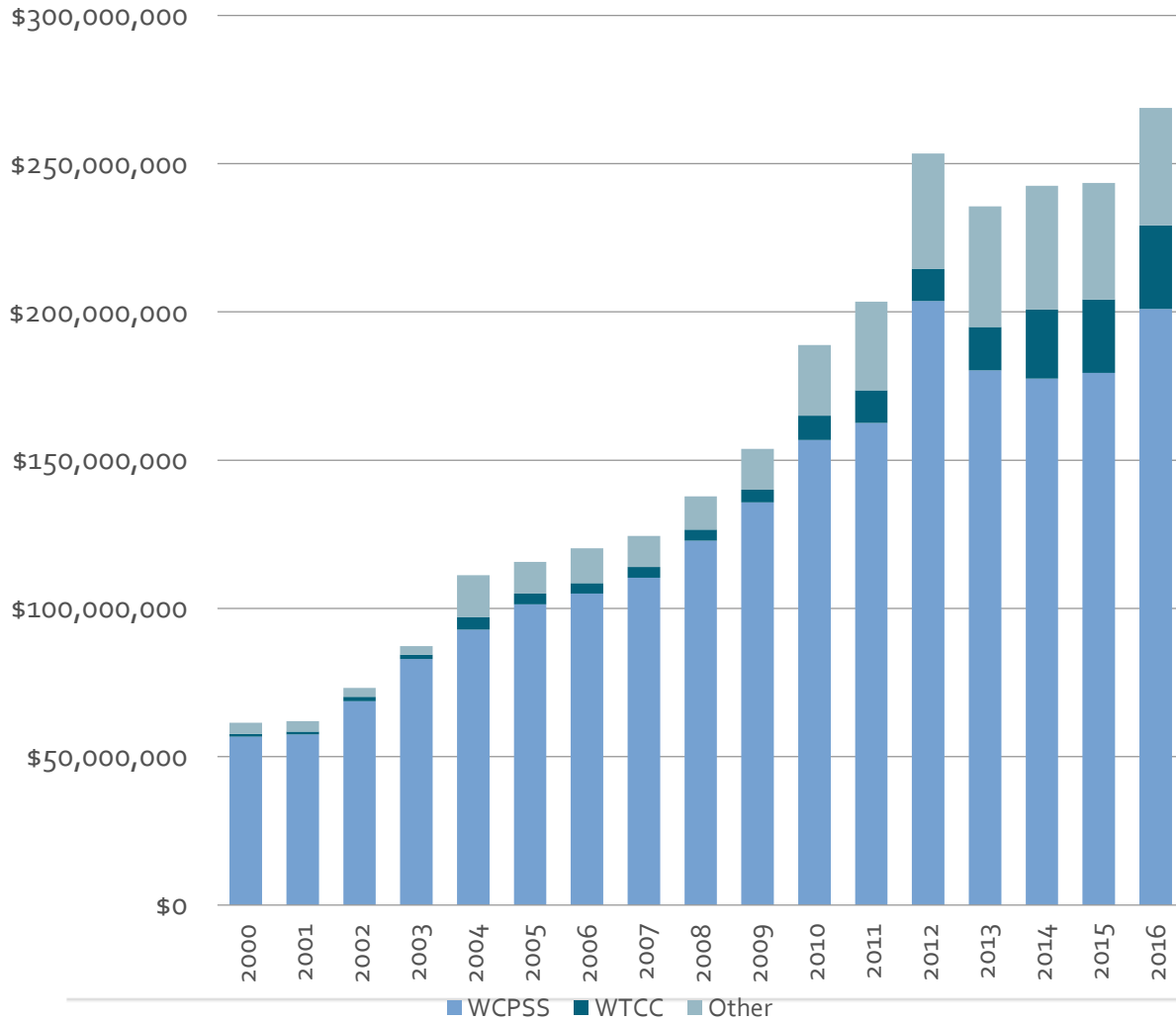
	Example \$97M High School	
	100% Debt	100% Cash
Amount Spent Over Three Years	\$27.7 M	\$97 M
Tax Increase Assuming Zero Capacity Exists	0.68 cents	2.3 cents

# When does the County use debt?

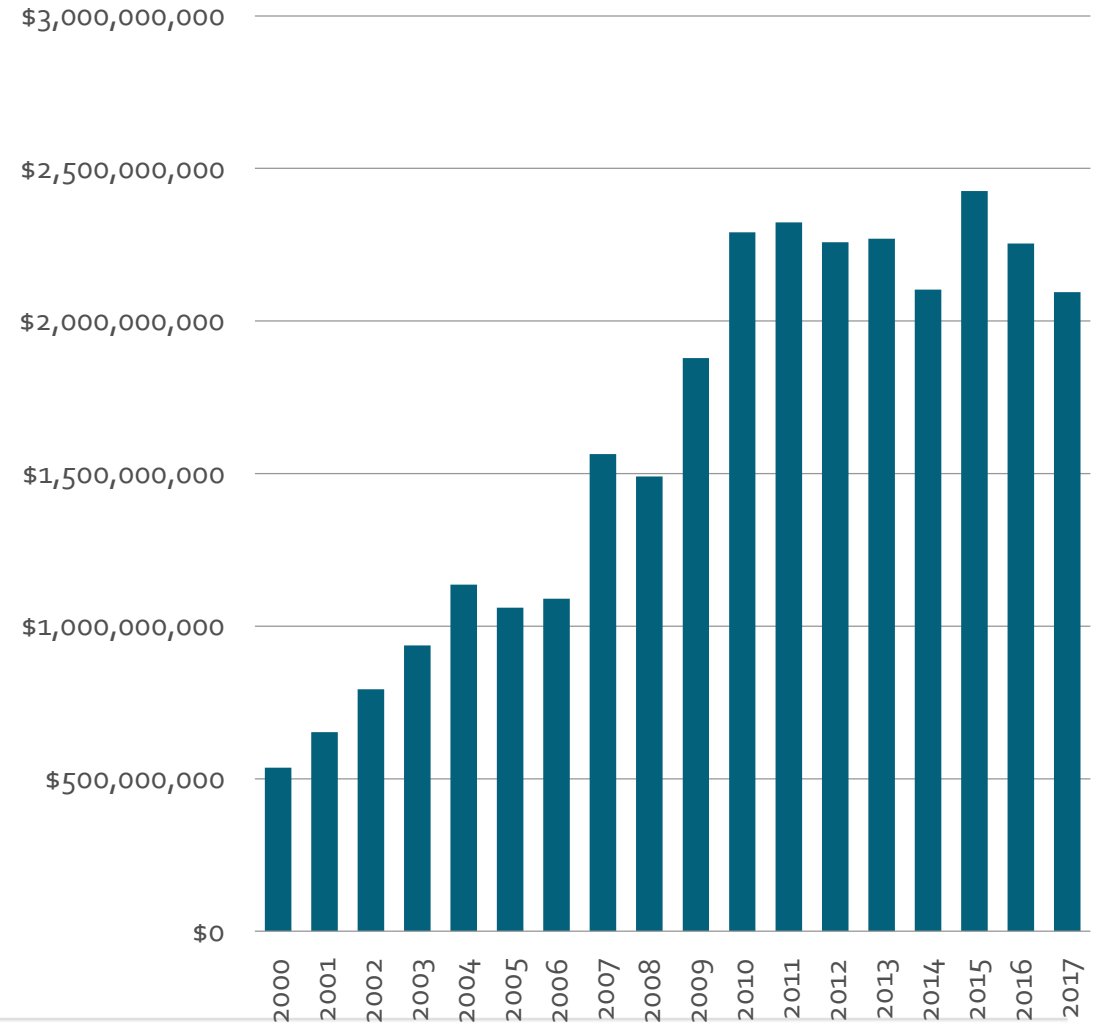
- Cost to build/purchase is large
  - Can be a single asset
    - Jail
    - New Courthouse
    - School
    - Community Classroom Building
  - A Collection of like assets that total a large amount
    - Libraries
    - Open Space
    - Life Cycle Replacement and Equipment at WCPSS/WTCC Facilities
- Expected life of the asset is long (life of asset should equal or exceed debt pay-off)
- County must spend proceeds according to IRS guidelines (avoid private activity, meet spend-down requirements, avoid arbitrage)

