

Overview of Changes in Revenues, Expenditures, and County Dollars

The overall Adopted budget for Forsyth County for FY 2010-2011 increased by \$1,893,725 or .48%.

FY 2010 – 2011 Adopted Budget	\$395,336,978
FY 2009 – 2010 Adopted Budget	\$393,443,253
Difference	+\$1,893,725
Percent Change	+.48%

A summary of changes is as follows:

County Dollars Change FY 10 to FY 11

(dollars potentially affecting property tax rate)

	Expenditure	Revenue	Net County Dollars
Sales Taxes (based on 2.5% increase in overall economic activity)	-	(696,942)	696,942
Property Taxes (lower collection percentage and base)	-	(2,913,926)	2,913,926
Interest Earnings	-	(596,832)	596,832
Designated for EDLP (Education Debt Leveling)	970,661	-	-
Debt Service (all other)	2,771,847	4,369,391	(1,597,544)
Increase Fund Balance Appropriated (Non-Departmental)	-	815,047	(815,047)
Performance Increase for employees (average 1.5%)	131,268	-	131,268
Health Insurance (5% increase)	495,759	-	495,759
Winston-Salem/Forsyth County Schools	(1,163,300)	(1,500,000)	336,700
Forsyth Technical Community College	(473,914)	-	(473,914)
Social Services	(656,819)	(863,618)	206,799
Sheriff/Law Enforcement	193,631	(419,575)	613,206
Sheriff/Detention w/o Jail Medical	55,285	(677,195)	732,480
Jail Medical	584,000	(130,238)	714,238
Parks and Recreation	(71,660)	91,851	(163,511)
Public Health	1,446,688	1,154,168	292,520
Board of Elections	(251,429)	(314,655)	63,226
Emergency Services (Fire & EMS)	413,217	377,369	35,848
Library	(353,354)	(132,464)	(220,890)
Inspections	134,660	-	134,660
Register of Deeds	(354,175)	(213,300)	(140,875)
Vehicles	(727,405)	-	(727,405)
General Services other than vehicles	(412,687)	(30,900)	(381,787)
Economic Development	(762,715)	25,000	(787,715)
Special Appropriations	72,978	88,321	(15,343)
All Other	(148,811)	3,462,223	(3,611,034)
Total	1,893,725	1,893,725	-

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

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Sales Taxes

- Sales Taxes for most counties in the State remain sluggish; however, Forsyth County's projections are better than other urban counties. Several months remain to complete the current year, and we have projected that Sales Taxes will be approximately 2.5% less than budgeted. One impact of the Medicaid/Sales Tax swap is that although the State now receives the Article 44 Sales Tax as part of the swap, refunds are still being posted against our Sales Tax in the monthly reports for refunds prior to the October 1, 2009 switch. This results in negative posts against our Article 44 Sales Tax. However, on the up side, Article 42 shifted from a per capita distribution to a point of origin distribution which helps us.
- For the FY 2010 estimate, we are projecting a 2.5% decrease in Sales Tax collections. This equates to a \$1.3 million current year revenue deficit.
- For next year, we have assumed minimal growth in Sales Tax collections and although the projection is for a slight increase, we are forecasting an increase of only \$573,340 more than current year estimates. We remain positive that actual results will exceed these expectations. However, we feel compelled to approach this budget conservatively rather than speculate on more positive scenarios.

Property Taxes

- Typically coming off of a revaluation year, one expects the base to grow more than in a normal year compared to the previous year. As the current economic recession proved, we are not in "normal" times. For FY 2011, there are two factors impacting the property tax estimate within Forsyth County: 1) a lower tax base than was used in the current fiscal year and 2) a lower collection percentage.
- For FY 2010, the tax base used was \$34.106 billion. For FY 2011, the property tax base used is \$33.886 billion. In addition, the collection percentage used in FY 2011 is 97.54% compared with a collection percentage of 98.18% used in FY 2010.
- The collection rate applied is the same as was actually realized in FY 2009, the most recently completed full year at the current property tax rate of 67.4 cents per \$100 of assessed valuation.
- The application of a lower collection percentage to a lower base results in estimated Property Tax revenue being \$2,913,926 less than the FY 2010 Adopted budget.
- The FY 2011 budget is based on a property tax rate of 67.4 cents per \$100 of assessed valuation. Of the 67.4 cents, 4.1 cents is designated for the Education Debt Leveling Plans.
- For FY 2011, one cent (1¢) on the property tax rate is equivalent to \$3,305,231.

