

Fiscal Year 2019 Recommended Budget

INTRODUCTION

Good Morning Chair Scarborough, members of the Board of County Commissioners, residents of Mecklenburg County, Department Directors, County employees, and distinguished guests. It is an honor and privilege to serve as your County Manager and present to you my Recommended Operating Budget for Fiscal Year 2019.

My remarks will serve as an executive summary and highlight the most important investments and initiatives included in my Recommended Budget. Following my remarks, Michael Bryant, Management & Budget Director, will present a more complete overview.

The Recommended Budget that I present to you today reflects my commitment as County Manager to offer you bold opportunities to build a stronger, better tomorrow for our County and community. It maintains the alignment to the goal areas in our Strategic Plan, at the same time making important

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investments aimed at improving economic opportunity in our community.

BUDGET OVERVIEW

My total Fiscal Year 2019 Recommended Operating Budget is \$1.7 billion, an increase of \$25 million, or 1.5 percent over Fiscal Year 2018.

Since I became County Manager in 2014, our revenue growth has been fairly modest. In fact, since that time, revenue has grown approximately 3.3% per year. After allocations to employee benefits, Charlotte-Mecklenburg Schools and Central Piedmont Community College, there has been little revenue available to invest in strategic initiatives. I have continuously challenged my cabinet to look at every program and service we provide. Programs and services should align to our corporate and departmental strategic business plans as we continuously revisit our approach to delivering services to the

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community. Each of my Recommended Budgets has focused on getting the most of every County dollar.

FOCUS FOR FISCAL YEAR 2019

My Recommended Budget for Fiscal Year 2019 has two primary objectives:

- 1) Invest additional resources in critical programs and services;
- 2) Invest in economic opportunity.

LEVERAGE TECHNOLOGY TO OPTIMIZE SERVICE DELIVERY

In December 2017, Mecklenburg County was the victim of a ransomware attack. This forced us to take down all our systems, diagnose and cleanse every server, and restore our applications one at a time to ensure our systems were no longer infected.

We must prevent hackers from harming us again. Since December, I have rolled out a “New Normal” security posture.

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We have taken steps to make our networks more secure and we have enhanced our efforts to educate and train County employees about the constantly evolving cybersecurity threats.

However, there is more to be done. My Fiscal Year 2019 Recommended Budget includes funding for 11 new positions for Information Technology Services (ITS). The positions will support IT Security Services, Business Operations, Technical Services, Service Development and Quality Services. These additional IT staff will provide the support needed to advance our necessary security solutions.

In addition to these new positions, my Recommended Budget includes \$5.7 million in security focused hardware and software upgrades. These are critical enhancements to our IT infrastructure.

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COMMUNITY HEALTH AND WELLNESS

The County continues its transformation of the Public Health Department. Earlier this year, the Board of County Commissioners appropriated \$1.7 million for transformation activities including the recruitment of a new leadership team, change management services, electronic medical record optimization and technology assessment, clinical care model delivery enhancements, and laboratory assessment and implementation.

These initiatives are well underway and we are seeing many positive changes in the department. My Fiscal Year 2019 Recommended Budget extends this work with the addition of nine new positions in the areas of environmental health, preparedness coordination, school health, pharmacy and adult day health services. The budget also includes additional funding for breast and cervical cancer screenings, family

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planning services, and the Village HeartBEAT Program.

The County has invested heavily in capital projects at our parks, greenways and recreation centers. Every year, we cut several ribbons for new or renovated park facilities. These capital investments come with new operating costs. The biggest mistake we could make is to not adequately fund the costs associated with operating and maintaining these assets. Over time, the assets deteriorate and the costs of maintenance only increase. For Fiscal Year 2018, we will have completed 17 park projects including three greenways, three nature preserves, five parks, two shelters, a tennis complex, seven competition fields at the Mecklenburg County Sportsplex and 4,000 additional seats for the championship field at the site.