# Increase in County Debt

## County Debt Service 2000 - 2016

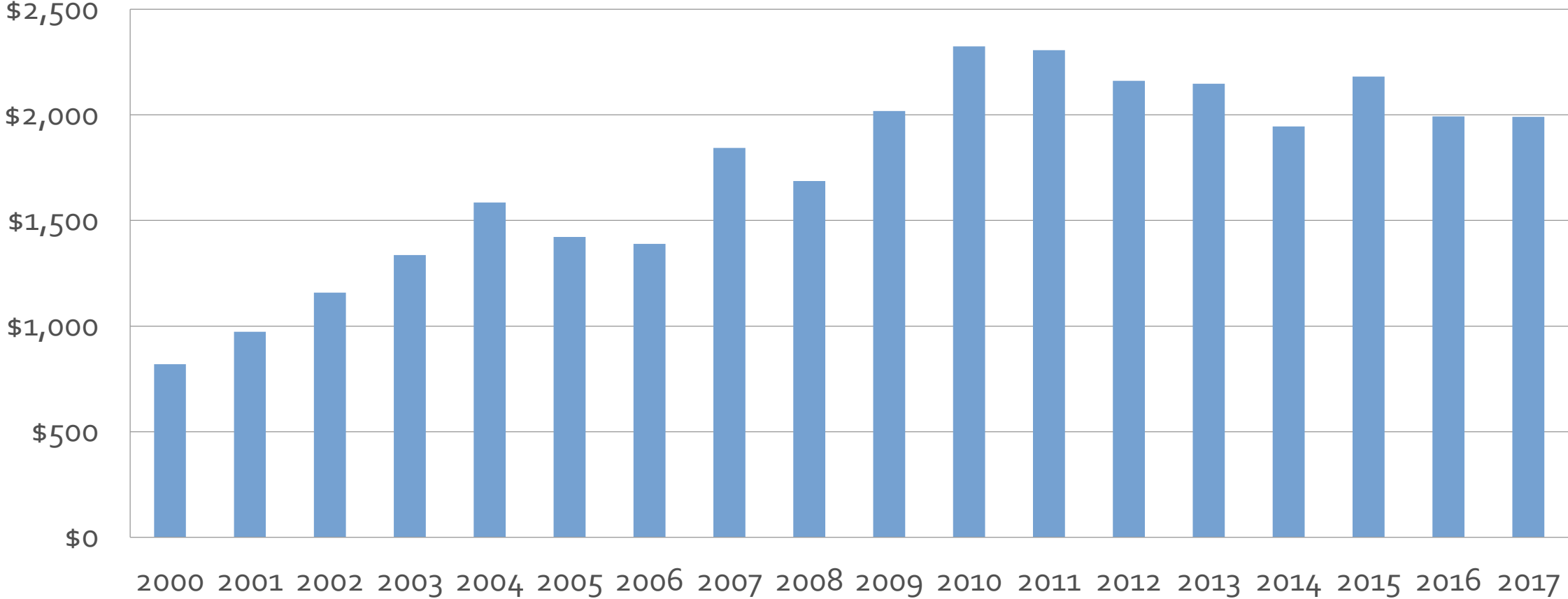


## Wake County Debt Outstanding FY 2000 - FY 2017

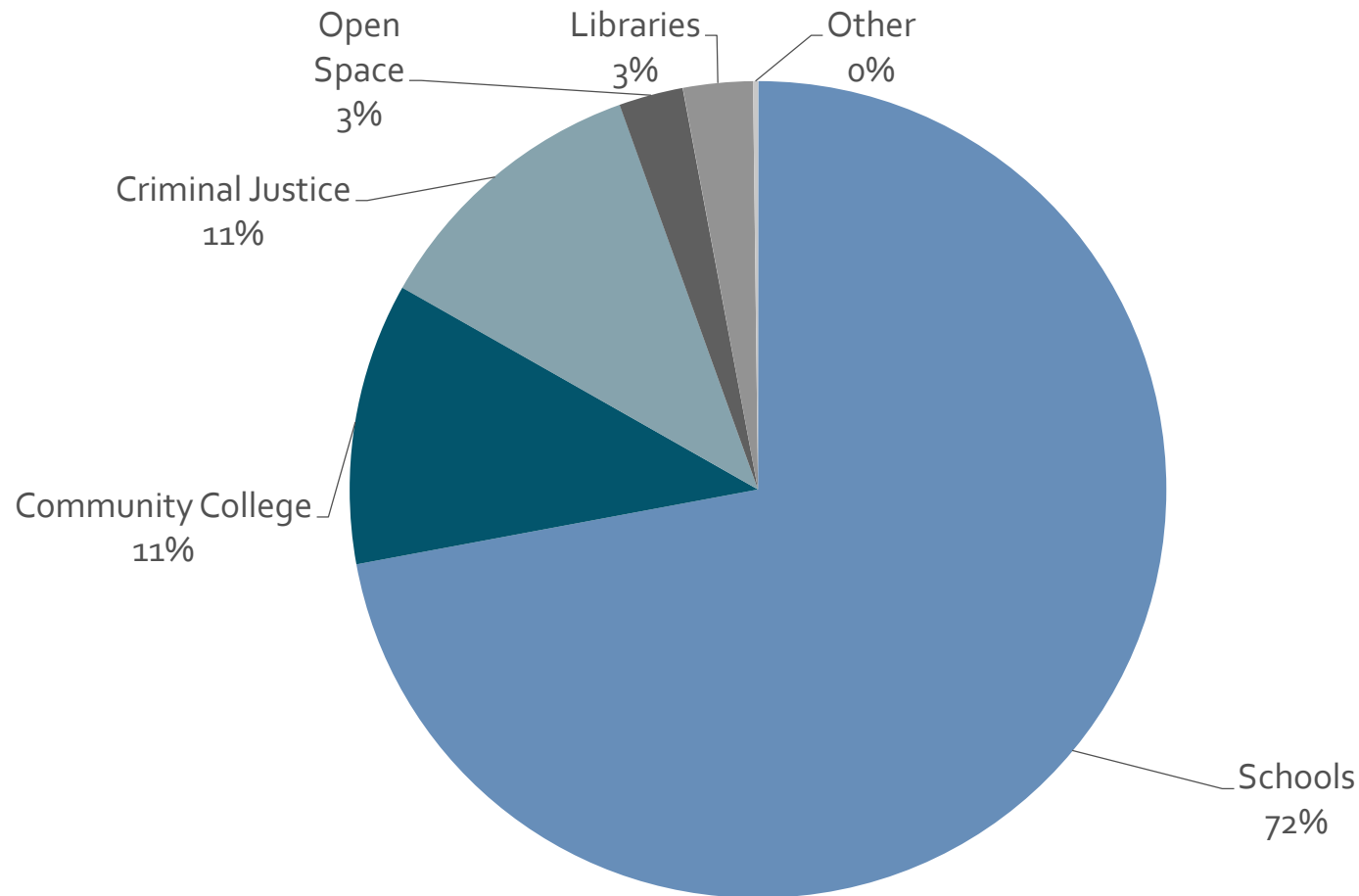


# Increase in County Debt Per Capita

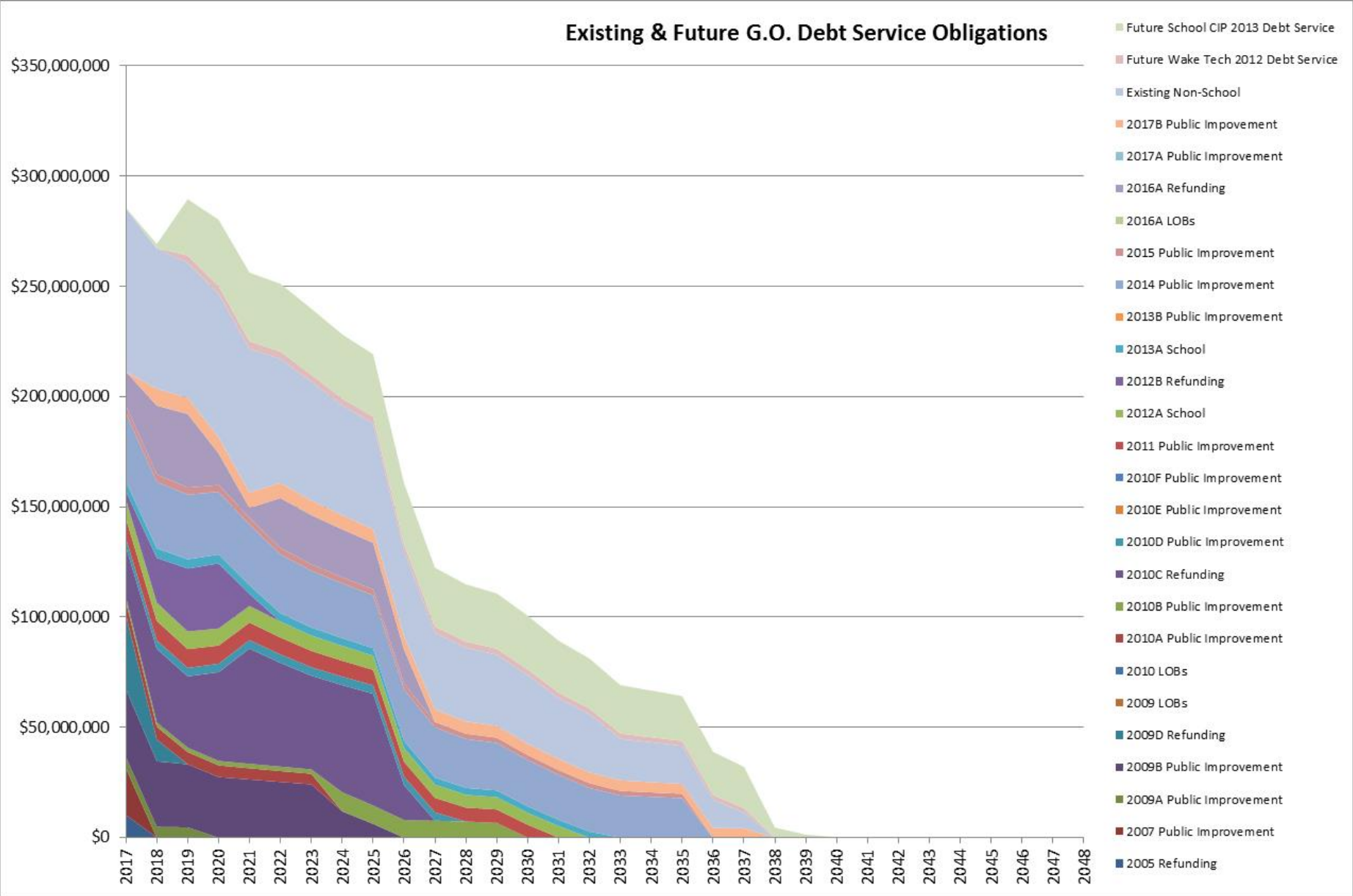
County Debt Per Capita



# Wake County Debt Outstanding as of March 1, 2017: \$2 Billion



# County Debt Service

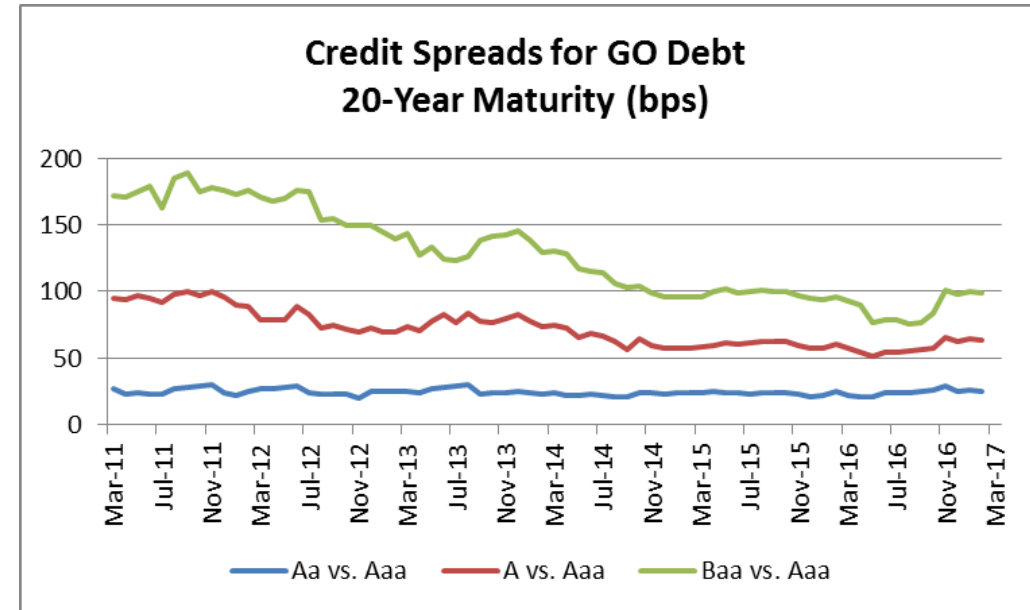


# Financial Policies Guide Issuing Debt

- County established debt and capital financial policies in early 2000's
- Policies and guidelines guide County's approach to financing of capital projects
  - Include metrics and measures for issuance of additional debt and existing debt service
- The County develops a seven-year capital plan within context of debt policies and targets necessary to maintain Aaa/AAA/AAA rating

# Benefit of Triple-A to the Taxpayer

- Wake County's Aaa/AAA/AAA rating allows the County to have the lowest cost of financing available in the market
- Wake County is one of 46 Counties in the United States rated by all three rating agencies as triple-A



Additional 1% interest cost on \$2 billion of debt would cost the County \$20 million per year, or 1.4 cents on today's tax rate

An additional 1% cost of CIP 2013 bonds would cost an additional \$85 million in net interest over the life of the debt.

# Feedback from Rating Agencies (See Appendix for Rating Criteria)

## Strengths

- Robust Available Balance Sheet Resources
  - Cited numerous times as mitigating high debt service as a percent of overall expenditures
- Financial Modeling and Strong Debt Management Practices; Management of Long-Term Liability with Conservative Policies
- Strength in Financial Management and Adherence to Financial Policies
- Rapid debt amortization
- No Derivatives/Swaps
- Large, Strong and Varied Economic Base

## Weaknesses

- Growing expenditure pressures not funded in “natural growth”
- Debt service as a percent of expenditures
  - Mitigated by balance sheet resources, rapid amortization

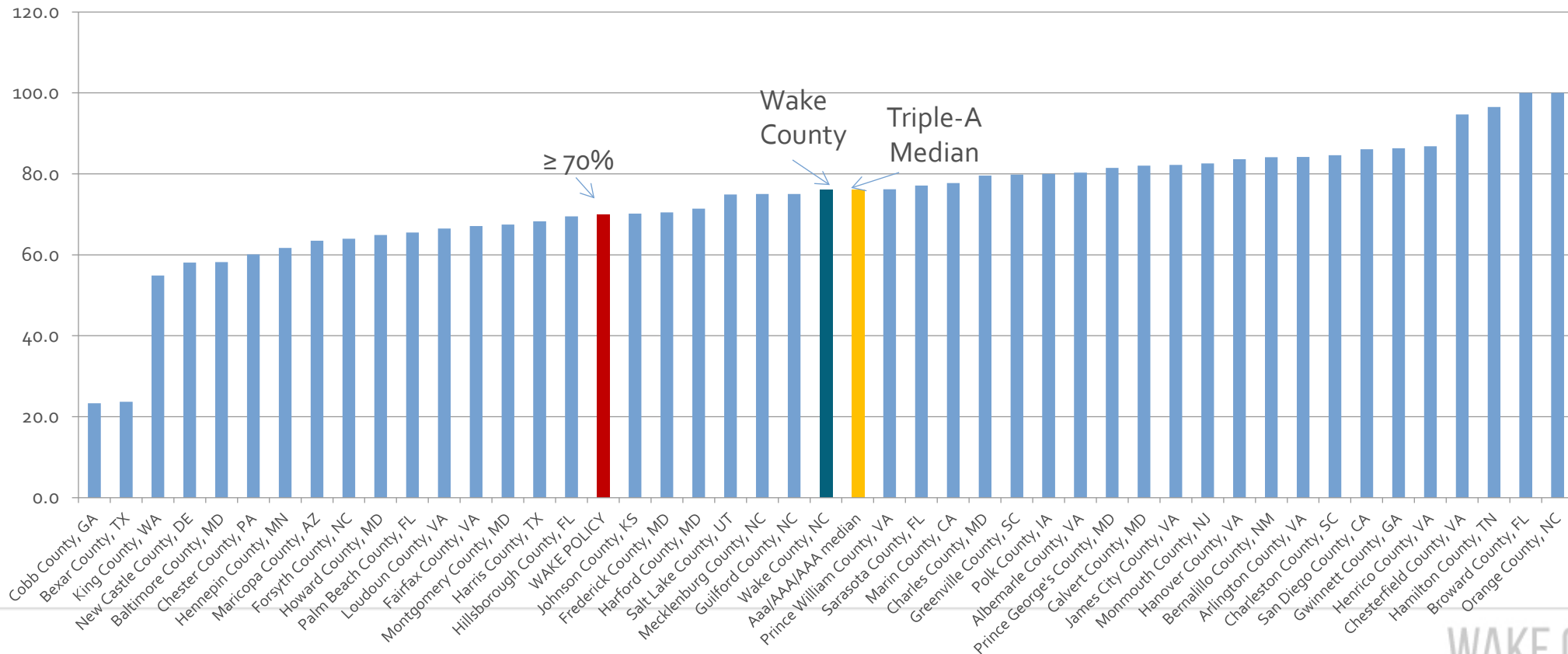
# Dedicated Revenue Sources for Debt and Capital

