

Overview of Changes in Revenues, Expenditures, and County Dollars

The information presented in the budget document is perhaps best understood when put in the context of the broader perspective of the specific environment within which Forsyth 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, and education.

The 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, 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.

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 355,575 and a workforce of more than 176,000, 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.

Personal income levels remain consistently higher than state figures. The County's per capita income is \$37,278, the thirteenth highest among the 100 counties in the State, and higher than the State's \$35,249. Capital investment, as measured by the value of new residential and commercial building permits issued during the year, totaled \$309.4 million during the year ended June 30, 2010.

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 public hearings 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 and four annually budgeted special revenue funds.

During difficult times, Ralph Waldo Emerson once wrote: "*This time, like all others, is a very good one, if we know what to do with it.*" Like Emerson, we have found ourselves in difficult situations over the last three (3) years. As he understood in his day, we need to recognize and grasp the opportunity that our difficult situation presents. Although the economy continues to show signs of improvement, it may take two or more years to see meaningful growth in revenues. The adopted budget continues to be a "hold the line" budget.

The overall Adopted budget for Forsyth County for FY 2011-2012 increased by \$6,453,634 or 1.7% when taking the Contingency for Education Debt Leveling out of the FY 2011 Adopted Budget.

| | |
|--|---------------|
| FY 2011 – 2012 Adopted Budget | \$388,239,166 |
| FY 2010 – 2011 Adopted Budget | \$395,336,978 |
| FY 2010 – 2011 Adopted Budget (less EDLP reserve appropriated) | \$381,785,532 |
| Difference | +\$6,453,634 |
| Percent Change | +1.7% |

Overview of Changes in Revenues, Expenditures, and County Dollars

A summary of budget changes is as follows:

County Dollars Change FY 11 to FY 12

(dollars potentially affecting property tax rate)

| | <u>Expenditure</u> | <u>Revenue</u> | <u>Net County \$</u> |
|--|---------------------------------|------------------|----------------------|
| Sales Taxes (based on 2.5% increase in overall economic activity) | - | 127,619 | (127,619) |
| Property Taxes (higher collection percentage but lower tax base) | - | (30,136) | 30,136 |
| Interest Earnings | - | (236,636) | 236,636 |
| Hold Harmless | - | (1,603,151) | 1,603,151 |
| Debt Service (all) | 9,866,511 | (4,382,776) | 14,249,287 |
| Education Debt Leveling Fund Reserve | - | 13,549,651 | (13,549,651) |
| Winston-Salem/Forsyth County Schools | (313,822) | - | (313,822) |
| Forsyth Technical Community College | 253,459 | - | 253,459 |
| NC Cooperative Extension | (119,767) | (19,737) | (100,030) |
| Public Safety | (1,005,220) | (1,248,584) | 243,364 |
| Environmental Management | (267,683) | (199,380) | (68,303) |
| Health Services | 108,944 | 719,760 | (610,816) |
| Social Services | 347,804 | 638,264 | (290,460) |
| Culture and Recreation | (151,257) | (164,710) | 13,453 |
| Community & Economic Development | 192,487 | 300,000 | (107,513) |
| Administration & Support | (144,431) | (95,200) | (49,231) |
| Decrease Fund Balance Appropriated (Non-Departmental) | - | (748,440) | 748,440 |
| General Government (less Non-departmental) | 115,480 | (340,707) | 456,187 |
| Special Appropriations | (1,237,476) | 17,468 | (1,254,944) |
| Non-departmental (disregarding FY 11 EDLP designation & less sales/property taxes, Hold Harmless, Interest Earnings) | (1,191,395) | 170,329 | (1,361,724) |
| Benefit changes (County contribution increase - 5% increase for Health/0.53% increase for retirement) - \$1,167,505 | <u>allocated in departments</u> | | |
| Total | <u>6,453,634</u> | <u>6,453,634</u> | <u>-</u> |

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

OVERALL REVENUE CHANGES

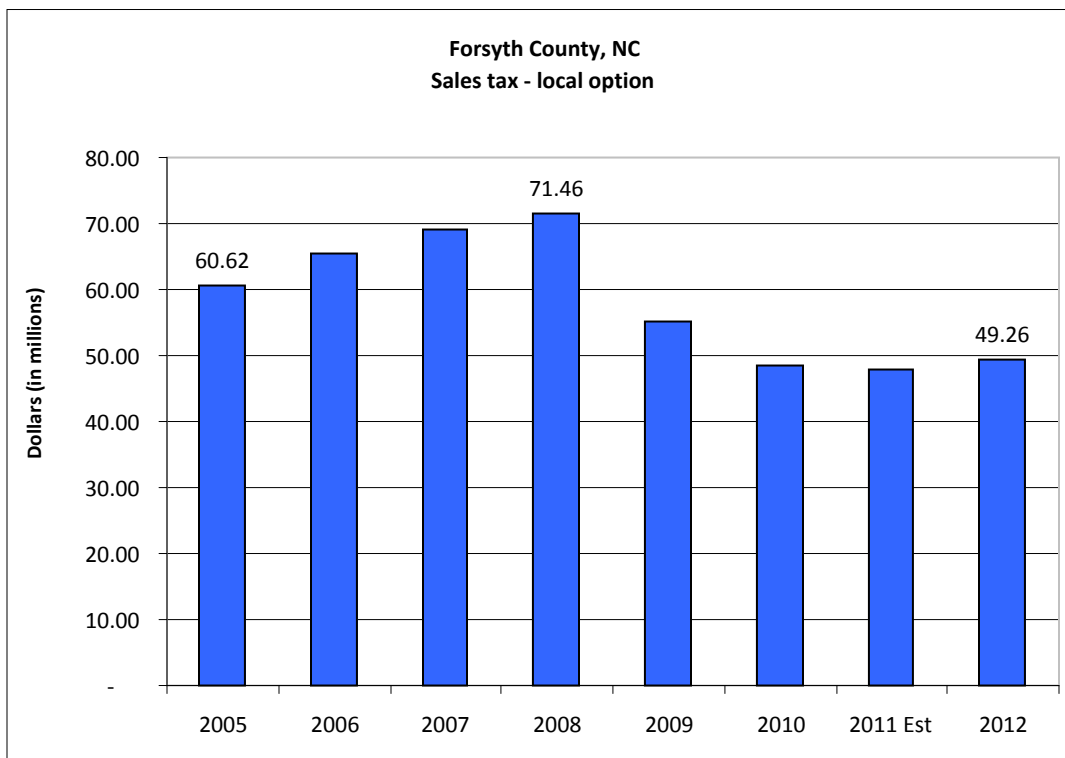
Sales Taxes

- 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.

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- Article 44 was another sales tax source for counties. However, with the State taking over the full cost of Medicaid, the legislature repealed this Article effective October 1, 2009 and localities no longer receive the revenue from this sales tax article. However, as a result of the repeal to Article 44 sales taxes, the NC General Assembly enacted a “hold harmless” provision in which a local government would receive a reimbursement for the amount the locality would have been entitled to receive during FY 2003. This was a transitional hold harmless that began when the State made the decision to phase in taking over paying for Medicaid.
- Counties are required to hold municipalities harmless from this swap. This “hold harmless” payment is disbursed by the North Carolina Department of Revenue. For Forsyth County, this equates to between \$4.8 million and \$5.2 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.
- For Forsyth County, the hold harmless amount received in FY 2011 was \$2.84 million. For FY 2012, the Hold Harmless amount will be \$1.64 million. This is actually good because it means that Sales Taxes are picking up for Forsyth County.
- For FY 2012, the State of North Carolina projects State Sales Tax using an increase of between 3% - 5%. The projection used in the County’s adopted budget is 2.5% in overall economic activity in the County. The Hold Harmless provision for Medicaid relief is part of the reason that the County projection is less than State projections for Sales Tax growth.
- Sales Taxes account for 12.7% of the total Forsyth County General Fund revenue. With the volatility of this revenue source, it has been very difficult to make accurate projections especially over the last three years. The following chart provides a glimpse of the volatility of this revenue source. Again, it is important to keep in mind that Article 44 was taken out in phases beginning in FY 2008 and was eliminated as a source in October 2009.

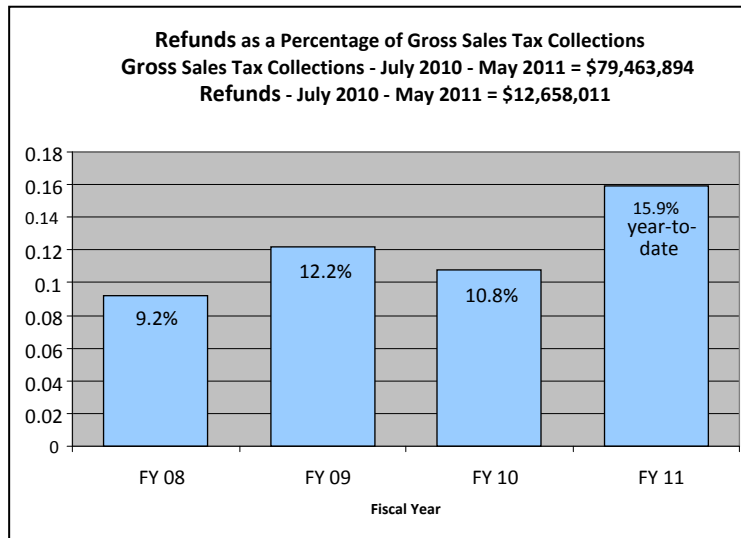
Chart 1 - Local Sales Taxes - FY 2005 through FY 2010 Actual; FY 11 Estimate and FY 12 Adopted



Overview of Changes in Revenues, Expenditures, and County Dollars

- Overall economic activity for Forsyth County Sales Taxes continues to show modest improvement; however, in the early part of 2011, there was significant refund activity impacting net collections. The trend for the past three (3) fiscal years reflects Sales Tax Refunds accounting for an average of 10.7% of gross collections. From July 1, 2010 – January 2011, refunds were 17.4% of gross collections. The latest data through May shows refunds at 14.2% of Gross Collections as shown in chart below. Refunds appear to be impacting the Article 39 more heavily and this Article is the largest of the three Sales Tax Articles. Refunds are taken from Gross Collections and the chart below shows how refunds are impacting the County's sales tax net collections. One of the reasons for the significant increase in refunds is that the State is processing refunds much quicker than in prior years. We are hopeful that refunds have peaked and Sales Taxes will normalize. The following chart provides a look at refunds as a percentage of gross sales tax collections over the past three (3) fiscal years through year to date actual (as of May 2011).

