

Forsyth County, North Carolina – 2009 - 2010 Annual Budget

June, 2009

Forsyth County Board of Commissioners

Ladies and Gentlemen,

I am pleased to present the FY 2009-2010 Annual Budget for Forsyth County. The Preliminary Budget was presented on May 14th, a Public Hearing was held on May 26th, and a budget workshop was held on May 27th. The Budget Ordinance was adopted on May 28th, 2009.

This document reflects the adjustments to the General Fund Preliminary Budget identified in your review and as adopted in the formal Budget Ordinance. A summary of these changes are shown below. The Adopted Property Tax Rate for FY 2009-2010 is 67.4¢, which includes 1.1¢ for the Debt leveling Plan for the November 2008 Education bonds. This is a decrease from the FY 08-09 rate 69.6¢, but is 1.1¢ above the revenue neutral rate of 66.32¢. The document also includes the Property Tax Rates for the Fire and Rescue Districts, which reflect no changes from the FY 08-09 rates.

Collectively, this budget represents hundreds of hours of work on the part of many people, particularly the Board, and deepest appreciation is extended to all of them.

Sincerely,

Dudley Watts
County Manager

Commissioner Adjustments to Recommended FY 2009-2010 Continuation Budget

	<u>Expenditure</u>	<u>Revenue</u>
Recommended Continuation Budget	390,820,861	390,820,861
Adjustment for Nov 2008 debt leveling plan	2,535,392	2,468,405
Red Bank School project	10,000	
Library Computer Bridge Project	11,724	
Inmate Medical Coordinator	44,563	
Reduce W-S Rescue by 50%. If reorganization efforts are unsuccessful, contingency funds may be required.	(42,500)	
WIC (4 positions)	153,987	153,987
Debt Service Variable Rate adjustment	(90,774)	
Total Adjustments	2,622,392	2,622,392
Grand Total	<u>393,443,253</u>	<u>393,443,253</u>

May 14, 2009

Forsyth County Board of Commissioners
Forsyth County Government Center
Winston-Salem, North Carolina

Dear Commissioner Plyler, Commissioner Conrad, Commissioner Bailey, Commissioner Kaplan, Commissioner Linville, Commissioner Marshall and Commissioner Whisenhunt:

I am honored to submit the enclosed recommended budget for the fiscal year beginning July 1, 2009 and ending June 30, 2010 for your consideration as required by North Carolina General Statute 159 and the Local Government Budget and Fiscal Control Act.

Two documents comprise the budget. The first document is the continuation budget necessary to continue providing services at the current level. This section contains both the financial information and narrative descriptions of each program currently funded by the Board. The second document contains detailed information on 63 alternate service levels requested by departments and outside agencies. These are "new and different" activities that expand or contract the current level of service to Forsyth County citizens and taxpayers.

The recommended budget is balanced and prepared in accordance with the policies and procedures outlined in the Local Government Budget and Fiscal Control Act and will be submitted to the Government Finance Officers Association for peer review.

Goals

This recommended budget is my attempt to capture the Board's vision of what Forsyth County will strive for in the coming year. It is based on the values communicated to me in individual discussions, in monthly briefings and meetings, and in the winter planning retreat. My understanding of your collective desire for this budget is as follows:

- Avoid shifting the increased costs of County government on taxpayers already struggling with the economic recession, changing credit markets, uncertain employment prospects, and the static income streams;
- Carefully analyze the savings from reduced service levels and present the efforts to balance the budget in this context;
- Conservatively estimate revenues and expenditures to avoid expectations of performance that are not realistic;
- Normally, the appropriated fund balance recommended by the County Manager is the goal for expenditure reversions. However, this year we may actually use some fund balance. We hope that through our improving economy and good management, we can minimize use of fund balance.

- Continue to improve efficiency & effectiveness of all County programs;
- Present a budget that maintains an acceptable level of service, but allows for policy review and potential service changes providing for full disclosure of needs to all Board members and the citizenry.

