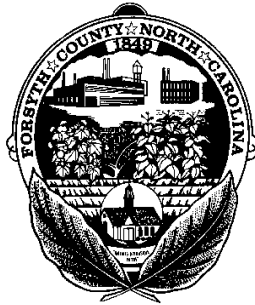


2018 – 2019 Annual Budget Forsyth County, North Carolina

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G.F.O.A. Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award for Distinguished Budget Presentation to Forsyth County for its annual budget for the fiscal year beginning July 1, 2017.

In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operating guide, as a financial plan, and as a communications device.

The award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

This award, along with the Certificate of Achievement for Excellence in Financial Reporting (CAFR), helps Forsyth County present a quality image to bond rating agencies and their outside organizations.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Forsyth County

North Carolina

For the Fiscal Year Beginning

July 1, 2017

Christopher P. Morill

Executive Director

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READER'S GUIDE

The Annual Budget Document for Forsyth County is grouped into nine sections, each with a specific theme and purpose. Taken together they comprise a document designed to meet the information needs of all users - from the casual reader to those appraising the financial stability of the County. This Reader's Guide includes a glossary of terms and acronyms used throughout the document.

Manager's Message

The Manager's message describes the objectives for the County based on priorities previously agreed upon by the Board of Commissioners. It covers important issues such as tax rate, budget issues and objectives, changes to the budget, changes in services, fund balance, personnel, schools, and other operating improvements and capital improvements when they are incorporated into the annual budget. Also included are future considerations for issues to be addressed in subsequent budget years.

Policies and Goals

In this section the reader will find the following:

- Policies, Goals and Basis for Future General Fund Budget Projections
- Summary Sheet and Detailed Data for Future General Fund Budget Projections
- County's Mission Statement
- County's Vision Statement
- Overall County Goals
- Guiding Principles of WeCare
- Information on County Government in North Carolina
- Operating Policies and Goals
- Financial Policies and Goals
- Basis of Budgeting and Budgetary Amendments
- Debt Management Policies
- Balanced Budget Definition
- Fund Balance Definition

Financial Section

This section starts with a summary of annually budgeted funds, followed by a combined summary of all funds. In addition to the General Fund, the County has four annually budgeted special revenue funds.

The Summary of Annually Budgeted Funds provides summary totals for expenditures, revenues and fund balances appropriated for the upcoming budget year. The combined summary of all funds shows revenues by source, expenditures by service area and total commitments and fund balances. This summary sheet is followed by separate sheets for each fund in the same format as the summary.

The next section begins with a one-page summary of revenue sources and expenditure uses. It is followed by descriptions of revenue sources that show history, trends, and projections for the upcoming fiscal year. This is followed by descriptions and trends for expenditure uses.

In order to ensure a consistent format, and to provide a crosswalk between revenues and expenditures, the following reports are also included in this section:

1. General Fund expenditures and revenues by Service Area/Department
2. General Fund expenditures and revenues by Object Level 1/Department

General Fund

An organization chart shows the relationships between the Board of Commissioners, other related Boards, the County Manager and operating departments in the General Fund.

Data on personnel positions by service area follows trends in staffing from Prior Year Actual through the Adopted Budget for the new fiscal year.

READER'S GUIDE

Summary sheets are included at the beginning of each service area (for example, Public Safety) that show the relative costs for the function compared to the total budget. Overall goals and objectives for the service area are also shown. Service area organization charts and personnel position data are also shown in the summaries.

Sheets are then provided for each County department and joint City-County department. There are separate sheets for thirty-three County departments and four joint City-County departments administered by the City of Winston-Salem (Emergency Management, Inspections, Planning, and Purchasing). The sheets for each department include: a mission statement, budget highlights, performance and workload measures, a program summary, expenditure and revenue data and (with the exception of joint City-County departments) trends for budgeted positions from Prior Year Actual through Adopted.

Special Revenue Funds

The **Emergency Telephone System Special Revenue Fund** is used to account for the sixty-cents per month E911 surcharge. The funds are to be used exclusively for costs associated with the Emergency Telephone System.

The **Law Enforcement Equitable Distribution Fund** is used to provide funds from drug seizure revenue for the eradication of drug trafficking in Forsyth County. These monies are to be used exclusively for equipment, personnel, and training as designated by the Sheriff in accordance with Federal law.

One of the County's multi-year special revenue funds is school-related. The sheets for these funds show the projected flow of state and county funds for these projects. The County's match for the **State Public School Building Capital Fund** comes from bond funds and ADM funds rather than the General Fund.

The **Housing GPOs** include transfers from the General Fund for local matching funds, plus expenditures and revenues from various grant-funded housing programs.

The **Special Fire Tax District Fund** is used to account for property tax collections and other revenue sources for distribution to the County's twenty-two fire tax districts and three service districts. Information is included for each district on the appropriation, fund balance, and tax rate for the current year; the requested and recommended tax rate; and the tax rate revenue, fund balance appropriation, and total appropriation for the new fiscal year.

The **O. Moser Special Revenue Fund** was provided from the estate of Odis Moser to provide assistance and special requests from the elderly population of Forsyth County.

Capital Project Ordinances

These are described in detail, showing all revenue sources, the original and current budgets and projected activity for the current year, upcoming year and further into the future. This section concludes the currently established funds in our document. The next section describes projects that are in the planning stages.

Capital Improvements Plan

This section describes projects that are in the **planning** stage. The Capital Improvements Plan is the result of an ongoing process by County officials to assess the need for major capital expenditures, assess the feasibility of funding these projects, and establish an orderly plan for implementation. Operating expenses for the General Fund are also shown by project and year on the Annual General Fund Requirements by project and Annual General Fund Requirements by Department sheets.

Projects are distributed through the multi-year plan based on need, and in keeping with the County's debt-ceiling policy. As mentioned above, this section describes projects that are in the **planning** stages while the previous sections describe **established** funds.

Appendices

Historic, financial, demographic and statistical information is included in this section to allow the reader to become more familiar with the assets of Forsyth County. Glossary and Acronyms can be found immediately following the Reader's Guide.

READER'S GUIDE

Budget Ordinance

The adopted budget ordinance for the County includes revenue and expenditure information for the General Fund, and the four annually-budgeted special revenue funds. The ordinance also delineates the authority of the County Manager and Clerk to the Board to enter into certain agreements and perform other specific functions related to the annual budget.

The Ordinance establishes the ad valorem tax levy and license tax levies. Other provisions cover restrictions on contingency funds, compensation/allowances of the County Commissioners, and concerns/restrictions related to Contingency and grantee agencies.

Budget Preparation Calendar for FY 2018-19

November

- ◆ Budget and Management Department prepares budget guidelines and preparation package.
- ◆ Schedule for budget preparation process approved by Manager.