Interest Earnings

- As a result of much lower interest rates, there continues to be a significant reduction in interest earnings. For FY 2011, interest earnings are \$596,882 less than the FY 2010 original budget of \$1.5 million.

Debt Service

- For FY 2011, Debt Service expense is up 5.5% or \$2,771,847 million, of which approximately \$2.6 million is attributable to Educational and Community College bonds approved by voters in November of 2008. As stated in the Property Tax section above, 4.1 cents of the Property Tax levied is dedicated for the two (2) Education Debt Leveling Plans (EDLPs) to pay for the debt service on these bonds. Three cents (3¢) of Property Tax collected is dedicated to debt on voter approved bonds from November of 2006 and 1.1 cents is dedicated to debt on voter approved bonds from November of 2008.
- While Debt Service expense is up, revenues also increased by \$4.37 million or 37.3%.
- Increased utilization of the State's lottery proceeds and the Education Debt Leveling Plan reserves for debt associated with the 2006 and 2008 Bond Referenda is the primary reason for this increased revenue. Lottery proceeds used in FY 2011 will increase by \$599,266 and the use of EDLP reserves will increase by \$4.13 million.

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Debt Service (continued)

- Six new debt issuances are included in the budget. These new debt issuances increase expenditures by \$7.29 million but are offset by corresponding revenue of \$3.52 million. The proceeds from the new issuances will be used for the Schools, Forsyth Technical Community College, Parks and Recreation, and the Sheriff's Office.

Lottery Funding & Educational Debt Leveling Plans

- In order to avoid property tax increases to pay for new schools and renovations, the Board of County Commissioners agreed to designate lottery proceeds towards the payment of debt service associated with the Winston-Salem/Forsyth County Schools' (WS/FCS) construction projects approved by voters in the 2006 Education Bond Referendum. Through the end of FY 2009, lottery proceeds paid for almost \$8 million in debt service. Lottery proceeds will pay for \$10.9 million in debt service in FY 2011, and four years from now (FY 2014), it is estimated that lottery proceeds will have paid for \$50.1 million in 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 2011, the property tax rate would have to be 3.3 cents higher than the current rate of 67.4 cents to pay for the debt service that the lottery proceeds are covering.
- In addition to setting aside lottery proceeds for debt service, the Board of County Commissioners developed the Education Debt Leveling Plan (EDLP) to help pay for the debt service that the lottery proceeds does not cover. There are currently two plans as mentioned under the Debt Service section above. The combined balance of both EDLP's at the end of the last full fiscal year (2009) is \$17.8 million. EDLP reserves will pay for \$4.7 million in debt service in FY 2011. At the end of FY 2014, \$67.9 million of debt service will have been paid using EDLP reserves, and the projected balance remaining will be \$20.7 million.

Fund Balance Appropriated

- There are two places in the Budget where Fund Balance is appropriated: 1) Non-Departmental (\$12.8 million) and 2) the Debt Department (\$4.7 million).
 - The appropriation in the Debt department relates exclusively to the debt service from the November 2006 and November 2008 referenda not covered by NC Education Lottery proceeds.
 - The appropriation in Non-Departmental is the more traditional Fund Balance. For FY 2011, the adopted budget increases the fund balance appropriation from current year by \$815,047. The Board of Commissioners approved using \$1.8 million in fund balance from reimbursement of the Dell, Inc. incentive contract to provide the School System with an additional appropriation of \$2.7 million.
 - Fiscally speaking, we remain a very healthy County. However, we must continue to monitor federal, state, and local conditions as we go into and through FY 2011, and we need be ready to take action if it seems practical.

Compensation for Employees

- Performance Adjustments
 - The budget assumes average performance adjustments of roughly 1.5%, with a range of 0.7% to 2.2%. The estimated cost is \$800,270 or approximately \$131,000 more than FY 10 budget.
 - In FY 2011, additional estimated savings of \$500,000 to be realized through the vacancy review process are budgeted. The process has been successful since its inception in FY 2010 and we were able to save the amount needed to cover the vacancy review plus the costs associated with the retirement incentive program.
- Retirement Contribution
 - The Local Government Retirement System approved a 1.55% increase in employer contributions to the Retirement System. For FY 2011, this equates to approximately \$1.2 million.
- Salaries & Wages
 - As a result of a Retirement Incentive offered in FY 2010, salaries and wages are down approximately \$1.1 million from current year original. The Retirement Incentive consisted of a \$20,000 one-time payout for eligible employees (30+ years of service). Thirty-five employees took advantage of the incentive and although many of the positions were not eliminated, it decreased both salary costs and longevity payments.

