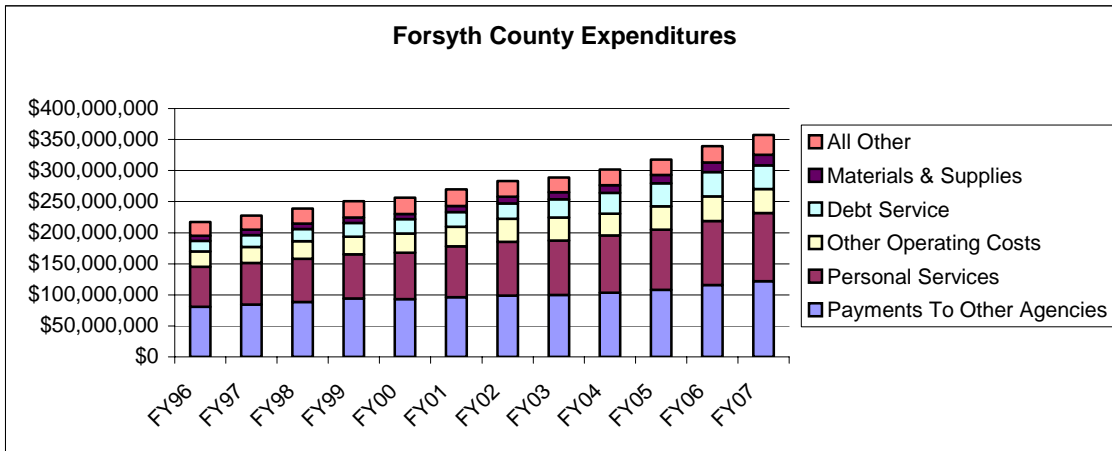


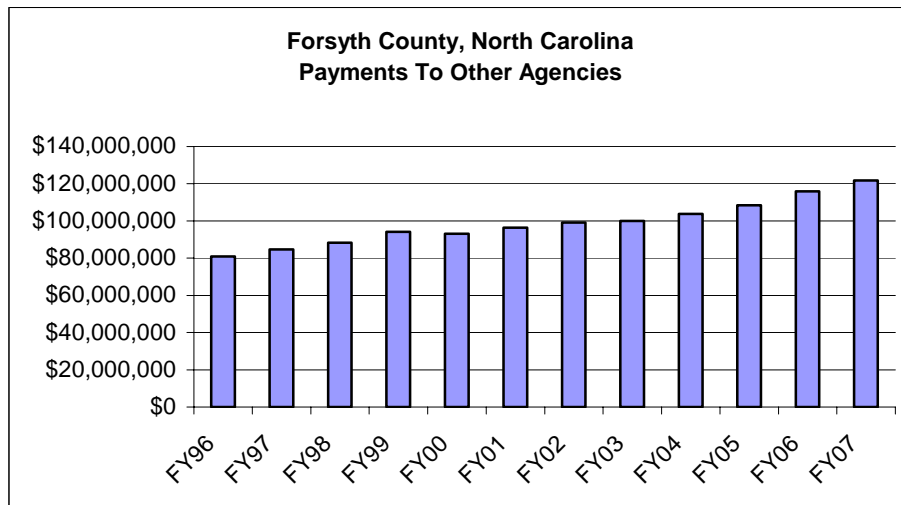
Description of General Fund Expenditures

Forsyth County General Fund expenditures have increased 3.9% in FY07 from the Current Year Original budget of \$339.4 million to the FY07 budget of \$352.7 million. Five expenditure categories account for \$322.7 million dollars or 92% of all County General Fund expenditures: 1) Payments To Other Agencies, 2) Personal Services, 3) Other Operating Costs, 4) Debt Service, and 5) Materials & Supplies. These same five expenditure categories account for 73% of the General Fund expenditure increase from budget-to-budget.



Payments To Other Agencies.

Payments to Other Agencies has increased from \$115.9 million in the Current Year Original budget to the FY07 allocation of \$121.6 million, an increase of \$5.7 million. The entire increase in Payments to Other



Agencies is explained by a \$5.82 million increase to the Winston-Salem & Forsyth County School System (WSFCS), and a \$128,000 requested decrease by Forsyth Tech.

The schools increase will facilitate salary and teacher supplements increases, increasing health costs, rising transportation costs, energy cost increases, and the lease/purchase of 8 pods for school overflow capacity.

Another notable increase in Payments to Other Agencies is a \$160,000 increase in money budgeted for Economic Development. The increase in Economic Development results from a \$150,000 increase in the County's contribution to a downtown parking project and several smaller contributions to companies or agencies like USAir, Piedmont Triad Partnership, and Downtown Winston-Salem, all designed to improve employment opportunities for area residents and foster a business friendly environment.

Excluding the Winston-Salem Forsyth County School System increases of \$5.82 million and the \$ 160,000 increase in Economic Development, all other County departments are **down** a combined \$ 260,000 dollars in Payments to Other Agencies.