The Fiscal Year 2019 Recommended Budget includes \$441,000 to maintain these assets. In addition, the budget includes eight new positions and \$190,000 to maintain new assets scheduled

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for completion in Fiscal Year 2019.

OPTIMIZE INVESTMENTS IN CRIMINAL JUSTICE SERVICES

In recent years, we have seen so many instances where our safety and security has been compromised by mass shootings and other unspeakable acts. As someone who was working next to the World Trade Center when the 1993 bombing occurred, I know too well the feelings of fear, sadness and disbelief when an incident like that happens.

We know that our personal safety and security is no longer assured. As the provider of many services offered in public spaces, we are compelled to make security a top priority. My Fiscal Year 2019 Recommended Budget includes \$1.7 million for security enhancements. These enhancements include weapons screening at several County facilities, additional security guards at County facilities, security cameras at numerous park and recreation facilities, enterprise security

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system software, and the opening of a security operations center.

The challenges public safety agencies face recruiting and retaining quality employees has been evident for some time. This challenge also applies to the Mecklenburg County Sheriff's Office. The Office has over 100 vacant positions which can compromise the safety of employees as well as inmates. To provide some relief, my Recommended Budget includes revisions to the Sheriff's Office pay plan and provides salary increases for positions experiencing high turnover, as well as salary adjustments for new hires after the completion of specific certification and training. These changes will help retain current employees and make the Mecklenburg County Sheriff's Office competitive with other offices in our region. This will be funded through the realignment of existing resources and additional revenue.

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LEVERAGING FINANCIAL RESOURCES

Fiscal Year 2019 is the year of property revaluation. Our County Assessor and his team have worked tirelessly over the past four years to ensure that this revaluation is sound. In fact, since Fiscal Year 2014, we have added 46 new positions and invested a total of \$6.6 million in the County Assessor's Office. However, our work is not done and additional resources are required.

My Recommended Budget for Fiscal Year 2019 includes an additional investment of \$1.9 million for revaluation notices, and temporary staff to handle appeals, provide top-notch customer service, and perform field canvassing. These investments will deliver a successful revaluation in 2019, and position the County to perform property revaluations every four years, as opposed to the State of North Carolina statutory requirement of every eight years.

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TALENT MANAGEMENT

The many services we offer our residents are only as good as the people who provide them, our County employees. We cannot achieve the goals the Board has established for this community without high-performing employees. They are, without a doubt, our greatest asset.

To hire and retain the best and the brightest, we need to invest in them. My Fiscal Year 2019 Recommended Budget includes \$5.9 million for employee compensation, including merit increases.

The County has also demonstrated a strong commitment to the health and wellness of our valued workforce. I am recommending no health plan design changes and no rate increases to our health insurance plans for Fiscal Year 2019. For the average County employee, this means the proposed employee merit increases will not be offset by higher health insurance premiums.

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I am also pleased to announce that the County will add a new benefit for all eligible employees and retirees effective January 1, 2019. We are expanding our partnership with OurHealth to include access to the MyClinics for employees, non-Medicare retirees and their dependents covered on our medical plan.

The MyClinics, with five locations throughout the Charlotte region, will complement our existing HSA and PPO medical plans by providing convenient and less costly healthcare.

MyClinics will provide at low or no cost to County employees and retirees:

- Primary care services including acute and preventive care, and routine physicals and wellness visits
- Chronic condition management for diabetes, high blood pressure and other conditions
- Low or no-cost medications, including free home delivery
- Same or next day appointments for illness or other acute conditions, and

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- Saturday and extended evening hours

We hope this additional benefit will help our workforce maintain and improve their health. The total cost for Fiscal Year 2019 is \$1.8 million. This will be funded through savings derived from a \$6 million reduction in medical claims.

