

Forsyth County, North Carolina – 2013 - 2014 Annual Budget

June, 2013

Forsyth County Board of Commissioners

Ladies and Gentlemen,

I am pleased to present the FY 2013-2014 Annual Budget for Forsyth County. The Preliminary Budget was presented on May 16th, a Public Hearing was held on May 28th, and budget workshops were held on May 29th and May 30th. The Budget Ordinance was adopted on May 30, 2013.

This document reflects the adjustments made to the County Manager's Recommended Budget during the budget deliberations and are adopted in the formal Budget Ordinance. A summary of these changes are shown below. The Adopted Property Tax Rate for FY 2013-2014 is 71.68¢, 2.5¢ less than the Revenue Neutral Rate of 74.18¢ recommended by the County Manager. There were three (3) ad valorem rates to consider: 1) County Services (adopted at 67.17 cents); 2) the 2006 Education Debt Leveling (adopted at the revenue neutral rate of 3.30 cents); and 3) the 2008 Education Debt Leveling (adopted at the revenue neutral rate of 1.21 cents).

The Budget Ordinance also includes the Property Tax Rates for the Fire and Fire/Rescue Protection Districts. Most of the Fire and Fire/Rescue Districts received a revenue neutral adjustment while several districts did not request or receive a tax rate change from the current year.

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

	Expenditures	Revenue
County Manager's Recommended Budget	\$405,760,725	\$405,760,725
Budget Workshop Adjustments		
Maintain Longevity at 85%	(\$181,516)	
Reduce Funds Available for Salary Adjustments	(\$500,000)	
Reduce Enhanced Contingency	(\$450,000)	
Reduce Prior Year Encumbrance	(\$2,000,000)	
Reduce Funds for Emergency Vehicle Replacements	(\$100,000)	
Reduce Funds for Non-Emergency Vehicle Replacements	(\$50,000)	
Appropriate Additional Revenue for Tag/Tax		\$750,000
Departmental Reductions at Manager's Discretion	(\$718,701)	
Reduce Economic Development Agencies by 25%	(\$47,643)	
School Funding Formula Adjustment Based on Reductions	(\$3,335,374)	
1-time Offset of Tax Rate Reduction on School Funding Formula to Hold Schools at Current Year Budget	\$1,441,707	\$1,441,707
Offsetting Impact of Cost Reductions on Fund Balance Appropriated		(\$410,484)
Resulting Tax Rate Reduction from Revenue Neutral = 2.5¢		(\$7,722,750)
Total Adjustments	(\$5,941,527)	(\$5,941,527)
ADOPTED FY 2014 GENERAL FUND BUDGET	\$399,819,198	\$399,819,198

May 16, 2013

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

Dear Commissioner Linville, Commissioner Whisenhunt, Commissioner Baker, Commissioner Marshall, Commissioner Plyler, Commissioner Whiteheart and Commissioner Witherspoon:

I am honored to submit the County Manager's recommended budget for the fiscal year beginning July 1, 2013 and ending June 30, 2014 for your consideration and 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 40 alternate service levels for your consideration. These are "new and different" activities that expand or contract the current level of service to Forsyth County citizens and taxpayers. This year we have divided the alternate service level document into two categories: service level reductions/cost savings measures and service level increases that require additional funding to be secured either through additional taxes, use of fund balance or reductions in other areas.

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

Goals

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

- 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:

15% Debt Ceiling - The Board Recognizes that the wise use of debt financing is critical to the County's ongoing financial condition. If approved by the Board, the ratio of net debt service to total expenditures would be 14.2%. The Board has strategically determined that no new debt will be issued in FY 2014, potentially moderating the debt ratio in the next few years.

16% Target Fund Balance - The recommended budget anticipates that property and sales tax revenues will continue at the same level for the remainder of the current fiscal year. It also assumes that expenditure reversions will be sufficient to essentially break even in FY 2013 with the possibility of some limited funds for paygo projects. Unless there is an unforeseen economic shift, the recommended budget should retain a fund balance at the 16% target.

Education Debt Leveling Plan - In previous years the Board set aside 4.1 cents of the levy to retire debt for educational facilities. This budget continues to earmark this revenue to ensure that sufficient funds are available in future years for this purpose.

School Funding Formula - This is the second year that this formula serves as the basis for both the County Manager's recommended funding level and the Board of Education's requested level of funding.

Multi-Year Approach - During the winter work session the Board recognized that this year will be challenging due to the impact of a property revaluation that will provide a lower total valuation. Actions taken by the Board to enhance energy efficiency and consolidate operations have allowed the continuation budget to be funded within the revenue-neutral tax rate.