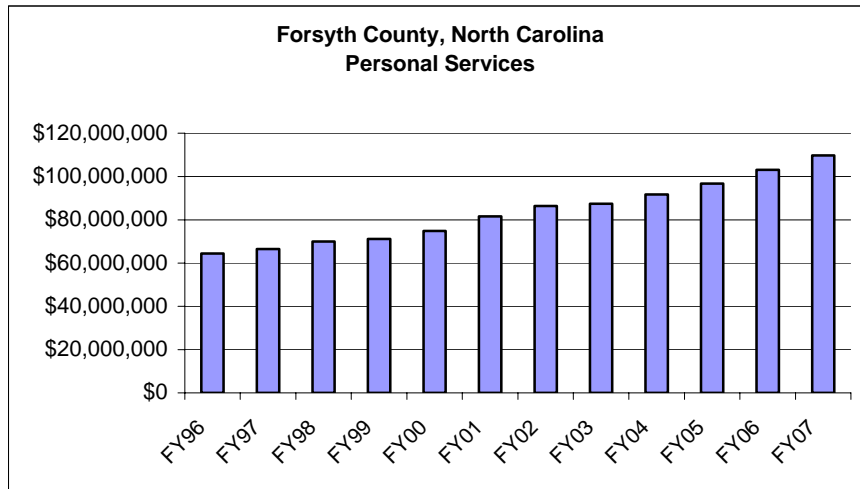
Description of General Fund Expenditures

Reductions in Forsyth Technical Community College's and CenterPoint Human Services' requests account for 88% of this \$ 260,000 dollar reduction. Forsyth Technical Community College's budget-to-budget reduction of \$ 128,000 is primarily due to a decreased request for "capital maintenance" projects. CenterPoint Human Services' \$ 100,000 reduction is the net of a 3.4% increase in services to clients and a reduction in services provided to the Agency by County departments. (Services provided to CenterPoint by the County come back to the County in the form of revenue credited to the service-providing County departments. A corresponding reduction in revenues is found in those service-providing departments.)

Personal Services.

Salaries and benefits for all full-time and part-time County employees are found in the Personal Services accounts. These Personal Services accounts total \$107.1 million in FY 07, a \$4.0 million or 3.8% increase.

This increase is the result of several factors.



Increases (Decreases) From FY06 to FY07

Market-based Plan Implementation	\$1,403,765
New Positions recommended for FY07	1,573,378
Health Insurance (employees & retirees)	1,000,000
Merit (3.4%)	1,553,765
Overtime (Sheriff & EMS)	105,960
Net All Other	(228,808)

Departments with a net change in positions from the FY 2006 estimated actual to the FY07 budget are the following:

	<u>FT</u>	<u>PT</u>
Animal Control	2	-2
Emergency Management	-2	0
Interagency Communications	2	0
EMS	11	0
Fire Protection	3	0
Sheriff	11	0
Public Health	4	2
Social Services	12	0
NC Cooperative Extension	-1	0
Library	0	1
Tax Assessing	<u>3</u>	<u>0</u>
Total	45 FT	1 PT

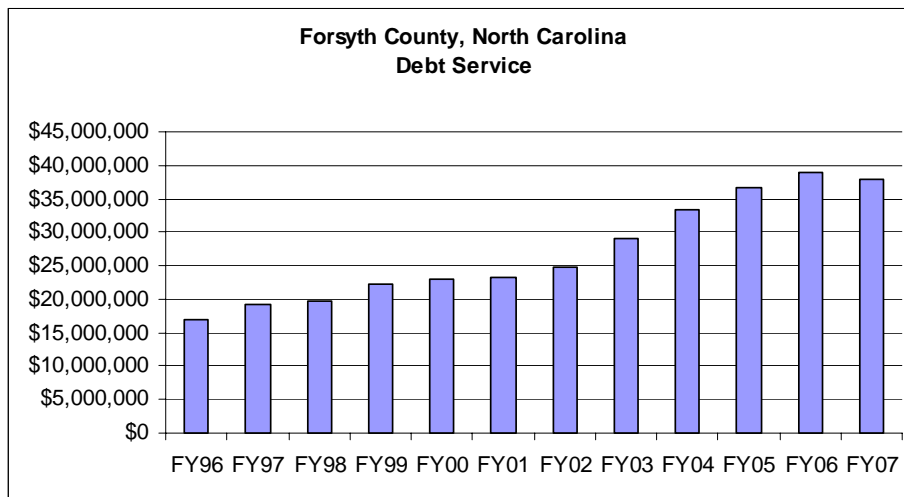
Description of General Fund Expenditures

In addition, the following changes occurred during FY 2006:

	<u>FT</u>	<u>PT</u>
Sheriff	5	1
Environmental Affairs	0	1
Public Health	2	0
Social Services	7	-2
Parks and recreation	1	1
General Services	1	-1
Human Resources	1	0
Tax Assessing	<u>1</u>	<u>-1</u>
Total	18 FT	-1 PT

Debt Service.

Debt Service payments in FY07 are budgeted at \$38.2 million dollars and represent an **\$ 800,000 decrease** or 2% below the Current Year Original Budget.



Other Operating Costs.

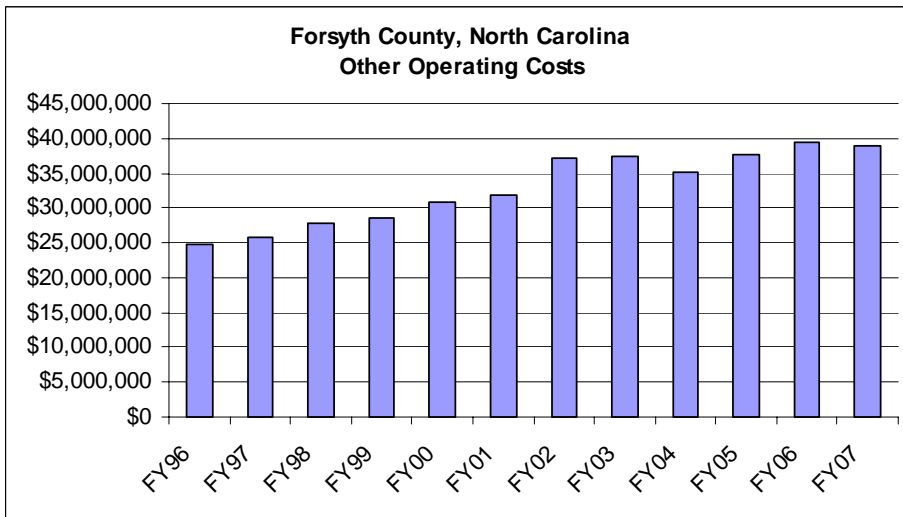
Of the \$38.8 million budgeted in FY07 for Other Operating Costs, \$36.8 million or 95% is found in the Department of Social Services. From budget-to-budget, Other Operating Costs is down \$.7 million dollars which is more than explained by a \$1 million decrease in the County's share of Medicaid (budgeted in Social Services).

