

Overview of Changes in Revenues, Expenditures, and County Dollars

General Profile of the County Government

For Forsyth County, the budget information can be perhaps best understood when put in the context of the specific environment within which the County operates. Forsyth County provides a broad range of services including public safety, environmental protection, health and social services, cultural and recreational programs, community and economic development, general government and administration, and education.

Forsyth County is located in the northwestern piedmont section of North Carolina and includes the City of Winston-Salem, both the County seat and the fourth most populous city in the state. Created in 1849 by Act of the North Carolina General Assembly, Forsyth County operates under a commissioner-manager form of government with seven publicly elected commissioners comprising the governing body. The County is divided into two districts for election purposes, and commissioners are elected on a staggered basis for terms of four years; two from one district (District A), four from the second district (District B), and one at-large. The Board of Commissioners meets twice per month to adopt local regulations and ordinances, establish policies, make appointments to Boards and Commissions, and set the level of services to be provided to County residents. The Board of Commissioners annually adopts a balanced budget and establishes a tax rate for the support of County programs. The County's annual budget allocates its resources for the health, education, welfare, and protection of its citizens.

The County Manager is appointed by and serves at the pleasure of the Board of Commissioners. The manager, administrative staff, and all departments must administer the County programs in accordance with the policies and annual budget ordinance adopted by the Board of Commissioners. Attesting to the sound financial management of the Board of Commissioners, Forsyth County remains one of only a few of AAA-rated counties nationwide, as ranked by Standard & Poor's, Fitch Ratings, and Moody's Investor Services.

Factors Affecting Financial Condition

Located midway between Washington, D.C. and Atlanta, Georgia, Forsyth County is in the heart of North Carolina's Piedmont Triad region, a 12-county area with more than 1.5 million people. Three cities comprise the Triad: Winston-Salem, Greensboro, and High Point. Each city has its own character, heritage, and industrial base. However, the area's commercial and cultural growth transcends geographic boundaries with the strengths of each city combining to form a vibrant economic hub.

Forsyth County, with an estimated population of 351,758 and a workforce of more than 172,900, plays a vital role in the Triad's economy. With a strong and diversified core of manufacturing companies, health care, biotechnology, financial services, tourism, and educational sectors, the County serves as a major employment center for the counties which comprise northwest North Carolina and portions of southwest Virginia. The County's average unemployment rate as of February 2012 was 9.2%.

Although personal income levels slipped slightly from 2010, they remain consistently higher than State figures. The County's per capita income is \$36,091, the seventeenth highest among the 100 counties in the State, and higher than the State's \$34,879. Capital investment, as measured by the value of new residential and commercial building permits issued during the year, totaled \$342.7 million during the year ended June 30, 2011.

Factors Affecting FY 2012-2013 Recommended Budget

As we prepare for a new fiscal year, it is imperative that FY 2013-2014 remains in focus as well. The County will be in its quadrennial revaluation cycle in 2013 with an effective date of July 1, 2014. This revaluation will be like no other in that it will be the first time we are anticipating a negative revaluation. The County is currently experiencing a down housing market. The Sales/Assessment Ratio which compares the Tax Value to the Sale Price is currently running between 1.06 and 1.13. It is estimated that going into the revaluation, it could be as high as 1.10 or 1.11. This means that a house with a tax value of \$100,000 is selling for \$90,000 this equals a sales ratio of 1.11. This could have a significant impact in FY 2014 because a revenue neutral rate would mean a tax rate of approximately \$0.7384 or 6.44¢ higher than the recommended FY 2013 tax rate.

For FY 2013, the theme is to continue providing excellent customer service with fewer resources with the anticipation of greater reductions if better property tax news does not come in the near future. In addition, the Department of Social Services and Public Health could be faced with significant changes when and if Healthcare Reform becomes a reality. In addition, these two departments could be greatly affected if the federal government does not pass a budget and the automatic sequester cuts to domestic programs occur.

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FY 2012-2013 County Manager's Recommended Budget

The annual budget serves as the foundation for Forsyth County's financial planning and control. Each year all County departments are required to submit requests for appropriations to the County Manager, who then compiles a proposed budget and presents it to the Board of Commissioners for review. The Board is required to hold a public hearing on the proposed budget and to adopt a final budget by July 1 of the fiscal year, or the Board must adopt an interim budget that covers the time until the annual ordinance can be adopted. The annual ordinance includes appropriations for the General Fund (the County's primary operating fund) and four annually budgeted special revenue funds.

The Recommended General Fund budget for Forsyth County for FY 2012-2013 increases by \$6,673,641 or 1.72% over the FY 2012 Adopted Budget. The Recommended budget includes a tax increase of \$0.0047 per \$100 valuation. This increase results in a County tax rate for FY 2013 of \$0.6787 per \$100 valuation.

FY 2012 – 2013 Recommended Budget	\$394,912,807
FY 2011 – 2012 Adopted Budget	388,239,166
Difference	\$ 6,673,641
Percent Change	1.72%

A summary of budget changes is as follows:

County Dollars Change FY 12 to FY 13 (dollars potentially affecting property tax rate)			
	<u>Expenditure</u>	<u>Revenue</u>	<u>Net County Dollars</u>
Tax rate increase of \$0.0047 per \$100 valuation	-	1,557,274	(1,557,274)
Sales Taxes	-	3,240,629	(3,240,629)
WS/FC Schools increase based on funding formula results	2,388,504	1,735,000	653,504
Forsyth Technical Community College	816,621	361,000	455,621
Debt Service	883,877	(708,336)	1,592,213
Management Information Systems (hardware/software upgrades)	572,216	-	572,216
General Services	120,552	(165,100)	285,652
Economic Development (new incentive agreements)	117,463	-	117,463
3.5% Increase in County Health Insurance for Employees	635,944	-	635,944
Increase in Contingency	626,000	-	626,000
Sheriff's Office - various expenditure reductions & revenue increases	(649,244)	481,625	(1,130,869)
Board of Elections - increase for costs of Nov 2012 General Election	177,172	(64,055)	241,227
Decrease in Retirement rates for General Employees & Law Enforcement	(411,802)	-	(411,802)
Planning (City administered joint department)	16,370	-	16,370
Purchasing (City administered joint department)	49,730	-	49,730
Inspections (City administered joint department)	(187,800)	-	(187,800)
Transaid (City department)	34,190	-	34,190
Emergency Management (City administered joint department)	28,240	-	28,240
Public Health (shift of Solid Waste Section to EAP)	(274,337)	348,511	(622,848)
Environmental Assistance & Protection (Shift of Solid Waste here)	531,146	(55,485)	586,631
Youth Services	9,592	131,302	(121,710)
All Other Departments	<u>3,577,711</u>	<u>(188,725)</u>	<u>3,766,436</u>
Total	<u>6,673,641</u>	<u>6,673,641</u>	<u>0</u>

A discussion of each of the above referenced items continues on the following pages.

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SUMMARY OF REVENUE AND EXPENDITURE CHANGES

Because the General Fund is the primary operating fund for the County, greater time and attention are given to what happened in the General Fund. An overview of the other minor funds occurs at the end of the overview section.

Charts 1 and 2 provide summary glances at changes in revenue and expenditures in the General Fund for FY 2012-2013. The information is provided in greater detail following the charts.

Chart 1 - Summary of FY 2013 General Fund Recommended Revenue Budget Changes

<u>Total By Revenue Source</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Budget to Budget</u>	
			<u>\$ Change</u>	<u>% Change</u>
Sales Taxes	49,260,160	52,500,789	3,240,629	6.6%
Property Taxes	226,593,067	229,834,115	3,241,048	1.4%
Other Taxes	710,575	745,950	35,375	5.0%
Licenses & Permits	804,518	774,270	(30,248)	-3.8%
Intergovernmental	54,509,470	52,794,594	(1,714,876)	-3.1%
Charges for Services	24,460,267	25,598,856	1,138,589	4.7%
Earnings on Investments	692,086	525,000	(167,086)	-24.1%
Other Revenues	8,598,309	9,597,345	999,036	11.6%
Other Financing Sources	1,917,219	3,772,695	1,855,476	96.8%
Debt Service - Lottery Proceeds	4,697,056	4,066,636	(630,420)	-13.4%
Debt Service - EDLP Reserves	3,972,263	4,200,400	228,137	5.7%
DEA Forfeiture Fund Balance	-	2,157	2,157	100.0%
Fund Balance	12,024,176	10,500,000	(1,524,176)	-12.7%
Total Changes			\$ 6,673,641	

Chart 2 - Summary of FY 2013 General Fund Recommended Expenditure Changes

<u>Highest Accounting Level</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>Budget to Budget</u>	
			<u>\$ Change</u>	<u>% Change</u>
Personal Services	121,088,676	121,444,495	355,819	0.3%
Professional & Technical Services	7,331,831	7,174,106	(157,725)	-2.2%
Purchased Property Services	5,322,442	5,502,826	180,384	3.4%
Other Purchased Services	9,703,102	10,081,893	378,791	3.9%
Travel	706,707	798,810	92,103	13.0%
Materials & Supplies	16,945,509	17,328,211	382,702	2.3%
Other Operating Costs	26,342,752	26,387,786	45,034	0.2%
Prior Year Encumbrances	1,800,000	1,800,000	-	0.0%
Contingency	956,582	1,681,700	725,118	75.8%
Property	1,798,672	2,162,252	363,580	20.2%
Debt Service	63,276,059	64,159,936	883,877	1.4%
Payments to Other Agencies	131,186,909	134,630,037	3,443,128	2.6%
Transfers Out	1,779,925	1,760,755	(19,170)	-1.1%
Total Changes			\$ 6,673,641	

The following charts provide the Expenditure and Revenue changes within the departments of the General Fund. Again, much more information and detail is provided following these charts.