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Compensation for Employees (continued)

Health Insurance

- Employees

- In FY 2009, Forsyth County became self insured. Although our reserves are adequate, changes to the plan were required to minimize the increase in premiums to 5%. In FY 2011, employees will see several changes in health coverage including changes in co-pays for primary, specialist, and pharmacy services and an 80% co-insurance. For example, if an employee is required to have a \$5,000 procedure, he/she will be responsible for the first 20% of the cost (not to exceed \$1,000) plus the \$750 deductible.
- The Adopted budget includes a Wellness Coordinator in Public Health to assist employees in leading more healthy lifestyles that will result in lower employee health costs in the future.

- Retirees

- Retirees are treated the same as employees until they reach the age of 65. Revenue shown reflects the employee share the retirees pay to the County. If an employee began working for the County on or after July 1, 2007, County policy requires that the employee must work a cumulative total of 20 years with Forsyth County before he/she is eligible to remain on the County's health plan. Retiree health insurance is projected to cost approximately \$2.1 million net of revenue in FY 2011.

Winston-Salem/Forsyth County Schools

- The Adopted budget appropriates \$336,700 more County dollars to the Winston-Salem/Forsyth County Schools which is an increase of 0.3% from current year original. However, the expenditure budget for FY 2011 reflects a decrease of \$1,163,300 from the current year original expenditure appropriation of \$113.5 million. The decrease is a reflection of the local impacts of significant State budget cuts to the local school system. Some of the cuts will be offset by Federal Stabilization and Stimulus funds; however, FY 2011 is the final year the Schools will receive both sources of funds.
- The Board of Commissioners approved appropriating an additional \$2.7 million to the Schools to help offset some of the State budget cuts, however, this is a one time appropriation and the FY 2012 starting point will be the Manager's recommended budget of \$109.6 million.
- The School System makes up approximately 1/3rd of the County's budget. Because it is such a large portion of the County's budget, the School System's budget was scrutinized in the same manner as every other County department. Although there may be those who would contest the base number being recommended, there is no differentiation in how the recommendation for the Schools was reached.
- The current year per pupil expenditure based on the original budget is \$2,203. The Adopted budget decreases the per pupil expenditure to \$2,149 (2.5% or \$54 per pupil).
- The Board of Commissioners also 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.

Social Services Department

- Expenditures

- Overall, expenditures will decrease by approximately \$657,000.
- Nine employees took advantage of the Retirement Incentive Program in FY 10. Although these employees were replaced, the personal services savings total \$125,000 for FY 2011.
- One of the on-going projects within the budget is the continued funding of the Technology project which will hopefully increase productivity and efficiency by allowing single data entry of information that can be accessed by various programs for which a person may apply.
- Seven (7) full time and one (1) part time grant funded Department of Defense DSS positions are included in the Adopted budget. These positions will assist in the Food & Nutrition program area.
- DSS has seen significant workload increases in both the Food and Nutrition program and the Medicaid program. These programs are directly being impacted by the economy.
- Lastly, it is important with the passage of the federal health insurance law that we continue to monitor how this will impact the Department of Social Services and the services that it provides. This department could be greatly impacted by this federal law as early as 2014.

Overview of Changes in Revenues, Expenditures, and County Dollars

- **Revenues**

- Overall, revenues will decrease by \$864,000.
- The primary decreases in the budget are based on estimates from the State Department of Health and Human Services planning guide for county budgets.
- Foster Home Care revenue is estimated to decrease by \$167,000 in FY 2011.
- State Grants are estimated to decrease by \$525,000.
- The TANF Demonstration Grant program ends in FY 2010 resulting in a revenue loss of \$497,000.