- Plan is a funded plan
  - 19.01 cents of 60.05 cents property tax rate
    - 75% of Debt Service Revenue
  - Portion of Article 40 and Article 42 sales tax revenue (30% and 60% respectively)
    - 15% of Debt Service Revenue
  - Lottery funds are used towards debt service costs
    - Approximately \$10 million a year
    - Used towards 2007 GO School bonds
    - 4% of Debt Service Revenue
  - General fund and capital project fund investment earnings recorded in Debt Service Fund
    - 4% of Debt Service Revenue

# Debt Repayment Schedule

- Meets standards for Aaa/AAA/AAA rated counties (rapid amortization)
- We define this value for Wake County as  $\geq 70\%$  principal paid in ten years

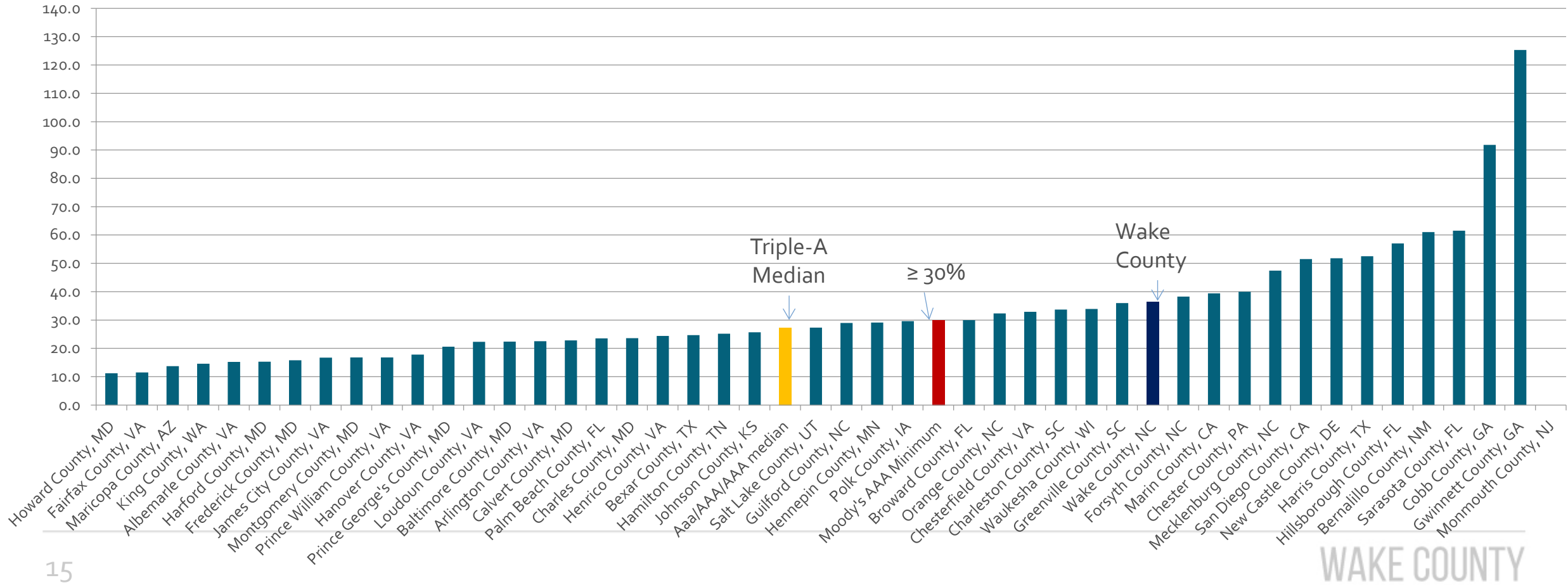
Aaa/AAA/AAA Counties: % Principal Paid in Ten Years



# Fund Balance

- Adequate Reserves That Meet Standards of Aaa/AAA/AAA Counties
- We define this value for Wake County as  $\geq 30\%$  Combined General Fund and Debt Service Fund Revenues

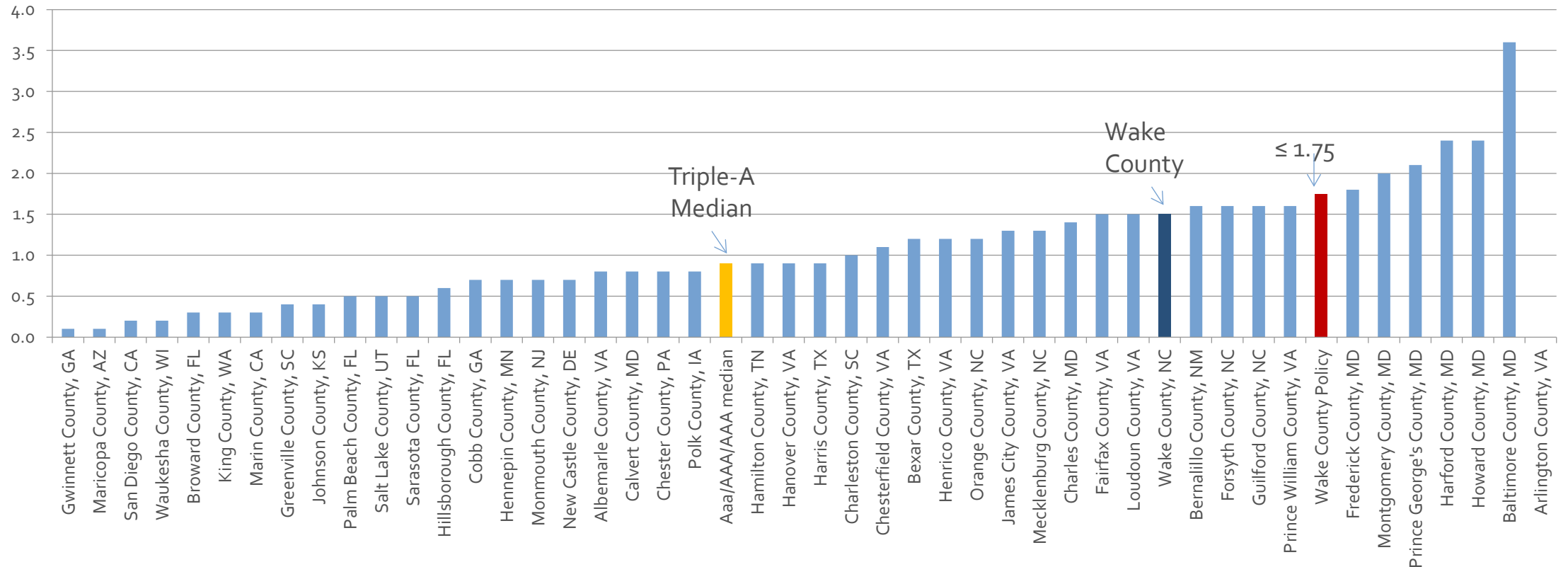
Aaa/AAA/AAA Counties: Operating Funds Balance as % of Revenues



# Debt to Assessed Value

- Debt to Assessed Value is managed to stay within expected ranges for a Aaa/AAA/AAA rating
- We define this value for Wake County  $\leq 1.75$

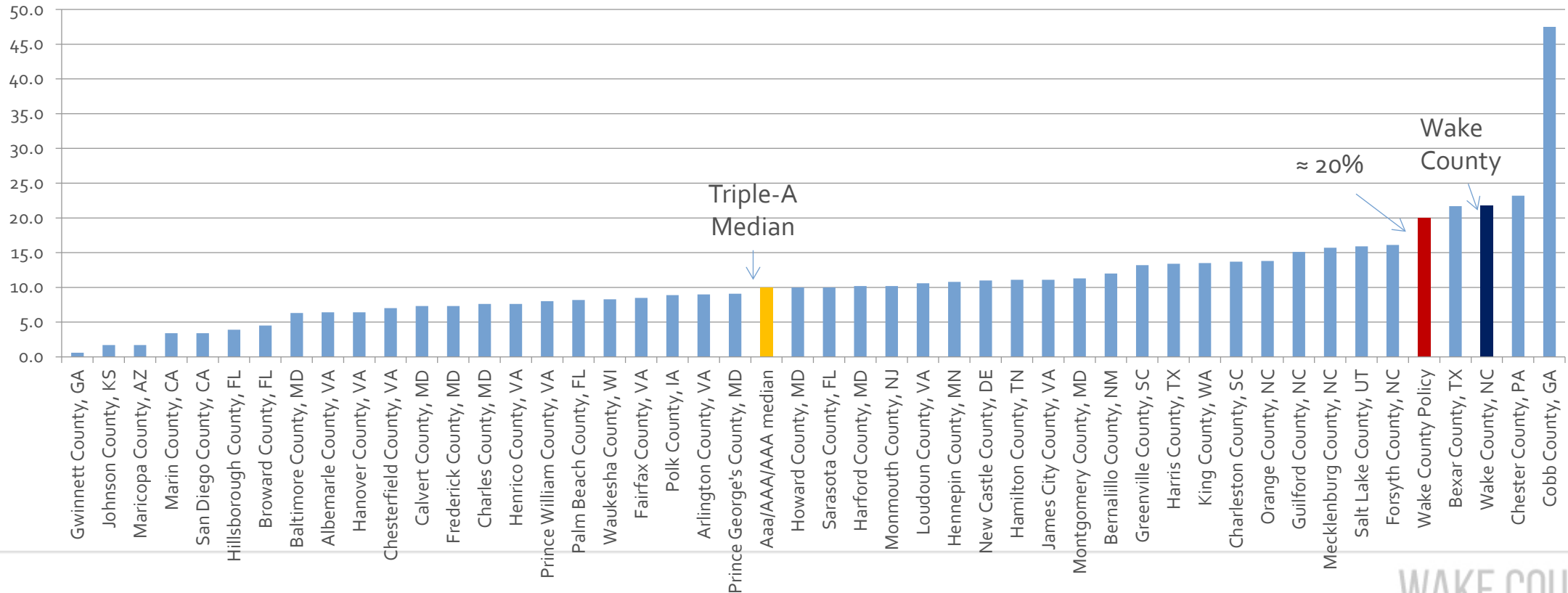
Aaa/AAA/AAA Counties: Direct Net Debt as % of Full Value



# Debt Service Expenditures

- Debt Obligations as a Percent of Governmental Expenditures
- We define this value for Wake County as Striving not to exceed 20% Governmental Expenditures (General Fund, Capital Projects Funds)