Overview of Changes in Revenues, Expenditures, and County Dollars

Chart 3 - Summary of General Fund Revenue Changes by Department

	<u>FY 2012</u>	<u>FY 2013</u>	<u>\$ Change</u>	<u>% Change</u>
Debt				
WSFC Schools	\$ 11,687,171	\$ 10,978,835	\$ (708,336)	(6.1%)
Enviro Assist & Protect	-	1,735,000	1,735,000	100.0%
Management Information Svcs	1,074,270	1,018,785	(55,485)	(5.2%)
FTCC	21,200	18,750	(2,450)	(11.6%)
General Services	-	361,000	361,000	100.0%
Board of Elections	1,146,700	981,600	(165,100)	(14.4%)
Economic Development	64,125	70	(64,055)	(99.9%)
Library	325,000	325,000	-	0.0%
Social Services	434,365	387,345	(47,020)	(10.8%)
Finance	34,885,539	35,171,658	286,119	0.8%
Tax Administration	49,700	49,700	-	0.0%
Purchasing	1,021,363	1,155,410	134,047	13.1%
Special Appropriations	-	-	-	
Emergency Management	1,057,608	1,057,608	-	0.0%
Cooperative Extension Services	-	12,925	12,925	
Attorney	192,828	229,044	36,216	18.8%
Human Resources	-	-	-	
Interagency Comm	-	-	-	
Planning	650,308	639,145	(11,163)	(1.7%)
Budget & Management	-	-	-	
County Commissioner & Manager	15,500	-	(15,500)	(100.0%)
CenterPoint	-	-	-	
Animal Control	100,000	95,000	(5,000)	(5.0%)
Housing	416,800	397,100	(19,700)	(4.7%)
Court Services	60,000	60,000	-	0.0%
Medical Examiner	379,021	295,162	(83,859)	(22.1%)
Parks and Recreation	-	-	-	
Emergency Services	4,610,509	4,779,647	169,138	3.7%
Youth Services	11,130,186	11,467,811	337,625	3.0%
Inspections	745,998	877,300	131,302	17.6%
Register of Deeds	-	-	-	
Public Health	2,615,210	2,753,150	137,940	5.3%
Sheriff	15,200,121	15,548,632	348,511	2.3%
Non-Departmental	5,537,895	6,019,520	481,625	8.7%
Total	<u>294,817,749</u>	<u>296,940,336</u>	<u>2,122,587</u>	<u>0.7%</u>
	<u>\$ 388,239,166</u>	<u>\$ 393,355,533</u>	<u>\$ 5,116,367</u>	<u>1.3%</u>

The significant point in the chart above is that the majority of the revenue increase occurs in the Non-departmental area and this is where Sales and Property Taxes are budgeted. Without positive news in the Sales Tax projections, the County would have faced a higher recommended property tax increase or made very difficult service level changes.

Chart 4 provides a glimpse of the actual Recommended County Dollar changes that occurred within the General Fund departments. For the most part, very few departments increased percentage wise. Those that did increase by 2% or less is a result of a 3.5% increase in the County's portion of employee health insurance as well as annualizing current year performance adjustments.

Overview of Changes in Revenues, Expenditures, and County Dollars

Chart 4 – Summary of General Fund County Dollar Changes by Department

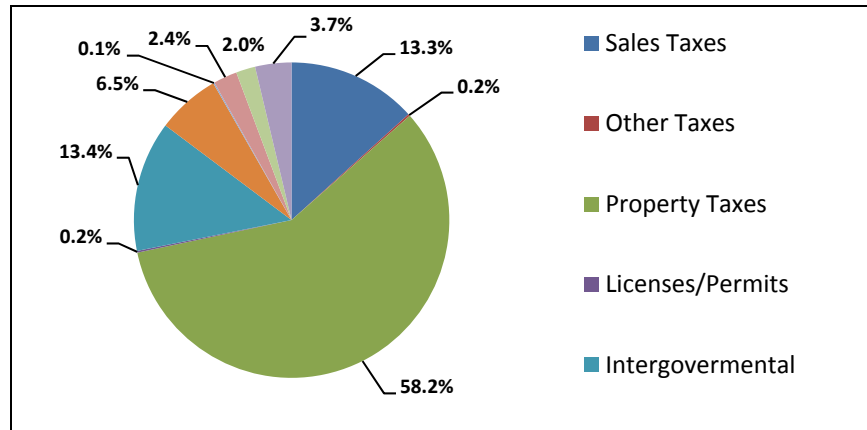
	<u>FY 2012</u>	<u>FY 2013</u>	<u>\$ Change</u>	<u>%Change</u>
Debt	\$ 51,588,888	\$ 53,181,101	\$ 1,592,213	3.1%
WSFC Schools	112,020,566	112,674,070	653,504	0.6%
Enviro Assist & Protect	618,489	1,205,120	586,631	94.8%
Management Information Svcs	7,809,237	8,381,453	572,216	7.3%
FTCC	7,687,283	8,142,904	455,621	5.9%
General Services	11,693,979	11,979,631	285,652	2.4%
Board of Elections	926,087	1,167,314	241,227	26.0%
Economic Development	1,510,516	1,627,979	117,463	7.8%
Library	6,855,350	6,962,353	107,003	1.6%
Social Services	14,344,065	14,448,393	104,328	0.7%
Finance	2,029,529	2,133,030	103,501	5.1%
Tax Administration	4,299,861	4,393,969	94,108	2.2%
Purchasing	97,410	147,140	49,730	51.1%
Special Appropriations	511,427	543,857	32,430	6.3%
Emergency Management	335,870	364,110	28,240	8.4%
Cooperative Extension Services	567,453	590,743	23,290	4.1%
Attorney	1,272,221	1,293,407	21,186	1.7%
Human Resources	1,067,946	1,086,238	18,292	1.7%
Interagency Comm	773,745	790,829	17,084	2.2%
Planning	1,511,840	1,528,210	16,370	1.1%
Budget & Management	479,516	491,489	11,973	2.5%
County Comm & Manager	1,057,880	1,063,965	6,085	0.6%
CenterPoint	6,158,706	6,163,706	5,000	0.1%
Animal Control	1,555,542	1,557,851	2,309	0.1%
Housing	375,346	376,513	1,167	0.3%
Court Services	180,717	180,910	193	0.1%
Medical Examiner	190,000	190,000	-	0.0%
Parks and Recreation	3,184,411	3,172,331	(12,080)	-0.4%
Emergency Services	5,217,311	5,188,631	(28,680)	-0.5%
Youth Services	624,545	502,835	(121,710)	-19.5%
Inspections	484,730	296,930	(187,800)	-38.7%
Register of Deeds	(1,173,775)	(1,409,632)	(235,857)	20.1%
Public Health	8,329,310	7,706,462	(622,848)	-7.5%
Sheriff	35,696,072	34,565,203	(1,130,869)	-3.2%
Non-Departmental	(289,882,073)	(291,131,771)	(1,249,698)	0.4%

The next section discusses more about revenue changes that occur within the FY 2013 Recommended General Fund budget. The discussion looks more at holistic changes within the various revenue sources rather than a department or service area view. The following Chart provides a cursory glance at the revenue sources of the General Fund.

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REVENUE SOURCES

Chart 5 – General Fund Revenue Sources (shown as percent of revenue)



Sales Taxes

Forsyth County receives sales taxes from three (3) statutory Articles: 39, 40, and 42 under Chapter 105 of the North Carolina General Statutes. These three Articles are levied by all 100 counties in the State of North Carolina. The total sales tax for these three Articles is 2%.

Article 39 is known as the “First One-Cent (1¢) Local Government Sales and Use Tax Act”. Counties must elect to levy this tax and all counties in North Carolina have done so.

Article 40 is known as the “First One-Half Cent (1/2¢) Local Government Sales and Use Tax Act”. It applies only to counties that levy one percent sales and use taxes under Article 39. Its purpose is to give counties and cities of the State an opportunity to obtain an added source of revenue by which to meet their obligations.

Article 42 is known as the “Second One-Half Cent (1/2¢) Local Government Sales and Use Tax Act”. As with Article 40, it applies only to counties that levy one percent sales and use taxes under Article 39.

Article 44 was another sales tax source for counties. However, the State taking over the full cost of Medicaid, the legislature repealed this Article effective October 1, 2009 and localities no longer received the revenue from this sales tax article.

For Forsyth County, the hold harmless amount received in FY 2012 was \$1.64 million. For FY 2013, the Hold Harmless amount will be \$497,408. This is actually good news because it means that County Sales Taxes are improving.

For FY 2013, the consensus at the State level projects base State Sales Tax growing by 5.2%. The projection used in the County’s budget is 2.5% in overall economic activity in the County. The municipal Medicaid Hold Harmless provision is a part of the reason that the County projection is less than State projections for Sales Tax growth.

Sales Taxes account for 13.3% of the total Forsyth County General Fund revenue. This is an increase from Current Year as well as the past several years. With the volatility of this revenue source, it has been very difficult to make accurate projections especially over the past few years. While the FY 2013 projected Sales Tax numbers reflect a budget to budget increase of 6.5%, the change from the FY 2012 year-end estimate is less than 1%. *Graph 1* provides a glimpse of the volatility of this particular revenue source.