Other Operating Costs in Social Services include Special Assistance to Adults, Child Welfare programs such as foster care & adoptions, and public assistance expenditures such as the State's employment training programs (WorkFirst). 89% of Other Operating Costs expenditures in Social Services are found in 4 areas: Medicaid (\$13.9 million), Daycare (\$12.8 million), Foster Care facility expense (\$3.6 million) and Special Assistance to Adults (\$2.5 million).

The single largest expenditure in Other Operating Costs is the County's 5% contribution to Medicaid totaling \$13.9 million. This allocation represents a **\$1.06 million decrease** from the Current Year Original budget in this line. Medicaid is usually a driver of *increases* to Other Operating costs, but the recommended FY 07 budget decrease for Medicaid takes into account anticipated Medicaid relief resulting from the "Medicare

Description of General Fund Expenditures

Part D” program savings experienced by the State and that has been proposed to the Legislature to redistribute to counties.



Daycare expenditures are 100% reimbursed to the County with Federal dollars. These expenditures are capped, and in addition to qualifying financially, the Department of Social Services prioritizes daycare assistance requests in the following way: 1) Child Protective Services related cases, 2) WorkFirst clients, 3) the working poor, 4) to enable residents to attend secondary education, and 5) part-time employees.

Foster Care facility expense is \$3.6 million and covers

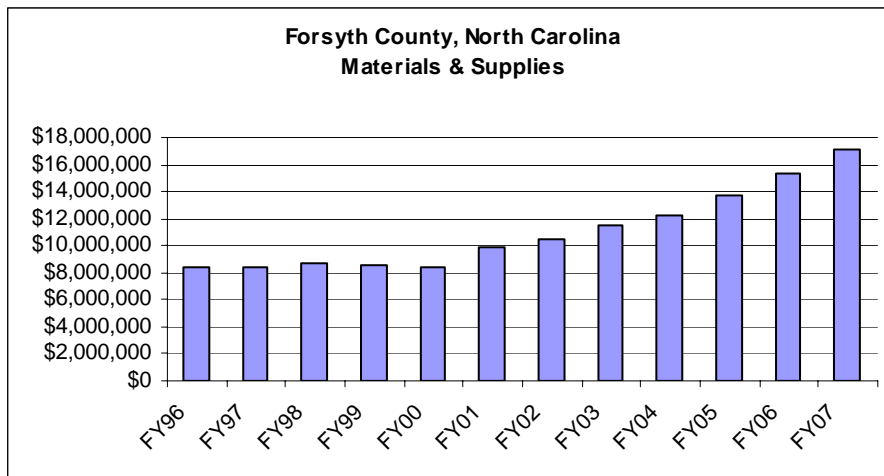
County expenditures to foster parents and residential facilities that house and care for children in Social Services’ custody. This expenditure category is **down \$450,000** from budget-to-budget due to improved billing practices by the Department of Social Services.

Special Assistance to Adults is the County’s supplemental payments for nursing home care for individuals whose income is not sufficient to pay their total cost of care.

\$2.0 million dollars of Other Operating Costs is found in departments other than Social Services and generally cover insurance claims as well as memberships & dues for professional literature and association memberships.

Materials and Supplies.

Materials and supplies are generally expenditures departments use for day-to-day operations to include



office supplies, janitorial supplies, utilities, library books and materials, and parts for fleet or office supply repairs. In FY07, these expenditures are \$17.0 million, a 10.7% or \$1.6 million increase from the Current Year Original budget of \$15.4 million.

The County operates a pharmacy to provide pharmaceuticals for CenterPoint Human Services. (The Public Health and Emergency Medical

Service departments receive minimal inventory from the pharmacy as well.) Pharmacy drug costs total \$4 million in FY07, amounting to 23.5% of all Materials and Supplies expenditures in Forsyth County.

Description of General Fund Expenditures

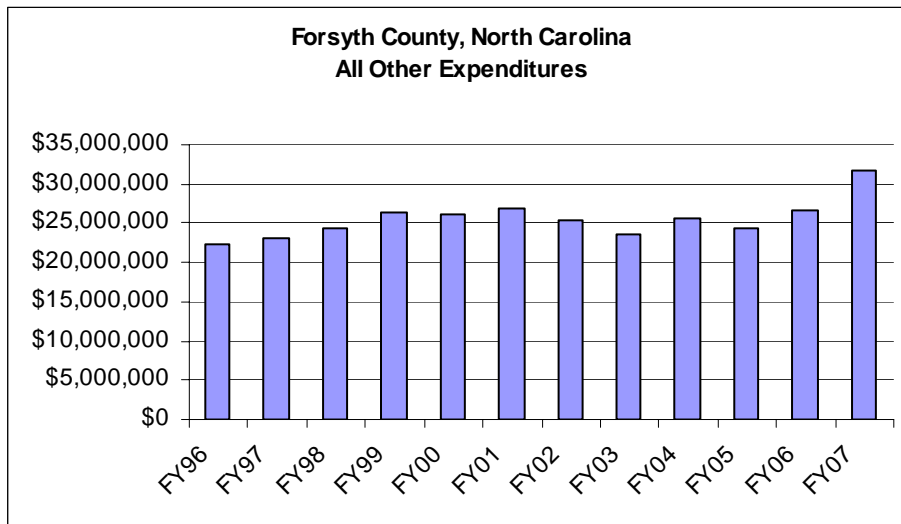
Rising energy costs, most particularly petroleum, account for \$.65 million dollars of the \$1.6 million budget-to-budget increase in Materials and Supplies. Between this \$.65 million increase in energy costs and the \$.65 million increase in budgeted Small Equipment purchases, 80% of the total materials and supplies increase is explained. (Small Equipment is defined as purchases that cost less than \$5,000.)