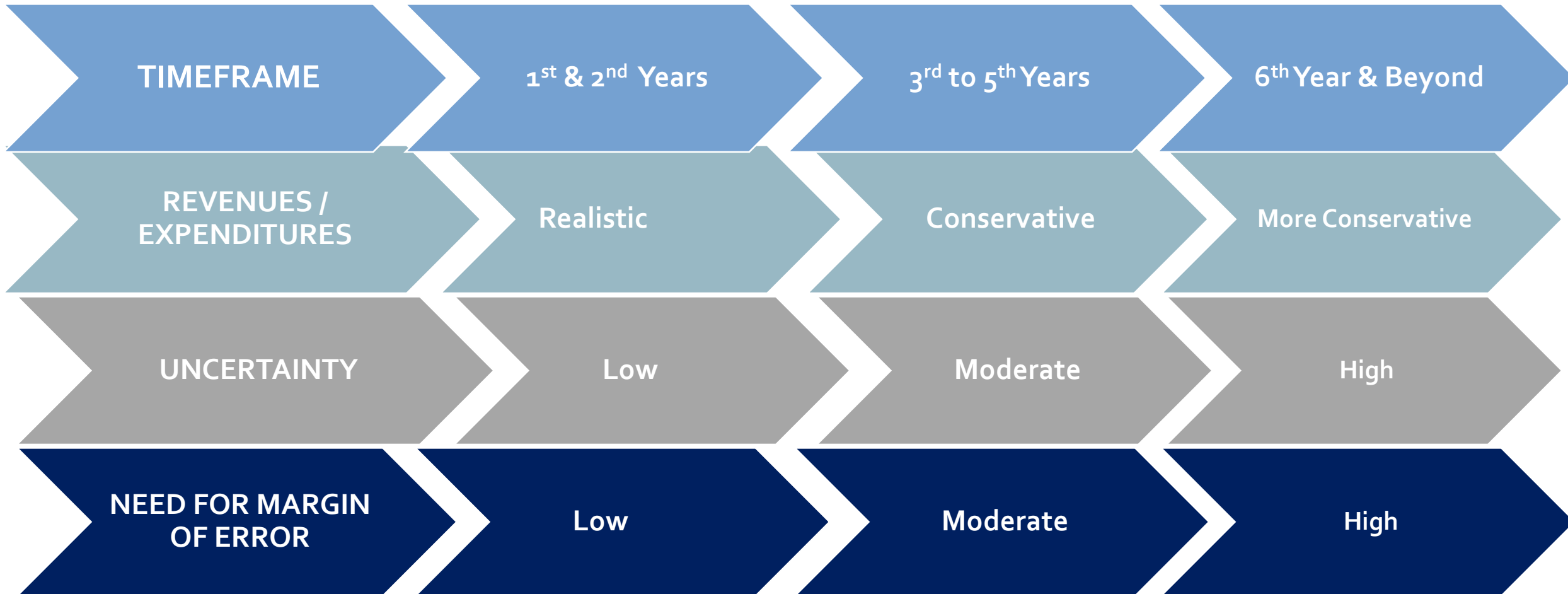
Debt Service as % of Operating Expenditures



# Other Highlighted Debt Policies

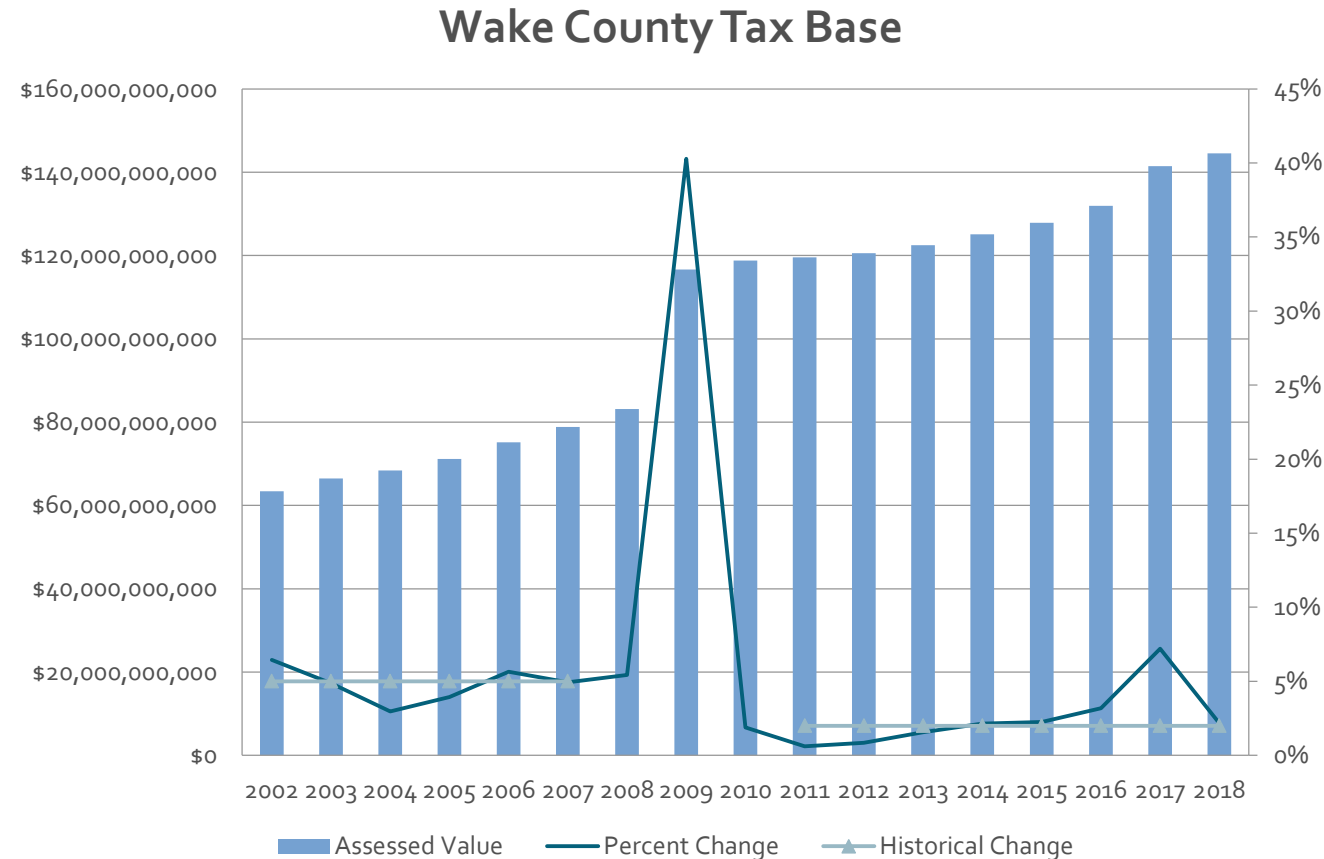
- Debt is acquired through Bond Anticipation Notes prior to appropriation of funds and entering into contractual commitments
  - County secures financing vehicle before appropriation of funding for projects
- The County's variable rate exposure (including notes outstanding) will not exceed 25% of total outstanding debt
- Maintain 80% Debt 20% Cash Funding Ratio

# Assumptions Continuum



# Financial Model Assumptions: Property Tax

- Approximately 75% - 80% of revenue in debt service fund is from property tax; most important assumption
- 1% change in tax base equals > \$3 million annual impact for debt and capital
- Revised long-term projections of 3% annual growth revised slightly downward to adjust for size of tax base
  - FY 2018: 3%
  - FY 2019: 2.75% (was 3%)
  - FY 2020 and beyond 2.5% (was 3%)



# Financial Model Assumptions: Sales Tax

- 15% of debt service revenue is from sales tax
- Approximately \$40 million of sales tax is allocated towards \$214 million of WCPSS debt service (19%)
- Revised long-term projection of 4% growth annually upward in the short to mid-term, contingent upon no further reallocation of sales tax by General Assembly

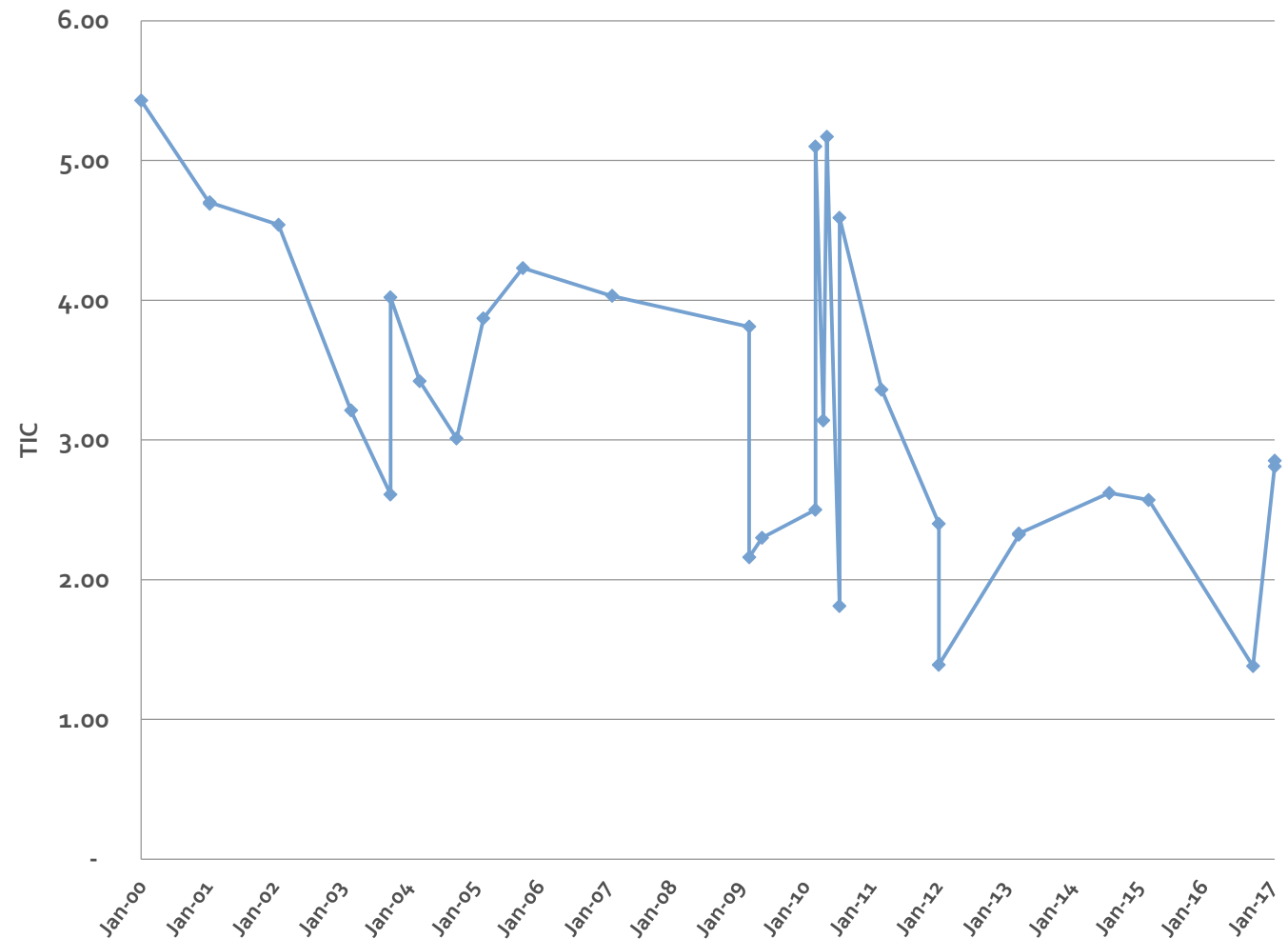
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Prior Growth Rate	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Revised Growth Rate	4.00%	6.00%	6.00%	5.50%	5.50%	5.00%	5.00%	4.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%

# Financial Model Assumptions: Long Term True

## Interest Cost (TIC)

- Kept Long Term Assumption of 4% TIC (100 Bps Margin of Error)
  - Will Update to 50 Bps Margin of Error for FY 2018 Sales in May Model Update
- Changed amortization schedule from 20 years to 19 years to maintain 70% principal repaid within 10 years
  - County is returning to period like 2007-2009 where annual principal issued is in amounts higher than principal paid off.
  - Need to reduce years of amortization to be able to maintain rapid amortization.