Overview

The economic context for the FY 2009-2010 budget is challenging. According to the National Bureau of Economic Research the Country is in the 18th month of a recession and the prospects for a quick recovery are poor. The unemployment rate in the State is 10.9% and the County's unemployment rate is close behind at 9.7% according to the North Carolina Employment Security Commission. The State's budget deficit is \$4.6 billion and both the House and the Senate budgets include significant cuts.

A comprehensive discussion of the FY 2010 budget requires a review of the preceding fiscal year. Most economists now say that the current recession actually began in December of 2007, about the time we began preparing for the current fiscal year's budget. The Board of Commissioners balanced this budget without a tax increase by reducing operating expenses by more than \$8 million dollars and eliminated almost 50 positions. In retrospect, this has proved to be a wise action and has greatly improved the budget situation for FY 2009-2010.

Once the year began, a precipitous drop in sales tax receipts, combined with a dismal economic forecast, required that staff begin looking at the impact of significantly reduced revenues for FY 2008-2009. About this time, the scope of the credit market's problems also surfaced. Staff revised the revenue forecast for sales taxes and estimated that the projected loss for FY 2008-2009 would be \$7 million. Working with Board members, we developed a plan that relied on expenditure reductions to make up half the deficit and savings to make up the other half. Recognizing that this would be likely extend into FY 2009-2010, the recommendation was to employ the same strategy in this fiscal year. The estimated impact on fund balance was approximately \$4 million in both FY 2008-2009 and FY 2009-2010. I am pleased to note that our predictions for fund balance expended in FY 2008-2009 is \$2.6 million and we are only recommending using an additional \$2 million for FY 2009-2010.

During the current fiscal year, the Board also approved a retirement incentive and a re-appropriation review process for positions that become vacant during the fiscal year. Each vacancy will be scrutinized and will only be filled if absolutely necessary. This was discussed in the context of an alternative to layoffs and salary reductions and simply means that many of these will not be filled. As a result of this process, the budget assumes savings of \$500,000 or that approximately 25 positions will not be filled during the fiscal year.

Board members clearly indicated that simply passing along the increased costs of local government to citizens is not acceptable, and that the County should replicate the actions of our citizens and business leaders by re-prioritizing, reorganizing, and adapting to the realities of a dynamic local economy. The County's department managers, budget staff, and employees have worked courageously in preparing the FY 2009-2010 Annual Budget.

Continuation Budget

Every four years the tax base is revalued based on new market data and construction cost estimates. This was and continues to be a difficult process, mostly due to how the local market was changing during this period. The FY 2009-2010 budget is affected by this revaluation, which increased the real property levy by 3.372%, resulting in a revenue-neutral rate of 66.3 cents per \$100 valuation. This is a reduction in the current property tax rate of 3.3 cents.

My recommendation is to adopt the revenue-neutral rate of 66.3 cents per \$100 valuation; however, I also recommend increasing this rate by 1.1 cents to fully fund the Education Debt Leveling Plan (EDLP) for the debt service on the Education Facilities Bonds approved by the voters in the November 2008 referendum. This results in a total tax rate of 67.4 cents per \$100 valuation, down 2.2 cents per \$100 valuation from the current rate of 69.6 cents per \$100 valuation. It should be noted that .34 cents of the EDLP tax increase is required to fund the debt service for the Education Facility Bonds for the fiscal year.

Property Taxes will grow approximately \$9.2 million based on the statutory determination of the revenue neutral-rate; however there are significant reductions in other revenues. Sales taxes are expected to decrease \$7.1 million in addition to the expected loss due to the Medicaid swap with the State. Interest earnings are budgeted at \$2.1 million less due to lower interest rates. We have conservatively budgeted the other revenues that make up the revenue side of the budget.