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



- At the time the budget was prepared, five months remained in the fiscal year and projections showed that Sales Tax revenue would be approximately \$1.2 million or 2.5% less than budgeted. Since then, projections are looking brighter and if we have peaked with refunds, we are on target to make budget. 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 the Article 44 Sales Tax.
- With continued high gas prices and a relatively high unemployment rate, we did not feel as exuberant as some in projecting significant improvement in this revenue source for FY 2012.

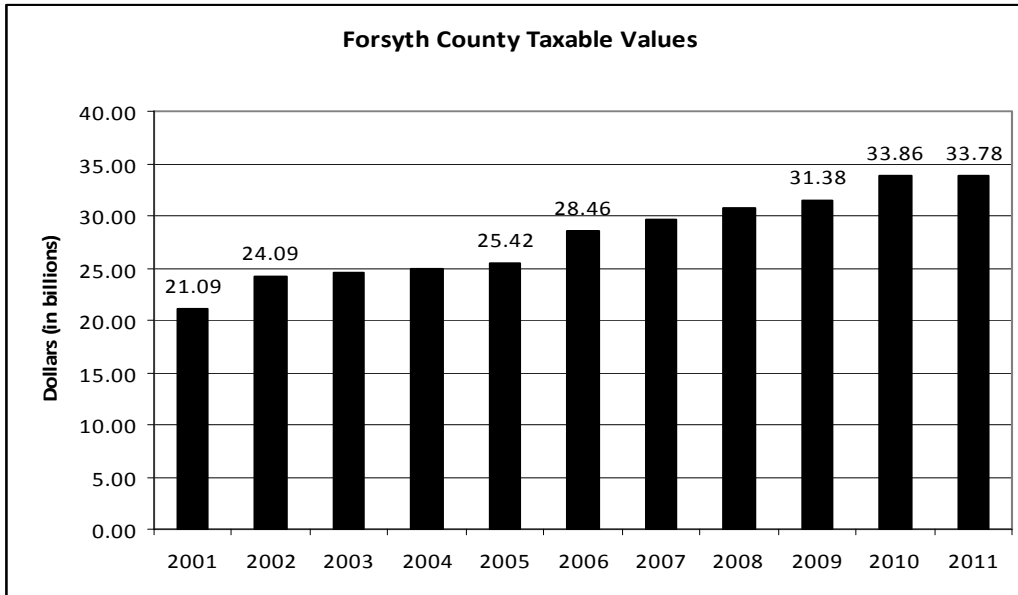
Property Taxes

- Another sign of the times is property tax assessments and collections. For FY 2012, the primary driver impacting the property tax estimate within Forsyth County is a lower tax base than was used in the current fiscal year. The Ad Valorem tax makes up 58.4% of the County's revenue.
- For FY 2011, the tax base value used in the budget was \$33.866 billion. For FY 2012, the property tax base used is \$33.784 billion. On a positive note, the collection percentage for FY 2012 is 97.82% compared with a collection rate of 97.54% used in FY 2011. Chart 3 below provides a ten-year history of total taxable values for Forsyth County. For information, 2001, 2005, and 2009 were revaluation years. The data is taken from the Tax Assessor's December 31 reports known as the TR-1.
- The collection rate applied for FY 2012 (97.82%) is the same as was realized in FY 2010, the most recently completed full year at the current property tax rate of 67.4 cents per \$100 of assessed valuation. This is in compliance with the Local Government Budget and Fiscal Control Act.

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- The application of a lower base results in estimated Property Tax revenue being only \$29,481 less than the FY 2011 Adopted budget.
- The FY 2012 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. The Debt Leveling Plans are discussed in the Debt section below.
- For FY 2012, one cent (1¢) on the property tax rate is equivalent to \$3,304,793.

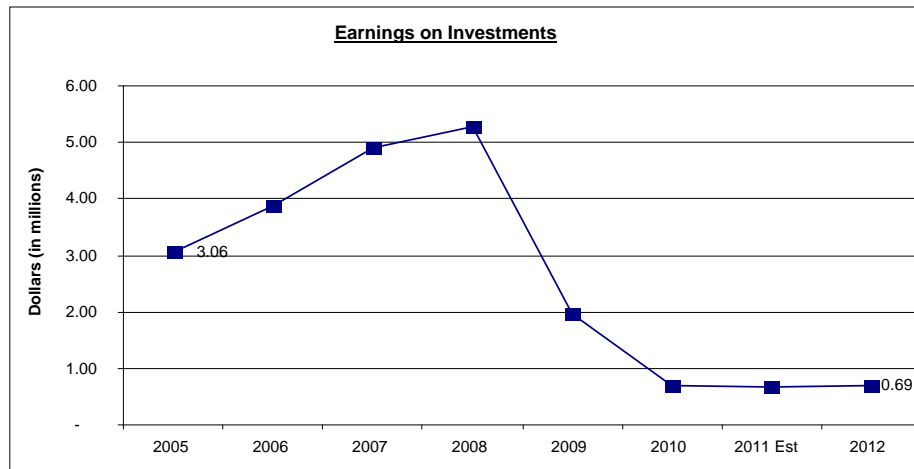
Chart 3 - Ten Year History of Taxable Values



Earnings on Investments

- As a result of much lower interest rates, there continues to be a significant reduction in interest earnings. For FY 2012, interest earnings are slightly less than the FY 2011 original budget of \$692,740. Chart 4 below provides a graph showing 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 the bottom fell out with the banking melt-down in 2009.

Chart 4 - Earnings on Investments



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Debt Service, Education Debt Leveling, & Lottery Funding

- 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: the 2006 Education Debt Leveling Plan and the 2008 Education Debt Leveling Plan. Currently being discussed is a possible debt leveling plan to pay for the debt associated with the 2010 Library Facilities Bond approved by the voters in November 2010. This is discussed further in the Capital Improvements Section beginning on page 277.
- As stated in the Property Tax section above, in order to level the effects of issuing bonds totaling \$250 million for schools and \$25 million for the community college, 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, the FY 2010 budget included an additional 1.1-cent tax increase over the revenue-neutral rate to fund the \$62 million educational facilities bond authorization approved in the November 2008 referendum.
- 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 will be 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 that designated fund balance. No additional tax increases are anticipated to pay this debt service. Through the end of FY 2010, lottery proceeds paid for almost \$10 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 2012, the property tax rate would have to be 1.4 cents higher than the current rate of 67.4 cents to pay for the debt service that the lottery proceeds cover.
- Although Debt Service expense is up, the Commissioners are to be commended for having the foresight to level the debt and put the Debt Leveling plans in place. Below is a chart outlining EDLP and showing that in FY 2012, we will have to use almost \$4 million in EDLP reserves to pay the allowable debt for the Schools and Community College.

Chart 5 - Education Debt Leveling Reserve

| Education Debt Leveling Reserve - FY 2012 | | |
|---|---------------------|---------------------------|
| Estimated balance in debt leveling funds at June 30, 2011 | | \$36,350,540 |
| Debt service on debt leveling eligible bonds in FY 2012 | 24,834,907 | |
| Federal credit payments in FY 2012 | (2,615,935) | |
| Lottery proceeds budgeted in FY 2012 | (4,697,056) | |
| Debt leveling proceeds in FY 2012 | <u>(13,549,652)</u> | |
| Addition/(reduction) in EDLP reserves in FY 2012 | | <u>(3,972,263)</u> |
| Estimated balance in debt leveling funds at June 30, 2012 | | \$32,378,276 |

- From the chart above, debt leveling proceeds in FY 12 result from the projected collection of 4.1 cents for EDLP. In prior years, Current Year Taxes collected were adequate to fund that year's allowable debt. However, during those years, NC Education Lottery funds were available to help offset the debt.

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- 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 12 we anticipate receiving only \$3.6 million in new lottery funds. \$1 million is projected to remain from the current year allocation.
- For FY 2012, debt as a percentage of budget, excluding the 4.1-cent debt leveling levy but including other revenues, is 13.3%. The increase from FY 2011 is reflective of the incurrence of debt from \$50.3 million of Refunding Bonds, \$26.4 million of Qualified School Construction Bonds, \$80.4 million of Build America Bonds (school related), \$36.6 million of GO Public Improvement Bonds, and \$14.225 million of 2/3rds Bonds.
- While a significant amount of new debt is added, the bonds were sold at very good rates and the interest rates on the bonds were exceptional; some of the lowest rates ever received.