EDUCATION

Funding for education is critical for our community. We know that there is not sufficient growth revenue to satisfy the requests from both Central Piedmont Community College and Charlotte-Mecklenburg Schools. When crafting this budget, I wanted to emphasize education funding as a priority as its impact on economic opportunity is significant. As a result, funding for both CPCC and CMS will increase at greater percentages than for County services in Fiscal Year 2019.

By now we are all very familiar with the Economic Opportunity Task Force Report that was released in March 2017. One of the

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determinants in the Task Force Report is College and Career Readiness. The Report suggests that we must change the current mindset around technical education and community college for students at all income levels.

Central Piedmont Community College is the critical partner in our community that focuses solely on college and career readiness. The College helps prepare high-school graduates as well as those transitioning to new careers for college, and provide the job skills required to build a successful career path. To support these efforts, I am recommending an increase of \$1.6 million to CPCC's operating budget. This represents a 4.6% increase over Fiscal Year 2018. In addition, I am recommending that CPCC receive \$4 million for deferred maintenance of college facilities.

For Fiscal Year 2019, Charlotte-Mecklenburg Schools requested \$468.5 million from the County, an increase of \$39.8 million, or 9.3%. In addition, the request included one -

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time funding of \$9.2 million for security enhancements and \$8.5 million for a bus washing garage.

I am recommending an increase of \$24.2 million, or 5.6%. My recommendation fully funds CMS's request of \$11.8 million for salary increases for locally funded employees, \$3.5 million for increased costs for health insurance and retirement contributions, \$3.4 million for charter school enrollment growth, and \$923,000 for additional facility space.

CMS also requested \$4.7 million for student support services which includes 33 guidance counselors, 10 psychologists and 17 social workers. I am pleased that my Recommended Budget fully funds this request. These positions are critical as we experience an increase in behavioral health concerns in our students.

In addition, my budget includes one-time funding of \$4.6 million for security enhancements throughout the district. The

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remaining \$4.6 million of the request should be funded through the \$18 million CMS will receive for deferred maintenance.

EARLY CHILDHOOD EDUCATION

On December 20, 2016, the Board of County Commissioners unanimously adopted a resolution supporting early childhood education for all children from birth to age 5.

Specifically, the resolution stated, “It is hereby resolved, that the Mecklenburg Board of County Commissioners supports early childhood education in Mecklenburg County, for all resident children from birth to age 5 and developing and advancing a community vision for early childhood education, including identifying reliable funding mechanisms and developing a phased plan for achieving that community vision.”

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Since adopting the resolution, the Board has taken significant steps toward honoring that commitment. In Fiscal Year 2018, the Board of County Commissioners appropriated \$6 million for the expansion of the child care subsidy program. The funds allowed children under age 5, on the childcare subsidy waiting list, the chance to attend a quality early childhood program while their parents are working. I am pleased to report that an additional 888 children are being served with those funds.

On the heels of that commitment, last September, the Mecklenburg County Early Childhood Education Executive Committee issued its report, “Creating Opportunity: An Action Plan for Early Childhood Education” to the Board of County Commissioners.

The report recommends a six-year, phased-in voluntary approach to eliminate the child care subsidy waiting list, and provide universal pre-k for all four-year-old children. The five-point plan also recommends a series of talent development

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and retention strategies, and implementation of a strong evaluation and program quality platform.

The Executive Committee is working on the next phase of the project which is the implementation plan to bring these programs to scale.

Having said that, there is sufficient capacity in existing community-based childcare centers to add new pre-k classes in Fiscal Year 2019. My Recommended Budget includes \$9.0 million to add 33 pre-k classes which will serve approximately 600 children. Add to that the 234 new NC Pre-K slots being funded by the State; we will be able to add 46 new classes and provide a quality pre-k experience to an additional 834 children in Mecklenburg County. The County funded pre-k classes will replicate the NC Pre-K model which has demonstrated positive outcomes for children who have attended.