The appropriated fund balance is consistent with the strategy developed in mid-year of FY 2008-2009. Of the \$12.6 million budgeted, we estimate that expenditure reversions will result in actually using approximately \$2 million of this amount. While this will reduce the percentage from 16% to 15.5%, it does not significantly impact our financial position and perhaps would be viewed by rating agencies as an appropriate strategy to deal with difficult financial challenges.

The recommended budget continues the cuts that were made in FY 2008-2009 and extends most of the reductions that were imposed mid-year. This was essential to hold to a revenue-neutral budget.

The budget also assumes that approximately 25 positions throughout the departments that become vacant during the fiscal year will not be filled. A process has been put into place to ensure that the savings will be realized; however, it is likely to be a difficult process for department managers and may involve some service level reductions. During the coming year, the Board may be asked to for a policy-level review of some of these position reductions where service levels are impacted.

Some highlights by Service Area of the Continuation Budget include:

- **Public Safety**
 1. The Public Safety departments requested an additional 99 full time positions and two additional part time positions. 72 of the full time positions are in the Emergency Medical Services Department. Two full time and two part time positions are included in the Recommended Continuation Budget for the Sheriff's Office for uses related to the schools. A description of the other requests may be found in the separately bound binder on Alternate Service Level Requests.
-

2. The Continuation Budget reflects an increase of \$1.9 million (3.2%) primarily due to annualizing market and performance adjustments made during FY 2008-2009. Also, 15 EMS positions were approved for partial year funding in the FY 2008 -2009 budget. These positions are being used in the transition from 24 hour to 12 hour shifts. The increase in the FY 2009-2010 budget is \$226,000.
 3. Also included is a budget to budget decrease in Jail Medical services of \$400,000 anticipating a successful bid process. We had a good turn out at the mandatory pre-bid conference. We anticipate bringing a recommendation to you on July 9, 2009.
 4. Public Safety revenues increased \$1.3 million (7%). \$600,000 of the increase is reflected in EMS due to continued good experience with collections, and an anticipated increase in the Medicaid cost settlement. The Sheriff's Office reflects a \$690,000 increase due to improvements in State and Federal sources, as well as the School System. The status of the bid award by the School system for the SRO program is currently unfolding.
 5. The combination of increased expense and revenue results in a \$619,000 (1.5%) increase in "County dollars" for this Service Area.
- **Environmental Management**
 1. Despite the overall Inspections budget reflecting a budget to budget decrease of \$113,000, both the City and County share will increase due to the sharp decrease in housing construction activity, and consequently, a sharp decrease in revenue. However, revenues are up in Environmental Affairs due to increased grant and permit funds.
 - **Health**
 1. Expenditures in this Service Area reflect a \$695,000 (2.5%) increase, offset by \$569,000 in revenues. The combination of increased expenses, but a greater percentage increase in revenue, creates a relatively small \$126,000 (1%) increase in "County dollars".
 2. Expenditures are up primarily due to annualizing market and performance adjustments made during FY 2008-2009 in the Department of Public Health. Six of the fourteen requested new full time positions are included in the Continuation Budget, and while there is an increase in number of positions, there is no increase in County dollars. The Dental Clinic is doing well and is budgeted to break even next year. There is no change in the expenditure budget for CenterPoint.
 3. Revenue reflects a \$569,000 increase (4.5%) due to WIC, Carolina Access, and patient drug sales.
 - **Social Services**
 1. Overall, expenditures are down dramatically, and revenues are up dramatically, creating a large decrease in County dollars. Even when Medicaid is excluded, County dollars are down.
-