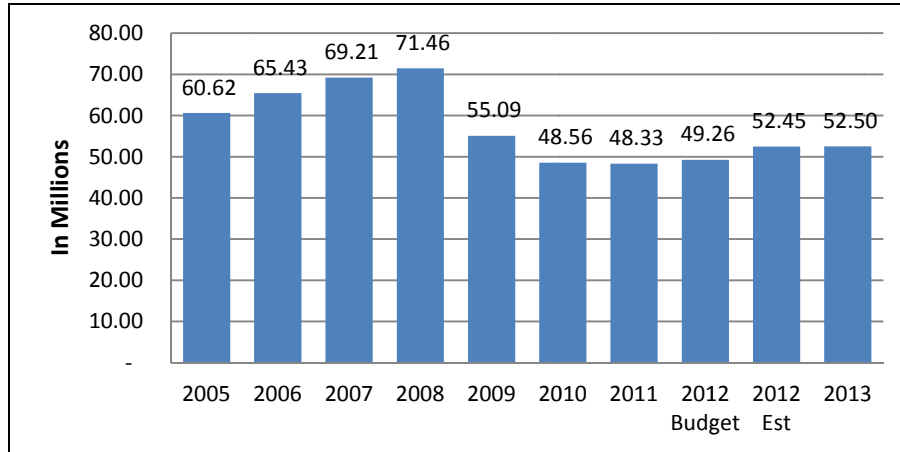
Overall economic activity for Forsyth County Sales Taxes continues to show modest improvement. Last year, Sales Tax Refunds impacted the County’s collections significantly. Through February 2012 collections, refunds had stabilized, however, with four months remaining we are not assuming that the trend will hold but we are hopeful. *Chart 2* provides a look at refunds as a percentage of gross sales tax collections over the past four (4) fiscal years through year to date actual (as of March 2012).

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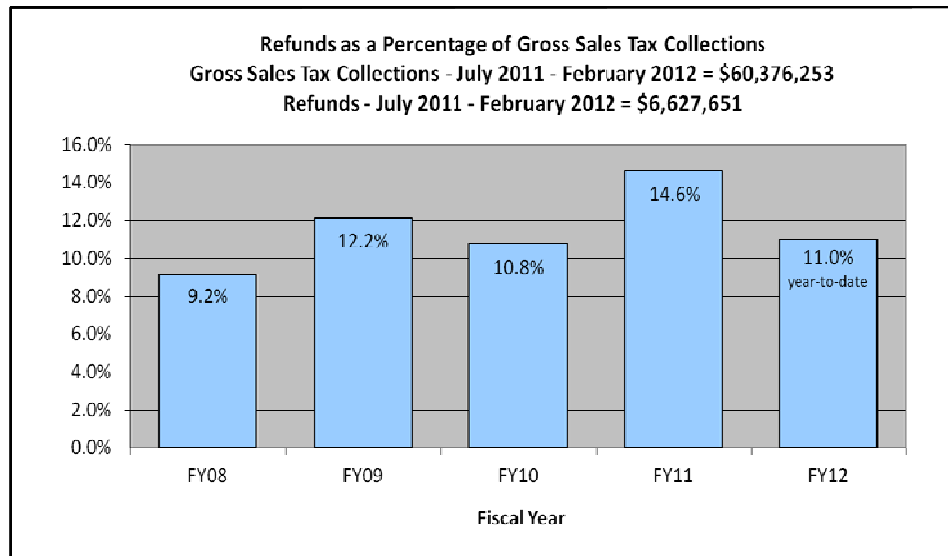
In addition to counties being held harmless with through the Medicaid/Sales Tax Swap, counties are also required to hold municipalities harmless. This Medicaid “hold harmless” payment is disbursed by the North Carolina Department of Revenue. For Forsyth County, this equates to between \$4.6 million and \$5.0 million that comes out of the Sales Tax collections and goes to the municipalities within Forsyth County to hold them harmless from the Medicaid change.

At the time the budget was prepared, four months remain in the fiscal year and projections showed that Sales Tax revenue would be approximately \$3.1 million or 6.5% higher than budgeted. All and all, the three Sales Tax Articles (Articles 39, 40, and 42) are all showing signs of improvement.

Graph 1 - Local Sales Taxes - FY 2005 through FY 2011 Actual; FY 12 Estimate & FY 13 Adopted



Graph 2 - Refunds as a Percentage of Gross Sales Tax Collections



With continued high gas prices and relatively high unemployment, we feel the projected sales tax estimates remain fairly conservative yet realistic.

Property Taxes

Ad Valorem taxes make up 58.2% of the County’s revenue.

For FY 2013, the primary driver impacting the property tax estimate within Forsyth County is a continued stagnation in the tax base. The light in this year’s property tax estimate is that Business Personal Property saved the day. The housing market is not rebounding as we had hoped it would. The Tax Assessor/Collector provided data showing that the first quarter Sales/Assessment Ratio was 1.13. Going into a revaluation period, this is not good news at all.

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For FY 2013, the tax base value used in the budget was \$34.016 billion while the tax base used in FY 2012 was \$33.866 billion. The collection percentage for FY 2013 is 97.80% compared with a collection rate of 97.82% used in FY 2012. The collection rate applied for FY 2013 (97.80%) is the same as was realized in FY 2011, the most recently completed full year at the current property tax rate of 67.87 cents per \$100 of assessed valuation. This is in compliance with the Local Government Budget and Fiscal Control Act. Graph 3 below provides a ten-year history of total taxable values for Forsyth County. For information purposes, 2001, 2005, and 2009 were revaluation years. The data is taken from the Tax Assessor's December 31st report known as the TR-1.

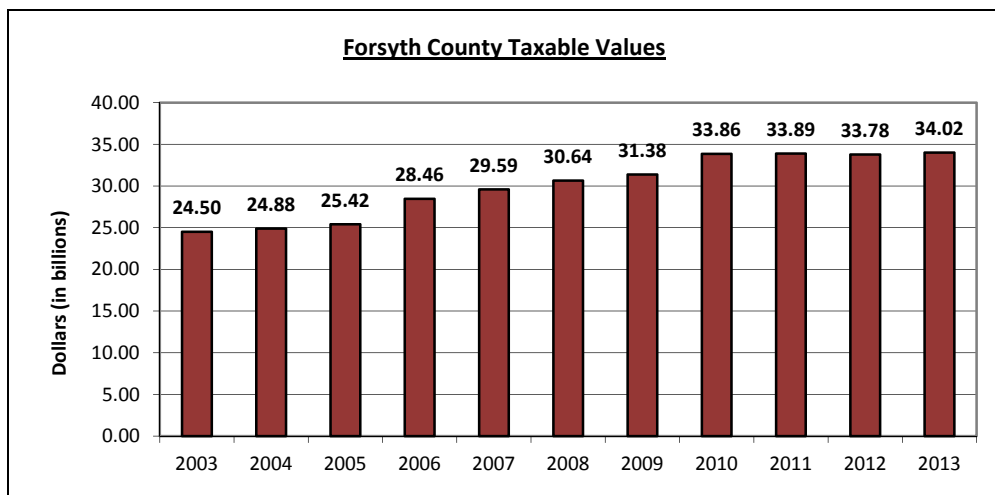
The FY 2013 recommended budget is based on a property tax rate of 67.87 cents per \$100 of assessed valuation a tax increase of .47cents over the current tax rate of 67.4 cents. For a \$100,000 home, this would equate to an additional \$4.68 of property taxes.

Of the 67.87 cents tax rate, 4.1 cents is designated for the Education Debt Leveling Plans. The Debt Leveling Plans are discussed in the Debt section below.

With the Tax Base slightly higher than that used in FY 2012 and an increased tax rate, the application of a collection rate of 97.80% versus 97.82% yields estimated Current Year Property Tax revenue being \$3.04 million more than the FY 2012 Adopted budget.

For FY 2013, at a tax rate of 67.87¢, one cent (1¢) on the property tax rate is equivalent to \$3,326,808.

Graph 3 - Ten Year History of Taxable Values



As stated earlier in the overview, we are very concerned with the impending revaluation and its impact on the FY 2014 budget. Based on very preliminary estimates, we are looking at a revenue neutral tax rate of approximately 73.84¢ or 6.44¢ higher than the recommended FY 2013 tax rate of 67.87¢. If the Board decided to maintain the same tax rate as FY 2013 and not do a revenue neutral rate, the results could be very significant service level changes across the board from Public Safety to Human Services. To reiterate an earlier statement, the resulting gap of a non-revenue rate could be approximately \$19 million.

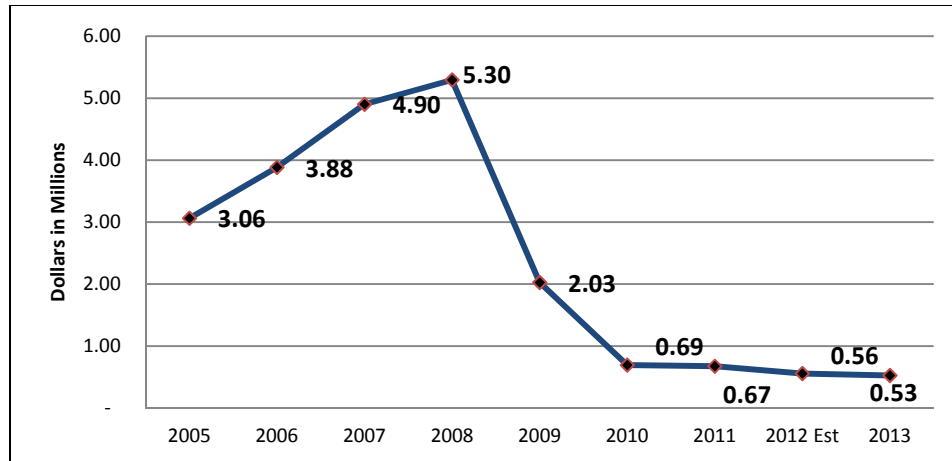
Earnings on Investments

As a result of much lower interest rates, interest earnings continue to reflect a decline. For FY 2013, interest earnings are less than the FY 2012 original budget of \$688,486 by \$167,086. *Graph 4* below provides a picture of the decline of interest earnings over the last four years compared to the mid-2000s.