December

- ◆ Budget and Management Department distributes Budget Preparation Package to departments.

January

- ◆ New position requests and other requests for additional resources submitted from departments.
- ◆ Budget and Management and Finance Departments prepare County Mid-Year Report on the first six months of operation (expenditures, revenues and projects) and projections for year-end.
- ◆ Capital Improvements Program prepared for Winter Work Session with Board of County Commissioners.

February

- ◆ Current Year Estimates (thru 6/30) and Budget Requests (Continuation and Alternate Service Level) submitted from departments.
- ◆ Winter Work Session for County Commissioners, County Manager, and Management staff.

March-April

- ◆ Staff reviews budget estimates and requests from departments and prepares work papers.
- ◆ Current year estimates and preliminary request totals to County Manager from Budget and Management Department.
- ◆ County Manager's meetings with Budget staff and departments regarding budget requests.

April/May

- ◆ Winston-Salem/Forsyth County Schools and Forsyth Technical Community College's presentations of budget requests to Board of County Commissioners.
- ◆ County Manager and Budget staff finalize preliminary budget document.

May

- ◆ Preliminary budget document presented to Board of Commissioners by County Manager.

June

- ◆ Public Hearing on proposed budget.
- ◆ Board of Commissioners holds work sessions on budget proposals.
- ◆ Budget Ordinance adopted by Board of County Commissioners.
- ◆ Adopted budget ordinance finalized, printed and distributed.

July

- ◆ New fiscal year begins.
 - ◆ Budget implementation.
-

READER'S GUIDE

Process for Preparing, Reviewing and Adopting the Annual Budget

November/December

The Budget and Management Department prepares budget guidelines and the preparation package that is sent to the departments. The packages are sent to the departments in December and include:

1. Cover letter describing the fiscal climate, priorities, major funding issues and budget guidelines for the coming year;
2. Percentage changes for utility and telephone costs;
3. Longevity and Fringe Benefit information;
4. Vehicle mileage rates;
5. Schedule showing the dates by which the estimated and requested figures are to be entered into the budget system;
6. Space costs for Hall of Justice and Forsyth County Government Center.

January

Departments prepare their requests for new positions and other additional resources and submit these requests to the Budget and Management Department. The Position Classification Distribution (PCD) report is sent to the departments and is updated to show any changes in the distribution of salaries among the department's cost centers. Requested new positions are given position control numbers (PCN) and are added to the requested version of the Position Classification Distribution report, only if they will be a part of the Continuation budget.

Budget and Management staff reviews the requests from their assigned departments, asks for additional information as needed, and begins the preliminary recommendation process. Staff frequently does statistical analysis independent of the departments to clarify the need for the additional resources.

The Budget System is updated to show the six month's amended budget, and six month's actual to date figures. The departments order reports with the updated figures and begin the process of entering their estimates into the Budget system.

The Capital Improvements Program is prepared for the Winter Work Session with the Board of County Commissioners. Forms are requested from the departments for major improvements/additions to their facilities or equipment. These requests are discussed by management staff, and if approved, are put in priority order. The projects are then included in the Capital Improvements Plan by year, along with anticipated operating costs and potential debt service implications, if applicable.

February - March

Current Year Estimates (through 6/30) and Budget Requests (Continuation and Alternate Service Level) are entered into the Budget system by the departments. Supplemental data detailing descriptions and amounts for each Object Level 3 are submitted to the Budget and Management Department.

The Winter Work Session is held with the County Commissioners, County Manager and management staff. Expenditure and revenue projections and the Capital Improvements Plan are presented for consideration by the Board. Major factors driving the budget are discussed. The Commissioners provide feedback and direction to the County Manager and Staff related to the Board's priorities and preferences for the upcoming budget.

The Budget and Management Staff checks the estimates provided by their assigned departments and makes adjustments as needed. Staff enters estimates and requests for Non-Departmental, Special Appropriations, Debt Service, Youth Services, Aging Services, Behavioral Health Services, Medical Examiner, Court Services, joint County/City departments and other outside agencies. Staff also enters salary and fringe benefit figures for each cost center using data from the updated Position Classification Distribution report and the fringe benefit ratios calculated in December.

Budget requests are discussed with the departments, and Budget staff begins to formulate and enter preliminary recommendations into the Budget System.

Community agencies submit application for county funding. These are due by the end of January.

READER'S GUIDE

Process for Preparing, Reviewing and Adopting the Annual Budget (continued)

March/April

Budget and Management Staff completes preliminary recommendations for their assigned departments. Document sheets, an explanation of issues and selected reports and back up material are sent to the County Manager, the Deputy County Manager assigned to the affected department, the Budget Director and the Department Manager in preparation for scheduled budget meetings. Meetings are then held with the County Manager, Deputy County Manager, the Department Manager and key staff, the Budget Director and the Budget Analyst responsible for the given department's preliminary budget recommendations. Issues are discussed and changes made by the County Manager are entered into the system by Budget Staff.

April/May

Winston-Salem/Forsyth County Schools and Forsyth Technical Community College make their budget presentations to the Board of County Commissioners. Detail is provided on their requested funding levels and programs and both respond to questions from the Commissioners on any issues that need clarification.

Final decisions are made for the Continuation Recommended budget and the Manager makes recommendations regarding Alternate Service Level requests. Revenue sources and expenditures are rechecked for accuracy. The recommended tax rate is calculated for the upcoming year. The budget is balanced. Pages for the document are updated through the Continuation Recommend column. Sheets with supporting data are finalized and the Preliminary document is sent to the Print Shop.

May

The Preliminary and Alternate Service Level Documents are formally presented to the Board of Commissioners at their regularly scheduled Thursday afternoon Briefing. The County Manager highlights the recommended budget and responds to questions by the Commissioners. Budget Staff attends this meeting to provide backup information if necessary.

A notice for the Public Hearing on the Recommended Budget is printed in local newspapers showing the date, time and location for the meeting.

The Preliminary Budget and Alternate Service Level Documents are placed on the County's website for the public and departments. All Library locations will have access to online versions of the document for public viewing.

A Public Hearing is held on a Monday (or Tuesday if a holiday) at a specially scheduled meeting of the County Commissioners for public comment on the upcoming budget. Agencies and individuals express their concerns on issues related to the budget. The Commissioners do not respond to questions or debate the issues at this meeting, but listen to the input provided by the community. The Commissioners continue this meeting to the following Thursday in order to adopt the budget.

Workshops are held with the County Commissioners, County Manager, Management Staff, and Budget Staff to discuss the recommended budget. These workshops are on the Tuesday and Wednesday (or Wednesday/Thursday morning if the Memorial Day holiday disrupts the schedule) following the Public Hearing. The Commissioners make their desired adjustments and these changes are entered into the budget system. A new tax rate is calculated and the adopted budget is balanced. A Budget Ordinance is prepared for adoption by the Commissioners at their continued meeting.