Fund Balance Appropriated

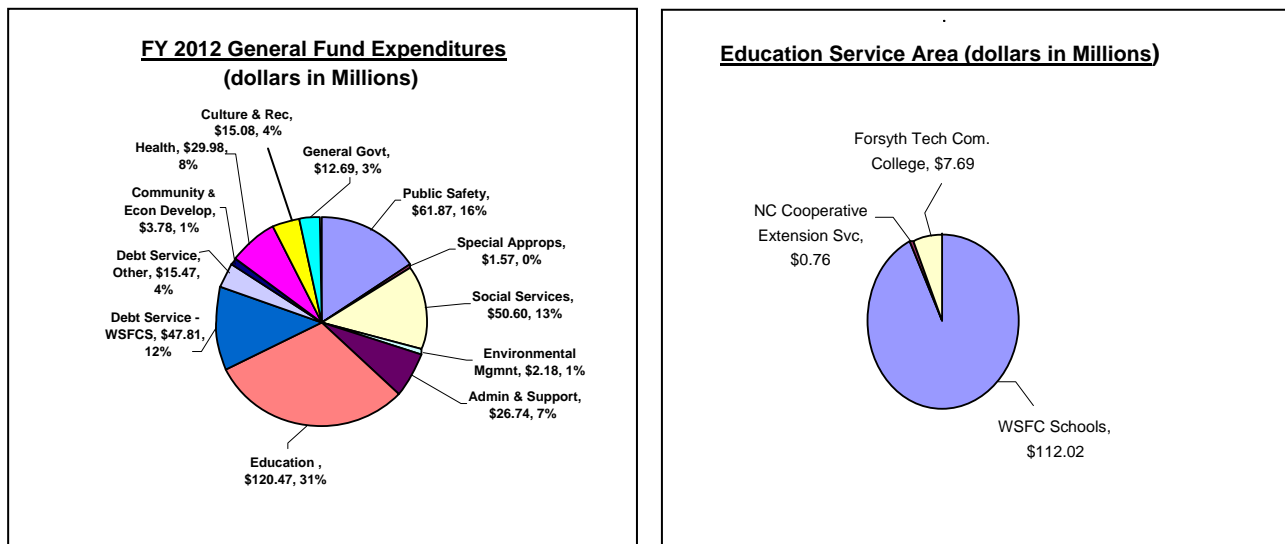
- There are two places in the Budget where Fund Balance is appropriated: 1) Non-Departmental (\$12.8 million) and 2) the Debt Department (\$4.7 million).
 - The appropriation in the Debt department relates exclusively to the debt service from the November 2006 and November 2008 referenda not covered by NC Education Lottery proceeds. This fund balance is from the Education Debt Leveling reserves 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 2012, the adopted budget decreases the fund balance appropriation from current year by \$748,440.
 - 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 2012, and we need be ready to take action if practical.

SERVICE AREA CHANGES – REVENUE & EXPENDITURE

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% of the FY 2012 Adopted budget.

Chart 6 – Total General Fund Expenditures and Education Service Area Highlight

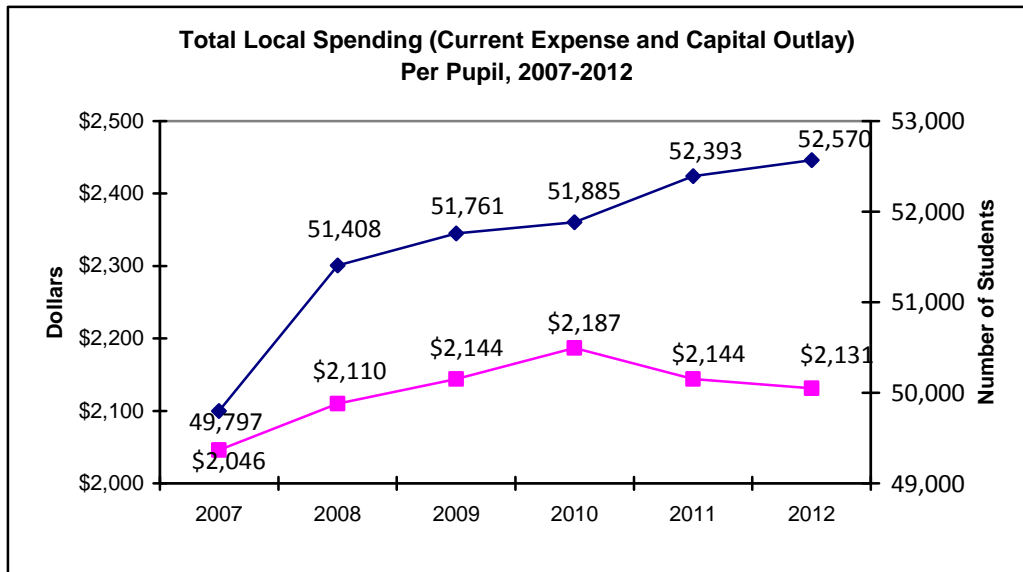


Overview of Changes in Revenues, Expenditures, and County Dollars

Winston-Salem/Forsyth County Schools (WSFCS)

- The total FY 2012 budget for the Winston-Salem/Forsyth County School System is approximately \$431 million. Approximately \$277.5 million will come from the State, \$112.0 million from the County, and \$41.5 million from the federal government.
- The adopted State budget significantly impacts the schools in FY 2012. According to information from the School System administration, the schools will receive approximately 4% or \$11.3 million less from the State than it received in FY 2011.
- The Adopted County budget provides \$313,822 fewer County dollars to the WSFCS, a decrease of less than 1% (0.3%) from current year original. The adopted appropriation to the School System is \$500,000 more than the Manager's recommendation of \$111,520,566. In FY 2011, the Board of Commissioners approved appropriating an additional one-time \$2.7 million to the Schools to help offset some of the State budget cuts, therefore the FY 2012 starting point was the Manager's FY 2011 recommended budget of \$109.6 million.
- Excluding Debt Service for School Construction, the School System makes up approximately 30% of the County's budget. Because of significant State reductions, the School System's budget was not scrutinized as it was for the current fiscal year. However, an analysis of local impacts to State reductions is important to note and discuss 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 2011 per pupil expenditure based on the original budget was \$2,144 based on average daily membership of 52,393 students. The Adopted budget decreases the per pupil expenditure to \$2,131 (0.6% or \$13 per pupil) based on a projected average daily membership of 52,570 students per the North Carolina Department of Public Instruction (NCDPI) forecast. Chart 7 below provides the local spending for the Winston-Salem/Forsyth County School System from FY 2007 (actual) through the FY 2012 Adopted budget.

Chart 7 – 5-year History of Total Local per Pupil Spending



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

- The appropriation to the School System includes approximately \$1.5 million to open two new schools in the County – Morgan Elementary and the combined Walkertown Middle/High School. This funding is for the operational expenses for these two schools.

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- In FY 2011, 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. For FY 2012, \$1,735,000 of the Schools adopted appropriation will be transferred to this Capital Maintenance Project Ordinance to continue this agreement.
- Finally, the School System is changing the manner in which School Resource Officers (SROs) are provided. Effective July 1, 2011, the Winston-Salem Police Department will provide SROs for 14 schools located within the municipal limits of Winston-Salem. The Forsyth County Sheriff's Office has traditionally provided this service. In addition, the Adopted budget continues to provide \$1.8 million to help fund this program. The plan is to transition all municipal schools to the municipal police department (if available) in which the school resides.

Forsyth Technical Community College

- The Adopted budget provides \$253,459 more in terms of County dollars to Forsyth Technical Community College which is an increase of 3.4%.
- The additional funds are necessary for operational expenses associated with the new Transportation Center located in the northern part of the County. The operating costs for the new facility will be approximately \$680,000 per year. The FY 12 adopted budget includes \$339,325 for six months of operations. The center will be ready to open January 1, 2012.
- Forsyth Technical Community College gained national attention this year with a visit from President Barack Obama for their cutting edge course of study and biotechnology programs.
- Forsyth Technical Community College has plans to expand and 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.