As shown during the robust economic years from 2005 – 2008, there was a steady increase in the County's investment earnings and then in 2009 with the banking melt-down interest earnings plummeted and have remained low through current year. With the federal government attempting to stimulate the economy, interest earnings are projected to remain low at least through the first half of FY 2013.

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Graph 4 - Earnings on Investments



Debt Service, Education Debt Leveling, & Lottery Funds

Debt leveling is a concept by which the County is able to dedicate a portion of the tax rate to pay for debt of a particular nature. Currently, there are two debt leveling plans in place: 2006 Education Debt Leveling Plan and the 2008 Education Debt Leveling Plan (also referred to as EDLP – pronounced Ed-Lep).

As briefly mentioned in the Property Tax section above, in order to level the effects of issuing \$250 million schools and \$25 million community college bonds authorized in the November 2006 referendum, the County has dedicated proceeds from the State Education Lottery and from a 3-cent property tax increase to debt service on these bonds. Similarly, in fiscal year 2010 the budget included an additional 1.1-cent tax increase over the revenue-neutral rate to fund \$62 million educational facilities bond authorization approved in the November 2008 referendum. The last \$5 million of this referendum will be issued in July 2012.

In FY 2011, the County issued Qualified School Construction Bonds (QSCBs) and Build America Bonds (BABs) for the remaining \$110 million from the 2006 Bond authorization. These issues are a part of the federal stimulus program in which the County will receive some repayment on the interest for these bonds. This revenue is applied to the debt service for the education bond debt before the designated fund balance from the 3-cent and 1.1-cent levies is applied.

Each year lottery proceeds, and any other qualifying revenue, will be applied first, and the balance of applicable debt service will be paid from fund balance designated from the 3-cent and 1.1-cent levies plus any interest on the designated fund balance. No additional tax increases are anticipated to pay this debt service.

The use of lottery proceeds to pay for debt service has had a significant impact on the County's property tax rate. For FY 2013, the property tax rate would have to be an additional 1.22 cents higher than the proposed rate of 67.87 cents to pay for the debt service that the lottery proceeds are covering.

Although Debt Service expense is up, the Commissioners are to be commended for having the foresight to level the debt and implement the Debt Leveling Plans. *Chart 6* outlines the estimated beginning and ending balances for EDLP. For FY 2013, we will use \$4.2 million of EDLP reserves to pay allowable debt for the School System and Community College.

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Chart 6 - Education Debt Leveling Reserve

Estimated balance in debt leveling funds at June 30, 2012		\$ 33,400,000
Debt service on debt leveling eligible bonds in FY 2013	24,522,884	
Federal credit payments in FY 2013	(2,615,936)	
Lottery proceeds budgeted in FY 2013	(4,066,636)	
Debt leveling proceeds in FY 2013	<u>(13,639,912)</u>	
Addition/(reduction) in EDLP reserves in FY 2013		<u>(4,200,400)</u>
Estimated balance in debt leveling funds at June 30, 2013		<u>\$29,199,600</u>

From the chart above, debt leveling proceeds in FY 13 result from the projected collection of 4.1 cents for EDLP. Since the downturn in the economy, Current Year Taxes collected have not been adequate to fund that year's allowable debt. However, NC Education Lottery funds were available to help offset the debt.

The Education Debt Leveling Plans were projected on the assumption that approximately \$6 million per year would be received from the NC Education Lottery. Funding formula changes by the General Assembly have lowered the allocations to counties and for FY 13 we anticipate receiving only \$3.68 million in new lottery funds. Approximately \$383,000 is projected to remain from the current year allocation. If the Lottery funds were distributed based on the statutory allocation, we should receive almost \$6.5 million in lottery funds.

On September 12, 2011, the Board of Commissioners voted to adopt a debt policy which limits debt to 15% of the total annually appropriated budget net of revenue including, but not limited to, federal credits and lottery proceeds. The total appropriated budget includes the General Fund as well as the four special revenue funds (Emergency Telephone System (E-911) Fund, Law Enforcement Equitable Distribution Fund, the Fire Tax District Special Revenue Fund, and the Moser Bequest for the Elderly Special Revenue Fund). Each of these funds will be discussed later in this detailed analysis.

For FY 2013, total debt expenses as a percentage of total appropriated recommended budget, excluding lottery revenue and federal credit payments, is 14.2%. The increase in debt expense from FY 2012 is reflective of the incurrence of additional Limited Obligation Bonds for the new Sheriff Administrative building, debt associated with short term financing of network switches for the County's Information Technology infrastructure, and the final issuance of \$5 million of General Obligation Bonds for the Community College from the 2008 voter- approved bond referendum.

Fund Balance Appropriated

There are two places in the Budget where Fund Balance is appropriated: 1) Non-Departmental (\$10.5 million) and 2) the Debt Department (\$4.2 million).

The Board of Commissioners has a policy that requires the County to maintain an undesignated fund balance equal to 16%.

The appropriation of Fund Balance in the Debt Service Department relates exclusively to the debt service from the November 2006 and November 2008 referenda not covered by NC Education Lottery proceeds. This fund balance is from the Education Debt Leveling reserved generated from the 3-cent and 1.1-cent levies for the 2006 and 2008 Education Bonds respectively.

The appropriation in Non-Departmental is the more traditional Fund Balance. For FY 2013, the recommended budget decreases the fund balance appropriation from current year by \$1,524,176. Fiscally speaking, we remain very healthy. However, we must continue to monitor federal, state, and local conditions as we go into and through FY 2013.

Based on the estimated year-end results, it is projected that we may gain \$1.5 million to \$2 million of fund balance. If this estimate holds, this additional fund balance would be available for Pay-As-You-Go projects.

Overview of Changes in Revenues, Expenditures, and County Dollars

SERVICE AREA CHANGES

Education Service Area

The Education Service Area is comprised of the Winston-Salem/Forsyth County Schools, Forsyth Technical Community College and NC Cooperative Extension. This service area comprises 31.3% of the FY 2013 Recommended budget. The chart below provides a glimpse of the service area and the budget-to-budget changes. The expenditure driver for this service area is the Winston-Salem/Forsyth County Schools. For FY 2013, the County and the Board of Education employed the funding formula derived by a Workgroup in late 2011/early 2012.

Chart 7 – Expenditure Changes for Education Service Area

	FY 2013 Recommend	FY 2012 Adopted	Budget-to-Budget \$ Change	Budget-to-Budget % Change
WSFC Schools	\$114,409,070	\$112,020,566	\$2,388,504	2.1%
FTCC	8,503,904	7,687,283	816,621	9.6%
Cooperative Extension Svcs	819,787	760,281	59,506	7.3%
Total	\$123,732,761	\$120,468,130	\$3,264,631	2.6%

Winston-Salem/Forsyth County Schools (WSFCS)

The total FY 2013 budget for the Winston-Salem/Forsyth County School System is approximately \$411.5 million in State and local dollars. Approximately \$297.1 million will come from the State and \$114.4 million from the County.

The Recommended County budget provides \$2.4 million more County dollars to the WSFCS; however, \$1.735 million of the increase is offset with Bond Premium to be used for Capital Maintenance.

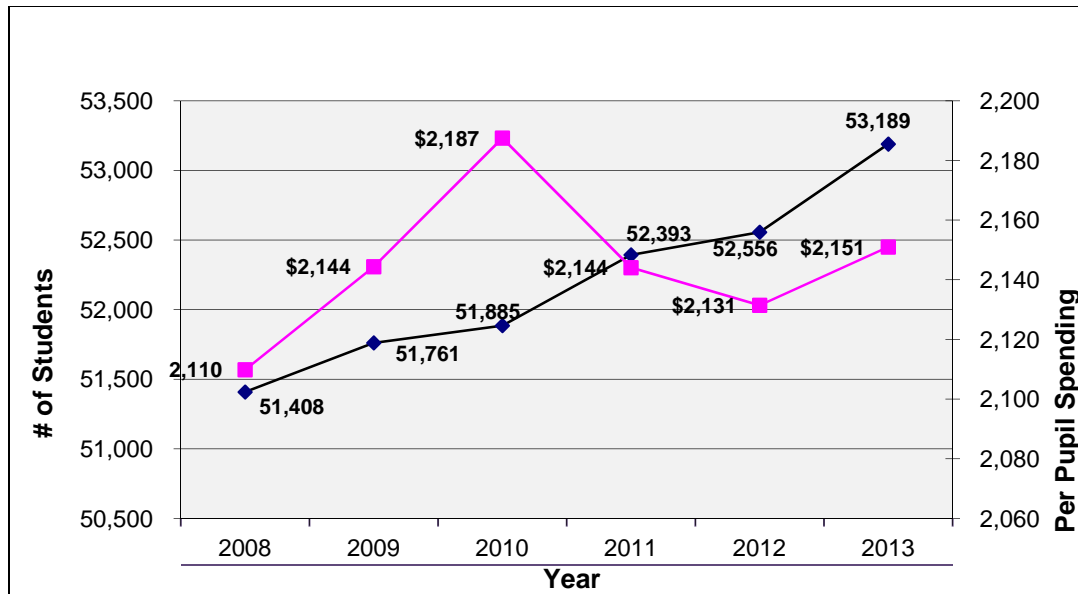
As stated earlier, the expenditure appropriation is based on a funding formula created from the efforts of a School Funding Formula Workgroup comprised of staff from the School System, the County, two citizens (the former County budget director and the former Schools Finance Office) and led by a non-partisan citizen. The formula results are generated using a combination Enrollment Factor and Resource Factor. In good times, the formula will result in additional funding for the school system; however, this funding should allow for the school system to generate fund balance for when times are not good (such as those experienced over the past several years). The essence of the formula suggests that the school system should be able to generate enough fund balance to cover the opening of new schools rather than asking the County for additional resources. As with all departments, the School System may ask for resources above and beyond the results of the formula; however, these requests automatically become a part of the County's alternate service level requests.