June

The adopted Budget Document is finalized, printed, and distributed.

GLOSSARY OF BUDGET-RELATED TERMS ACRONYMS

ABC Funds

County share of "profits" received from the local Alcoholic Beverage Control Commission.

Ad Valorem Tax

A tax levied on the assessed value of real estate or personal property also known as the "property tax"

Accounts

County expenditure accounts listed on departmental sheets:

Salaries & Wages

(FT, PT and temporary salaries; overtime; longevity; general adjustments; step adjustments, reclassifications)

Employee Benefits

(life/health/dental insurance; retirement; FICA; separation allowance contribution, employer share of 401K and deferred compensation; unemployment; retiree hospitalization; LEO separation allowance)

Professional Fees

(medical fees; autopsies; laboratory fees; physical, speech & occupational therapist fees; legal, audit and engineering fees; security service & veterinary fees; temporary help-outside agency fees)

Maintenance Service

(elevator maintenance; janitorial, linen/laundry and exterminating service; solid waste disposal; equipment and auto repair; software and communication equipment maintenance)

Rent

(space, equipment, auto and software rental)

Utility Services

(water and sewer)

Construction Services

(contracted buildings and building improvements)

Communications

(telephone and teleprocessing; communication circuits)

Travel

(training & conference; registration & course fees; required travel; personal mileage and parking)

Other Purchased Services

(contract printing; collection costs and book processing; ordinance codification; food services; software licensing fees; food stamp and bank service charges; inmate housing; towing charges; advertising; client transportation)

General Supplies

(miscellaneous office supplies; postage; small equipment; janitorial supplies; construction supplies; uniforms; books and subscriptions)

Energy

(electricity; fuel oil; natural gas; gasoline)

Operating Supplies

(auto repair parts; tires; library books and periodicals; audio-visual, software, medical and microfilm supplies)

Inventory Purchases

(merchandise for resale and pharmacy inventory)

Support & Assistance

(public assistance such as Food & Nutrition Services; Work First Assistance; aid to the blind; family planning medical services; adoption assistance payments; emergency assistance; food stamp refunds; court ordered payments; pauper burials; special service expense; JOBS training, support, work-related expense & transportation; foster care payments; special service expense; adult day care; Work First transportation and vendor payments;

KBR Trust & Title XX vendor payments; crisis intervention energy assistance

Other General & Administration

(memberships & dues; refunds & releases; informants pay; survivor benefits; legal and costs; rewards and incentives; tuition reimbursement; housing acquisition, construction, deferred payment loans & rehabilitation costs; assessments and property tax; document recording costs; interlibrary loan costs; non-employee expense reimbursements; deferred payment loans; fines & penalties; LSCA, Kiger Fund, Chatham Fund & special gift budget-only accounts)

Vehicles

(trucks & autos; emergency vehicles; motive equipment)

Equipment

(equipment and computer software)

GLOSSARY OF BUDGET-RELATED TERMS ACRONYMS

Acronyms

ABC - Alcoholic Beverage Control
ACA - Affordable Care Act
ACE - Adult Continuing Education
ADA - Americans with Disabilities Act
ADM - Average Daily Membership
AHEC-NC - Area Health Education Center-North Carolina
AIDS - Acquired Immune Deficiency Syndrome
ARCA - Addiction Recovery Care Association
AVL - Automated Vehicle Locator
BABs - Build America Bonds
BCCCP - Breast & Cervical Cancer Control Program
BOCC - Board of County Commissioners
CAD - Computer Aided Dispatch
CANVAS - Community Animal Nuisance Viable Abatement Services
CBA - Community Based Alternatives
CCDF - Child Care Development Fund
CDBG - Community Development Block Grant
CDC - Center for Disease Control
CFR - Crash/Fire/Rescue
CIP - Capital Improvements Program
COLA - Cost of Living Adjustment
COPS - Certificates of Participation/ or Community Oriented Policing Services
CPI - Consumer Price Index
CPO - Capital Project Ordinance
CRP - Capital Repair Plan
CPS - Child Protective Services
CRS - Community Rating System
CHHS - Children's Special Health Services
CYO - Current Year Original
DA - District Attorney
DEA - Drug Enforcement Agency
DENR - Department of Environment & Natural Resources
DOJ - Department of Justice
DOT - Department of Transportation
DP - Data Processing
DSS - Department of Social Services
EDLP - Education Debt Leveling Plan
EMS - Emergency Medical Services Department
EMT - Emergency Medical Technician
EPA - Environmental Protection Act
ESC - Employment Security Commission
FAIR - Feline Assistance Initiatives Response
FAMIS - Financial and Management Information System
FDIC - Federal Deposit Insurance Corporation
FLSA - Fair Labor Standards Act
FT - Full time
FTCC - Forsyth Technical Community College
FY - Fiscal Year
GCC - Governor's Crime Commission
GFOA - Government Finance Officers Association
GHSP - Governor's Highway Safety Program
GIS - Geographic Information System
GPO - Grant Project Ordinance
GS - General Statute
HAVA - Help America Vote Act
HAZMAT - Hazardous Material
HCFA - Health Care Financing Agency

GLOSSARY OF BUDGET-RELATED TERMS ACRONYMS

Acronyms (Contd.)

HOJ - Hall of Justice
HUD - Housing and Urban Development
HVAC - Heating, Ventilating and Air Conditioning
IDA - Individual Development Account
INS - Immigration & Naturalization Services
IV-D - Child Support
IV-E - Public Assistance Eligible
JAG - Justice Assistance Grant
JCP - Juvenile Crime Prevention
K - Thousand
KBR - Kate Bitting Reynolds Foundation
KVL - Kernersville
LEAF - Let's End Animal Fighting
LEDC - Law Enforcement Detention Center
LEED - Law Enforcement Equitable Distribution Fund
LIEAP - Low Income Energy Assistance Program
LLEBG - Local Law Enforcement Block Grant
LSCA - Library Services Construction Act
LSTA - Library Services Technology Act
LT - Long Term
M/WBE - Minority/Women Based Enterprises
MIS - Management Information Services
NACO - National Association of Counties
NC - North Carolina
NC A&T - North Carolina Agriculture & Technical State University
NC DOT W/F - North Carolina Department of Transportation Work First
NCACC - North Carolina Association of County Commissioners
NCEM WMD - North Carolina Emergency Management Weapons of Mass Destruction
NCGS - North Carolina General Statutes
NCHFA - North Carolina Housing Finance Act
NCPTS - NCACC Collaborative Property Tax System
NCVTS - North Carolina Vehicle Tax System
NESHAP - National Emission Standards for Hazardous Air Pollution
PART - Piedmont Area Regional Transportation
OVW - Office of Violence Against Women
PC - Personal Computer
PT - Part time
PYA - Prior Year Actual
QSCBs - Qualified School Construction Bonds
RJR - R.J. Reynolds Tobacco Company
SMCP - State Misdemeanor Confinement Program
SORT - Special Operations Response Team
SOS - Safe on Seven
SSA - Social Services Administration
STD - Sexually Transmitted Disease
SWCD - Soil and Water Conservation District
T/O - "To outside" as in payments to outside agencies
TANF - Temporary Assistance to Needy Families
TANF/WFFA - Temporary Assistance to Needy Families/Work First Family Assistance
TB - Tuberculosis
TFR - Transfer
UCC - Uniform Commercial Code
USDA - United States Department of Agriculture
WFU - Wake Forest University
WIC - Women, Infants & Children Program
W-S - Winston-Salem
WS/FC - Winston-Salem/Forsyth County
WSSU - Winston-Salem State University
YWCA - Young Women's Christian Association