NC Cooperative Extension

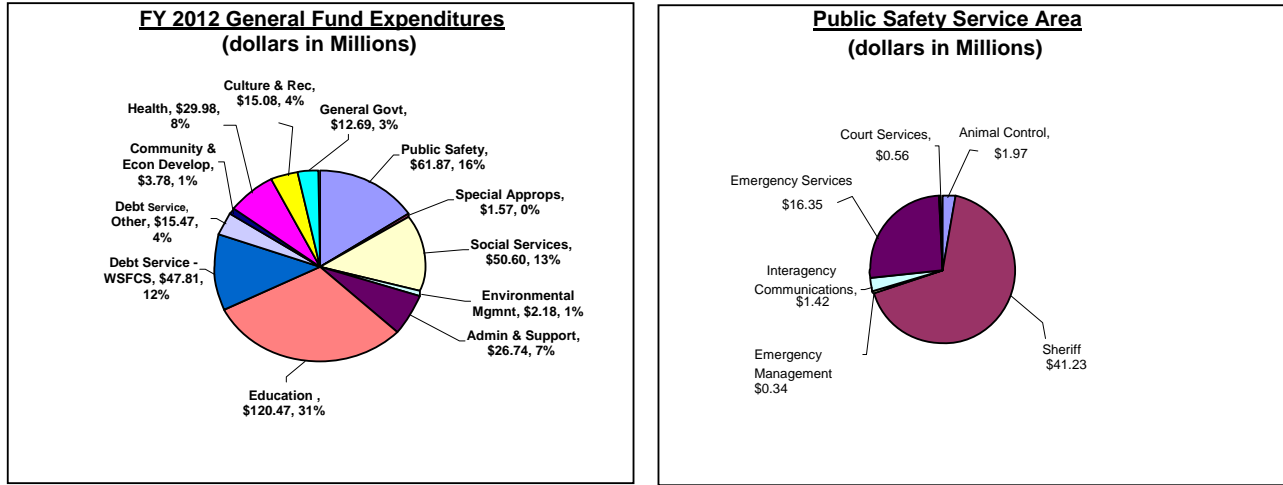
- NC Cooperative Extension is a part of the Education Service area and therefore it is discussed in this section. NC Cooperative Extension is the outreach arm of the College of Agriculture and Life Sciences at NC State University and the School of Agriculture at NC Agricultural and Technical State University. The key components of NC Cooperative Extension are: sustaining agriculture and forestry, protecting the environment, maintaining viable communities, developing responsible youth and developing strong, healthy, and safe families.
- NC Cooperative Extension receives financial support from the federal, state, and county governments as well as private sources.
- The Adopted budget for NC Cooperative Extension reflects a County dollar reduction of \$100,030. Included in the reduction is the deletion of two full time positions due to the elimination of Smart Start Home Economics Program funding. The Smart Start program had 3 full time positions allocated to it. NC State University will take over funding two of the positions directly. North Carolina Agricultural and Technical State University will reimburse the County for the third position.

Public Safety Service Area

- Included in the Public Safety Service are the following departments: Animal Control, Interagency Communications, Emergency Management, Sheriff, Emergency Services and Court Services. This service area is 15.9% of the total General Fund budget.
- 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, economic factors have not allowed the County to expand the services of these departments or to add resources to enhance current programs within the departments.

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Chart 8 – Total General Fund Expenditures and Public Safety Service Area Highlight



- Animal Control, Interagency Communications, and Emergency Services (Fire/EMS) all reflect budget-to-budget County dollar decreases.
- **Animal Control** requested one additional Animal Care Officer as an Alternate Service Level; however, this request was neither recommended by the County Manager nor added by the Board during budget deliberations. This position would allow the department to enhance its performance in responding to calls. This position would not be a sworn law enforcement officer but one that could be utilized in the Shelter when necessary to help care for the animals when there are staffing shortages. The National Animal Control Association recommends an Animal Control Officer to population ratio of 1 to 17,000 while the counties ratio currently stands at 1 to 34,000.
- A significant enhancement to the Animal Control Patrol division was the shift to in-vehicle computers linked to the Chameleon dispatch and report system. This allows the Animal Control Officers to remain out in the field to do their reports rather than having to come back into the office to complete reports. This was a very cost-effective change resulting in high returns with regard to response times and officer presence in the community.
- The County dollar decrease in **Emergency Services** is partly attributable to a fee change approved in the current fiscal year and better collections of ambulance bills.
- Emergency Services requested a total of 37 new full time positions. The request included 4FT Assistant EMS Shift Supervisor positions to improve the employee/supervisor ratio; 1 FT Quality Improvement/Training Officer for the 911 Center; 10 FT paramedics for 1 Peak Load unit; and 1 FT Office Administrator, and 10FT EMT Basic/11 FT Paramedic positions to complete 12 hour shift migration.
- The Board of Commissioners approved \$100,000 to provide additional resources to continue the migration to 12-hour shifts. Eighteen (18) positions (equating to staffing for 3 satellite stations) remain on 24 hour shifts. The additional resources allow the department to convert one satellite station to 12 hours. Four (4) additional positions – 2 Paramedics and 2 EMT-Basics – will be hired using the \$100,000. These positions will be phased in over the course of the fiscal year beginning in October. The remaining stations have the least call volume and there is a question as to whether these stations need to be on 12 hour shifts or not.
- The Board also approved 1 FT Database Specialist position in the adopted budget to be added in April 2012 using savings from an expiring Resident Engineer contract. The contract costs over \$100,000 annually, whereas this position will cost less than \$70,000 annually.
- **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 of Emergency Management are City employees and are not included in the County's position count. A portion of the County's contribution to this department is for three City firefighters assigned to the HazMat division.

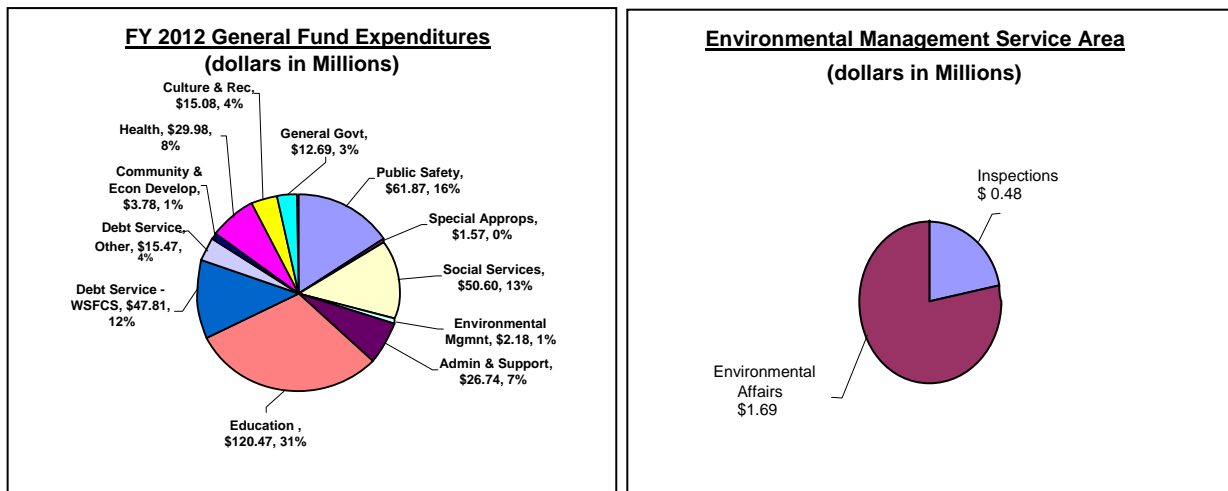
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- The **Sheriff's Office** reflects a 0.6% increase in County dollars. Numerous changes will occur in the Sheriff's Office in FY 2012. As noted in the Schools section above, the Sheriff's Office deleted 11 full time positions allocated to the School Resource Officer Program. The Sheriff has vacant positions so none of these officers will be unemployed.
- If the School System continues to move toward having city police officers in city schools, then the Sheriff's Office will have as few as five officers in the SRO program unless additional middle and high schools outside the City limits of Kernersville and Winston-Salem are built.
- The Sheriff deleted 4FT vacant Detention Officer positions due to an unusually low daily population. The daily population has decreased almost 20% in the past twelve months and the savings are reflected in the amount of overtime expended by the Detention Center. From July 1, 2010 through May 2011, the Detention Center expended \$206,527.95 compared with expenditures of \$425,880.01 during the same time period in FY 2010. The daily population for May 2011 was 669 versus 740 for the same month in 2010. Much of this decrease can be attributed to the great working relationship between the District Attorney's Office and the Sheriff's Jail Population Specialist by adjudicating old cases and using alternatives to incarceration for pre-trial.
- The Sheriff requested 27 positions as Alternate Service Level requests. Twenty-six of the positions were for the Patrol Division and one was a full time Investigator for the Sex Offender Registry division. None of the requests were approved.
- The Adopted budget for **Court Services** includes the continued funding for the Deferred Payment Coordinator position as well as \$12,000 of additional resources for the Safe on Seven Domestic Violence program. These two programs are not mandated programs for the County or the court system.

Environmental Management Service Area

- This service area includes Inspections and the Environmental Affairs Department. Environmental Management makes up 0.6% of the Adopted General Fund budget.

Chart 9 – Total General Fund Expenditures and Environmental Management Service Area Highlight



- The **Inspections Department** is a joint City/County department administered by the City of Winston-Salem. For FY 2012, the County share of this service will decrease by 10.8% (\$58,410). This decrease results from the elimination of four positions that had not been funded for several years as well as two 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.