- Avoid shifting the increased costs of County government to taxpayers already struggling with the difficult economic environment and continued uncertain employment prospects;
- Conservatively estimate revenues and expenditures to avoid expectations of performance that are not realistic 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 provide for full disclosure of needs to the public.

Overview

Perhaps the most significant element of the FY 2013-2014 budget is the impact of the revaluation. The Manager's recommended budget is balanced with the County-wide ad valorem tax rate of 74.18 cents, an increase of 6.78 cents. This reflects the revenue-neutral rate as determined using the statutory calculation, which provides for some limited annual growth. The increased rate is offset by the decline of the tax base from roughly \$34.5 billion to \$31.5 billion. This tax base decline results in minimal impact to the "average taxpayer", but shifts the actual tax burden significantly among the vast majority of taxpayers. This is slightly higher than the revenue neutral rate of 73.7 cents projected by staff at the Board's winter work session in February. The increase can be attributed to the actual results of revaluation. It should also be noted that improvements in the collection percentage last year of .11% provide for some of the growth in property tax revenue for FY 2013-2014.

When discussing "revenue" neutrality, we are simply determining what tax rate results from a levy that would produce the same revenue if there were not a revaluation. The following is the "revenue neutral" calculation that was the basis for the FY 2013-2014 budget.

	<u>Property Tax Base</u>	
FY 10	33,856,365,200	
FY 11	33,838,688,700	-0.05%
FY 12	33,908,863,000	0.21%
FY 13 (per budget for FY13)	34,505,264,655	1.76%
FY 14	31,550,401,823	
Average Tax Base Growth 2011-13		0.64%
Levy if no revaluation	232,565,484	
Tax Rate	0.6740	
Total Property Tax Levy 2013-14	232,565,484	
Tax Rate to produce same levy	0.7371	
Increase Levy by 0.64% from above	234,049,256	
Tax Rate to produce new levy	0.7418	
Tax Revenue @ Collection Rate of 97.91%	229,157,627	

Other revenue considerations include fairly robust sales tax growth relative to the last few years. Collections in the current year have been more predictable and refunds have normalized as a percentage of total collections. New sales tax revenue accounts for roughly \$3.4 million of the \$11.6 million increase in the recommended budget.

A few departments are impacted by projected declines in revenue. The Youth Services budget relies on more county funds due to an anticipated decline in out-of-county juveniles. This is a statewide issue and the Board may wish to consider negotiating with Guilford County, who is also experiencing a decline in the number of detained juveniles. The recommended budget includes more realistic estimates of golf revenue at Tanglewood, resulting in a decline in net revenue. Management's response to this in the coming year entails a study of golf operations and potential privatization, which will ultimately require Board approval if deemed beneficial.

The Statewide Tax and Tag Together initiative is set to go live in September. The County is likely to realize \$6 million in additional motor vehicle taxes and staff reductions in the Tax department as the responsibility for current and delinquent collections are assumed by the State. The Tax Assessor/Collector has agreed to bring in an outside consultant to quantify the savings, most of which will accrue in FY 2015.

Reliance on appropriated fund balance is reduced in the proposed budget. If the economy remains on its current track, this should be offset by expenditure reversions, resulting in no net change in the County's overall financial condition.

The net-county increase in revenue of \$11,650,399 is offset by an equivalent expenditure. The largest is support for the Schools of \$2,284,528. As mentioned in the previous section, this is a function of the funding formula. The support for Forsyth Technical Community College also reflects an increase of \$440,859 and supports the opening of the Oak Grove Campus.

The budget for the Sheriff's Department reflects a tremendous effort by Sheriff Schatzman to control costs. Early in the year the Sheriff communicated to his key staff members to bring him a budget that minimized increases, given the difficulty of the Revaluation. The result is a budget-to-budget decline in net-County dollars of \$37,336. He and his staff are to be commended for this extraordinary effort. In August the Sheriff will relocate and consolidate almost all of his operations into a single facility - the new Forsyth County Public Safety Center. As a result the net occupancy cost is declining in the FY 2014 Recommended Budget.

The proposed budget includes two management concerns that need to be addressed. The first issue is the salary compression that has occurred due to the performance-based pay system. The lack of revenue growth over the last five years has limited the ability to fund the system, resulting in newly hired or promoted employee's salaries stagnating below the market rate of pay. The recommended budget provides funding roughly at the FY 09 level and incorporates an accelerator for those employees below market that are meeting or exceeding expectations. As your county manager, this is a critical need that I believe is important to the continued success in recruiting and retaining talent.