GLOSSARY OF BUDGET-RELATED TERMS ACRONYMS

Budget-Related Terms

Appropriation

The legal authorization made by the Board of County Commissioners to departments and agencies of the County to expend certain funds and incur obligations for specific purposes. The appropriations are set for specific timelimits in which fund may be expended.

Assessed Valuation

An estimated value placed upon real and personal property by the County Tax Assessing Office as the basis for levying property taxes.

Arbitrage

The ability to invest proceeds from the sale of tax-exempt securities in high yielding taxable securities which results in interest revenue in excess of interest costs.

Budget Calendar

The schedule of key dates or milestones which the County follows in the preparation and adoption of the budget.

Budget Implementation

Adopted budget is rolled into the financial system so that appropriations are in place for the departments to conduct their operations.

Budget Message

The opening section of the budget document which provides the Board of County Commissioners and the public with a general summary of the most important aspects of the budget, changes from the current and previous fiscal years, and the views and recommendations of the County Manager.

Budget Ordinance

The official enactment by the Board of County Commissioners that makes appropriations and levies taxes for the budget year. The ordinance may be in any form that the Board considers most efficient in enabling it to make the fiscal policy decisions embodied therein, but it shall make appropriations by department, functions, or project and show revenues by major source. The Board shall adopt a budget ordinance no earlier than 10 days after the day the budget is presented to the Board and no later than July 1. (See Interim Budget)

Budget Preparation Package

The set of instructions and forms sent by the Budget & Management Office to the departments & agencies of the County for them to prepare their operating budget requests for the upcoming year.

Capital Improvement Program (CIP)

A plan for capital expenditures to be incurred each year over a fixed period of years that sets forth for each capital project; the total estimated cost, the expected beginning and ending date, the amount to be expended in each year, and the method of financing those expenditures, if appropriate. The Plan also provides for any related increased/decreased General Fund operating expenses which may be incurred as a result of implementing the project.

Capital Assets

Assets with an initial, individual cost of \$20,000 or more for buildings, building improvement and improvements other than buildings; and \$5,000 or more and an estimated useful life of more than three years for all other assets.

Capital Outlay

The cost for acquisition, construction, improvement, replacement, or renovation of land, structures and improvements thereon. (Expenditures to replace parts or otherwise to restore assets to their previously efficient operating condition, are regarded as repairs.) Equipment is physical property, other than land and buildings, having a useful life of more than three years and a cost of \$5,000 or more.

Contingency

A budgetary account set aside for emergencies or unforeseen expenditures.

GLOSSARY OF BUDGET-RELATED TERMS ACRONYMS

Cost Sharing Data

Cost Sharing Data is used as a management tool to capture the value of labor, materials and overhead for services that are provided to County departments by other County departments. Examples are grounds maintenance & management information services. These entries do not constitute actual appropriations of funds.

Contra Expenses are the negative or offsetting entries that are included in the budget of the department that provides the service.

Cost Sharing Expenses are the entries shown in the budgets of the departments that receive the service, and are offset by negative entries in the provider department's budget as described above.

Current Year Estimates

Projected Estimates for amounts to be expended by the end of the fiscal year (June 30) made as of March 30.

Debt Service

The County's obligation to pay the principal, interest, and related fees on the indebtedness of the County for existing bonds, notes, or installment purchases according to a pre-determined payment schedule.

Encumbrance

An amount of money committed and set aside, but not yet expended, for the purchase of a specific good or service.

Fund Balance

The equity (excess of assets over liabilities) in a governmental fund.

General Fund

The fund used to account for all activities of a government except those required to be accounted for in another fund. It is the general operating fund of the County.

Grant

A contribution of assets (usually cash) by one governmental unit or other organization to another. Typically, these contributions are made to local governments from the State and Federal governments or local foundations. Grants are usually made for specified purposes.

Intangible Taxes

Taxes that were levied and collected by the State on certain personal property on behalf of local governments. The proceeds were distributed to the County and all municipalities within the County. Since the tax was repealed, the State payments in lieu of the taxes are shown.

Interfund Transfers

Amounts transferred from one fund to another.

Interim Budget

If the adoption of the budget ordinance is delayed until after July 1, the governing board shall make interim appropriations for the purpose of paying salaries, debt service, and the usual and ordinary expenses of the local government for the interval between the beginning of the budget year and the adoption of the budget ordinance.

Modified Accrual

The County follows the modified accrual basis of accounting for all funds, under which revenues are recorded as the amount becomes susceptible to accrual by becoming measurable and available to pay current period liabilities. Expenditures, other than interest on general long-term obligations and vacation pay are recorded when the liability is incurred, if measurable. Interest on general long-term obligations is recorded when due.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amount will be reimbursed to the County; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure & are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

GLOSSARY OF BUDGET-RELATED TERMS ACRONYMS

Modified Accrual (Contd.)

Charges for services (other than health-related) and intangibles and sales taxes are recorded as revenues when received in cash because they are generally not measurable until actually received. Interest on investments is recorded as earned since it is both measurable and available.

Occupancy Tax

A percentage tax levied by the Board of Commissioners on certain accommodations, the proceeds of which are appropriated to the Tourism Development Authority.

OPEB - Other Post Employment Benefit

Trust fund that accumulates resources to pay other post employment benefits for qualified retired County employees, primarily healthcare benefits. Forsyth County budgets \$1.6 million per year to transfer to this fund.

Preliminary Budget

The proposed recommended County budget is submitted by the County Manager to the Board of County Commissioners in late May each year.

Prior Year Encumbrance

Funds budgeted in the current fiscal year for items/services budgeted for and encumbered but not purchased in the previous fiscal year.

Property Tax

Property taxes are levied on both real and personal property according to the property's valuation and the tax rate.

Service Area

The major categories of County government: Public Safety, Environmental Management, Health, Social Services, Education, Community & Economic Development, Administration & Support, and General Government.