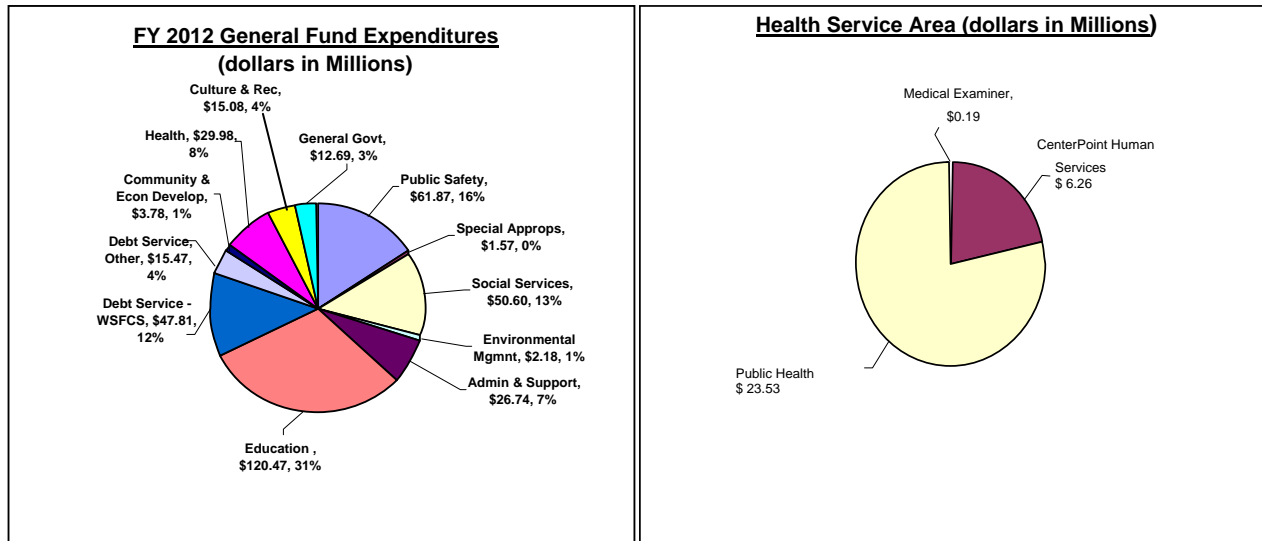
Overview of Changes in Revenues, Expenditures, and County Dollars

- The **Environmental Affairs Department** reflects the elimination of 1FT position and 2PT positions, all filled, to eliminate the original County dollar increase of \$200,000. One of the positions being eliminated is the long-time director who retired. The two part time positions are filled with employees who retired and came back to work. The impact of these position eliminations may be seen in unemployment costs in FY 2013.
- Environmental Affairs is technically a State function and there are only two other North Carolina counties with Environmental Affairs Departments: Buncombe in the western part of the State and Mecklenburg which is the county in which Charlotte is located. The services of this department are not mandated of the County.
- The County is reviewing options for reorganizing the department which includes possible merger with the division of Community Hygiene currently located in the Public Health department.

Health Service Area

- The Health Service Area consists of the Medical Examiner, Public Health, and CenterPoint Human Services. This service area makes up 7.7% of the Adopted General Fund budget.

Chart 10 – Total General Fund Expenditures and Health Service Area Highlight



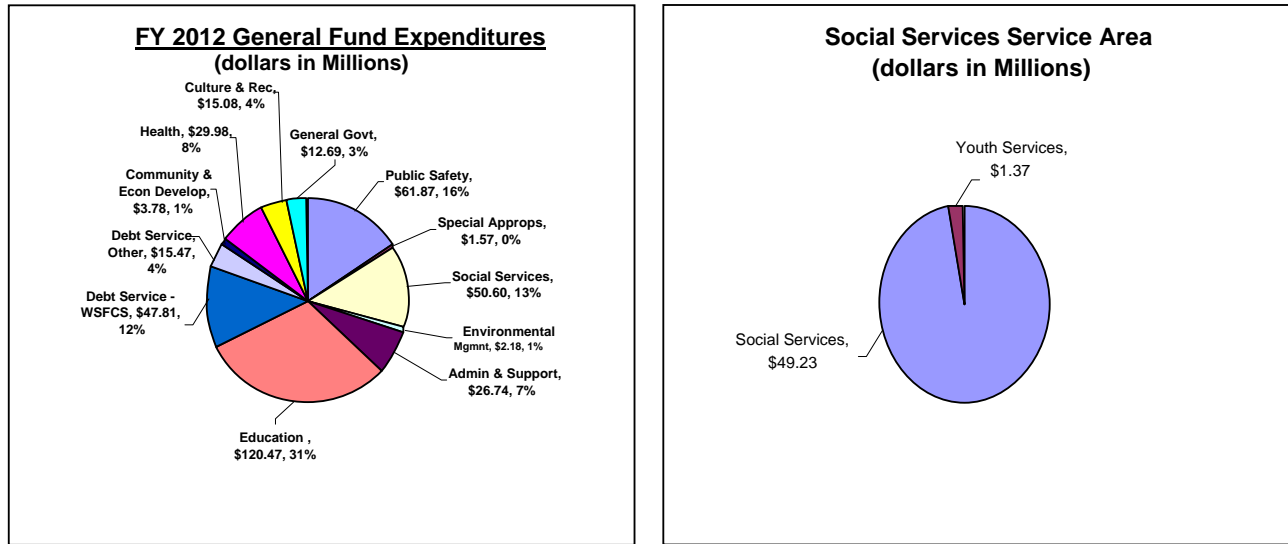
- **Public Health** reflects a net County dollar decrease of \$631,050 (-7.1%). The major change within this budget is a significant increase in revenue for more case management within the Nursing Program. In addition, the department will add a net of 3FT positions and delete a net of 1PT position.
- There are program changes occurring within the Public Health Department due to State changes. The department will move more toward Case Management services in the nursing program and it is tied directly to revenue. This change is the primary reason for the revenue increase reflected in the department.
- **CenterPoint Human Services** is the regional Mental Health provider. There are four counties that comprise the CenterPoint catchment area (Forsyth, Rockingham, Davie, and Stokes).
- The Adopted budget appropriates the same amount as current year, \$6,258,706. CenterPoint is in the process of applying to become 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 a much stronger financial position and will provide predictability in funding. CenterPoint made a one-time Alternate Service Level funding request for \$950,000 to assist with the Medicaid Waiver transition. This request was not approved by the Board of Commissioners.

Overview of Changes in Revenues, Expenditures, and County Dollars

Social Services Service Area

- The Social Services Service Area is comprised of two departments: Social Services and Youth Services. This service area makes up 13.1% of the Adopted General Fund budget.
- The charts below highlight the Social Services Service area departments and how much of the total General Fund budget they comprise.

Chart 11 – Total General Fund Expenditures and Social Services Service Area Highlight



- The adopted budget for **Social Services** reflects a County dollar decrease of \$122,365 or 0.8%. Included in the Social Services budget are 7.5 positions funded with Department of Defense funds. These positions are budgeted through December 31, 2011. The department is hopeful that additional grant funding will be available to maintain these positions. If not, there are numerous vacancies for which these employees can transition.
- The department is embarking on a potentially significant efficiency enhancement with its “Beacon Project.” This is a technology solution that will allow interconnection among programs. Rather than a client having to go apply for two or more programs completing the same information, this system will streamline the application process and allow for a less paper intensive system.
- The Food and Nutrition module is in production mode, however there are modifications being made due to technical issues that have been found. This system could save as much as 20% in worker efficiency alone.
- Youth Services** is the County’s juvenile incarceration facility. Youth Services’ adopted budget reflects a 25.3% 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 year in increasing her exposure to the State. The facility has 15 beds but can hold up to 18 -20 juveniles safely.
- For several months, the facility only had one or two juveniles. Lately, the facility has seen a surge and has been holding as many as 20 juveniles. The in-county reimbursement rate increased to \$122 per day per child and if an out-of-county child is held, the reimbursement doubles to \$224 per child per day. The previous rates were \$89 for in-county and \$178 for out-of-county.
- For FY 2012, Youth Services employees will move to a 12 hour shift structure to allow for adequate staffing 24 hours per day. This shift allows for 1FT and 1PT position to be eliminated. Both were vacant.

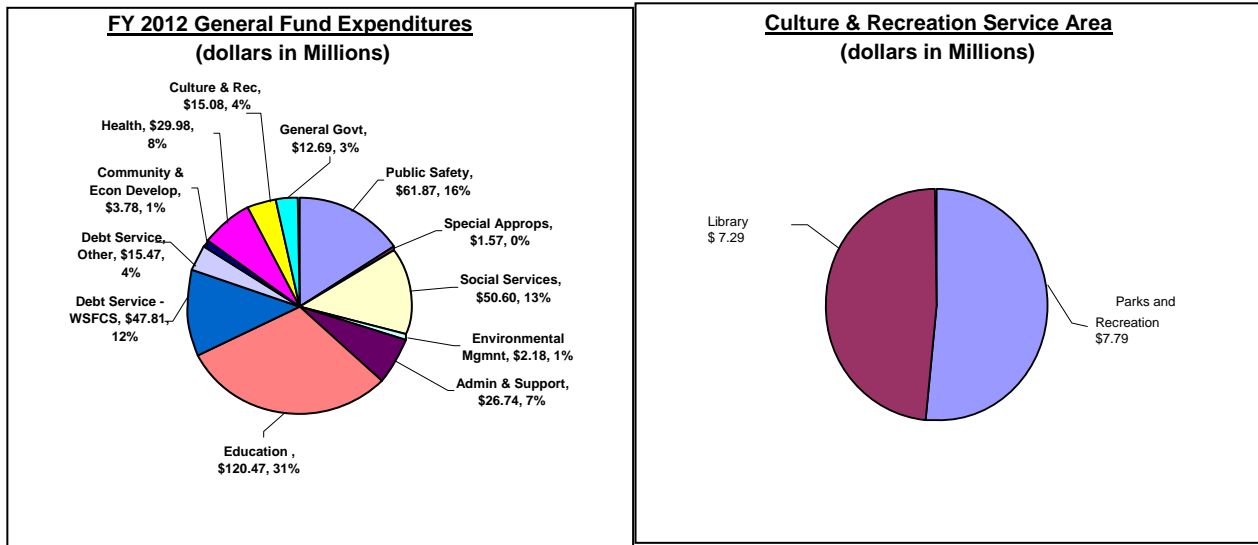
Culture & Recreation Service Area

- 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 Adopted General Fund budget.

Overview of Changes in Revenues, Expenditures, and County Dollars

- The charts below highlight the Culture & Recreation Service Area in context to the entire General Fund budget.