Budget-to-budget increases in the Sheriff's Office, Emergency Medical Services, and Management Information Services account for almost ¾ of the countywide increase in Small Equipment. The Small Equipment increase in the Sheriff's Office is to replace technology and equip new positions. In Emergency Medical Services the Small Equipment increase is to outfit ambulances. Management Information Services Small Equipment increase represents additional personal computer, monitor, and other computer-related replacements and upgrades.

The remaining \$300,000 increase in Materials and Supplies is for events hosted at County facilities and that are matched with revenues. (Most of these expenditures to host events were found in "Other Purchased Services" in the Current Year Original budget. These expenditures have been moved to Materials and Supplies where they have actually been accounted for in FY06.)

All Other.

All Other expenditures in the Forsyth County budget for FY07 are \$3 million, a \$3.4 million increase over the Current Year Original budget. The budget-to-budget increase is due to a \$1.1 million increase in Property



and \$ 930,000 increases in each of the following three categories: 1) Professional & Technical Services; 2) Purchased Property Services; and 3) Other Purchased Services.

Of the \$1.1 million increase in Property, the single largest increase is for vehicles. The FY07 budget includes \$2.5 million for this purpose, an \$400,000 increase over the Current Year Original budget.

The balance of increases to Property are found in equipment where \$ 340,000 has been budgeted in Register of Deeds for computers and other office equipment pertaining to the Department's move into the Government Center. The Register of Deeds is using the Automation Enhancement Fund to finance these expenditures. An additional \$ 200,000 has been included in the budget for a new tax collection software system for the Tax Office. The remaining \$ 160,000 in Property increases is found throughout various departments.

Of the \$ 930,000 increase in Professional & Technical Fees, \$ 600,000 or 66% stems from the increase in jail medical fees for FY07. Another \$230,000 of the increase in this expenditure category are the result of contracts for tax auditing services, temporary help for events at Tanglewood Park, increased veterinary fees, and the employee assistance program.

Description of General Fund Expenditures

Purchased Property Services is the third largest expenditure category in "All Other" at \$6.2 million in FY07. As noted above, Purchased Property Services are up \$ 780,000 from the Current Year Original budget of \$5.4 million. The budget-to-budget increase represents repair projects at County parks, equipment repair and maintenance contracts as well as solid waste disposal for County facilities, voting equipment maintenance and maintenance on the County-wide computer network.

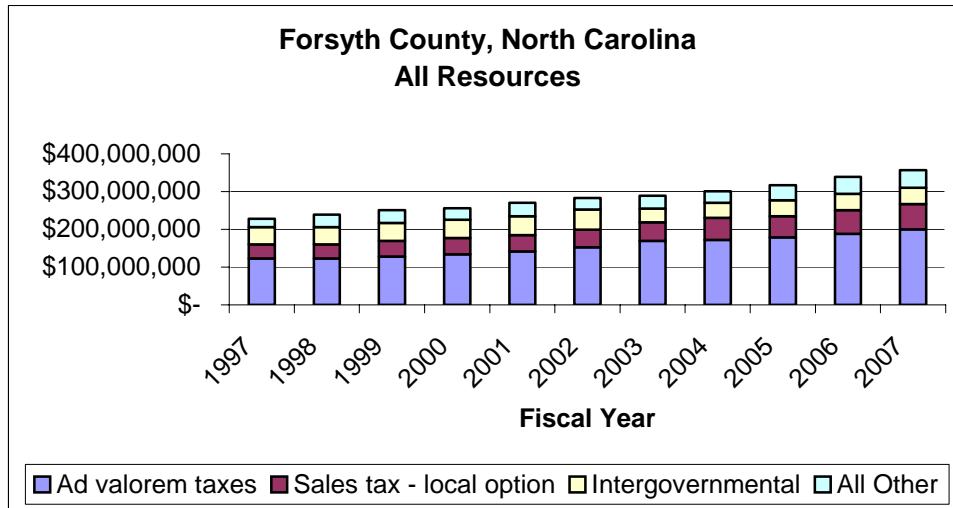
"Other Purchased Services" at \$9.1 million is the single largest expenditure category found in "All Other." The budget-to-budget increase of \$126,000 is explained by a \$600,000 increase for a digital imagery project for the Tax Office, which will also benefit Public Safety Departments in both the City and County. \$300,000 of the budget-to-budget increase is found in the Sheriff's Office for law enforcement software maintenance, increases to the annual food contract, and various service contracts. These two increases in combination with a \$800,000 decrease to the Downtown Health Plaza leave \$.1 million in increases throughout the County budget.



Description of General Fund Revenues

Overview.

A history of the Forsyth County revenue clearly shows that Ad Valorem (property) Taxes, Sales Taxes, and Intergovernmental are our primary sources of revenue. Of the total revenues in the Recommended Budget for FY 2007, Ad Valorem (property) Taxes account for 56%, Sales Taxes account for 18.8%, and Intergovernmental sources account for 12.1%. These top three sources account for a total of 87% of the revenues in the Recommended Budget.