Source Of Revenue

Revenues are classified according to their source or point of origin.

Special Revenue Fund

Accounts for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specific purposes.

Tax Collection Rate

The percentage of the tax levy that is expected to be collected in a fiscal year. The budgeted collection rate cannot exceed the actual collection rate for the previous year.

Tax Levy

The total amount to be raised by general property taxes for operating and debt service purposes specified in the annual budget ordinance.

Tax Rate

The amount of tax levied for each \$100 of assessed valuation.

FORSYTH COUNTY, NORTH CAROLINA 2018 - 2019 ADOPTED BUDGET

July 2018

Dear Chairman Plyler, Vice Chairman Martin, Commissioner El-Amin, Commissioner Kaplan, Commissioner Linville, Commissioner Whisenhunt, and Commissioner Witherspoon:

I am pleased to present the FY 2018-2019 Adopted Budget for Forsyth County. The Manager's Recommended Budget was presented on May 24th, a Detailed Presentation on the budget was held on May 31st, a Public Hearing was held on June 4th, and Budget Deliberations were held on June 5th. The Budget Ordinance was adopted on June 7, 2018 on a 7-0 vote. This document reflects all adjustments made to the Manager's Recommended Budget during budget deliberations and are adopted in the formal Budget Ordinance. A summary of these changes are outlined on the next page.

The Adopted Property Tax Rate for FY 2018-2019 is 72.35¢, which is same rate as the previous fiscal year. As you know, the Recommended Budget included a tax increase of 2.3¢ as a Debt Leveling Plan for the proposed Court Facilities. During the budget deliberations, the Board decided to give the voters a choice on how to pay for this debt service and will place an Article 46 Sales Tax referendum on the ballot in November. If this referendum fails, the tax rate for FY 2020 will more than likely increase to pay for this debt services. Of the 72.35¢ Adopted Tax Rate, a total of 7.98¢ is included for Debt Service - 4.51¢ is set aside for the Education Debt Leveling Plans implemented to level out the debt associated with voter approved education bonds from November 2006 and November 2008; 0.57¢ is set aside for the Debt Leveling Plan implemented to level out the debt associated with voter approved library bonds from November 2010; and 2.9¢ for the 2016 Public Improvement Bonds for Winston-Salem/Forsyth County Schools, Forsyth Tech, and Parks.

Section 9 of the Budget Ordinance includes the Property Tax Rates for the Fire and Fire/Rescue Protection Districts, which reflects tax rate increases per \$100 valuation from the FY 2017-2018 rates for each of the Fire Tax and Service Districts to support funding additional positions for County-provided fire suppression. Each District was increased .36¢ to fund six additional positions. In addition to these increases, Horneytown and Piney Grove received an additional increase in their respective Fire Tax Rates.

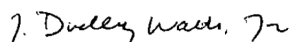
Section 13 of the Budget Ordinance outlines six Board-directed initiatives to be completed during FY 2018-2019:

- Facilitate the necessary action items to hold an Article 46 sales tax referendum in November as an alternative to a property tax increase necessary for a new Hall of Justice.
- Conduct a study and review of the process for approval of historic property exemptions.
- Evaluate community services available to veterans in Forsyth County including those currently funded by the County.
- Review cost and benefits of offering nurses, social workers, and teachers Crisis Intervention Team (CIT) training.
- Evaluate benefits and detriments of a stand-alone Animal Services department compared to housing these services in a separate department such as the Sheriff's Office or Public Health.
- Continue to coordinate Fire Study recommendations with Volunteer Fire Departments, specifically consolidation of districts and establishing a county-wide service district.

Finally, Section 14 of the Budget Ordinance includes a listing of three (3) potential Pay-Go funding projects if excess fund balance over the 14% fund balance policy is realized.

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

Sincerely,



J. Dudley Watts, Jr.
County Manager

Adjustments to the Manager's Recommended FY 2018-2019 Budget		
	Expenditure	Revenue
County Manager's FY 2019 Recommended Budget	433,894,116	433,894,116
Adjustments Post-Budget Presentation		
Manager Recommended ASLs:		
<i>Sheriff - 1 FT Court Security Deputy</i>	67,231	
<i>Emergency Services - Lewisville Dive Rescue</i>	15,000	
<i>Public Health - Environmental Health Specialists - Septic Tank</i>	50,000	
<i>DSS - Foster Care - 1 FT Social Worker</i>	66,026	33,013
<i>DSS - CPS - 1 FT Senior Social Worker Supervisor and 2 FT Senior Social Workers</i>	208,736	114,805
<i>Public Libraries - 5 PT Library Tech Page Positions</i>	32,045	
<i>Public Libraries - Kernersville 1 FT Library Assistant</i>	37,413	
Reduce Budget Reserve for Alternate Service Levels	(439,038)	
Reduce Fund Balance Appropriated		(110,405)
Adjusted Manager's Recommended Budget	433,931,529	433,931,529
Commissioners Adjustments at Budget Workshop		
Debt - Eliminate 2.3 cent tax rate (Revenue and Budget Reserve)	(8,231,488)	(8,231,488)
Animal Services - Surgical Suite	15,000	
Sheriff's Office - Reduce Claims Budget for FY19	(100,000)	
Emergency Services - Addition of 6 FT Firefighters	357,679	
Court Services - Safe on Seven - County to absorb administrative costs	20,000	
Public Health - Nurse Family Partnership	175,000	
Cooperative Extension - Funding for Carter G. Woodson Project	10,000	
BOCC and Manager's Office - Communications Office - 1 FT position	56,436	
Special Appropriations - Kaleideum	25,000	
Special Appropriations - RiverRun Film Festival	15,000	
Special Appropriations - Children's Law Center	10,000	
Special Appropriations - Family Services - Programming	25,000	
Special Appropriations - SHARE Cooperative of Winston-Salem	5,000	
Transfer from Fire Tax Districts for 109/209 Firefighter Support		357,679
Increase Fund Balance Appropriated		256,436
Total Adjustments	(7,617,373)	(7,617,373)
Adjusted FY 2018-2019 Budget	426,314,156	426,314,156

May 24, 2018

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

Dear Chairman Plyler, Vice-Chairman Martin, Commissioner El-Amin, Commissioner Kaplan, Commissioner Linville, Commissioner Whisenhunt, and Commissioner Witherspoon:

I am honored to submit the County Manager's recommended budget for the fiscal year beginning July 1, 2018 and ending June 30, 2019 for your consideration as required by North Carolina General Statute 159 and the Local Government Budget and Fiscal Control Act.

As in the past, two major sections comprise the budget. The first and most comprehensive section 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 section is the detailed information on 52 alternate service levels that, if approved, would increase the budget by more than \$9 million dollars. The Alternate Service Levels 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. The County has been awarded this honor for 25 consecutive years.