Chart 12 – Total General Fund Expenditures and Culture & Recreation Service Area Highlight



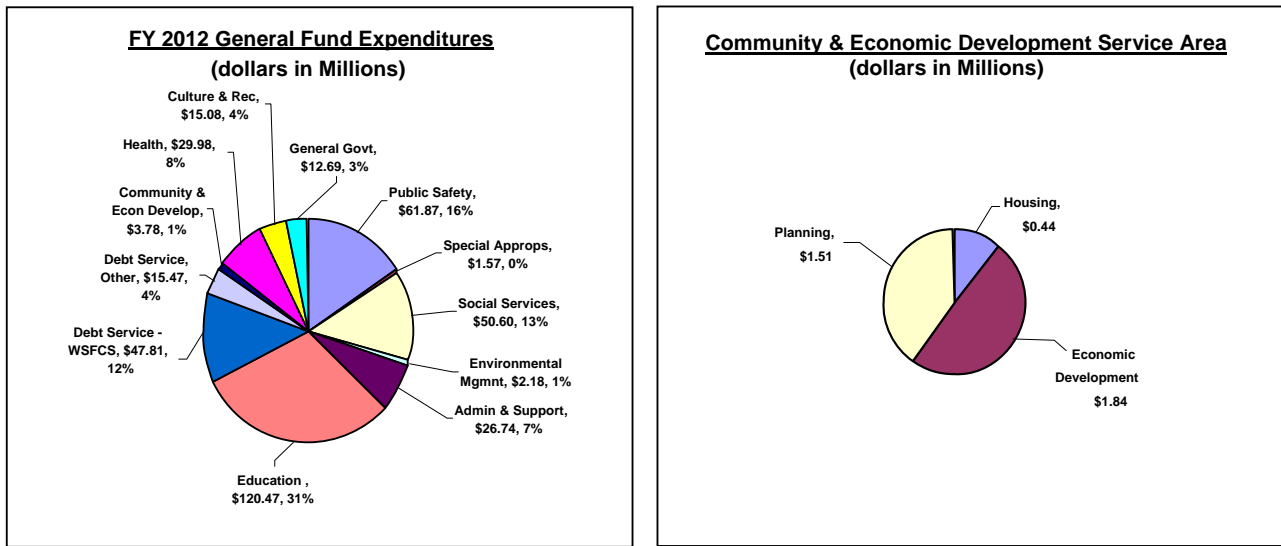
- The **Library System** reflects a slight increase in County dollars primarily due to increases for personal services related items such as benefits and annualizing current year performance increases. There are ten branch libraries in the Forsyth County Library System (including the Central or Main Library). The system provides an array of services. With the economic downturn, the library has increased its business with citizens particularly utilizing the computers for job searches, resume writing, etc.
- The Library Director made two Alternate Service Level requests for part time positions: 1PT Page for the Southside branch and 1PT Floater position to fill in as needed. The position requests were not approved. There was also an Alternate Service Level request for \$185,000 to increase collections development funds.
- The primary debate for the Library is how/when to proceed with the voter approved Library bonds. The Board of Commissioners is divided as to whether to move forward with the planning and construction of a new Central Library or wait until more existing debt is paid down. This continues to be a discussion item and will not be resolved until later this year.
- The **Parks and Recreation Department** reflects a 2.3% reduction in County dollars. The largest decreases are found in the operating costs. Parks and Recreation received almost \$4 million in 2/3rds bond proceeds to do lifecycle maintenance at the various parks including Tanglewood Park, which has a championship golf course needing repairs. These 2/3rds bond funds allow the Parks & Recreation Department to have multi-year funds to do allowable park upgrades such as maintenance to facilities including HVAC replacements, refurbishing the golf course, etc. This also minimizes the year-to-year requests for maintenance funds.

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 Adopted General Fund budget.
- The charts below highlight the Community & Economic Development Service Area in context to the entire General Fund budget.

Overview of Changes in Revenues, Expenditures, and County Dollars

Chart 13 – Total General Fund Expenditures & Community/Economic Development Service Area Highlight



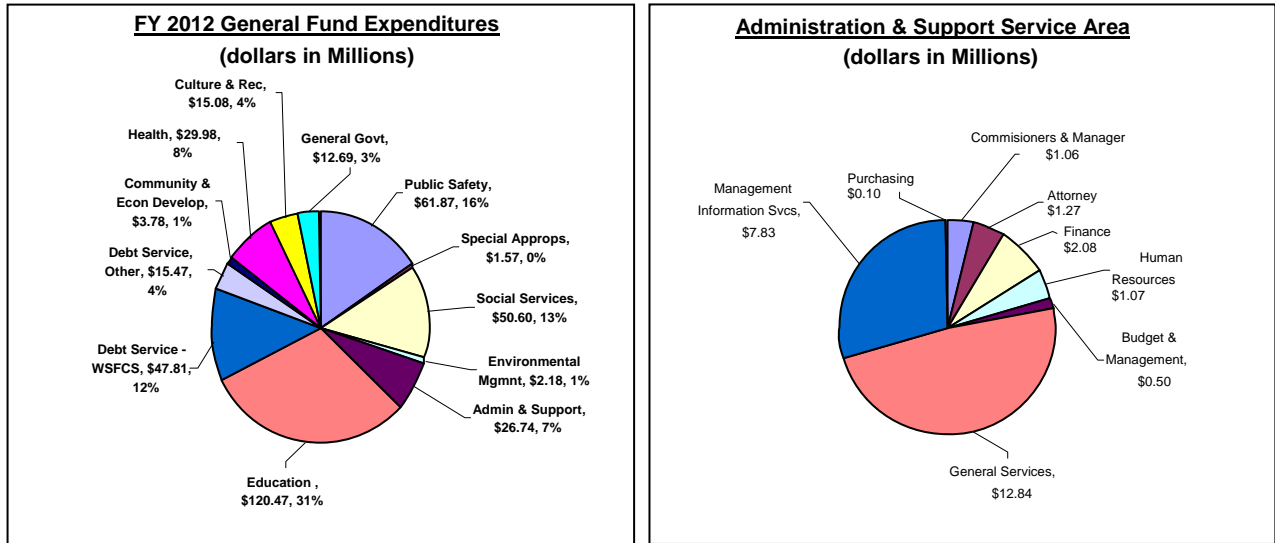
- The **Housing** department has significant resources located in several Grant Project Ordinances, shown in the Special Revenue section of the document starting on page 243, to assist with homeownership and rehabilitation. County dollars for the program will increase by 1.6% in FY 2012 and this is due primarily to personal services increases such as the annualizing performance adjustments and increases in employee health and retirement contributions.
- **Planning** is a joint City/County department administered by the City of Winston-Salem. For FY 2012, the adopted County contribution will decrease by \$73,590 primarily due to the elimination of a full time position. 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 several others. The Adopted budget includes a 10% reduction to these agencies.
- 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 6.9% of the Adopted budget.
- The charts below highlight the Administration and Support Service Area in context to the entire General Fund budget.

Overview of Changes in Revenues, Expenditures, and County Dollars

Chart 14 – Total General Fund Expenditures and Administration & Support Service Area Highlight



- County Manager & Commissioners** budget reflects the re-allocation of a full time position from the Register of Deeds Office during FY 2011. This was a vacant position in the Register of Deeds Office and because of economic factors, the Register of Deeds Office workload has decreased over the past three years.
- The **Budget & Management Department** deleted 1 full time Inmate Medical Coordinator position. The department will continue to administer the Juvenile Crime Prevention Council (JCPC) Program. This provides the department with a revenue source. This reduction allows the department to reduce County dollars by 6.9% (\$35,701).
- Management Information Systems (MIS)** continues to undergo a transformation. The department continues to provide excellent customer service and look for alternative technological advancements to move the County forward. MIS reflects a net County dollar reduction of \$88,116 or 1.1% for FY 2012.
- A substantive management analysis will take place during the summer months to determine the most effective means of continuing to provide Information System services. MIS is not only responsible for the computer technology within the County, but also manages the County's Print Shop and Mail Services. Part of the management analysis will focus on the need to provide in-house printing services or if there are more strategic and economical ways to provide the service. The Systems and Programming division will also be looked at closely.
- General Services** will change the method of vehicle replacement in FY 2012 which results in significant savings especially for emergency vehicles. Vehicle replacements have been at the 100,000 mile mark regardless of the condition of the vehicle. Ambulances and police cruisers are now much more reliable and can get over 120,000 miles on them before replacement. The new vehicle replacement policy will change from replacing at 100,000 miles to 120,000 miles. This will require more repair supplies but will minimize capital costs.
- The department will continue to manage a major construction project, the readaptive use of the old Phillips Building into new administrative offices for the Sheriff's Office and other Public Safety areas. One floor of the facility will also serve as future space for more minimum security jail beds; however, with the jail population low at this time, the space is not needed immediately.