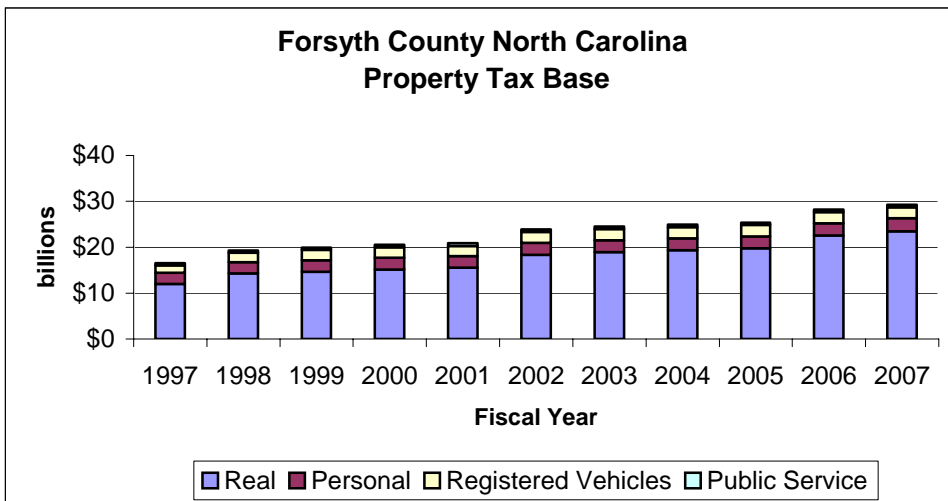


Most of the Intergovernmental revenue is tied to specific programs, therefore the primary source of general revenues to support the overall budget are Property Taxes and Sales Taxes, with the former being the only one which can effectively be changed to support increased

expenditures. The other resource which the Commissioners can use to a limited extent to balance the budget is Appropriated Fund Balance. In the FY 2007 Recommended budget, Appropriated Fund Balance accounts for 2.4% of all resources, a budget-to-budget decrease of \$700,000 (FY 2007 = \$8.4 million versus FY 2006 = \$9.1 million).

The Recommended budget for FY 2007 relies on an increase in the property tax rate of 1.5 cents which generates \$4.3 million. Growth in the Tax Base (3.81%) without a property tax increase equals \$68 million. Further discussion of the property tax base is included in the Tax Base/Property Taxes section.

Tax Base/Property Taxes.



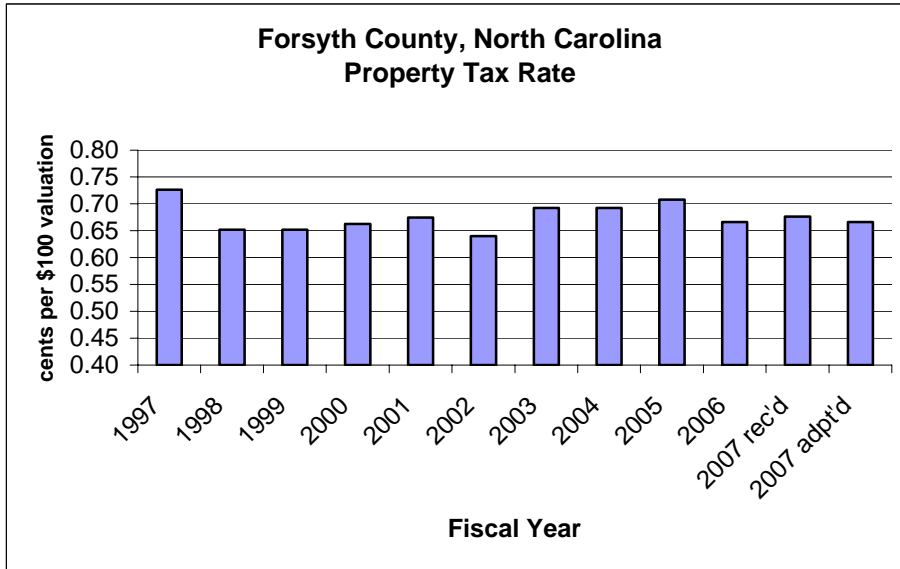
Growth in the property tax base of 3.81% for FY 2007 is the largest percentage increase outside of a revaluation year since FY 1987-1988 when it was 6.7%. The FY 2006-2007 property tax base is estimated at \$29.265 billion. This is an increase of \$1.1 billion (3.81%) compared to the FY 2005-2006 original estimate of \$28.192 billion. Normal growth in the tax base, as defined by the average growth in the base in the

consecutive years between the two most recent revaluation years (FY 2002 and FY 2006) is 1.8%. The 1.8%. The relatively high growth for FY 2007 is partly due to real growth, and partly due to "discoveries made subsequent to the revaluation conducted last year. Some of the real growth is due to the successful

Description of General Fund Revenues

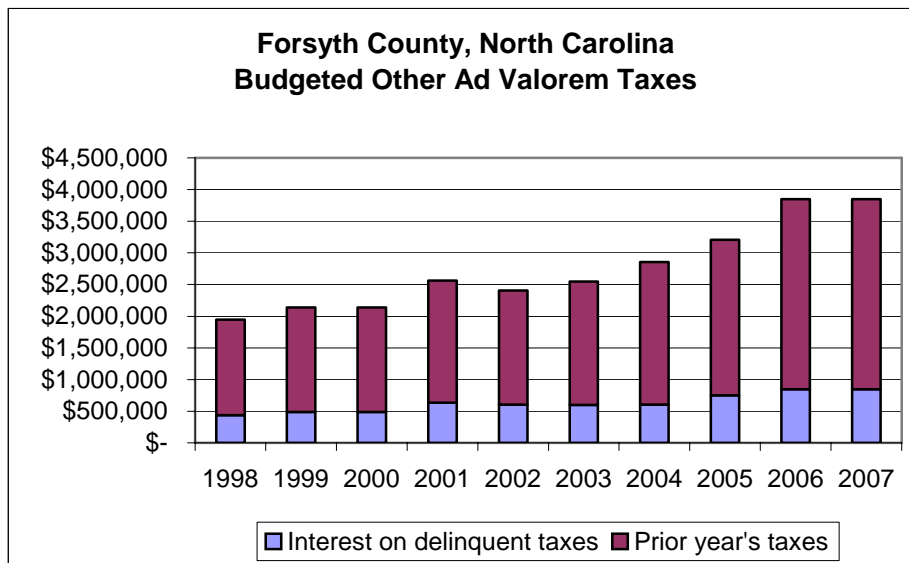
economic development endeavors such as Dell Computer and the Lowe's Data Center. A history of the growth in the tax base can be found on page 288.