Wake County GO Bond Sales 2000 - 2017

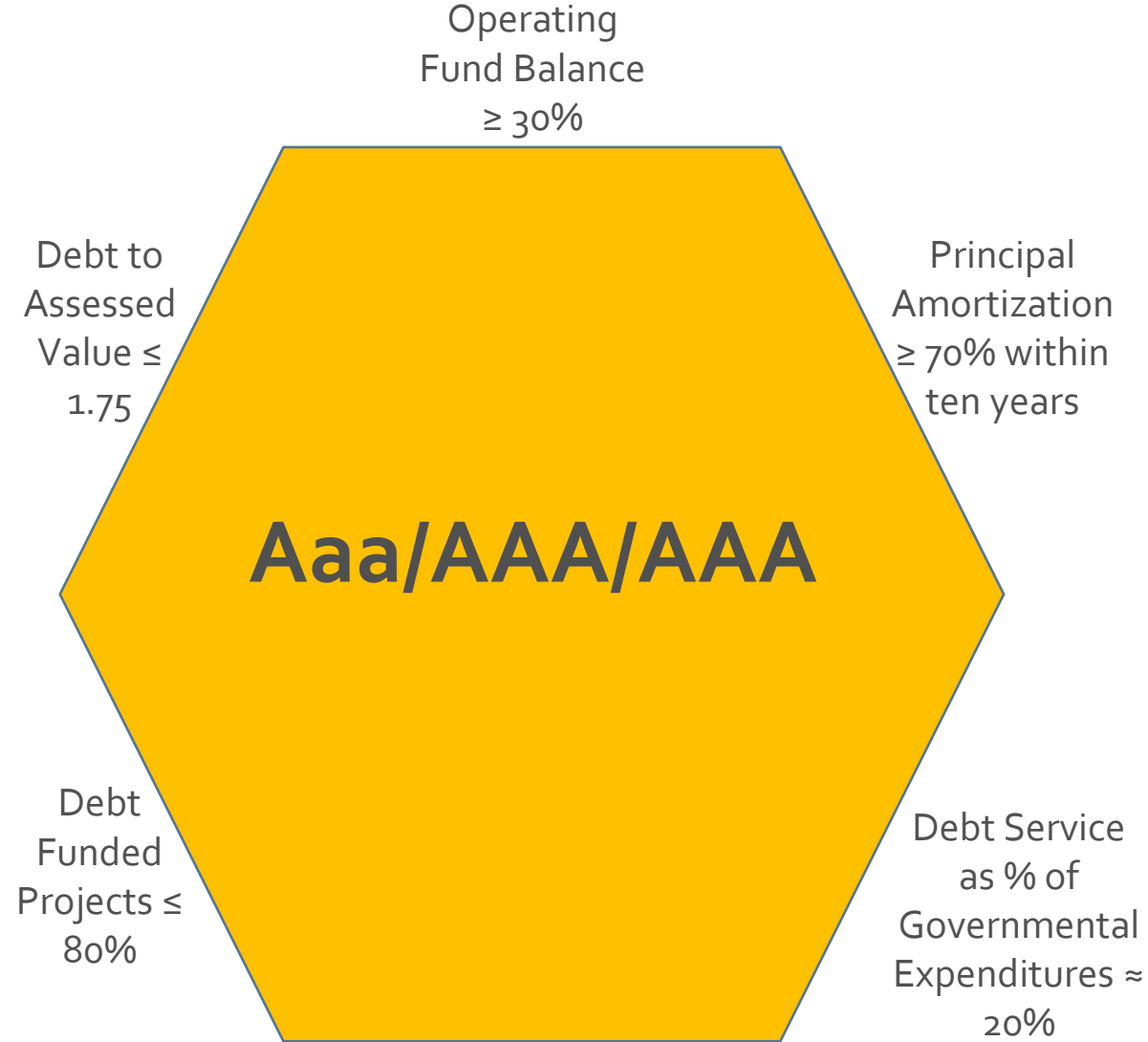


# Summary of Assumptions in Model

	2017	2018	2019	2020	2021*	2022	2023	2024	2025*	2026	2027	2028	2029*	2030
GROWTH RATES:														
Total Property Tax Rate	60.05	60.05	64.30	64.30	59.64	59.64	59.64	59.64	55.33	55.33	55.33	55.33	51.32	51.32
Property Tax Rate for Capital	19.01	19.01	23.26	23.26	21.58	21.58	21.58	21.58	20.01	20.01	20.01	20.01	18.56	18.56
Property Tax Valuation Growth	7.21%	3.01%	2.75%	2.50%	10.50%	2.50%	2.50%	2.50%	10.50%	2.50%	2.50%	2.50%	10.50%	2.50%
Sales tax annual growth rate	4.00%	6.00%	6.00%	5.50%	5.50%	5.00%	5.00%	4.50%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Investment rate	0.60%	0.85%	1.25%	1.75%	2.00%	2.25%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
1-Month LIBOR	0.75%	1.22%	1.69%	2.05%	2.24%	2.43%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%	2.55%
70% of 1-Month LIBOR	0.53%	0.85%	1.18%	1.44%	1.57%	1.70%	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%	1.79%
Spread: GO BANs vs. 70% of LIBOR	0.49%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%	0.51%
G.O. BANs Variable Interest Rate	1.02%	1.36%	1.69%	1.95%	2.08%	2.21%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
LOB BANs Variable Interest Rate	1.22%	1.56%	1.89%	2.15%	2.28%	2.41%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Fixed Rate TIC (GO)	3.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%	4.00%
Fixed Rate TIC (LOBs)	3.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%
*Revaluation														

# Solving Debt and Capital Capacity

- Capacity for programs/projects has been “solved” balancing the parameters of the County’s debt guidelines to maintain Aaa/AAA/AAA rating
- There is insufficient capacity without additional revenue (property tax increase) to fund the solved “maximum capacity”



# Debt and Capital Capacity

- WCPSS and Wake Tech have requested 7 Year Building Programs that are included in the County's debt and capital model
- Both WCPSS and Wake Tech modeled Spring 2017 and Spring 2018 as LOB BANs (with LOBs take-outs)
- Remaining issuances modeled as GO BANs (with GO take-outs) after General Obligation Referenda in May 2018

# WCPSS FY 2017 – FY 2023 CIP

- Adopted by Board of Education May 31, 2016
- \$1.98 Billion, seven-year CIP, is intended to be updated annually, similar to County's seven-year CIP.
- Amounts are predictable level funding
  - First year is funded (LOB BAN Closed February 28<sup>th</sup>)
  - Years 2-7 are planned but to be updated based on revised assumptions, project timelines, etc.
    - Fall projects in FY 2018 are also funded as part of LOB BAN.
  - 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"

# Wake Tech FY 2017 – FY 2023 CIP

- Presented to Board of Commissioners at November 2016 Work Session
- \$600 Million, seven-year CIP is intended to be updated annually, similar to County's seven-year CIP.
  - First year is funded (LOB BAN Closed February 28)
  - Years 2-7 are planned but to be updated based on revised assumptions, project timelines, etc.
  - Items not included are considered "horizon"

# Summary of Debt and Capital Capacity

- \$2.15 B Debt, \$425.7 Million Cash through 2023 for WCPSS and WTCC
- \$250 M Debt and \$45 Million Cash for Other Projects
- Requires **4.25 Cents** Property Tax Increase Adopted June 2018 for FY 2019 Budget
  - 3.95 cents is impact of WCPSS and WTCC; 1.5 cents initial operating impact for WCPSS and WTCC
- If Referenda Not Approved, Tax Increase Higher or Reduction or Timing of Projects

# Debt and Capital Capacity “Solved”

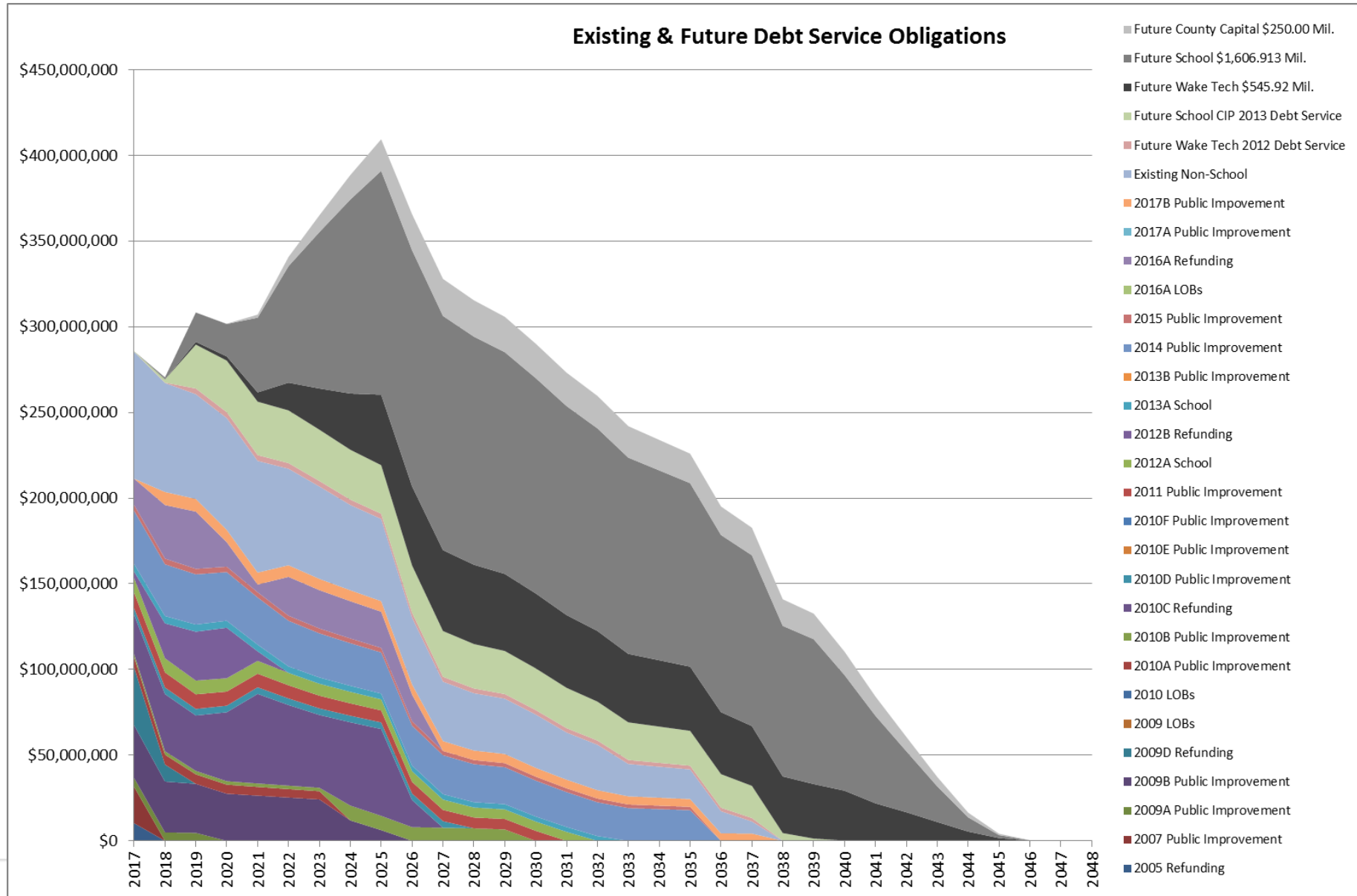
	FY 2017	FY 2018	FY 2019*	FY 2020	FY 2021	FY 2022	FY 2023	TOTAL
WCPSS	\$127 M	\$270 M	\$329 M	\$326 M	\$332 M	\$326 M	\$271 M	\$1.981 B
WTCC	\$25 M	\$74 M	\$68 M	\$108 M	\$110 M	\$112 M	\$105 M	\$602 M
<b>EDUCATION</b>	<b>\$153 M</b>	<b>\$344 M</b>	<b>\$396 M</b>	<b>\$434 M</b>	<b>\$442 M</b>	<b>\$439 M</b>	<b>\$377 M</b>	<b>\$2.583 B</b>
Open Space/Parks	?	?	?	?	?	?	?	TBD
Greenways	?	?	?	?	?	?	?	TBD
Libraries	?	?	?	?	?	?	?	TBD
Human Services & Affordable Housing	?	?	?	?	?	?	?	TBD
Other	?	?	?	?	?	?	?	TBD
Debt			\$50 M	\$50 M	\$50 M	\$50 M	\$50 M	\$250 M
Cash			\$5 M	\$10 M	\$10 M	\$10 M	\$10 M	\$45 M
<b>TOTAL COUNTY</b>	<b>\$0 M</b>	<b>\$0 M</b>	<b>\$50.5 M</b>	<b>\$60 M</b>	<b>\$60 M</b>	<b>\$60 M</b>	<b>\$60 M</b>	<b>\$295 M</b>
<b>TOTAL MAX CAPACITY</b>	<b>\$153 M</b>	<b>\$344 M</b>	<b>\$446.5 M</b>	<b>\$494 M</b>	<b>\$502 M</b>	<b>\$499 M</b>	<b>\$437 M</b>	<b>\$2.87 B</b>