2. Expenditures include no Medicaid for FY 2010, a decrease of \$9.6 million. Excluding Medicaid, this service area reflects an increase of \$1.4 million, (2.8%). This increase is primarily due to annualizing market and performance adjustments made during FY 2008-2009.
 3. DSS requested 10 new positions based on workload measures. Three of these were granted through the budget process by reclassifying existing positions. The others are included for your consideration in the Alternate Service Level document. Four of the remaining seven are proposed to be funded with a combination of Stimulus dollars, as well as other State and federal Revenue (it is possible that DSS may bring an Agenda item forward for these four positions during the current year).
 4. DSS is also working on a technology project to make the department more efficient. While not included in the Recommended Continuation budget, it is recommended to be considered as a Pay Go project.
 5. Revenues are up \$3.4 million mainly due to State estimates.
- **Education**
Education expenditures are up \$2.4 million. This includes \$2.5 million to open 3 new schools, and a decrease in the FTCC budget of \$100,000. The current year budget for FTCC had a one time expense of \$250,000 which is not repeated for FY 2009-2010.
 - **Culture and Recreation**
 1. This Service Area reflects a decrease of \$583,000 in expenses, and a \$343,000 decrease in revenues, for a net decrease in County dollars of \$240,000. The budget to budget position count reflects a decrease of 3 full time and 20 part-time. Within this overall decrease are additional positions for Triad Park and for opening the campground at Tanglewood.
 2. FY 2009-2010 marks the first full year of budgeting for Tanglewood as part of the Parks and Recreation Department. As such, it requires fewer County dollars in FY 2010 (\$170,000) than were budgeted in FY 2009.
 3. The Library also requires fewer County dollars (\$70,000) due to a flat expenditure budget, and an increase in revenue from several sources. The Library Director has requested to continue funding a previously grant funded position by giving up a County funded position. Please see the Alternate Service Level document for details. The Continuation budget reflects the deletion of the grant funded request.
 - **Community and Economic Development**
 1. This Service Area is basically flat in expenditures, but it reflects a decrease in revenue of \$45,000 due to an accounting change in Housing.
-

- **Administration and Support**

1. Budgets in this Service Area reflect a combined decrease of \$716,000, evidenced primarily in Management Information Services (\$526,000) and General Services (\$219,000). Within the General Services overall budgetary decrease, there is an increase for Emergency vehicles (\$557,000). More ambulances are scheduled for replacement than in previous years.
2. The reduction in expenditures for replacement vehicles and computers during the current year and to some extent replicated for FY 2009-2010 cannot be sustained indefinitely. We have been through these cycles before, and we will need to "catch up" in future years as we have done in similar cycles in the past. We plan to accomplish an assessment of overall vehicle usage during FY 2009-2010, with the goal being to "right size the fleet".

- **General Government**

This Service Area includes the Register of Deeds and Board of Elections.

1. The Board of Elections reflects sharp increases in expenditures and revenues due to there being 3 elections in FY 2010 versus 2 in FY 2009. Two of the three in FY 2010 are municipal elections for which we are reimbursed. It is important to note that the Director of the Board of Elections gave up a full time position during FY 2008-2009 to help the Department of Social Services. Although this was done on a permanent basis, the department will likely need some temporary assistance during the general election in November of 2010.
 2. The Register of Deeds expenditure budget is basically flat, but revenues are down dramatically (\$1.5 million) due to the economy.
 3. Non-Departmental is also in this Service Area. On the expenditure side, \$670,000 is budgeted for Performance increases for all County employees. This would allow an average increase of 1.3%.
 4. Non-Departmental also includes Sales Taxes, Property Taxes, Interest Earnings, and Appropriated Fund Balance.
 5. Sales Taxes reflect a \$15.8 million decrease. Of this, \$7.1 million is due to the economy, and the remainder to the Medicaid/Sales Tax Swap.
 6. Property Taxes - Growth in the base compared to FY 2008-2009 is 8.5%, or \$2.7 billion. This is a revaluation year, so you expect the base to grow more than in a normal year compared to the previous year. Based on the "revenue neutral rate" of 66.32 cents, revenue increased \$ 7.3 million compared to the revised estimate for FY 2008-2009. The collection rate used is the same as was actually realized in FY 2007-2008, the most recently completed full year (98.18%). To balance the Continuation Budget to cover the first year of debt service (\$1.1 million) from the successful November 2008 bond referendum, a .34 cent increase above revenue neutral was required.
 7. Interest Earnings are expected to decrease \$2.1 million as a result of lower interest rates.
 8. Fund Balance utilized is almost \$12 million, about \$2 million more than we budgeted in FY 2008-2009. As discussed earlier, it is not unreasonable to expect that we will actually use some Fund Balance during FY 2009-2010.
-

- **Special Appropriations**

1. Overall expenditures reflect a decrease of \$70,000, split roughly equally between County funded agencies and those funded with federal and state pass through dollars. For the majority of County funded agencies, the mid-year reductions that were made during FY 2008-2009 were replicated for FY 2009-2010.