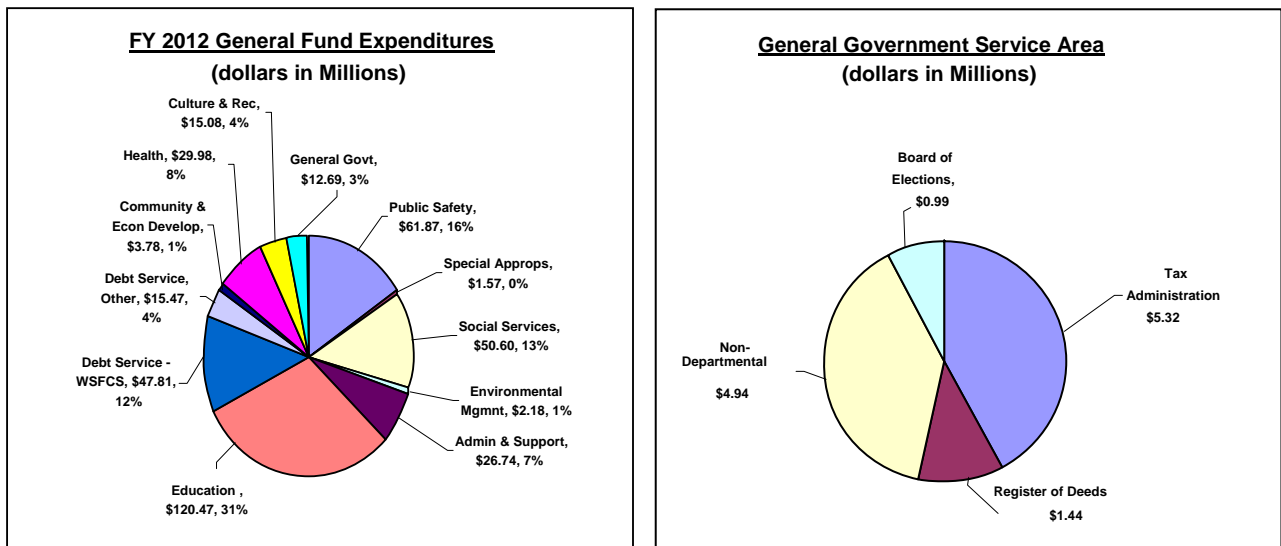
Overview of Changes in Revenues, Expenditures, and County Dollars

- The Fleet Commander System, a system that assigns vehicles within a motor pool using an on-line “reservation system”, has allowed for savings in personal mileage with the convenience of the motor pool. There are three motor pools: the Government Center, the Human Services Campus, and at the County’s Vehicle Maintenance facility. This has been one of the results of re-engineering and changing processes.
- **Human Resources’** adopted budget reflects a 3% (\$33,000) decrease in County dollars. This decrease is reflected primarily in operating reductions reflective of most departments for FY 2012. No Alternate Service Level requests were made by the director.
- The FY 2012 Adopted budget for the **Attorney’s Office** reflects a County dollar increase of 3.6% or \$44,000. All of the increase is found in the Personal Services category due to annualized performance adjustments, increases for employee health costs, and increases for the County’s contribution to the retirement system. No Alternate Service Level requests were made by the County Attorney.
- The FY 2012 Adopted budget for the **Finance Department** reflects a County dollar decrease of \$13,000. The decrease is due primarily to retirements that took place within the last year which will decrease longevity payments as well as overall personnel costs for lower salaries for replacement employees. The Chief Financial Officer made an Alternate Service Level request for 1FT Internal Auditor position which was not approved by the Board.
- The **Purchasing Department** is another joint city-county department administered by the City of Winston-Salem. For FY 2012, there is an increase in the County’s cost for this service due to the increased amount of bid work due to the Parks & Recreation Department’s Capital Maintenance funds.

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 3.3% of the Adopted budget.

Chart 15 – Total General Fund Expenditures and General Government Service Area Highlight



- The **Register of Deeds** budget reflects an increase of \$131,762. In other words, the department is projected to provide \$131,762 less to the General Fund than in FY 2011. This department has a separate cost center called the Automation & Preservation Fund which is up \$42,000 from current year original. This fund can be used to preserve records and 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.

Overview of Changes in Revenues, Expenditures, and County Dollars

- The Register of Deeds Office has been a casualty of the economy. For FY 2012, it is projected that a decrease of \$119,190 in revenue will occur. The revenue impacts are in the Excise Stamp Tax and Recording Fees which are greatly impacted by the housing market slump. As stated in the Administration & Support section, one full time vacant position was reallocated to the County Manager's Office in FY 2011. In addition, due to decreased workloads, a second position was deleted in the adopted budget for FY 2012. The position was vacant due to a retirement and workload statistics did not warrant filling this position.
- The **Board of Elections** budget reflections a County dollar increase of \$84,212, or 9.3%. In FY 2012, there will be two elections: municipal elections in November and a county-wide regular primary in May 2012. The municipal elections will be reimbursed by the municipalities. 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 department. 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. This change in revenue is the sole driver of the county dollar increase in this departmental budget. No Alternate Service Level requests were made.
- The **Tax Department's** budget reflects a County dollar decrease of 0.4% (\$17,226). The decreases are found within operating accounts.
- The long-time Tax Assessor retires in early FY 2012 which will mean a transition in management for the department. Included in this transition is the joint effort of the Tax and Planning Departments to embark on a City/County GIS initiative to purge and review all addressing in the County and to centralize addressing to minimize addressing errors and information in multiple GIS databases located in various departments.
- The Tax Department is preparing for another revaluation cycle. With the housing market continuing to remain sluggish, this may 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 prides itself on having a low tax rate and minimizing tax increases.
- The **Non-Departmental Department** is a catchall department. It 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 \$233,310 or 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 remain eligible for 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 2012 adopted budget provides eligible employees with the opportunity to earn an average of 1% performance adjustment. The cost of the Performance Adjustments for FY 2012 is \$554,065 which is a 44% reduction from the current year performance adjustments which averaged 1.5%.
- Included in the Non-Departmental budget is a negative number for Salary Savings which is salary slippage that is difficult to project. 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. For FY 2012, salary savings are budgeted at \$3,256,931 which is \$856,931 more than FY 2011. A portion of the \$3.2 million is additional savings needed because the Board adopted a budget that does not include an 8 hour furlough for all employees (equaling approximately \$357,000).
- Non-Departmental also includes the appropriation of Fund Balance for general operating. For FY 2012, appropriated fund balance is \$748,440 less than FY 2011. The ideal would be that appropriated fund balance is around \$8 million to \$10 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 2011, we need to have \$62 million of unreserved fund balance available.

Overview of Changes in Revenues, Expenditures, and County Dollars

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, Parks & Recreation, or Social Services.
- The Adopted FY 2012 budget for Special Appropriations agencies reflects a 10% reduction in county funding with the exception of the Senior Services Meals on Wheels program. In addition, FY 2011 was the final year of payments to Novant Medical and Wake Forest University Baptist Medical Center for their assistance in the Greene Hall expansion project at Forsyth Technical Community College.
- The Special Appropriations department also accounts for the pass-through funding for the JCPC agencies that the Budget & Management Department helps to administer.
- The following charts provide a breakdown of the County's Special Appropriations funding.

Chart 16 – Total General Fund Expenditures and Special Appropriations Service Area Highlights

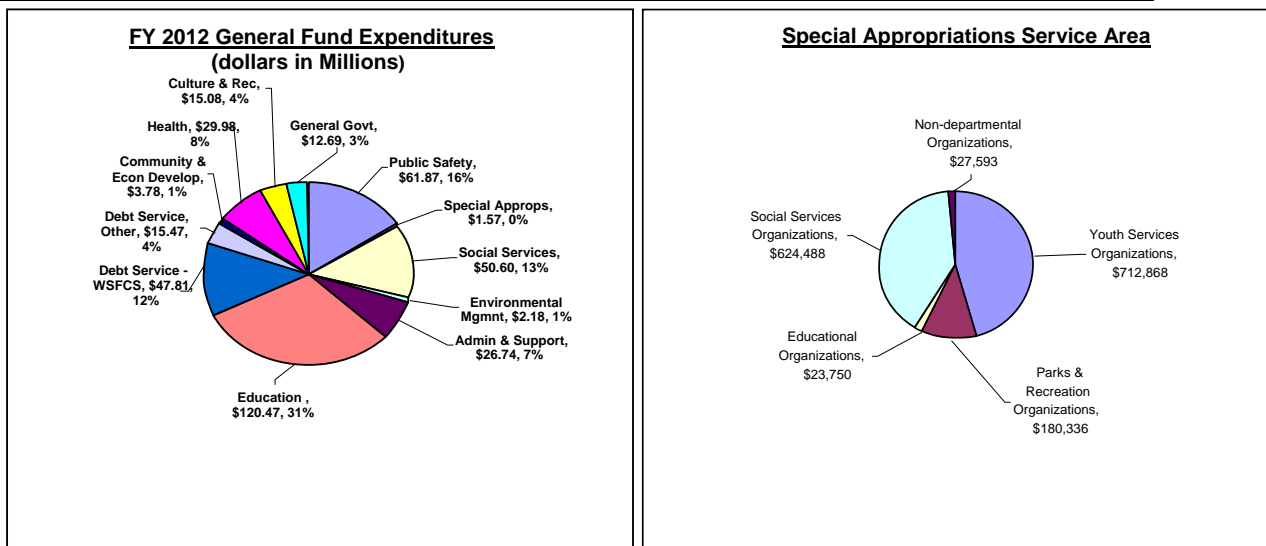
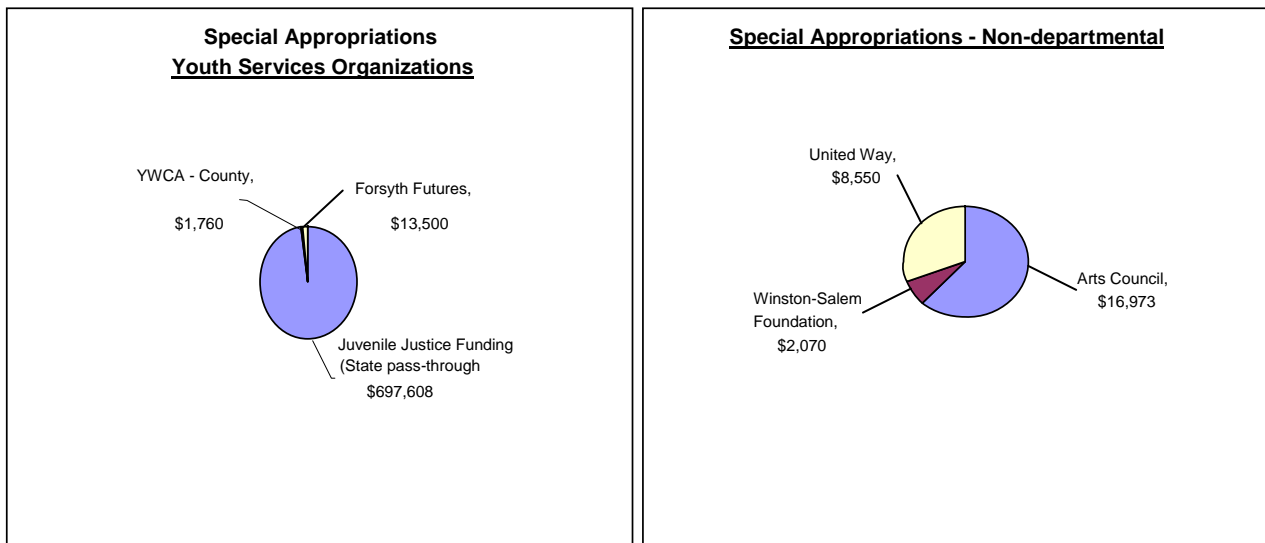