*\*FY 2018-24 to be updated per annual update of CIP.*

*For FY 2019, assumes 4.25 cents tax increase to fund level of projects shown. Tax Rate for WCPSS and WTCC FY 2019 - 2023 CIP is 3.95 cents of 4.25 cents.*

*\*County excludes unallocated funds in County Capital Projects 7-Year CIP*

# Debt and Capital Capacity



# Debt and Capital Rating Agency Metrics/ Capacity Ratios

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Debt (\$ 000)											
Total debt	2,025,464	2,094,511	2,427,533	2,334,287	2,430,394	2,599,008	2,769,904	2,911,929	2,984,861	3,043,479	3,155,691
Assessed value (\$ 000)	130,810,000	140,300,000	144,525,000	148,499,438	152,211,923	168,194,175	172,399,030	176,709,006	181,126,731	200,145,037	205,148,663
Debt to assessed value	1.55%	1.49%	1.68%	1.57%	1.60%	1.55%	1.61%	1.65%	1.65%	1.52%	1.54%
Percent of L-T debt paid within 10 years	78.2%	76.9%	73.2%	74.5%	73.1%	71.6%	70.7%	70.1%	70.3%	71.1%	71.9%
Wake County population*	1,025,465	1,045,542	1,065,621	1,085,700	1,105,777	1,125,854	1,145,932	1,166,010	1,186,091	1,206,166	1,226,246
Direct debt per capita	1,975	2,003	2,278	2,150	2,198	2,308	2,417	2,497	2,517	2,523	2,573
Underlying debt per capita**	631	631	631	631	631	631	631	631	631	631	631
Overall debt per capita	2,606	2,634	2,909	2,781	2,829	2,939	3,048	3,128	3,148	3,154	3,204
Recent Aaa median**	2,838	2,838	2,838	2,838	2,838	2,838	2,838	2,838	2,838	2,838	2,838
Short-term debt (\$ 000)		139,471	193,118	244,599	210,653	160,793	174,416	163,192	131,086	135,410	143,911
S-T debt as % of L-T debt		7.1%	8.6%	11.7%	9.5%	6.6%	6.7%	5.9%	4.6%	4.7%	4.8%
Debt Serv. Expend. (\$ 000)	267,693	280,279	263,408	301,067	288,954	295,824	335,252	359,665	382,881	405,392	376,915
Debt Service as % of Total	21.2%	22.0%	19.9%	20.7%	19.4%	19.4%	21.0%	22.1%	23.1%	23.7%	23.8%
Debt vs Cash	80.5%	78.9%	79.4%	78.1%	78.5%	78.4%	78.4%	77.2%	79.8%		

# Questions Regarding G.O. Referenda Scenarios?

- Timing:
  - May vs. November Elections?
- Purpose:
  - What purpose(s) should be on the ballot?
    - Tax increase is slightly higher if other purposes beyond amounts for WCPSS and WTCC shown in scenarios
- Frequency/Amounts: When should we ask the voters? Every four years or every two years?

# Referenda Ballot Considerations\*

	<b>May 2018</b>	<b>May 2020</b>	<b>May 2022</b>
WCPSS and WTCC on Ballot Concurrently	WCPSS WTCC Other?	Other?	WCPSS WTCC Other

	<b>May 2018</b>	<b>May 2020</b>	<b>May 2022</b>
WCPSS and WTCC on Ballot Alternate	WCPSS Other?	WTCC Other?	WCPSS Other

*This also applies for November Ballot Considerations*

\*For illustrative purposes to depict timing, no decisions or recommendations made. Timing of decisions needed by January 2018.

# Referenda Timing Considerations

- WCPSS and WTCC programs exceed revenue capacity without a tax increase
- Property tax increases must be adopted with budget
  - Tax increase would be adopted in June 2018 with budget.
- Waiting until November 2018 results in June 2019 property tax increase (typically don't increase taxes until result of GO vote is known)

# Next Steps

- FY 2018 – FY 2024 WCPSS and WTCC CIP Update
- Present at May Work Session Model with WCPSS and WTCC Update, Debt “Work Plan” FY 2018, and Referenda Scenarios Requested by BOC
- FY 2018 WCPSS and WTCC projects to be funded by LOB BANs
- Questions for the Board to Decide by December 2017:
  - When does County proceed with GO Referenda?
  - What purposes and amounts should be on the ballot?
  - Is an increase in the property tax rate the method of funding the additional debt service and cash funding of capital projects?



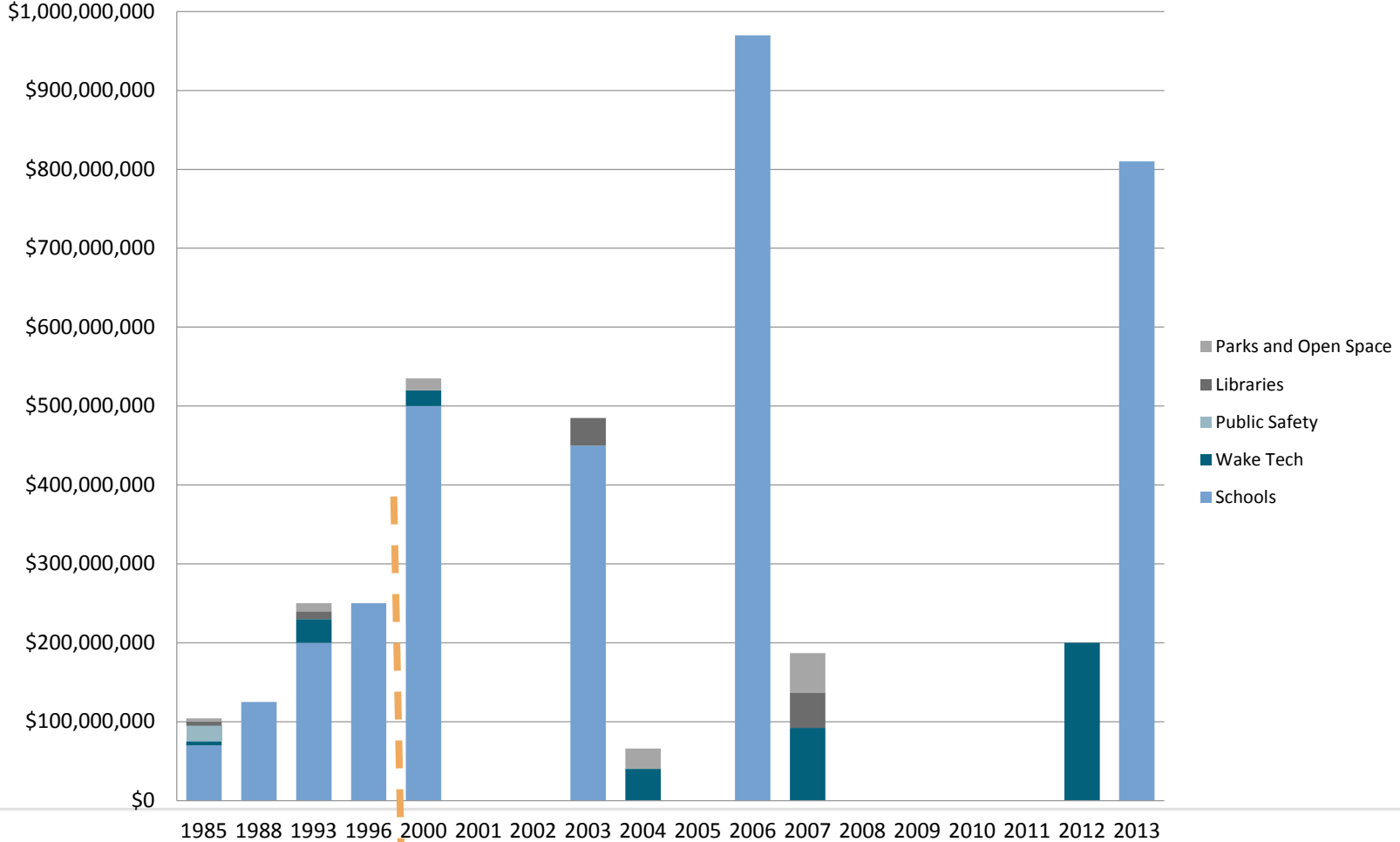
# Appendix

# When Did the Voters Authorize G.O. Debt?

Referendum	Purpose	Program Amount (in millions)	Bond Amount (in millions)	Tax for Capital and Debt Service (in cents)	% Voter Approval
June 1993	WCPSS	\$ 300	\$ 200	0.00	56.3%
June 1993	Wake Tech	\$ 30	\$ 30	0.00	51.3%
June 1993	Libraries	\$ 10	\$ 10	0.00	55.7%
June 1993	Parks	\$ 10	\$ 10	0.00	50.5%
June 1996	WCPSS	\$ 400	\$ 250	0.00	79.0%
June 1999	WCPSS	\$ 940	\$ 650	13.00	35.0%
November 2000	WCPSS	\$ 550	\$ 500	0.00	77.9%
November 2000	Public Safety	\$ 20	\$ 20	0.00	57.8%
November 2000	Open Space	\$ 15	\$ 15	0.00	76.6%
October 2003	WCPSS	\$ 550	\$ 450	0.00	64.2%
October 2003	Libraries	\$ 35	\$ 35	0.00	67.5%
November 2004	Wake Tech	\$ 40	\$ 40	0.00	74.8%
November 2004	Open Space	\$ 26	\$ 26	0.00	73.8%
October 2006	WCPSS	\$ 1,056	\$ 970	2.70	53.2%
November 2007	Wake Tech	\$ 115	\$ 92	0.75	67.5%
November 2007	Open Space	\$ 50	\$ 50	0.30	71.4%
November 2007	Libraries	\$ 45	\$ 45	0.30	70.0%
November 2012	Wake Tech	\$ 210	\$ 200	0.00	72.9%
October 2013	WCPSS	\$ 940	\$ 810	4.40	57.7%
	<b>Total</b>	<b>\$ 5,342</b>	<b>\$ 4,403</b>	<b>21.45</b>	<b>63.9%</b>
	<b>Approved</b>	<b>\$ 4,402</b>	<b>\$ 3,753</b>	<b>8.45</b>	<b>65.4%</b>

# County's GO Bond Authorization by Voters

History of General Obligation Passed General Obligation Bond Referenda Since 1985