The budget document includes all funds - general, special revenue and capital project funds. Because the general fund accounts for the significant majority of the annual operating costs of this organization, most of the discussion that follows will focus on the general fund. The other funds are special purpose funds that support the governmental services accounted for in the general fund.

The document also includes strategic workload and performance measures, as well as capital planning documents as a communication tool. We hope it conveys our commitment to provide critical governmental services, effectively and efficiently, to you as policy makers and to our citizens.

Goals

The recommended budget is my attempt to capture the Board's vision of what we will collectively strive for in the coming year. It is based on the values communicated to me in individual discussions, in weekly briefings and meetings, and in the winter work session. My understanding of your collective desire for this budget is as follows:

- Conservatively estimate revenues and expenditures consistent with realistic expectations of performance and continue to improve efficiency & effectiveness of all County programs;

- Present a budget that maintains an acceptable level of service, but enables policy review of service level changes and provides for full disclosure of needs to the public.
- Honor the fiscal policies approved by the Board. The financial strength of Forsyth County can be directly attributed to the discipline and forethought inherent in the following policies:

18% Debt Ceiling - The Board recognizes that the wise use of debt financing is critical to maintaining the County's strong financial position. If approved by the Board, the ratio of debt service to total General Fund expenditures would be 17.7%. Taking all annually budgeted funds into consideration, the ratio of debt service to total budgeted expenditures would be 17.2%.

Recent State policy changes add some additional pressure to the County's debt ceiling by reducing pass through funds from the Department of Health and Human Services. For example, the Department of Social Services expenditure budget for FY19 is \$42,116,818 compared to the FY18 Adopted Budget of \$45,404,153 and the FY17 Adopted Budget of \$55,929,826. DHHS no longer sends the funds for Medicaid transportation and child care subsidies to the counties for payment to service providers, rather they will be paid directly from the State system. The revenue and offsetting expenditure reduction was approximately \$10 million in FY18 and is another \$3 million for FY19.

While this change is positive, the debt as a percentage of the lower total expenditure number increases. Projections suggest that debt levels may drift slightly over the 18% ceiling for a period of approximately four years if the Board moves forward with the projects outlined in the Capital Improvement Plan (CIP). On a positive note the County's capital maintenance plan is well-funded, avoiding long-term problems of deferred maintenance.

14% Target Fund Balance - The County maintains an adequate fund balance to meet cash flow demands throughout the year and to ensure that funds are available in the event of an emergency or other unforeseen circumstances. Funds available are sufficient to operate the County for roughly a month and a half, assuming a period of no revenue collections. At year-end, funds in excess of the 14% target are earmarked for pay-go projects that are considered by the Board for funding on a case-by-case basis. Board-approved criteria for pay-go projects include debt reduction initiatives, economic development projects, and projects with a positive return on investment (ROI) that reduce operating costs in future years.

Debt Leveling Plans - The Board has earmarked the equivalent of 7.98 cents of the tax rate to retire debt for voter-approved bonds for education, library, and parks facilities.

This budget continues this set-aside to ensure that sufficient funds are available in future years for the purpose of retiring the debt service associated with the 2006 and 2008 education referendums, the library debt authorized in November of 2010, and the first of two plans associated with the November 2016 referenda. The FY19 Recommended Budget includes an additional 2.3 cents for the proposed Court Facilities financing through the issuance of Limited Obligation Bonds (LOBs), meaning 10.28 cents will now be earmarked for debt service. A summary of the debt-leveling plans is shown on the following page.

Proposed Tax Rate (in cents) 74.65

Education Debt Leveling 4.51

Set aside to offset debt service associated with the \$250m School Bonds approved in November 2006 and the \$62.6m of Educational Facilities Bonds approved in November 2008.

Library Debt Leveling 0.57

Set aside to offset debt service associated with the \$40m of Library Bonds approved in November 2010 of which \$34m are expected to be issued. The Board avoided the debt associated with issuance of the remaining \$6m by transferring funds from pay-go as well as capturing savings from the Central Library project.

2016 Education/Parks Debt Leveling 2.90

Set aside to offset debt service associated with the \$430m bonds approved in November 2016. Three referenda were approved as follows: \$350m to support WSFC School’s facilities, \$65m to support facilities for the Forsyth Technical Community College and \$15m to support Parks facilities throughout the County. The debt leveling plan assumes that four issuances will occur over eight years (every other year) in equal installments of \$107.5m, and that the tax rate supporting the debt service will increase by 2.9 cents in FY 2018 and 3.6 cents in FY 2022.

Court Facilities Debt Leveling 2.30

Set aside to offset debt service associated with the proposed \$115m Limited Obligation bonds for new Court Facilities approved by the Board during FY18 to be issued in FY19. Staff estimates that this increase would be 3.1 cents if deferred to FY 2020.

School Funding Formula – This is the seventh year that this formula serves as the basis for the County Manager’s recommended funding level. The Board of Education’s request is slightly higher than the result from the formula by \$233,178. The enrollment for the next school year is projected to decline from the North Carolina Department of Public Instruction and this decrease offsets the increased expenditure based on increases in Property Taxes and Sales Taxes. For each increase in property taxes (not associated with a debt leveling plan), the school system receives almost 40% of the new revenue. As the Recommended FY19 Budget includes a tax increase specifically for Court Facilities Debt Leveling, the school system does not receive a portion of this additional revenue.

Multi-Year Approach - As always, the Manager’s recommended budget takes into consideration projections of revenues and expenditures in the current fiscal year and challenges in the budget year

and beyond. In addition, the Manager will execute the budget in a manner that seeks to avoid shifting additional costs into subsequent years.

General Overview

General themes of the FY 2018-2019 Recommended Budget include the following:

- The proposed budget is best described as a “basic continuation budget”. The overall budget is flat, with the debt-leveling tax increase for the courthouse project using all of the additional revenue generated by the tax increase.
- The proposed budget suggests that a 2.3 cent tax increase this year is the best mechanism to pay for the new courthouse. This is an important policy question. Other policy options include deferring the tax increase until next year or pursuing a referendum in November for a ¼ cent sales tax earmarked for the courthouse project.
- This budget embodies the realization that the County is being directed to enter into a Memorandum of Understanding with the State that places more clear financial responsibilities and potential penalties on the County's human services agencies - particularly the Department of Social Services.
- There is a disconnect between the construction permit activity and the impact to the tax base. While it seems logical that permit values would approximate the impact to the overall tax base, the impact of exclusions and exemptions and timing of completion of the projects negatively affect the amount of revenue ultimately budgeted. As stated in the overview, year over year the tax base grew by 1.5% while the permit data grew by 9.9%. At next Thursday's detailed review of the budget, the County's Tax Administrator will provide data to demonstrate this impact.
- The trend of a shift in the tax base from commercial to residential property continues. Increasingly more of the tax burden is generated from residential properties than from commercial property. This shift aligns with the trend from a manufacturing to a service economy.