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I am also very pleased to announce that the County will partner with Smart Start of Mecklenburg County to administer this program. Smart Start was established in 1993, under the leadership of then Governor Jim Hunt, as a state-wide, public/private partnership to help all North Carolina children enter school healthy and ready to succeed. Smart Start is the leader on early childhood development and education and I believe this partnership will bring with it many opportunities to expand quality pre-k education to all four-year old children in Mecklenburg County.

My Recommended Budget also includes \$700,000 for additional child care subsidy funding specifically for those parents enrolled in Mecklenburg County workforce development programs. Eligibility for the traditional child care subsidy program requires that parents be working and earning 200% or below the federal poverty line.

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Parents enrolled in workforce development programs are not working, but may still need access to quality child care. Not having access to child care can be a barrier to participation and prevent those that want to train and gain employment the ability to do so. This appropriation will allow approximately 100 children to be placed in child care while their parents train for a job that will pay a sustainable wage.

In addition to the additional pre-k classes and child care subsidy, my Recommended Budget includes \$300,000 for Renaissance West. These funds will provide scholarships for up to 21 children at the Howard Levine Child Development Center and life navigators to support 42 parents with their path to employment. The powerful combination of quality early childhood education and employment can truly change the trajectory of a family. Leveraging these partnerships must be part of our larger strategy to provide access to early childhood education in Mecklenburg County.

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TAX RATE

As stated earlier in my remarks, revenue growth has been modest over the past four years, and Fiscal Year 2019 will be no exception. In fact, growth revenue for next fiscal year is expected to increase by just 3.2% or \$32 million. That is sufficient to fund the critical operational needs of the County for Fiscal Year 2019.

Our current tax rate of 81.57 cents per \$100 of assessed value has remained constant for five years. I take pride in the fact that the Board of County Commissioners has consistently supported ways to expand services without raising taxes. However, to make these bold investments in early childhood education, a small tax increase is required.

I am recommending a tax increase of .75 cents (3/4 of a cent), which will bring the County tax rate to 82.32 cents per \$100 of assessed value. On a single-family home valued at \$250,000 this increase amounts to \$18.75 per year or about \$1.50 per

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month. If the one-cent tax increase proposed by the City Manager is ultimately approved by the City Council, the combined increase on a single-family home valued at \$250,000 in the City of Charlotte amounts to **less than \$4 per month**.

There are some in the community who may say, “Why should my tax dollars go toward early childhood education programs?” I would respond to that by saying that all the taxpayers in Mecklenburg County are already paying the price for children who do not enter kindergarten ready to learn. The costs associated with children having to repeat a grade and students who drop out and end up in our criminal justice system are just two examples. In the 2015-2016 school year, 2,401 CMS third graders were held back at an estimated cost of \$22.5 million.

Additionally, Nobel Prize winning economist James Heckman estimates that every dollar spent on high-quality early learning programs delivers a 13% annual return on that investment in

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positive economic impact for the child as well as the community.

Each year we wait to make these critical investments is another cohort of four-year-old children that does not benefit from a quality pre-k experience. Children are only four years old once. If we are serious about economic opportunity and building the future leaders in this community, there is no time to waste.

CLOSING

I want to take this opportunity to thank all my staff who worked so hard on this Recommended Budget. This includes the members of my executive team, Management & Budget Director Michael Bryant and the Office of Management and Budget staff, Director of Strategic Planning & Evaluation Monica Allen and the Strategic Planning & Evaluation staff, Sarah Lyberg and the Department of Financial Services, Danny Diehl and the Public Information staff, and my entire Cabinet

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and their staff. I also want to thank the residents of Mecklenburg County who have communicated with me, provided their thoughts and insights, and have helped inform the Recommended Budget being presented today.

I also want to thank the Board of County Commissioners for your continued support. Your leadership is undeniable, and your commitment to this community is without question. Your leadership has helped Mecklenburg County continue to maintain its great strength.

With that, I will turn the presentation over to Management & Budget Director Michael Bryant to provide some additional information about the Fiscal Year 2019 Recommended Budget.

Thank you.