Excluding Debt Service for School Construction, the School System makes up approximately 30% of the County's budget. However, an analysis of local impacts to State reductions is important to review because backfilling State reductions with local dollars is essentially having the County take on more and more of the State's responsibility for curriculum services and non-statutory duties.

The FY 2012 per pupil expenditure is \$2,131 based on average daily membership of 52,556 students. The Recommended budget increases the per pupil expenditure to \$2,151 (1.0% or \$20 per pupil) based on a projected average daily membership of 53,189 students per the North Carolina Department of Public Instruction (NCDPI) forecast. *Graph 5* provides the local spending for the Winston-Salem/Forsyth County School System from FY 2008 through the FY 2013 Recommended budget.

Overview of Changes in Revenues, Expenditures, and County Dollars

Graph 5 – 6-year History of Total Local per Pupil Spending



Source: Forsyth County Budget Documents FY07-FY12; NCDPI, Projected FY13 ADM

- In FY 2011, the Board of Commissioners approved the establishment of a Schools Capital Maintenance Project Ordinance to fund routine, lifecycle maintenance and repairs. The purpose of this project ordinance is to ensure that the County's statutory responsibility for school buildings is funded appropriately. The sources of funding for these annual project ordinances will be 2/3rds bonds, an appropriation from the General Fund, and voter approved general obligation bonds. For FY 2013, \$1,735,000 of the Schools Recommended appropriation will be transferred a new 2012 Capital Maintenance Project Ordinance to continue this agreement.

Finally, in the current fiscal year, the School System changed the manner in which School Resource Officers (SROs) are provided. Because of the concern for available slots for deputies in the SRO program, the Sheriff has requested that the additional changes for FY 2013 and FY2014 take effect July 1, 2012. The Sheriff has slots available for the officers who would otherwise lose their jobs with the transition. The City of Winston-Salem Police Department will provide SROs for 21 schools located within the municipal limits of Winston-Salem.

For FY 2013, the plan is to transition the remaining seven (7) schools within the municipal limits of Winston-Salem to the Winston-Salem Police Department leaving the Sheriff's Office covering 5 County schools (Walkertown Middle/High School, West Forsyth High School, Reagan High School, and Flat Rock and Clemmons Middle Schools).

Forsyth Technical Community College

The Recommended budget provides \$455,621 more County dollars to Forsyth Technical Community College which is an increase of 2.2%. As with the WSFC Schools recommended budget, Forsyth Tech's recommended budget includes offsetting bond premium totaling \$361,000 for capital maintenance type expenses. Without the offsetting revenue, the County dollar increase for Forsyth Tech would be 10.6% or \$816,621.

The additional appropriation is necessary to fully fund the operational expenses associated with the new Transportation Center located in the northern part of the County (approximately \$680,000). In addition, there are 6-months of operating funds associated with Phase I renovations to the FTCC Career Center for additional office space and classroom space. The annual operating costs associated with the Phase I project are estimated at approximately \$513,000 per year. The FY 13 recommended budget includes \$256,500 for six months of operations. Phase I will be ready to open January 1, 2013.

Forsyth Technical Community College has plans to expand the Northwest Campus of the college located in King, NC and to add a West Campus in the western part of Forsyth County as well as increasing its presence in the downtown Winston-Salem area of the Research Park under development. This is addressed in the Capital Improvements Plan.

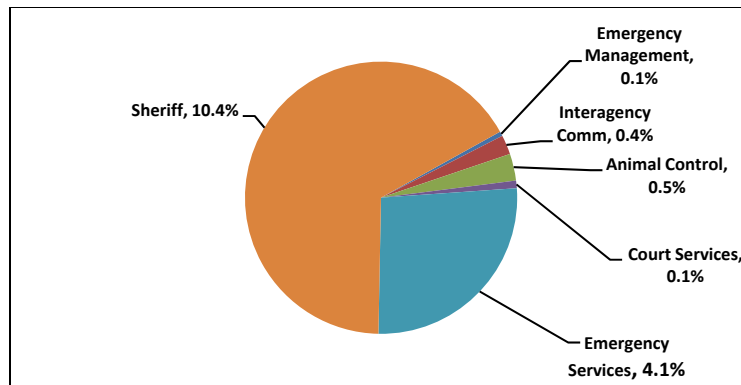
Overview of Changes in Revenues, Expenditures, and County Dollars

In the FY 2014 plan, the Community College anticipates 6 months of operations of a new Downtown Research Park Technology Building (\$323,400), full year operations of Phase I FTCC Career Center (\$256,500), and full year operating costs for Phase II FTCC Career Center (\$1,799,700). These additional costs are included in the County's budget projections.

Public Safety Service Area

One of the core goals of the County is to provide a safe community for the public. Each of the departments within this service area is a key contributor for the County to meet this objective. However, continued minimal revenue increases have not allowed the County to expand many of the services of these departments or to add resources to enhance current programs within the department. Included in the Public Safety Service are the following departments: Animal Control, Interagency Communications, Emergency Management, Sheriff, Emergency Services and Court Services. The Recommended budget for this service area is 15.7% of the total General Fund budget.

Chart 8 – Summary of Public Safety Service Area



- **Animal Control** did not request any positions for FY 2013 although the need exists for more staff in the Patrol and Shelter areas. The Animal Control director presented a very reasonable budget with few increases. One good thing that occurred at the Animal Shelter over the past year was the installation of solar hot water. Although the project cost more than initially projected, the return on investment is already being seen in the utility accounts. The Recommended budget for Animal Control is less than ½% over the current year.
- The County dollar decrease in **Emergency Services** is partly attributable to slightly higher revenue from standbys and call volume as well as holding the line on expenditures. Emergency Services requested a total of 4 new full time positions to complete the transition to 12 hour shifts. These positions are a part of the Continuation Recommended budget and are phased in: two positions will be available in October 2012 and two positions will be available in April 2013. This shift migration has been taking place since 2001 and it has been a challenge to complete the task. The cost of these positions is approximately \$100,000 including personal services and operating costs. The department also received 2 full time Paramedic positions and 2 full time EMT positions in the current year budget. The four (4) positions recommended for FY 2013 are split as 2 Paramedic positions and 2 EMT positions.

In the current year, 1 FT Database Specialist position was approved in lieu of a rather expensive Resident Engineer contract. The contract cost over \$100,000 annually, whereas this position costs less than \$70,000 annually (including fringe benefits).

- **Emergency Management** is a joint City/County department administered by the City of Winston-Salem. Costs are shared 50%/50% net of revenue. The employees are City employees and are not included in the County's position count. A portion of the County's contribution is for three (3) City firefighters assigned to the HazMat division

The County dollar increase in the Emergency Management budget is due to higher employee health insurance costs as well as \$12,000 for the lease of an on-line Web Emergency Operations Center (EoC). At the time the County's preliminary budget is released, the City will not have an approved budget therefore the increase is preliminary.

Overview of Changes in Revenues, Expenditures, and County Dollars

- The **Sheriff's Office** reflects a 3.2% decrease in County dollars. Numerous changes will occur in the Sheriff's Office in FY 2013. With the changes in the School Resource Office Program mentioned in the Education Section, the Sheriff's Office loses eight positions (1 Sergeant, 1 Corporal and 6 Deputies).

Four (4) positions for the Day Reporting Center will be eliminated due to changes at the State regarding the Criminal Justice Partnership Program. The day reporting and substance abuse services are now competitively bid due to the Justice Reinvestment Act creating a new competitive program call Treatment for Effective Community Supervision Program (TECSP). At the time the recommended budget is presented, the State Department of Public Safety sent out a new Request for Proposal therefore it may be after July 1, 2012 before there is a decision on what agency or agencies in the community will receive the contract for these services. If the County submits a bid for the services and wins the bid, then new positions would have to be created to provide the services. Any delay in having a program in place puts the jail population at risk of escalating significantly. The Daily Population Count as of April 2012 was 703. There are over 200 individuals who report to the Day Reporting Center as part of their release or keep out of jail card if a Child Support client. If all of these individuals are required to go to the jail, it will impact the Sheriff's ability to effective work with the State Criminal Misdemeanant program which is a revenue generator whereas the 200 folks participating in the Day Reporting Center would not be. This is of significant concern to the Sheriff's Office.

In addition to the twelve (12) position deletions mentioned above, one grant program ends resulting in the elimination of two (2) ARRA Grant funded positions (1 Domestic Violence Investigator and 1 Victims Services Specialist). In the Alternate Service Level document, the Sheriff has requested that the County pick up the cost of the Investigator position.

The Sheriff's office requested 15 deputy positions for Patrol services. These positions are a part of the Alternate Service Level document and are not recommended by the County Manager. In the Winter Strategic Planning Session, the Board of Commissioners was briefed on how municipalities who do not have law enforcement services are drawing resources from the unincorporated areas. In particular Clemmons has grown to the point where it is becoming more apparent that the Village is either going to have to purchase additional law enforcement capacity or establish its own law enforcement agency. Currently the Village buys the services of 11 officers but the statistics show that they need five more in order not to draw officers from the unincorporated areas to assist. During the current year, in an effort to enhance the Patrol function, the Sheriff transferred six (6) officers from the Transportation Division to Patrol.