- **Debt Service**

1. Although Debt Service expense is up \$4.1 million, revenue from Lottery Proceeds and the newly created Education Debt Leveling Plan (EDLP), along with other changes, create a net increase in County dollars of \$1.6 million.
2. Of this total County Dollar increase of \$1.6 million, \$1.1 million is due to the new debt service from the successful bond referendum in November of 2008. You passed the first issuance of these bonds (\$36.3 million) in your May 11, 2009 meeting. As discussed earlier, we have included a .34 cent increase in the Property Tax Rate to fund this taxpayer approved debt service. During our budget discussions with you, we will present a debt leveling plan for this new debt.

Capital/Debt Service Funding Strategy

The Capital Improvement Program (CIP) is contained herein for your consideration, and is also replicated in the Alternate Service Level book.

In your February 2009 annual Planning Workshop, you favored moving ahead with relatively few projects in the first half of the planning period. These included a bond referendum in November of 2010 for replacing the Central Library, as well as wanting to pursue purchase and renovation of the Phillips Building for use by Sheriff's Administration, expanded jail space, and possible other emergency services. Lastly, you expressed a desire to move forward with replacing the Youth Detention Center. The CIP addresses attempts to capture this direction.

Alternate Service Level Recommendations

This section provides a summary with detailed information about 63 alternate service levels proposed by departments, management, and Board members. All of the items have merit and are appropriate uses of local funds. The County Manager's recommendation is included; however, given the difficult economic times, I am also recommending deferring action on these items until the budget situation stabilizes. In the event that local revenues improve dramatically, I request that the Board look at potentially funding these items at the appropriate time during next fiscal year.

It should be noted that not funding the Library's request for the Computer Bridge Training Program (#36) and the Budget Office's request for an Inmate Medical Coordinator (#43) will result in a reduction-in-force affecting two people.

Summary

The proposed budget and work program for FY 2009-2010 is presented for your consideration, debate, and eventual adoption. I look forward to the detailed review and examination that ensures that the budget as a policy document reflects your goals for this community.

Thank you for the opportunity you have given me to work for this great organization. I appreciate your support, guidance, and encouragement as I continue to grow in my service to this community. Putting together a budget is a tremendous effort. I need to thank all of the department managers, the Sheriff and the Register of Deeds, for sharing information and supporting data about their operations. I asked many questions and departments responded in a timely and professional manner in every case.

To Joe Bartel, Budget and Management Director, thank you for sharing your expertise and institutional understanding of this organization. It is clear to me that you care deeply for this organization and this community. This is a mark of a great public servant and I appreciate the time you spent with me to develop an operational budget that strives to continue the tradition of excellence in Forsyth County.

To the Budget and Management staff - Ronda, William, Chad, Lee and Debbie - I cannot thank you enough for your dedication and commitment. Your work is outstanding and I appreciate your team-oriented approach to getting this monumental task completed.

To Ed Jones, Paul Fulton, and Damon Sanders-Pratt - thanks for the wise counsel and the honest and frank discussion about Forsyth County Government. You provide strong leadership to this organization and I thank you for generously sharing your expertise and experience.

To Carol, Kim and Carla - thanks for treating every person who walks in the door with kindness and compassion. Also, thanks for the teamwork and can-do attitude that makes the demands of public service more manageable.

Respectfully submitted,

Dudley Watts
County Manager