The Recommended budget called for a property tax rate of 67.6¢ per \$100 of assessed valuation, reflecting an increase of 1 cent (1.5%) from the rate of 66.6¢ used for FY 2006. The Commissioners reduced this rate to 66.6 cents. This rate, coupled with a collection percent of 98%, produces revenues of \$191 million. This



represents an increase of \$6.8 million compared to FY 2006, all of which is attributed to the growth in the property tax base. The estimated collection rate of 98% is used for the Recommended Budget. We used a collection rate in the current budget (FY 2006) of 98.11%. The actual collection rate for the most recently completed fiscal year (FY 2004-2005) was 98%, and statutes do not allow a percentage higher than the actual collection rate for the most recently completed fiscal year.

Other Ad Valorem Taxes.

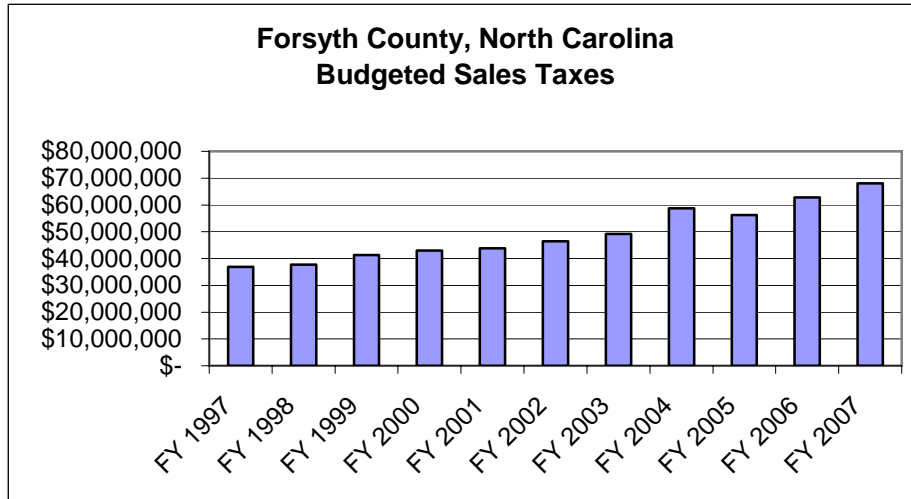


No increase is included for this category for FY 2006-2007. The Other Ad Valorem taxes category includes Prior Years' Taxes and Interest on Delinquent Accounts. Prior Years' Taxes dominates this category, and accounts for \$3 million of the \$3.85 million estimated for FY 2006-2007.

Description of General Fund Revenues

Sales Taxes.

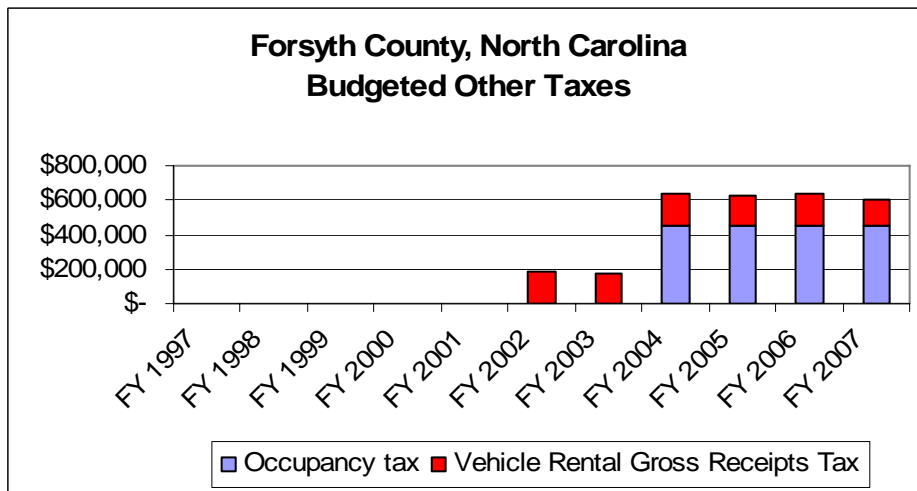
As stated earlier in the overview, Sales Taxes are our second largest source of revenue, accounting for 18.8% of our resources for FY 2007. Our original estimate for the current year (FY 2006) for Sales Taxes was \$62.8 million. Our revised estimate is \$64.2 million. The estimate for FY 2006-2007 is \$68 million. The



projection for FY 2006-2007 is based on an increase of 5.7% for local and 12.1% for statewide sales tax collections as compared to the budgeted numbers for FY 2006. These percentage differences decrease to 5.3% for local and 7.6% for statewide when comparing to the estimated actual for FY 2006.

Other Taxes.