The Sheriff's Alternate Service Level requests include adding 1 full-time Senior Office Assistant for Human Resources, 1 IT Support Technician, Reclassification of an IT Support Analyst to a System Administrator, and 2 full time Community Court Services positions to work solely with child support cases. The Manager recommends that the 2 Community Court Services positions be added to the Commissioners final list of budget adjustments to be included in the final Adopted budget.

The Sheriff is to be commended for his 2012-2013 budget. The budget includes decreased costs (over \$898,000) associated with Inmate Medical and Food Services due to re-bidding those services. With a lower inmate population, it made sense to re-bid the contracts to see if cost savings could be found. The Inmate Medical proposals have not been received at this time, however, we are anticipating saving roughly \$500,000 with this contract and almost \$400,000 with the new Food Services contract.

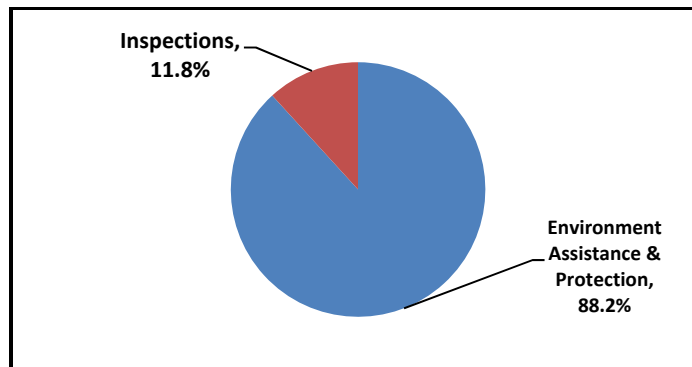
- The Recommended budget for **Court Services** includes the continued funding for the Deferred Payment Coordinator position as well as resources for the Safe on Seven Domestic Violence program. These two programs are not mandated programs for the County or the court system. The Safe on Seven Program has grant funding to operate for approximately eight (8) months. A new grant application has been submitted to the State; however, the status of the grant will be unknown until September 2012 at the earliest. If the new grant application is not approved, the County can expect the Court officials to come and ask for the remaining four months of salary expenses be covered by the County. The four month cost is approximately \$60,000.

Environmental Management Service Area

This service area includes Inspections and the Environmental Assistance and Protection Department. Environmental Management makes up 0.6% of the Recommended General Fund budget.

Overview of Changes in Revenues, Expenditures, and County Dollars

Chart 9 – Summary of Environmental Management Service Area



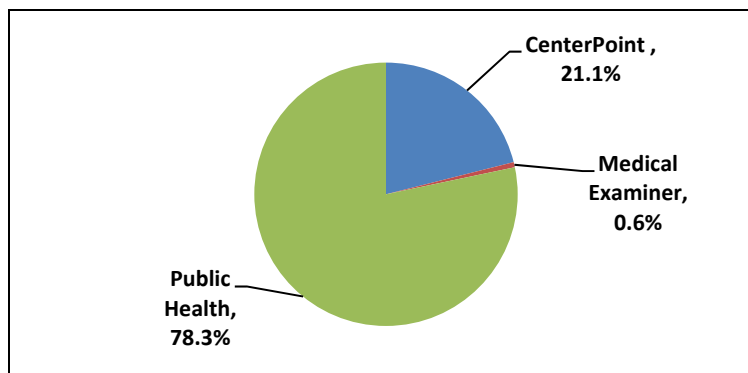
- The **Inspections Department** is a joint City/County department administered by the City of Winston-Salem. With the downturn in the economy over the last four years, this department continued to require more and more operational dollars. For FY 2012, the County share of this service will decrease by 10.8% (\$58,410). This decrease results from the elimination of 4 positions that had not been funded for several years as well as 2 positions that became vacant during the year. Because the department is managed by the City of Winston-Salem, the position count for this department is not accounted for in the County's personnel numbers.
- The **Environmental Assistance and Protection Department** is a result of the merger of the old Environmental Affairs Department and part of the Community Hygiene division that was housed in the Public Health Department. The budget reflects shifting four (4) full time staff from Community Hygiene. The former division manager of the Community Hygiene section is now the director of the new department.

In addition, the contract for the 3 recycling drop-sites and the School System's recycling program are paid out of this department. This contract increases to the County funding 60% of the cost of this service in FY 2013.

Health Service Area

The Health Service Area consists of the Medical Examiner, Public Health, and CenterPoint Human Services. This service area makes up 7.5% of the Recommended General Fund budget.

Chart 10 – Summary of Health Service Area



- **Public Health** reflects a net County dollar decrease of 622,848 (-7.5%). The major change within this budget is the shifting of the four (4) Community Hygiene positions to Environmental Assistance and Protection. In addition, the department deleted several other positions due to grant funds ending or programmatic changes at the State level. The department's recommended continuation budget includes the addition of 9 full time positions for the Nurse Family Partnership Grant (6 full time positions) and for the NW Community Care Network program (3 full time nurses).
- Public Health requested 7 new full time positions: 2 School Nurses, 1 Health Educator (Health Ministries Program), 1 Health Educator (Adolescent Pregnancy Prevention Program), 1 Health Educator (Behealthy School Kids Program), 1 Environmental Health Specialist, and 1 Foreign Language Interpreter. None of the positions are a part of the County Manager's Alternate Service Level recommendations.

Overview of Changes in Revenues, Expenditures, and County Dollars

- **CenterPoint** Human Services is the regional Mental Health provider. There are 4 counties that comprise the CenterPoint catchment area (Forsyth, Rockingham, Davie, and Stokes).

The Recommended expenditure budget appropriates the same amount as current year, \$6,258,706.

CenterPoint is now a Medicaid Waiver entity which will provide it with greater flexibility in providing services without many of the regulations. This program may help CenterPoint get to much stronger financial position and will provide predictability in funding. CenterPoint's new funding will be based on a per-member per-month formula, but will not be received until January 2013.

The Alternate Service Level Request from CenterPoint is for one-time funding of \$1,535,000 to assist with the Medicaid Waiver transition. CenterPoint must be ready to implement the waiver program January 1, 2013 and the financial assistance would allow them to update their information systems and hire 86 full time employees. CenterPoint has requested waiver assistance from all of the counties within the catchment area but has not received a commitment from any of the counties.

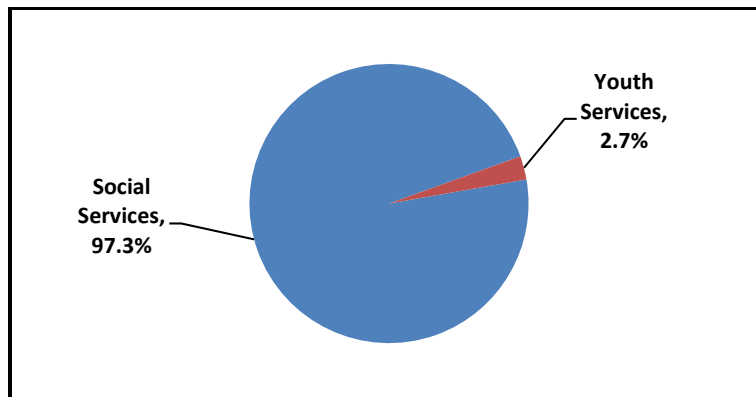
The funding request is based on the percentage of discretionary dollars received by each county. It is the understanding of CenterPoint that if the request is approved, the funds would be repaid over a five year period.

According to CenterPoint, if the Alternate Service Level request is not approved, it will use 35% of the County's funding for Authority Services which will impact consumers, families, and providers.

Social Services Service Area

The Social Services Service Area is comprised of two departments: Social Services and Youth Services. This service area makes up 12.9% of the Recommended General Fund budget.

Chart 11 – Summary of Social Services Service Area



- The recommended budget for **Social Services** reflects a County dollar increase of \$104,328 or 0.7%. Effective December 31, 2011, Social Services eliminated 7.5 positions funded with a Department of Defense grant. With its numerous vacancies, the department was able to transition the individuals to other areas of the department so that no one lost their job.

Social Services requested six (6) additional full time positions in the Alternate Service Level requests: 2 Income Maintenance Caseworkers (Adult Medicaid), 2 Office Assistants (Food & Nutrition), and 2 Office Assistants (Child & Family Medicaid). In addition, a request was included to increase the hours of a part time Administrative Assistant in Adult Services in order to the position to become one with benefits. None of the Alternate Service Level requests are in the Manager's Alternate Service Level recommendations.

- **Youth Services** is the County's juvenile incarceration facility. The Youth Services' adopted budget reflects a 19.5% decrease in County dollars attributed to a decrease in expenditures and an increase in revenue. The Youth Services Director has worked diligently over the past two year in increasing her exposure to the State. The facility has 15 beds but can hold up to 18 -20 juveniles safely.

Overview of Changes in Revenues, Expenditures, and County Dollars

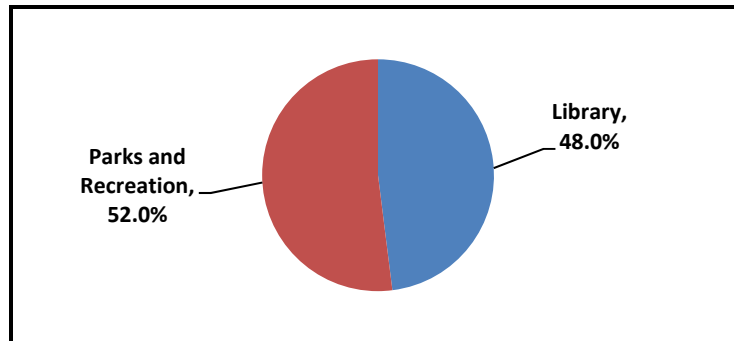
The facility has seen a continual up and down population. Some days there may be one or two children at the facility and the next day there may be 15 to 18. The in-county reimbursement rate is to \$122 per day per child and for an out-of-county child, the reimbursement doubles to \$224 per child per day.