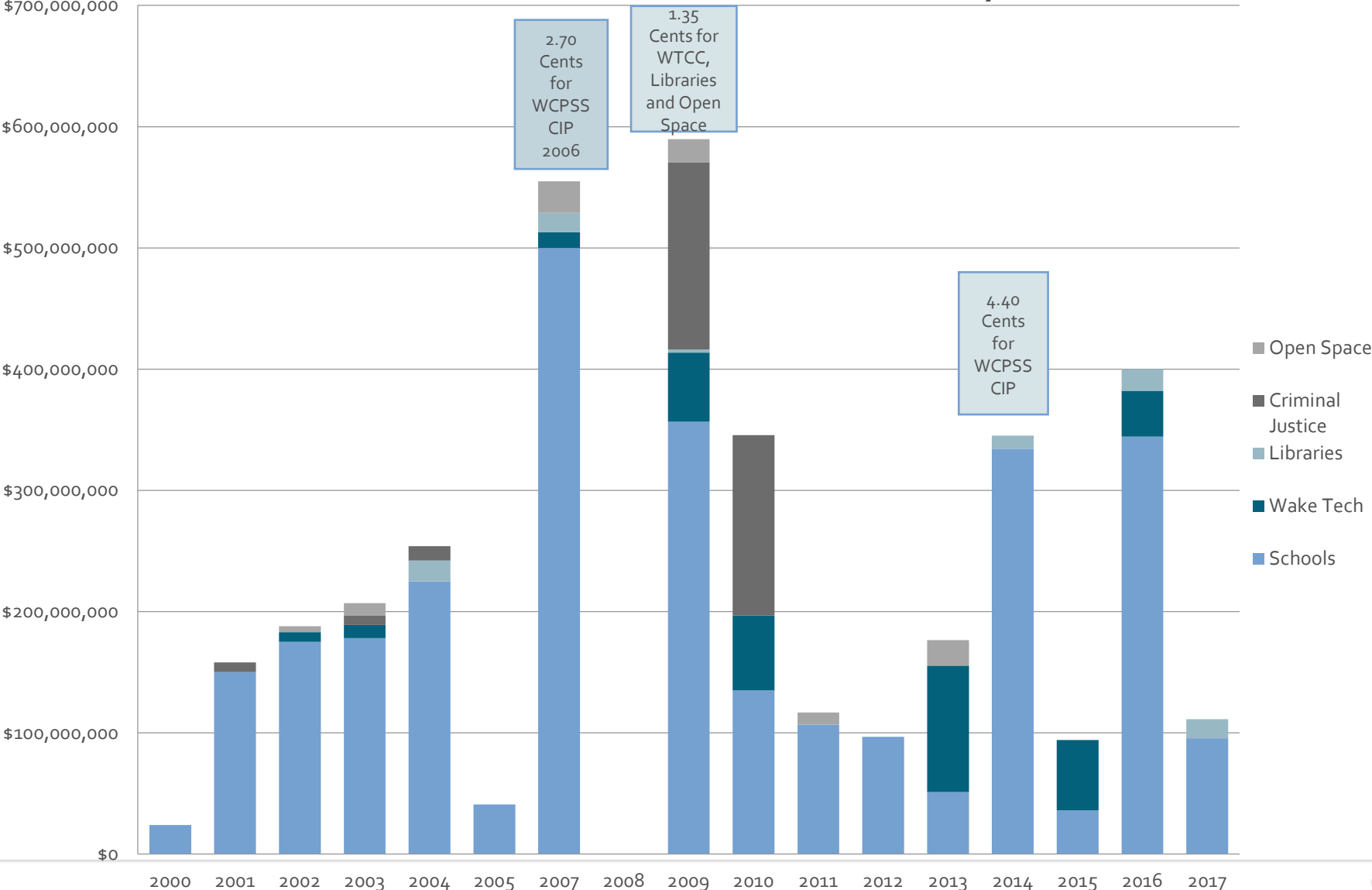
1999 failed school referendum, transition point for debt and capital policies and approach

# Other County Debt Issues

Date	Type	Purpose	Amount	Tax for Capital and Debt Service (in cents)
April 2004	Installment Financing Agreement/Swap	Five County Stadium	\$ 9,000,000	0.00
May 2007	Installment Financing Agreement	Fire Trucks	\$ 844,345	0.00
March 2008	Installment Financing Agreement	Fire Trucks	\$ 1,600,000	0.00
December 2008	Installment Financing Agreement	Fire Trucks	\$ 2,409,425	0.00
Series 2009 LOBs	Limited Obligation Bonds (LOBs)	Hammond Road	\$ 154,620,000	0.00
Series 2010 LOBs	Limited Obligation Bonds (LOBs)	Justice Center	\$ 148,860,000	0.00
January 2013	Installment Financing Agreement	Fire Trucks	\$ 940,675	0.00
January 2014	Installment Financing Agreement	Fire Trucks	\$ 1,487,000	0.00
July 2014	Capital Lease Agreement	Network Equipment	\$ 1,112,272	0.00
January 2015	Installment Financing Agreement	Fire Trucks	\$ 1,260,000	0.00
November 2016	Installment Financing Agreement	Fire Trucks	\$ 2,063,158	0.00
February 2017	Drawdown Installment Financing Agreement	WCPSS	\$ 309,925,000	0.00
February 2017	Drawdown Installment Financing Agreement	WTCC	\$ 24,424,000	0.00
Total		\$ -	\$ 658,545,875	\$ -

# County's Debt Issuances

GO Bond/LOB/BAN Issues: 2000 - 2017



# Financing Methods

## General Obligation Bonds

- Proceeds borrowed that are backed by the pledge of full faith and credit (taxing power) of unit of government as security on debt.
- Requires approval by voters, known as a referendum.
  - Unit of government promises to use whatever amount of property tax is necessary to repay the debt.
  - Voters do not approve “projects” they approve the promise or pledge of tax dollars for repayment of debt.
- Schools, Wake Tech, Libraries, Open Space



## Pledge of Financed Asset (COPs, Limited Obligation Bonds, Installment Purchase)

- Proceeds backed by the asset that funds are being borrowed for.
- Also used for annual appropriation backed debt where repayment of loan is backed by annual appropriation of debt service funds by the governing board.
- Essential governmental purpose.
- Does not require approval by voters.
- Hammond Road, Justice Center, Fire Trucks
- Higher borrowing cost to the County but allows flexibility



WAKE COUNTY

# Additional Notes/Sensitivity Analysis on Capacity Calculation

- Growth in Assessed Value
  - Additional ½% reduction in rate of growth would result in additional property tax increases in FY 2023 to fund debt and capital (0.5 cents)
- Sales Tax Growth
  - Recession, negative changes in consumer spending patterns, or changes by NC General Assembly, would result in downward adjusting of sales tax assumptions, reducing capacity, or require increase in property tax
- Federal Tax Law Changes
  - All debt has been modeled as tax-exempt debt. Changes in the tax exemption status for local government OR changes in the corporate tax rate which may impact County's cost of short-term debt would impact calculated capacity.
- Size of Building Programs Requested by WCPSS and WTCC
  - If seven year CIP programs from WCPSS and WTCC are reduced, calculations of capacity and cost of debt and capital will change.
- Deviation from Debt Management Practices
  - Rating agencies all report that rating is sensitive to shifts in fundamental credit characteristics, including deterioration of County's reserve and liquidity or deviation from strong financial management and debt practices. **This is not anticipated by the County.**

# Moody's

## Moody's U.S. Local Government GO Scorecard - Wake County

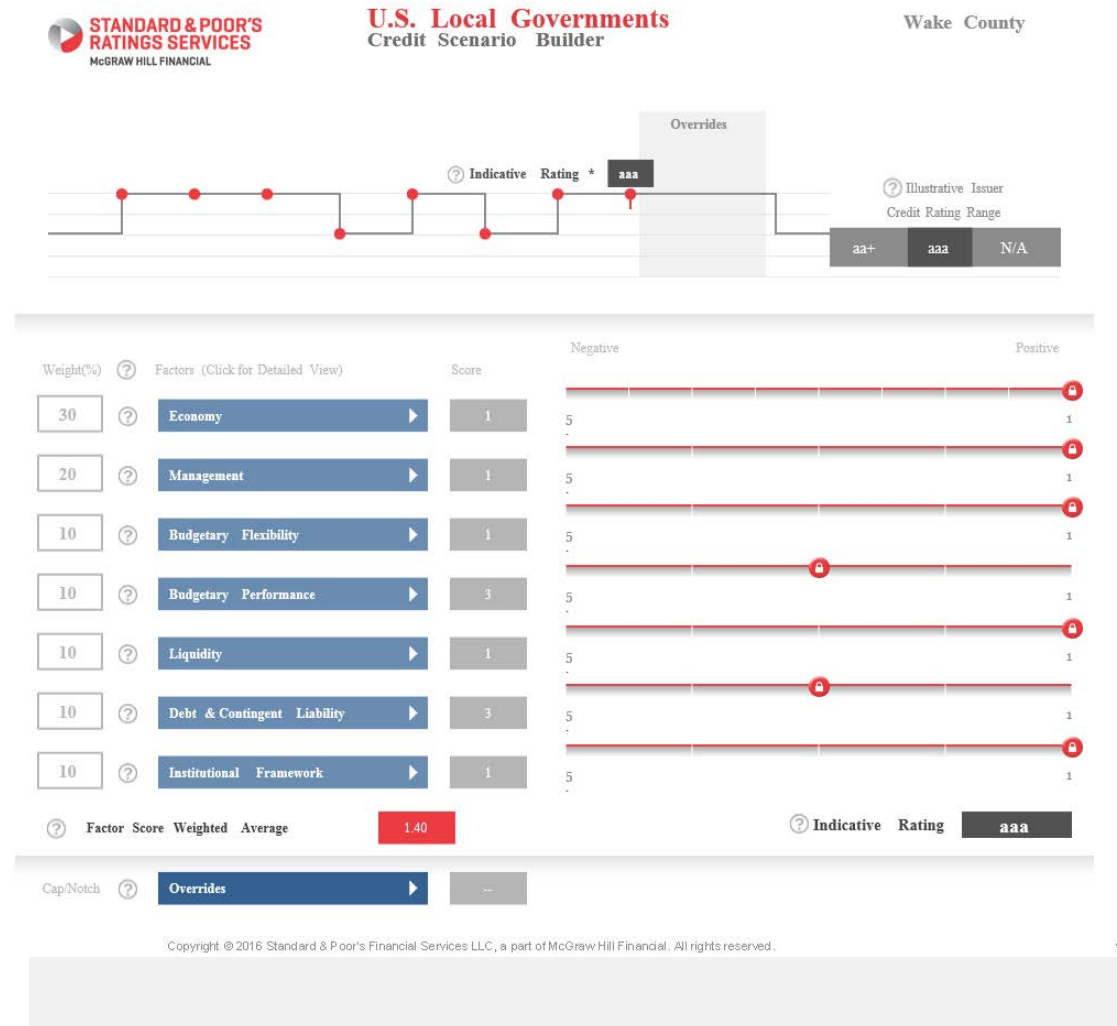
Criteria	Weight	Wake County Score
<b>Economy/Tax Base (30%)</b>		
Tax Base Size: Full Value	10%	1
Full Value Per Capita	10%	2
Median Family Income	10%	2
<b>Finances (30%)</b>		
Fund Balance as % of Revenues	10%	1
5-Year Dollar Change in Fund Balance as % of Revenues	5%	3
Cash Balance as % of Revenues	10%	1
5-Year Dollar Change in Cash Balance as % of Revenues	5%	3
<b>Management (20%)</b>		
Institutional Framework (legal ability to match resources with spending)	10%	1
Operating History: 5-Year Average of Operating Revenues/ Operating Expenditures	10%	3
<b>Debt/Pensions (20%)</b>		
Net Direct Debt/Full Value	5%	2
Net Direct Debt/Operating Revenues	5%	3
3-Year Average of Moody's Adjusted Net Pension Liability/ Full Value	5%	1
3-Year Average of Moody's Adjusted Net Pension Liability/ Operating Revenues	5%	1
<b>Overall weighted average score</b>		1.75
		-0.33
		1.42
		AA

Aaa=1
Aa=2
A=3

<i>Potential Notching</i>		
<b>Economy</b>	Institutional presence	+
	Regional economic center	+
	Unemployment, workforce composition, varied economic base, real estate trends	+
<b>Management</b>	State oversight or support	+
	Unusually strong budget management and planning	+
<b>Debt/Pensions</b>	High debt service relative to budget and heavy capital needs	-
	Rapid amortization of principal	+
	<b>Final rating</b>	<b>Aaa</b>

# Standard and Poor's Summary

- Economy (30%): Very Strong
- Management (20%): Very Strong
- Budgetary Flexibility (10%): Very Strong
- Budgetary Performance (10%): Strong
- Liquidity (10%): Very Strong
- Debt & Contingent Liabilities (10%): Adequate
- Institutional Framework (10%): Very Strong



# Fitch Ratings

- Revenue Framework: AAA
- Expenditure Framework: AA
- Long-Term Liability Burden: AAA
- Operating Performance: AAA