Sheriff's Office

- **Expenditures**

- Overall, the Sheriff's budget represents a County dollar increase of 6.2% or \$2.1 million. Within the overall increase is an increase for Jail Medical services of approximately \$584,000.
- Professional and Technical Fees represent 15.7% of the total increase. The increase in this expenditure category is caused by the increase in the Jail Medical contract.
- General Supplies accounts for 27% of the increase. The most significant increase can be found in the Small Equipment category for replacing in-car cameras and computers. The Sheriff's Office is trying to return to a proper replacement cycle for equipment.
- The Adopted budget includes 1 new Deputy for the Lewisville Community Policing Program. Personnel costs for the position are funded by reimbursement by the Town with the Sheriff using DEA forfeiture funds to purchase equipment and a vehicle. Replacement costs in the future will be the responsibility of the Town.
- The Detention Center continues to reflect unprecedented reduction in daily jail population. Through April 2010, the Detention Center reflected a 3.6% decrease in daily jail population compared to the same period in 2009. Efforts are underway to work with the medical provider to attempt to continue to reduce the cost of inmate medical care.

- **Revenues**

- The Adopted budget includes a decrease of over \$1.3 million due primarily to the State of North Carolina eliminating the \$18/day jail misdemeanor housing fee for State inmates. In addition, there is a decrease of over \$100,000 for reimbursement of jail medical costs for State inmates. Although the County does receive reimbursement for State inmates being housed due to backlog at State facilities, the State no longer reimburses for medical costs associated with those inmates who fall within the \$18/day housing category.
- Included in the Adopted budget are funds from the Town of Lewisville to reimburse the personal services costs of 1 additional full time Deputy for the Town. This increases the number of allocated officers to the Town to five (5).

Public Health

- Public Health includes increased expenditures offset by revenue, for a net increase in County dollars of \$292,520.
- The net increase in County dollars is attributable to the inclusion of \$281,000 to pay the Utilities Commission to administer the contracts for the three (3) County recycling drop-off sites and the School System's recycling program. The Utilities Commission has paid for this service for years but as of July 1, 2010 will no longer pay for those contracts.
- The Dental Clinic continues to do well and is projected to make a profit of \$94,000 in FY 2011.
- The Adopted budget includes funds for 1FT PH Educator (Wellness Coordinator) and 1FT Fiscal Technician for the Pharmacy.

Board of Elections

- The Board of Elections budget for FY 2011 reflects an increase in County dollars as a result of budgeting only for one election in FY 2011 versus three in the current year.

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Board of Elections (Contd.)

- The County and City are considering changes to the City/County agreement in which municipalities will no longer pay a pro rata share of the administration costs of the department. If this change is approved by the Winston-Salem City Council, it will be a revenue loss of \$307,705 in FY 2011 and beyond. As of the printing of the document, this revenue remains a part of the budget.

Emergency Services

- Emergency Services is a combination of the Emergency Medical Services and Fire Departments. Although the merger began in FY 2010, FY 2011 marks the first year that funding is combined. An Emergency Services study will be completed this summer to review the effectiveness of the current system and provide recommendations for future service provision.
- In addition to merging the Fire and EMS departments, the County shifted the Winston-Salem Rescue Squad under the Emergency Services umbrella as a Reserve Unit. In prior years, the County funded the Rescue Squad at levels of \$150,000 for several years and then over the past few years, those funds have decreased until FY 2010 when funding was cut from \$85,000 to \$42,500.
 - EMS
 - In the Adopted budget, there is a shift in the position allocation. Seven part time paramedic positions were deleted in order to add 2 full time Equipment Technicians. These technicians will take over the maintenance of equipment and inventory control.
 - There are no additional positions in the Continuation budget to continue the migration to 12 hour shifts; however, there are two (2) Alternate Service Level items that were considered but not funded.
 - \$357,000 of the revenue is attributable to the re-allocation of a grant received in FY 2010 for a Medical Support bus. The procurement of this bus will occur in FY 2011 so the funds are re-appropriated.
 - It has been 2 years since ambulance fees were adjusted. As we add more staff, it is imperative that we adjust fees appropriately in the future.
 - Fire
 - The major change within the Fire Services area was the elimination of the Fire Administrator position and the combining of EMS and Fire Services. This change allows for the reduction in administrative overhead as well as more consistency in providing Emergency Services throughout the County.
 - As with EMS, there has been a shift in position allocation within Fire Services. The six (6) PT positions in the Fire Services Program have been eliminated. However, there are 2 full time fire positions included in the Adopted budget, a Fire Shift Supervisor and a Fire Engineer. In addition, the Fire Operations Manager will become a 40 hour/week exempt position.