The Financial Section of this document provides a detailed overview of changes in the general fund revenues and expenditures and identifies the impact on net County dollars. The bullets below provide a high-level overview of the major drivers and management considerations in the recommended budget.

- The Budget is balanced as required by N.C.G.S. 159 and the Local Government Budget and Fiscal Control Act. Revenues and offsetting expenditures in the General Fund are \$433,894,116. This reflects an increase of \$8,489,026, or 2.0%, over the current year.
- The primary revenue sources, property and sales taxes, comprise 77.5% of the total general fund revenue that supports County services. The year-over-year property and sales tax growth is estimated to be \$13,378,743.

- As mentioned before, the recommended budget includes the debt leveling strategy discussed above with multiple tax rates for debt leveling including a proposed 2.3 cents for the proposed Court Facilities.

- The breakdown of the recommended countywide ad-valorem tax rate of 74.65 cents is as follows:

Taxes required to fund County operations	64.37 cents
2006/2008 Education Debt Leveling	4.51 cents
2010 Library Debt Leveling	.57 cents
2016 Education/Parks Debt Leveling	2.90 cents
2018 Court Facilities Debt Leveling	<u>2.30 cents</u>
Total	74.65 cents

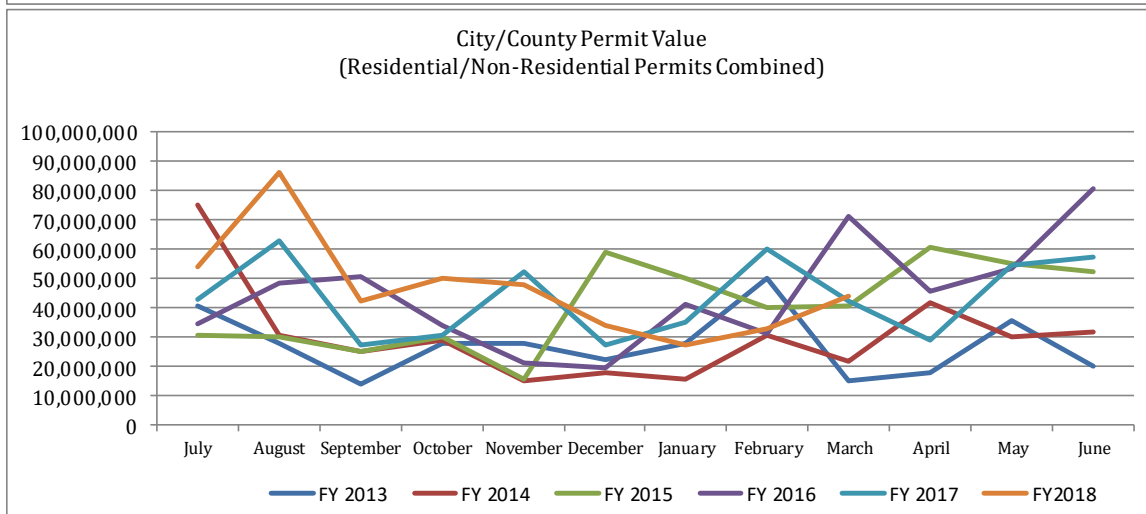
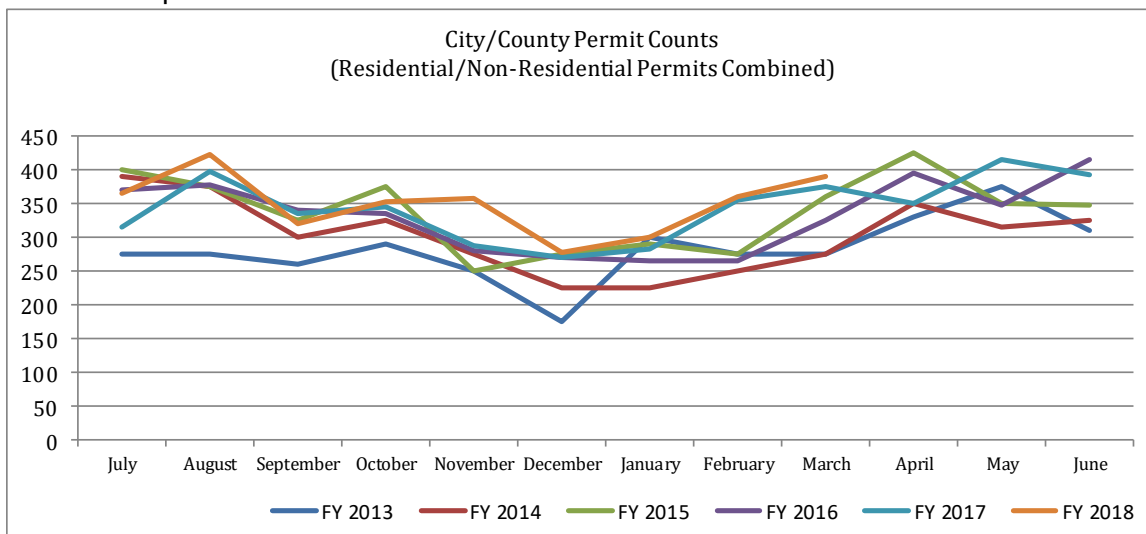
- The penny equivalent is \$3,578,908, up from \$3,525,547 in the current year.
- Budget and Management staff project sales taxes to grow by 2.0%, generating \$66,352,947 in operating revenue, or 15.3% of total general fund revenue. Factors negatively affecting sales taxes include actions by the North Carolina legislature, refunds claimed by non-profit organizations, and volatility associated with the local economy. The projected budget assumes continued growth, but is somewhat tempered by the concern that sales taxes will not meet budget for the current FY18 budget year.
- The projected revenue growth generates an additional \$1,266,822 to support the schools using the funding formula. As mentioned earlier, this will be the seventh year in a row that the formula has been in place and will increase the annual support for the operation of the system to \$125,873,593. This amount, combined with debt service payments for facilities, increases the total support for the system to \$168,644,561, or 38.9% of the total budget.
- The continuation budget is balanced with an operational surplus of \$439,038 that may be used to fund Alternate Service Level requests or reduce the use of Appropriated Fund Balance. I have identified six priority Alternate Service Level requests for funding with these dollars.
- The recommended budget continues to address competitive elements of employee compensation in a strategic and fiscally responsible manner. Personnel-related costs are the second largest expenditure (behind support for the schools) and totals \$144,971,269 annually. The recommended budget includes continued funding of the performance pay plan. The recommended budget includes performance adjustments at an average 2.89% with a range of 1% - 4%. The recommended budget also funds employee health and dental benefits, continuation of longevity pay, pension contributions to the Local Government Employee Retirement Systems (LGRS), 401(k) contributions of 5% for law enforcement personnel and 2.5% for other Full-Time employees, and funds for compensation and classification adjustments for various positions pending the completion of a study from the Piedmont Triad Regional Council of Governments. The recommended funding level for all personnel-related accounts reflects an increase of \$4,247,466 or 3.0% over the current fiscal

year. Management believes this is sufficient to remain competitive despite the relatively low unemployment rate and other pressures on the human resources system.