The second management issue is the timely replacement of both emergency and non-emergency vehicles. We have deferred the replacement of vehicles as a budget-balancing strategy over the last several years, and we need to improve in this area. The proposed budget does not fully fund the optimal replacement schedule, but it does make a significant stride forward. The recommendation funds 2/3rds of the optimal schedule for public safety rolling stock and funds 1/3 of the optimal schedule for general county use vehicles.

Another major consideration in the budget deliberations is the impact of the revaluation on the Volunteer Fire Departments. Each of these service areas are impacted differently and staff has worked with the departments to develop recommendations specific to their individual needs. A large portion of our County relies on these volunteer organizations for public safety needs, including rescue, first responder and fire suppression. In our recommendations we have tried to be sensitive to both the departments and to the taxpayers in these areas.

A detailed and much more in-depth discussion of the overall changes in revenues, expenditures, and County dollars is included in the section of the budget document starting on page 64.

Summary

The proposed budget and work program for FY 2013-2014 is presented for your consideration, debate, and eventual adoption. I look forward to the detailed review and examination that ensures that the budget, as a policy document, reflects your goals for this community.

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

To Ronda Tatum, our Budget and Management Director and a tremendous public servant, I owe a huge thank you. It is clear to me that you care deeply for this organization and this community. This is a mark of a great public servant and I appreciate the time you spent with me to develop an operational budget that strives to continue the tradition of excellence in Forsyth County. This year has been particularly difficult given the turnover in the budget department. The department has had two vacancies during the busiest part of the process - compilation of the final budget document. Kyle, Patrice and Debbie worked diligently to get the work completed in a timely and efficient manner. I cannot thank each of you enough for your dedication and commitment. Your work is outstanding and I appreciate your team-oriented approach to getting this monumental task completed.

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

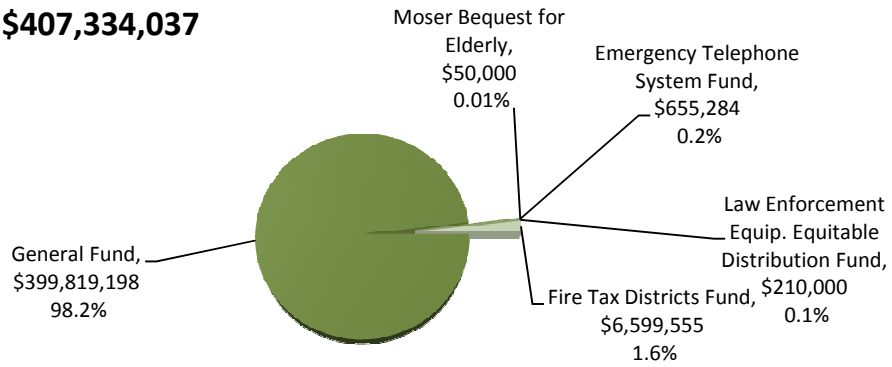
To Rob Robinson, Steve Giljames, and the staff of the E-Gov and the Print Shop, thanks for providing last minute heroics. You provide a great service and I appreciate your efforts to produce a quality document in a timely manner.

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

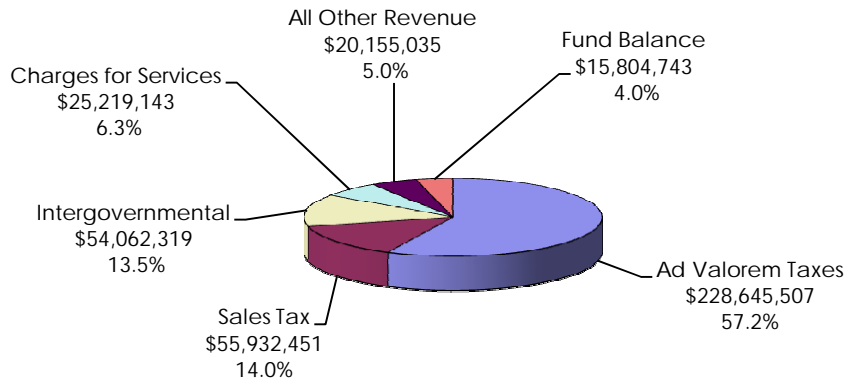
Respectfully submitted,

Dudley Watts
County Manager

All Funds - \$407,334,037



General Fund - Revenues \$399,819,198 Adopted



General Fund- Expenditures \$399,819,198 Adopted