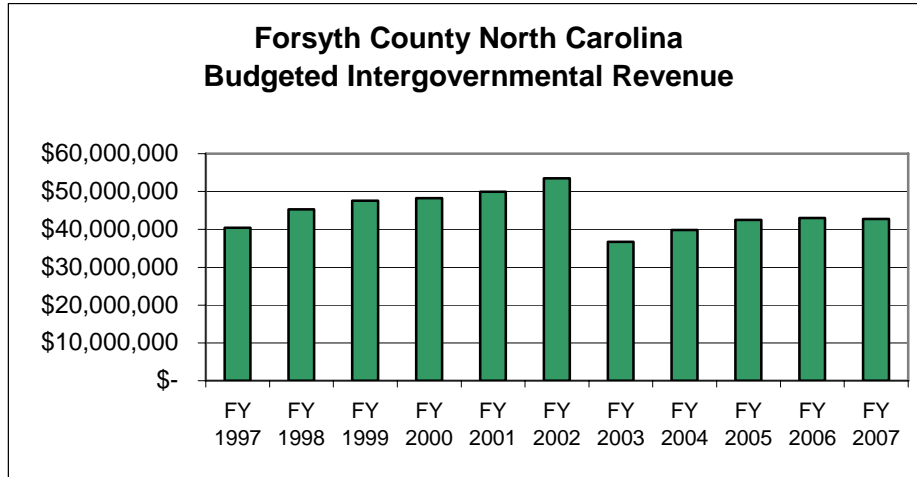
This category of revenue includes two relatively new revenues: Occupancy Taxes, and the Vehicle Rental Gross Receipts Tax. FY 2004 was the first year in which the Occupancy Tax was shown as direct revenue



into the General Fund. Prior to FY 2004, it was shown as a transfer into the General Fund from the Occupancy Tax Special Revenue Fund. For FY 2007, we are no change for the Occupancy Tax (\$450,000) and a decrease for the Vehicle Rental Gross Receipts Tax (\$150,000 for FY 2007 compared to \$187,000 for FY2006).

Description of General Fund Revenues

Intergovernmental.



As noted in the Overview, Intergovernmental is the third largest source of revenue for FY 2007, accounting for 11.9% of our resources. A decrease of \$1.1 million in Intergovernmental revenue is included for FY 2006-2007. The reason for the overall decrease is the "Hold Harmless" revenue from the State which is down \$1.3 million from FY 2006. Excluding the "Hold Harmless" revenue, this category is up .5% or \$226,000.

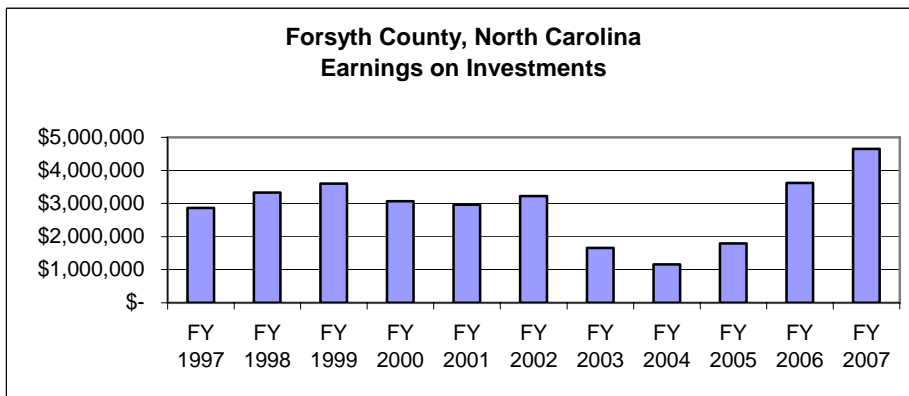
The original estimate for the current year (FY 2006) for Intergovernmental revenue was \$43.0 million. Our revised estimate is \$43.7 million. Most of this difference between the original budget and the estimated actual relates to pass through funds for functions of the department of Social Services and grant revenue received by the Sheriff's Office. The department of Social Services provides almost 70% of Intergovernmental revenue.

The estimate for FY 2006-2007 is \$42.3 million. Most Intergovernmental Revenue offsets specific program expenses. However, an exception to this is the "Hold Harmless" revenue, which is **not** program related revenue.

As previously stated, the "Hold Harmless" reflects a decrease of \$1.3 million compared to the FY 2006 original budget. This revenue was budgeted for the first time in FY 2004. The State of NC determines the difference between their estimate of the revenue generated by the newest 1/2¢ sales tax (Article 44) in Forsyth County, and the revenue lost when the state ended certain reimbursements to counties and cities in FY 2003. These reimbursements were originally to replace lost property tax revenue from certain categories of taxable items out of our tax base, including business inventories. For FY 2007, the State estimates Forsyth County will see a significant increase in the Article 44 Sales Tax. Consequently, the formula reduces our "Hold Harmless" revenue by \$1.3 million.

Earnings on Investments.

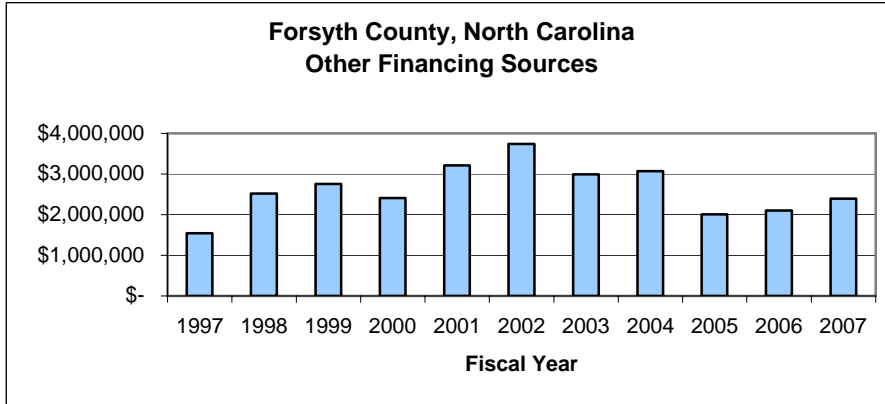
A substantial increase in Earnings on Investments is included for FY 2006 - 2007. Our original estimate for the current year (FY 2006) was \$3.6 million. Our revised estimate for the current year is \$3.8 million. The estimate for FY 2006-2007 is \$4.6 million. The increase is based on the assumption that the County will continue to benefit from rising interest rates.