Youth Services employees moved to 12 hour shifts which has allowed for adequate staffing 24 hours per day. One issue that continues is maintaining enough full time female attendants. The Director is looking to be full staff over the next few weeks.

Culture & Recreation Service Area

The Culture and Recreation Service Area is comprised of two departments: Library and Parks and Recreation. This service area makes up 3.9% of the Recommended General Fund budget.

Chart 12 – Summary of Culture & Recreation Service Area



- The **Library System** reflects an increase in County dollars of \$107,003. The increases are primarily due to personal services related items such as benefits and annualizing current year performance increases. In addition, there is a slight increase in the budget for books and materials.

There are 10 branch libraries in the Forsyth County Library System (including the Central or Main Library). The system provides an array of services.

The Library director made no Alternate Service Level requests for positions; however, an Alternate Service Level request was made for an increase of \$185,000 for collections development.

The primary development with the Library System is the building of the new Central Library and Clemmons and Kernersville branch libraries. At this point, requests for site proposals are being sought. Once these proposals are reviewed, a committee will decide where the most cost effective location for the Central Library is and will provide the Board of Commissioners with the various options. Construction on the new Central Library is not expected to begin until the summer of 2014.

- The **Parks and Recreation Department** reflects a 0.4% reduction in County dollars. The largest decreases are found in the operating costs. The Parks and Recreation Department will receive an additional influx of 2/3rds bond proceeds in FY 2013 for lifecycle maintenance at the various parks. These 2/3rds bond funds allow the Parks & Recreation Department to have multi-year funds to do allowable park upgrades to facilities such as HVAC replacements, refurbishing the golf course, etc. This also minimizes the year-to-year requests for maintenance funds.

The Continuation budget for Parks & Recreation includes the addition of three (3) part time positions needed due to the expansion of the swimming pool.

Due to milder than expected winter and a beautiful spring thus far, the enterprise operations at Tanglewood Park are seeing very good revenue. The Golf Course revenue is up as well as the campground. In addition, the new walking trail at Tanglewood Park has been a great success.

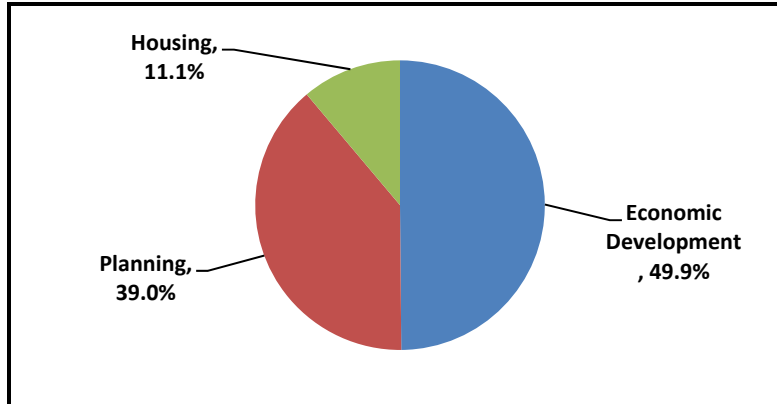
The pool expansion project is expected to be completed by opening day which is Memorial Day. The expansion doubles the capacity (almost 1,100) of the pool and adds a "lazy river" and splash play area. In addition the deck is expanded and new restroom facilities are being built.

Overview of Changes in Revenues, Expenditures, and County Dollars

Community & Economic Development Service Area

- The Community & Economic Development Service Area is comprised of the Housing Department, Economic Development, and Planning. This service area comprises 1% of the Recommended General Fund budget.

Chart 13 – Summary of Community and Economic Development Service Area



- The **Housing** department has significant resources located in several Grant Project Ordinances, shown in the Special Revenue section of this document, to assist with homeownership and rehabilitation. County dollars for the program will increase by less than 1% in the recommended budget. Increases for personal services such as the annualizing performance adjustments and increases in employee health are the reasons for the increase. Some of the costs administrative costs in the Housing Department can be charged to the Grant Project Ordinances thereby minimizing County dollars.
- **Planning** is a joint City/County department administered by the City of Winston-Salem. For FY 2013, the recommended County contribution increases by \$16,370 primarily due to the increases in employee health insurance and other personal services related factors. Because the program is administered by the City, position counts are not reflected in the County's budget.
- The **Economic Development** department comprises County contributions for incentive payments and local agencies that provide economic development services to the County. These agencies include the Winston-Salem Chamber of Commerce, Winston-Salem Business Inc, Kernersville Chamber of Commerce and the Piedmont Triad Partnership to name a few. All of these agencies requested increases in County funding which can be found in the Alternate Service Level document. There are several new incentive payments that will begin in FY 2013: Pepsi, TurboCare 4, and Caterpillar.

Included in the Economic Development department is a \$300,000 incentive payment (offset by NC 1 grant funds) for NSA which is an aviation company who plans to locate at the Smith Reynolds Airport. There are no County dollars associated with this project. The grant funds are pass-through dollars from the State of North Carolina.

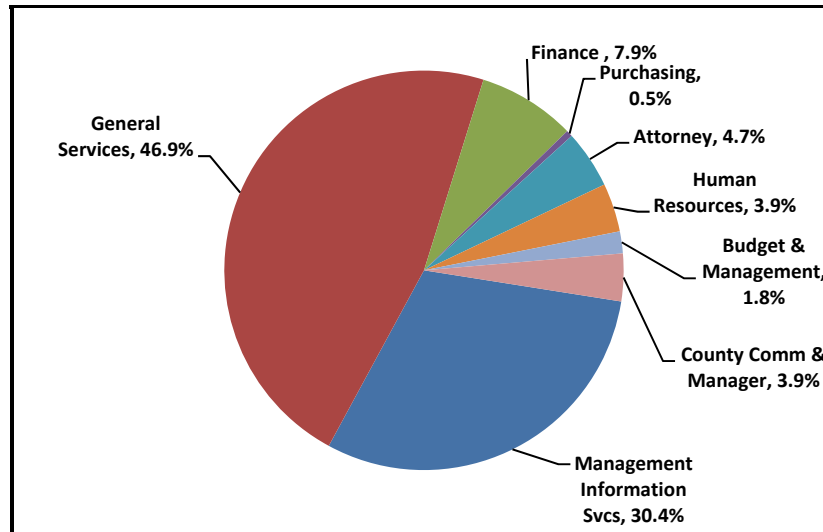
Administration & Support Service Area

The Administration and Support Service Area is comprised of the following departments: County Manager & Commissioners, County Attorney, Finance, Management Information Services, Human Resources, General Services, Purchasing, and Budget & Management. This service area comprises 7.0% of the Manager's recommended budget.

- **County Manager & Commissioners** budget remains relatively flat. The County dollar increase for FY 2013 is less than \$10,000.
- The **Budget & Management Department** County dollar increase is attributable to shifting the administrative responsibility of the Juvenile Crime Prevention Council (JCPC) program to Youth Services. This move re-allocated \$15,500 of revenue to Youth Services. The revenue reduction increases the Budget & Management department's County dollar increase to \$11,973 or a 2.5% increase over current year.

Overview of Changes in Revenues, Expenditures, and County Dollars

Chart 14 – Summary of Administration & Support Service Area



- **Management Information Systems (MIS)** continues to transform. The department's County dollars increase by \$572,216. One of the primary projects for the department in FY 2013 is to begin transitioning over 2000 computers from the Windows XP or Windows 2003 to Windows 7 or some other platform. In April 2014, Microsoft will no longer support XP or 2003 therefore other options are being explored. The department is analyzing whether a thin-client option would be most effective for some departments. In departments where most employees are simply entering data into a State database or some other system, the thin-client route may be best. These employees really do not need the power or capacity of a full-scale computer with Windows Office on it. The MIS department's budget also reflects significant organizational changes that will be effective July 1, 2013. Six positions are being eliminated from the department: two as a result of the consolidation of the Mail and Printing functions as well as four other positions in Programming and Client Services.

The County Manager has also enhanced the capacity of the E-gov team, now referred to as the Innovation Leadership Team. This area will do rapid deployment of web-based solutions that allow for efficiencies within the County.

A strong desire of the County Manager is to reduce the amount of paper and printing within the County. MIS is involved in looking at reducing the number of devices (computers and printers) that it has to manage. There is also an effort related to mobile devices and the possibility of providing stipends rather than providing County owned devices.

- The **General Services** department will have the opportunity to enhance its County Capital Repair Plan with an influx of 2/3rds bonds being issued in early FY 2013. \$1.5 million of 2/3rds bonds will be made available to General Services for County Capital Maintenance projects such as Chiller replacements, HVAC replacements, parking lot improvements, and other projects that would have otherwise been a part of the General Fund budget. The 2/3rds bonds for County Capital Maintenance will be issued every other fiscal year. This will allow the General Services staff to manage its 5 year capital repair plan because there will be a steady source of funding every two years.

A change in the method of purchasing vehicles will also occur. As part of the budget, we will implement a Capital Project Ordinance for the purchase of all County vehicles. Emergency Departments will have a vested interest in what vehicles will be purchased. The idea is to make sure we are replacing frontline vehicles when they need replacing and not because the money needs to be spent before a fiscal year ends. The funding of the vehicles will come from a mixture of sources: a transfer from the General Fund, surplus vehicle sales, and in the Sheriff's case, from contracts for patrol services with the various municipalities it serves.