Chart 17 – Special Appropriations - Youth Services and Special Appropriations – Non-Departmental



Overview of Changes in Revenues, Expenditures, and County Dollars

Chart 18– Special Appropriations – Education and Parks & Recreation

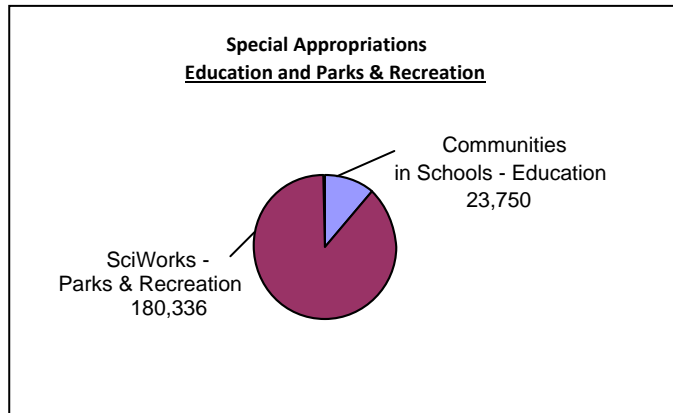
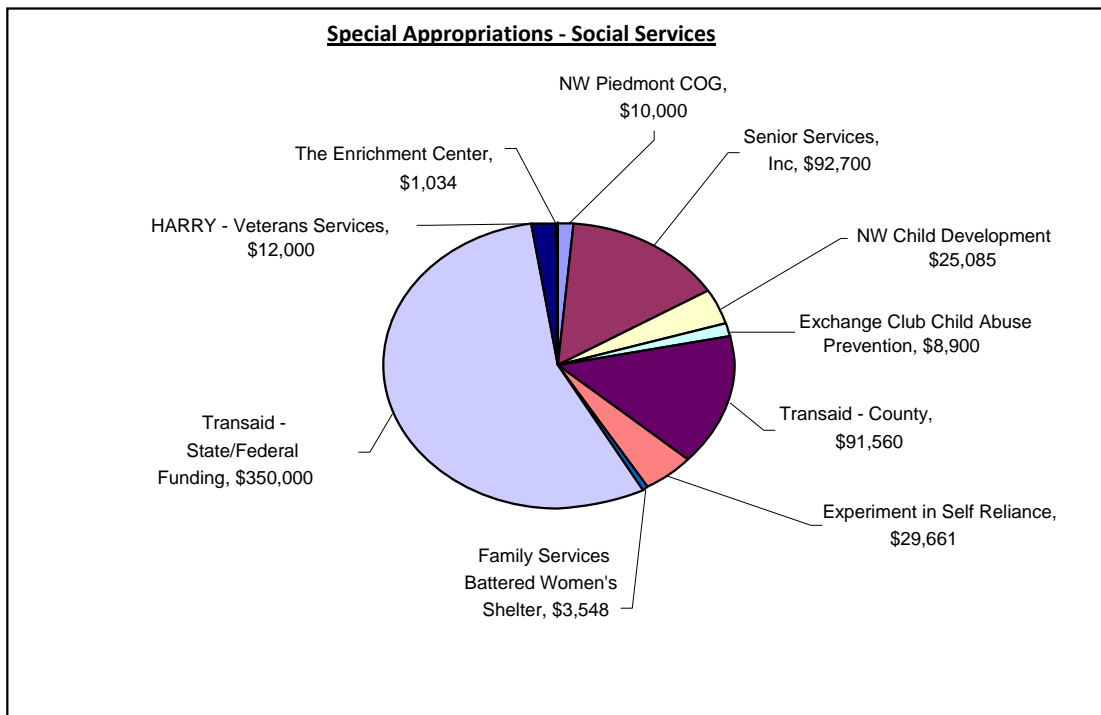


Chart 19 – Special Appropriations – Social Services

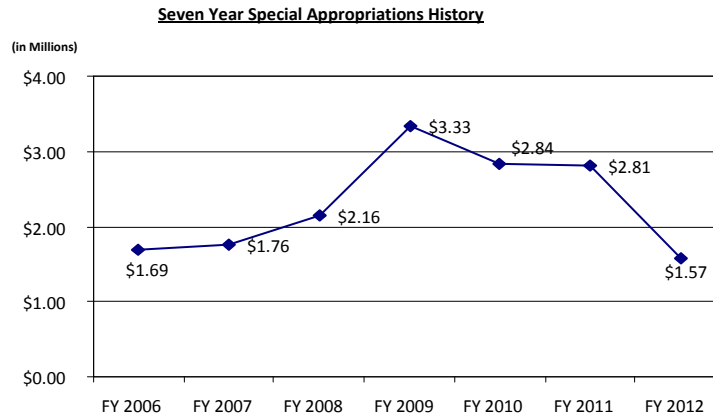


- Like most local governments across the State, funding for outside agencies has seen significant changes over the last several years. However, for Forsyth County, some of the information can be somewhat misleading. For Forsyth County, much of the funding for the Special Appropriations Service area is 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.

Overview of Changes in Revenues, Expenditures, and County Dollars

- The following chart graphically depicts what has happened in the Special Appropriations area over the last seven years. Of note is that from Fiscal Year 2008 through FY 2011, there were payments to WFUBMC and Forsyth Medical Center for \$108,500 each in FY 2008, \$766,500 each in FY 2009, and \$437,500 each in FY 2010 and FY 2011 for repayment on the \$3.5 million Greene Hall expansion at Forsyth Technical Community College that the hospitals funded but were reimbursed over four years. This project expanded the Nursing program and provided a big help to the hospitals in training of nurses.

Chart 20 - Seven Year Special Appropriations History



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. Most of the increases in the first chart are simply due to the normal costs of doing business.
- Some of the departments reflected in the Bottom County Dollar change chart reflect departments impacted by revenue increases from grants or fees, as is 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

| | Change FY 11 to FY 12 | |
|---------------------------------|-----------------------|-------|
| | \$ | % |
| Debt (accounting for 4.1¢ EDLP) | 699,635 | 1.9% |
| Board of Elections | 327,862 | 54.8% |
| Sheriff | 273,606 | 0.8% |
| Forsyth Technical Com. College | 253,459 | 3.4% |
| Library | 78,214 | 1.2% |
| Court Services | 66,019 | 57.6% |
| Commissioners & Manager | 50,688 | 5.0% |
| Attorney | 44,423 | 3.6% |
| Emergency Management | 9,010 | 2.8% |
| General Services | 8,518 | 0.1% |

Overview of Changes in Revenues, Expenditures, and County Dollars

Bottom 10 County Dollars Change, by Department

| | <u>Change FY 11 to FY 12</u> | |
|------------------------------|------------------------------|----------|
| | <u>\$</u> | <u>%</u> |
| Special Appropriations | (1,254,944) | -71.0% |
| Public Health | (610,816) | -6.8% |
| WS/FC Schools | (313,822) | -0.3% |
| Youth Services | (209,563) | -25.1% |
| NC Cooperative Extension Svc | (100,030) | -15.0% |
| Social Services | (80,897) | -0.6% |
| Management Information Svcs | (78,152) | -1.0% |
| Planning | (73,590) | -4.6% |
| Parks and Recreation | (64,761) | -2.0% |
| Emergency Services | (63,754) | -1.2% |

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.
- Slow recovery in sales taxes and even slower recovery in the housing market has put the county in a hold the line pattern for the last three (3) years.
- Impacting the county's recovery is continued high unemployment rates, although it is lower than most of the surrounding counties.
- As seen with many of the previous charts and throughout the overview, the FY 2012 budget was developed cautiously and with care. We tried to make sure our core services were funded in a manner by which service levels would not suffer significantly. 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.