Library

- The Library reflects a decrease in County dollars attributable primarily to employees taking advantage of the Retirement Incentive program and restructuring management and service areas.
- The Library staff is hopeful of a potential successful Library Bond Referendum that is proposed to be placed on the November 2010 ballot. If successful, this referendum will provide funds to either renovate the existing facility or relocate to a new facility.
- Six positions are shown as being deleted between FY 2010 and FY 2011. 4 of those positions were from the First Line Referral Program that was shifted to Social Services and 2 full time positions through the Retirement Incentive Program.

Economic Development

- The significant change in this budget is the elimination of the \$800k economic incentive payment for Dell, Inc. This change was the primary driver that decreased the Economic Development budget by \$762,715 for FY 2011.

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General Services/Vehicles

- We have included a significant decrease (\$-300,000) for non-emergency vehicles. This was done in conjunction with moving to several motor pools within the County. In addition, emergency vehicle funding was reduced by \$427,405.
- In FY 2010, Pay-Go dollars were used to purchase a Fleet Management system to be used for motor pools at the Government Center, Human Services Complex, and Fleet Maintenance facility. It is anticipated that this system will allow the County to reduce the non-emergency fleet size by 30 to 40 vehicles.
- Apart from vehicles, the department continues to work hard to hold down costs especially with energy management.

Position Changes

Compared to the revised position count for FY 2010, there were a total of 92FT requested additional positions and the elimination of a net of 2PT positions. The Adopted budget includes 9 new full time positions and the elimination of 15 part time positions. The chart below reflects the position changes included in the Adopted budget (compared to the current year estimate).

Position Changes Requested and Adopted by Service Area

	<u>Total Requested</u>		<u>Total Included In Adopted Budget</u>	
	<u>FT</u>	<u>PT</u>	<u>FT</u>	<u>PT</u>
Public Safety	76	-4	5	-13
Environmental Management	-	-	-	-
Health	11	-	4	-
Social Services	5	1	3	1
Education	-	-	-	-
Culture & Recreation	3	-	-	-4
Community & Economic Development	-	-	-	-
Administration & Support	-2	-	-2	-
General Government	-1	1	-1	1
Total	92	-2	9	-15

- The positions in the Adopted budget for Social Services and Health do not require additional County dollars, but are either funded by grants, program revenue, or were switched from a contract position to a County position. Four (4) of the 5 Adopted budget positions for Public Safety do require County funding; however offsets in training costs, equipment and uniforms cover most of those County costs. The fifth position included in the Adopted Public Safety service area is for a Lewisville Community Policing Officer whose personal services costs will be provided by the Town of Lewisville and equipment costs paid for through the Sheriff's DEA Forfeiture funds. The eliminated positions are due to either the vacancy review process or the Retirement Incentive program.

Overview of Changes in Revenues, Expenditures, and County Dollars

Top Tens

Some benefit can be gained from seeing a ranking of changes in County dollars. As shown in the charts below, the County has placed a priority on funding areas that are statutorily required. It also reflects that as funding streams continue to contract, the County takes its fiscal responsibility seriously in minimizing the impact on its citizens. Normally, only increases of over \$500,000 would be reflected in the top 10 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. Most of the increases in the first chart are simply due to the normal costs of doing business. The departments reflected in the Bottom 10 chart reflect departments that were impacted by the Retirement Incentive program or in the case of Environmental Affairs, revenue increases from grants.

Top Ten County Dollars Change, by Department

	Change FY 10 to FY 11	
	\$	%
Sheriff	2,059,924	6.2%
Winston-Salem/Forsyth Schools	336,700	0.3%
Public Health	292,520	3.4%
Social Services	206,799	1.5%
Inspections	134,660	33.0%
Human Resources	73,756	7.2%
Board of Elections	63,226	11.8%
Finance	48,026	2.4%
Emergency Services	35,848	0.7%
Interagency Communications	32,350	4.1%

Bottom Ten County Dollars Change, by Department

	Change FY 10 to FY 11	
	\$	%
Debt	(1,597,544)	-4.1%
General Services	(1,109,192)	-8.7%
Economic Development	(787,715)	-33.7%
Forsyth Technical Com. College	(473,914)	-6.0%
Library	(220,890)	-3.2%
Parks and Recreation	(163,511)	-4.8%
Environmental Affairs	(84,727)	-11.9%
Budget & Management	(48,797)	-8.7%
County Commissioners & Manager	(48,371)	-4.6%
Management Information Services	(44,023)	-0.6%