- **Human Resources** adopted budget reflects a 1.7% (\$18,292) increase in County dollars. The increase is due to personal services adjustments as well as the on-going service for on-line applications (NeoGov). The department manager requested one Alternate Service Level item: to increase Tuition Reimbursement from \$400 per year to \$800 per year.

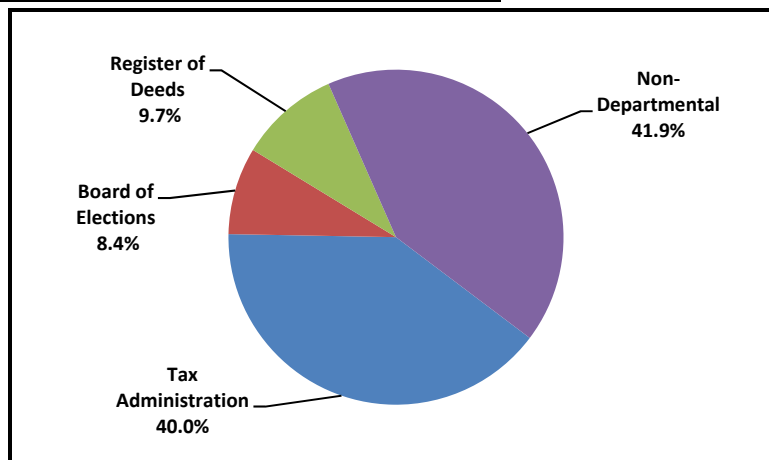
Overview of Changes in Revenues, Expenditures, and County Dollars

- The FY 2013 recommended budget for the **Attorney's Office** reflects a County dollar increase of 1.7% or \$21,186 increase. All of the increase is found in the Personal Services category due to annualized performance adjustments and increases for employee health costs. No Alternate Service Level requests were made by the County Attorney.
- The FY 2013 recommended budget for the **Finance Department** reflects a \$103,501 County dollar increase or 5.1%. The increase is due primarily to increases for safekeeping costs and bank service charges. The Chief Financial Officer also made one Alternate Service Level request for an additional Internal Auditor position.
- The **Purchasing Department** is another joint city-county department administered by the City of Winston-Salem. For FY 2013, there is a significant increase in the County's cost for this service due to the increased amount of bid work performed by the department on behalf of County department, in particular Parks & Recreation Department's for capital repairs and the Sheriff for bidding out various contracts. The amount of work will increase again in FY 2013 as another round of 2/3rds bonds are provided to Parks & Recreation and General Services.

General Government Service Area

The General Government Service Area is comprised of the following departments: Non-departmental, Register of Deeds, Board of Elections, and Tax Administration. This service area comprises 2.1% of the Manager's recommended budget.

Chart 15 – Summary of General Government Service Area



- The **Register of Deeds Office** reflects a very conservative budget. The Register of Deeds has agreed to use Automation & Preservation Fund to purchase new computers or thin-client devices for his office as the County transitions from the old Windows platform. The Automation fund can be used improve automation within the department. It is a statutorily designated portion of certain revenue received by the department. This resource has been a vital means of the department not having to rely solely on county funding for technology improvements.

The Register of Deeds Office has seen a slight increase in revenue over the past few months. It could be a result of Spring fever when people are more likely to purchase homes. The increase is not enough to put the revenue back at pre-recession levels however.

- The **Board of Elections** will have the General Election in FY 2013. As a result, all of the increase in the department's recommended budget is due to the November 2012 countywide election. Changes to the City/County Cooperative Agreements with the municipalities changed the funding formula by which municipalities used to pay a portion of the regular administrative costs of the departments. The municipalities will no longer pay Administrative costs for county-wide elections and this change results in a loss of approximately \$250,000 of revenue. Even with the revenue loss, the cost of the November election is no more than the 2008 General Election. No Alternate Service Level requests were made.

Overview of Changes in Revenues, Expenditures, and County Dollars

- The **Tax Department's** budget reflects a County dollar increase of 2.2% (\$94,108). The increases are found within operating accounts for contracts with Tax Management Associates for compliance audits. In addition, there are increased costs due to the revaluation process.

The Tax Department is going into another revaluation cycle. With a Sales/Assessment Ratio of over 1.10, this will be the first time (in FY 2014) since the 1990s that we will see a revenue neutral tax rate higher than the current ad valorem rate. This will create quite a challenge for a Board of Commissioners who will have to decide whether to have a revenue-neutral tax rate or not. If the decision is to not adjust the tax rate, we could see significant service level reductions across the board. The current projection is a loss of \$19 million if the Board decides not to have a revenue neutral rate.

- **Non-departmental** is an area in which county-wide expenses and revenue not related to any one particular department is accounted for.

Within the Non-departmental budget is the cost of Retiree Hospitalization. Retiree Hospitalization is projected to increase by \$243,648 or 8.9% over the current year. This is attributable to increases in the cost of the County's contribution as well as a projected increase in the number of retirees. Forsyth County government is beginning to see the effects of the "Baby Boomer" generation leaving the workforce. However, the Board of Commissioners changed the policy for allowing retirees to remain on the County's health insurance plan. Effective July 1, 2010, employees must work for the County 20 years to be eligible to remain on the County's health insurance plan. This should minimize future costs as current retirees' age-out of the County's plan at 65.

Also included in the Non-departmental budget are the costs for Employee Performance Adjustments. The FY 2013 adopted budget provides eligible employees with the opportunity to earn an average of 1.08% performance adjustment. The cost of the Performance Adjustments for FY 2013 is \$566,900 which is about \$12,000 above the current year performance adjustments which averaged 1.03%.

A offset for Salary Savings which is salary slippage is also included in Non-departmental. For FY 2013, we are including salary savings at \$3.5 million. This is as far as we are comfortable stretching this number. In Forsyth County, a position is budgeted at 100% although it is a known fact that some positions will be vacant at some point throughout the year. It is so difficult to project salary savings that we use a historical reference and include that as a negative number in the budget.

Non-departmental also includes the appropriation of Fund Balance for general operating. For FY 2013, appropriated fund balance in the recommended budget is \$1.5 million less than current year. The ideal would be that appropriated fund balance is around \$8 million to \$9 million. The Board's policy is that we should maintain a minimum of 16% unreserved fund balance as a percent of the subsequent year's budget. This means that at the end of FY 2012, we need to have \$63.2 million of unreserved fund balance available.

Special Appropriations Service Area

- The Special Appropriations Service Area comprises funding for various outside agencies which are not County departments. They are non-profits, some of which provide services that impact the same clientele of some County departments such as Public Health or Social Services.

The recommended FY 2013 budget for Special Appropriations agencies reflects current year funding for all agencies.

The Special Appropriations department also accounts for the pass-through funding for the JCPC agencies that the Youth Services will to administer effective July1, 2012.

Like most local governments across the State, funding for outside agencies has seen significant changes over the last several years. However, for Forsyth County, some of the information can be somewhat misleading. For Forsyth County, much of the funding for the Special Appropriations Service area is pass-through funding from the state and/or federal governments. For instance, the funds provided under the Youth Services portion of Special Appropriations for the Juvenile Crime Prevention Council (JCPC) are pass-through dollars with offsetting revenue. The same holds true for the \$350,000 provided to Transaid under the Social Services category. There is revenue offset from the state government for Elderly/Disabled Transportation Assistance.

Of note in Special Appropriations is that the County's share of Transaid will increase by \$43,940 due primarily (according to the City of Winston-Salem) to increased fuel and maintenance costs.

Overview of Changes in Revenues, Expenditures, and County Dollars

Top Ten County Dollar Changes

Some benefit can be gained from seeing a ranking of changes in County dollars. Normally, only increases of over \$500,000 would be reflected in the top County dollar increases. As reflected, one can see the impact of continued belt tightening. It is a testament to the commitment of department managers to continue to provide excellent services with limited resources. Increases in the first chart are due to the normal costs of doing business and some required expenditures such as the elections and operating assistance to the Community College and the School System.

Some of the departments reflected in the Bottom County Dollar change chart reflect departments impacted by revenue increases from grants or fees, as the case with Emergency Services, Public Health, Social Services, and Youth Services, or reductions in operating and/or personnel as is the case of NC Cooperative Extension, Planning, and Special Appropriations.

Top 10 County Dollars Change, by Department

	<u>Change FY 12 to FY 13</u>	
	<u>\$</u>	<u>%</u>
Debt	1,592,213	3.1%
WS/FC Schools	653,504	0.6%
Environmental Assistance & Protection	586,631	94.8%
Management Information Services	572,216	7.3%
Forsyth Technical Community College	455,621	5.9%
General Services	285,652	2.4%
Board of Elections	241,227	26.0%
Economic Development	117,463	7.8%
Library	107,003	1.6%
Social Services	104,328	0.7%

Bottom 10 County Dollars Change, by Department

	<u>Change FY 12 to FY 13</u>	
	<u>\$</u>	<u>%</u>
Sheriff	(1,130,869)	(71.0)%
Public Health	(622,848)	(6.8)%
Inspections	(187,800)	(38.7)%
Youth Services	(121,710)	(19.5)%
Emergency Services	(28,680)	(0.5)%
Parks & Recreation	(12,080)	(0.4)%
Court Services	193	0.1%
Housing	1,167	0.3%
Animal Control	2,309	0.1%
County Manager/Commissioner	6,085	0.6%

Summary

As with most local governments throughout North Carolina and across the country, Forsyth County continues to show some improvement economically, however, the recovery is much slower than after any other recession in history.

As seen with many of the previous charts and throughout the overview, the FY 2013 budget was developed cautiously and with care. Department managers and employees are to be commended in their continued efforts to provide excellent customer service and the same high level of service with fewer resources. Even with difficult circumstances, the recommended budget pushes forward the message of consistently looking for new and innovative ways of doing business.