Overview of the Local Economy

This budget has been prepared during a period of what appears to be steady improvement in the local economy. Despite the economic indicators, realized growth is more tepid. The estimated tax base for FY19 grew by a healthy \$524.2 million, or 1.5% over the estimated tax base used for FY18. However, this highlights the challenge of scale. Growing a large tax base by the percentage needed to keep pace with increased fixed costs becomes more difficult as it requires larger or more projects to increase the tax base. For Fiscal Year 2018, the value of construction permits (city/county combined and residential/non-residential) has increased by \$38,001,322, or 9.9%, from \$381,927,071 in March 2017 to \$419,928,393 in March 2018. This suggests a significant negative impact of exceptions and exclusions, combined with timing of when this is recorded in the tax base.

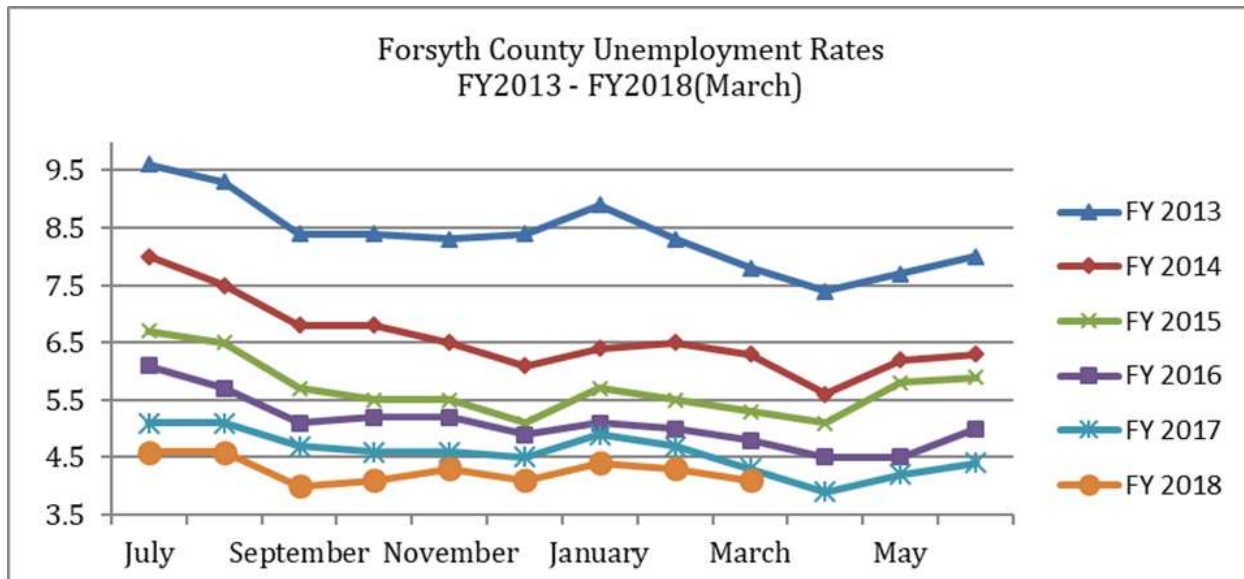
The first chart below shows combined city/county permit counts for residential and non-residential permits while the second chart shows the same city/county combined permit information in terms of total value of the permits.



Property values continue to increase (as measured by the quarterly sales/assessment ratio) after the precipitous decline in property values during the 2013 revaluation period. The following graph provides a look at the Sales Ratio from 2000 through the recently completed 2017 revaluation period. Since base values remain static through 2021, the Sales Assessment ratio does not generate additional resources.



On the employment front, over the last twelve-month period (March 2017 to March 2018), the local unemployment rate has fallen from 4.3% to 4.1% according to the Bureau of Labor Statistics (www.bls.gov). The improvement over the last several fiscal years and through March 2018 is even more pronounced as shown in the chart below:



Overall, the County continues to experience economic growth that translates into additional resources that are necessary to fund the provision of governmental services, many of which are mandated by the State. While the County continues to experience economic growth, we must continue to monitor proposed State and Federal legislation which can have significant implications to services provided by the County particularly in Health and Human Services and Environmental Services.

Summary

The proposed budget and work program for FY 2018-2019 is presented for your consideration, discussion, and eventual adoption. This budget has been presented to you in pieces over the past several weeks as the Capital Improvement Plan, Capital Projects Ordinances, and Behavioral Health Services were reviewed at various briefings in April, and Forsyth Technical Community College and the Winston-Salem/Forsyth County Schools presented their budgets at briefing sessions in May. I look forward to the detailed review and examination of the full budget document that ensures 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, Sheriff Schatzman and the Register of Deeds, Lynne Johnson, for sharing information and supporting data about their operations. We asked many questions, and departments responded in a timely and professional manner in every case.

I want to thank Kyle Wolf, Budget and Management Director, for an outstanding effort in leading the development of this year's budget. The budget staff of Senior Analyst Christopher Ong, Carr Boyd, Adam Pendlebury, Phyllis Russell, and Rene Williams worked as a dedicated team throughout the process. I cannot thank each of you enough for your dedication and commitment. Your work is outstanding and I appreciate your dedication in getting this monumental task completed.

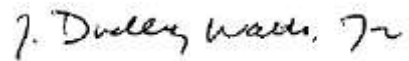
To our CFO Paul Fulton, Deputy Manager Damon Sanders-Pratt, Deputy Manager Ronda Tatum, and HR Director Shontell Robinson, thanks for the wise counsel and the honest and frank discussions about Forsyth County Government. You provide strong leadership to this organization, and I thank you for generously sharing your expertise and experience.

To the print shop staff, thanks for providing last minute heroics. You provide a great service and I appreciate your efforts to produce a quality document in a timely manner.

To Ashleigh and Lily, 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 manageable.

Special thanks to Carla Holt as this her last budget to be submitted before her retirement. Her guidance and assistance through the years is deeply appreciated. We all wish her the best in her well-deserved retirement from Public Service.

Respectfully submitted,

A handwritten signature in black ink that reads "J. Dudley Watts, Jr." with a stylized flourish at the end.

J. Dudley Watts, Jr.
County Manager