Description of General Fund Revenues

Other Financing Sources.

This revenue category includes transfers into the General Fund from other funds. As you can see in the chart, previous years have been significantly higher because in those years large transfers of interest

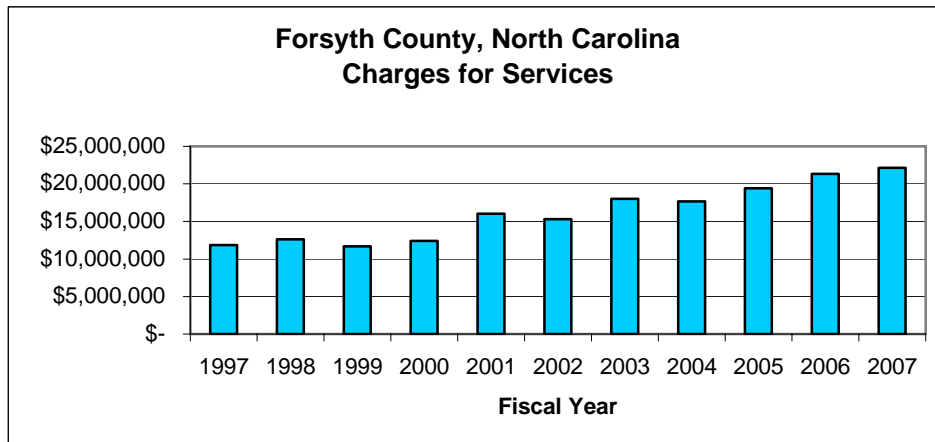


earnings from Capital Projects Ordinances were available for transfer. (There are no transfers from this category for FY 2007.) The largest Other Financing Source for FY 2007 is Sales Taxes from the Fire Tax Districts. Other sources include transfers from the Emergency Telephone System Fund and the Law Enforcement Equitable Distribution Fund. Overall,

the estimate for FY 2006 -2007 is \$2.4 million reflecting a budget-to-budget increase of \$293,000. The reason for the increase is found in the Sales Taxes from the Fire Tax Districts. Our original estimate for the current year (FY 2006) for Other Financing Sources revenue was \$2.1 million. The revised estimate is roughly the same.

Charges for Services.

This category is our fourth largest category of revenue, accounting for 6.2% of our revenues for FY 2007.



Charges for Services reflect an overall increase of \$800,000 based on experience and volume. No fee increases are included for FY 2007. Our original estimate for the current year for this revenue was \$21.3 million. Our revised estimate for the current year is \$20.8 million. The estimate for FY 2006-2007 is \$22.1 million.

Description of General Fund Revenues

Fund Balance.

Included in the Recommended Budget for FY 2007 is a Fund Balance appropriation of \$8.4 million, a

decrease of \$700,000 from the FY 2006

Adopted Budget. In the

past, we have

appropriated varying

amounts of Fund

Balance to balance the

budget, always keeping

in mind our fiscal goal of

keeping our total

unreserved fund balance

at roughly 16% of the

following year's budget.

At this point in time, it

appears we will use little,

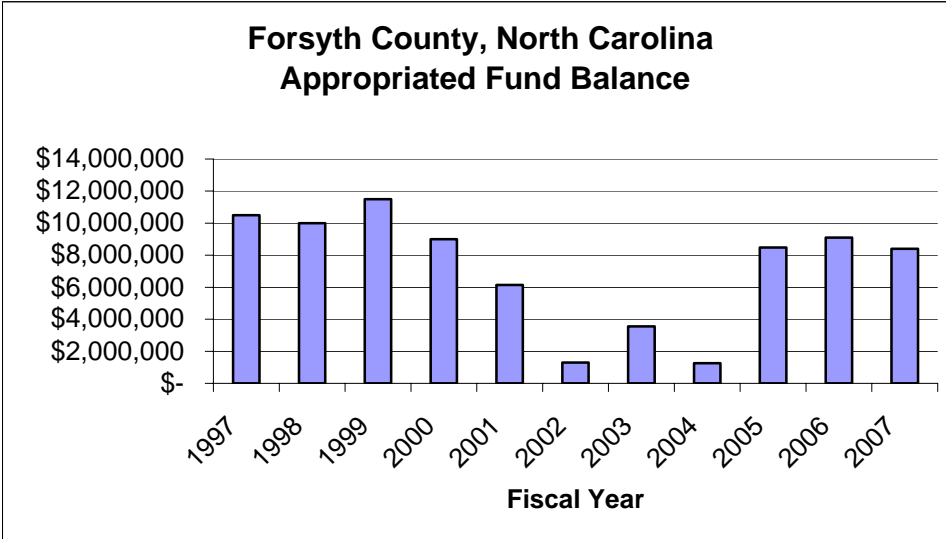
if any, Fund Balance

coming out of FY 2006.

We estimate we will end

FY 2006 with a total

Unreserved Fund



Balance of about \$63.7 million, or about 17.8% of the Recommended FY 2007 Budget. Our year end outcome for FY 2007 (and all other future years) assumes we will receive 100% of budgeted revenues, and spend 96% of budgeted expenditures excluding the significant categories of Debt Service and Payments to Other Agencies. For these categories, we estimate we will spend 100% of budgeted expenditures.