Revenue Framework	
<b>Growth prospects for revenues without revenue-raising measures</b>	
aaa	Strong - Growth in line with or above the level of U.S. economic performance
aa	Solid - Growth below U.S. economic performance but above the level of inflation
a	Slow - Growth in line with the level of inflation
<b>Independent legal ability to raise operating revenues without external approval</b>	
aaa	High - Maximum revenue increase of 3x the decline in revenue caused by a 1% decline in GDP
aa	Substantial - Maximum revenue increase of 2x the decline in revenue caused by a 1% decline in GDP
a	Satisfactory - Maximum revenue increase equal to the decline in revenue caused by a 1% decline in GDP
Other	Third-party funding risk; unusually concentrated or volatile revenue base
Expenditure Framework	
<b>Natural pace of spending growth relative to expected revenue growth</b>	
aaa	Slower to equal
aa	In line with to marginally above
a	Above
<b>Flexibility of main expenditure items</b>	
aaa	Ample ability to cut spending throughout the economic cycle
aa	Solid ability to cut spending throughout the economic cycle
a	Adequate ability to cut spending; limits to budget management may result in cuts to core services
Other	Potential funding pressures including litigation, internal service fund liabilities and contingent obligations
Long-term Liability Burden	
<b>Combined burden of debt and unfunded pension liabilities</b>	
aaa	Low liability burden in relation to resource base
aa	Moderate liability burden in relation to resource base
a	Elevated (but still in the moderate range) liability burden in relation to resource base
Other	Derivatives exposure, short-term debt, variable-rate debt, bullet maturity debt, large OPEB liability
Operating Performance	
<b>Financial resilience through downturns</b>	
aaa	Exceptionally strong gap-closing capacity; high level of flexibility during economic downturns
aa	Very strong gap-closing capacity; adequate level of flexibility during economic downturns
a	Strong gap-closing capacity; financial operations challenged during economic downturns
<b>Budget management during economic recovery</b>	
aaa	Rapid rebuilding of financial flexibility; no material deferral of required spending
aa	Consistent efforts in support of financial flexibility; limited to no deferral of required spending
a	Some deferral of required spending
Other	Liquidity or market access concerns; third party risk to operations; exceptional taxpayer dissatisfaction
*Include Fitch-adjusted direct unfunded pension liability, if any	

# WCPSS

- **NCGS 115C-408**
- **(b) To insure a quality education for every child in North Carolina, and to assure that the necessary resources are provided, it is the policy of the State of North Carolina to provide from State revenue sources the instructional expenses for current operations of the public school system as defined in the standard course of study.**
- **It is the policy of the State of North Carolina that the facilities requirements for a public education system will be met by county governments.**
- **It is the intent of the 1983 General Assembly to further clarify and delineate the specific financial responsibilities for the public schools to be borne by State and local governments**

# WCPSS FY 2017 – 2023 CIP Projects (Appendix)

- 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 is modifying projects and schedules based on revised enrollment projections for FY 2018 update; intends to stay within programmed dollars*

	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

# WCPSS CIP 2017 – 2013 (May 2016)

		Planned CIP 2013 dollars	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	Total FY 2017 - 2023 CIP
<b>14 New Schools</b>	Year completed									
E-35 New Elementary	2019	\$ 2,000,000	\$ -	\$ 5,000,000	\$ 28,296,628	\$ -	\$ -	\$ -	\$ -	\$ 33,296,628
E-24 New Elementary	2019	2,000,000	-	29,000,000	4,296,628	-	-	-	-	33,296,628
E-50 New Elementary	2019	2,000,000	-	5,000,000	28,296,628	-	-	-	-	33,296,628
E-28 New Elementary (Poole Road Elementary)	2020	1,050,000	-	2,000,000	5,000,000	27,960,317	-	-	-	34,960,317
H-13 New High (Lg)	2019	2,900,000	44,000,000	41,548,785	-	-	-	-	-	85,548,785
M-16 New Middle (Lg)	2019	1,750,000	-	55,494,762	-	-	-	-	-	55,494,762
M-xx New Middle (Lg)	2022	1,250,000	-	-	2,000,000	-	41,000,000	22,163,430	-	65,163,430
H-xx New High (lg)	2026	-	-	-	-	-	-	6,000,000	-	6,000,000
H-xx New High (lg)	2022	-	-	5,000,000	-	17,000,000	60,000,000	30,161,056	-	112,161,056
E-xx New Elementary	2021	-	-	2,000,000	-	4,000,000	31,595,105	-	-	37,595,105
E-xx New Elementary	2022	-	-	-	2,000,000	-	4,000,000	33,258,650	-	39,258,650
E-xx New Elementary	2022	-	-	-	2,000,000	-	4,000,000	33,258,650	-	39,258,650
E-xx New Elementary	2023	-	-	-	-	-	2,000,000	4,000,000	36,631,403	42,631,403
E-xx New Elementary	2023	-	-	-	-	-	2,000,000	4,000,000	36,631,403	42,631,403
E-xx New Elementary	2023	-	-	-	-	-	2,000,000	4,000,000	36,631,403	42,631,403
<b>Subtotal New Schools</b>		<b>\$ 12,950,000</b>	<b>\$ 44,000,000</b>	<b>\$ 145,043,547</b>	<b>\$ 71,889,883</b>	<b>\$ 48,960,317</b>	<b>\$ 146,595,105</b>	<b>\$ 136,841,786</b>	<b>\$ 109,894,208</b>	<b>\$ 703,224,846</b>
<b>11 Renovations</b>										
Apex High	2019	\$ 7,785,445	\$ 46,000,000	\$ 47,445,646	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,445,646
Vandora Springs	2018	3,350,000	33,679,411	-	-	-	-	-	-	33,679,411
Stough Elementary	2019	3,735,856	-	17,000,000	13,520,152	-	-	-	-	30,520,152
East Wake Middle	2020	6,585,349	1,000,000	-	58,058,033	-	-	-	-	59,058,033
Northridge Elementary	2020	2,000,000	-	-	38,750,595	-	-	-	-	38,750,595
Fuquay Varina High	2021	3,677,677	2,000,000	-	30,000,000	70,509,965	-	-	-	102,509,965
Wendell	2021	-	-	2,000,000	-	4,000,000	35,415,078	-	-	41,415,078
Conn Elementary	2021	-	-	2,000,000	-	37,455,665	-	-	-	39,455,665
York Elementary	2020	2,000,000	-	-	5,000,000	33,778,108	-	-	-	38,778,108
West Millbrook	2023	-	-	-	-	3,000,000	-	53,000,000	20,807,110	76,807,110
Wiley Elementary	2019	1,400,000	-	4,000,000	11,318,083	-	-	-	-	15,318,083
<b>Subtotal Renovations</b>		<b>\$ 30,534,327</b>	<b>\$ 82,679,411</b>	<b>\$ 72,445,646</b>	<b>\$ 156,646,863</b>	<b>\$ 148,743,738</b>	<b>\$ 35,415,078</b>	<b>\$ 53,000,000</b>	<b>\$ 20,807,110</b>	<b>\$ 569,737,846</b>
<b>Other Projects</b>										
Public Infrastructure			\$ 555,000	\$ 16,705,108	\$ 11,742,172	\$ 7,587,491	\$ 23,644,003	\$ 9,363,708	\$ 12,493,000	\$ 82,090,482
Life Cycle Bldg. Comp.						27,000,000	27,810,000	28,644,300	29,503,629	112,957,929
Life Cycle Furniture					1,900,000	1,957,000	2,015,710	2,076,181	2,138,467	10,087,358
Educational Equip.					600,000	618,000	636,540	655,636	675,305	3,185,481
Environmental/ADA					4,000,000	4,120,000	4,243,600	4,370,908	4,502,035	21,236,543
Technology Infrastructure					10,800,000	11,124,000	11,457,720	11,801,452	12,155,495	57,338,667
Technology Devices					27,000,000	27,810,000	28,644,300	29,503,629	30,388,738	143,346,667
Security			4,100,000	4,223,000	4,349,690	4,480,181	4,614,586	4,753,024	4,887,510	26,520,481
Mobiles						2,600,000	2,678,000	2,758,340	2,841,090	10,877,430
Assessments					500,000	515,000	530,450	546,364	562,754	2,654,568
Property Acquisition				10,000,000	10,300,000	10,609,000	10,927,270	11,255,088	11,592,741	64,684,099
SNAP				12,000,000	12,360,000	12,730,800	13,112,724	13,506,106	13,911,289	77,620,919
Program Contingency				9,495,861	8,097,039	9,012,321	10,920,055	8,980,742	8,202,953	54,708,972
Program Mgmt.					8,543,668	8,481,695	8,625,133	8,486,539	7,058,488	41,195,524
<b>Subtotal Other</b>		<b>\$ -</b>	<b>\$ 555,000</b>	<b>\$ 52,300,970</b>	<b>\$ 100,065,879</b>	<b>\$ 128,514,997</b>	<b>\$ 149,725,685</b>	<b>\$ 136,563,579</b>	<b>\$ 140,779,009</b>	<b>\$ 708,505,120</b>
<b>TOTAL</b>		<b>\$ 43,484,327</b>	<b>\$ 127,234,411</b>	<b>\$ 269,790,163</b>	<b>\$ 328,602,626</b>	<b>\$ 326,219,052</b>	<b>\$ 331,735,868</b>	<b>\$ 326,405,365</b>	<b>\$ 271,480,326</b>	<b>\$ 1,981,467,812</b>

*WCPSS is updating projects and schedule for FY 2018 – FY 2024 CIP*

# Wake Tech

- NCGS 115D-32:
- The tax-levying authority of each institution shall be responsible for providing, in accordance with the provisions of G.S. 115D-33 or 115D-34, as appropriate, adequate funds to meet the financial needs of the institutions for the following budget items:
- (1) Plant Fund: Acquisition of land; erection of all buildings; alterations and additions to buildings; purchase of automobiles, buses, trucks, and other motor vehicles; purchase or rental of all equipment necessary for the maintenance of buildings and grounds and operation of plants; and purchase of all furniture and equipment not provided for administrative and instructional purposes.

# Wake Tech FY 2017 – FY 2023 CIP

WTCC 7 Year Capital Improvement Program								
	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	TOTAL
Technology Acquisition and Infrastructure Campus Wide	1,000,000	8,032,640	8,032,640	8,032,640	8,032,640	5,500,000	5,500,000	44,130,560
RTP Classroom Building 2	6,599,220	37,395,580	-	-	-	-	-	43,994,800
NWC Automotive & Collision Repair	6,270,060	-	35,530,340	-	-	-	-	41,800,400
Campuswide R&R, Alterations, Minor Capital*	3,872,586	5,872,586	5,872,586	5,872,586	5,872,586	5,872,586	5,872,586	39,108,100
Campuswide Infrastructure Upgrades	4,257,157	4,257,157	3,657,157	3,657,157	3,657,157	3,657,157	3,657,157	26,800,100
Main Facilities Mgmt. & Warehouse Building	2,849,610	16,147,790	-	-	-	-	-	18,997,400
Renovation of Power Mechanics	561,380	2,245,520	-	-	-	-	-	2,806,900
Main Advanced Industries	-	-	8,081,820	45,796,980	-	-	-	53,878,800
Parking Deck	-	-	6,557,720	29,034,780	-	-	-	35,592,500
NWC Health Sciences Bldg. NL	-	-	-	8,812,050	49,934,950	-	-	58,747,000
Parking Deck	-	-	-	6,577,575	37,272,925	-	-	43,850,500
PSEC Simulation Building	-	-	-	-	5,235,780	38,395,720	-	43,631,500
RTP Classroom Building 3	-	-	-	-	-	7,342,965	41,610,135	48,953,100
Parking Deck	-	-	-	-	-	44,770,600	-	44,770,600
RTP Classroom Building 4	-	-	-	-	-	-	7,710,105	7,710,105
Energy Plant	-	-	-	-	-	6,353,520	36,003,280	42,356,800
RTP Classroom Building 5	-	-	-	-	-	-	-	-
Parking Deck	-	-	-	-	-	-	4,903,710	4,903,710
	\$ 25,410,013	\$ 73,951,273	\$ 67,732,263	\$ 107,783,768	\$ 110,006,038	\$ 111,892,548	\$ 105,256,973	\$ 602,032,875

# Criminal Justice

- NCGS 7A-302
- In each county in which a district court has been established, courtrooms, office space for juvenile court counselors and support staff as assigned by the Division of Juvenile Justice of the Department of Public Safety, and related judicial facilities (including furniture), as defined in this Subchapter, shall be provided by the county, except that courtrooms and related judicial facilities may, with the approval of the administrative Officer of the Courts, after consultation with county and municipal authorities, be provided by a municipality in the county....