

# **Forsyth County, North Carolina – 2010 - 2011 Annual Budget**

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June, 2010

Forsyth County Board of Commissioners

Ladies and Gentlemen,

I am pleased to present the FY 2010-2011 Annual Budget for Forsyth County. The Preliminary Budget was presented on May 13<sup>th</sup>, a Public Hearing was held on May 24<sup>th</sup>, and a budget workshop was held on May 25<sup>th</sup>. The Budget Ordinance was adopted on May 27, 2010.

This document reflects the adjustments made to the County Manager's Recommended Budget during the budget deliberations and as adopted in the formal Budget Ordinance. A summary of these changes are shown below. The Adopted Property Tax Rate for FY 2010-2011 is 67.4¢, which includes 4.1¢ for the Debt Leveling Plans for the November 2006 and November 2008 Education bonds. The document also includes the Property Tax Rates for the Fire and Rescue Districts, which reflect two changes from the FY 09-10 rates: a three cent (3¢) increase for Salem Chapel Fire Tax District and a one cent (1¢) increase for the Old Richmond Fire Tax District.

The increased appropriation to the WS/FC Schools reflects a one time appropriation. The FY 12 starting point for the School's budget will reflect the County Manager's FY 11 Recommended Continuation budget of \$109.6 million.

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  
County Manager

## **Commissioner Adjustments to Recommended FY 2010-2011 Continuation Budget**

	<u>Expenditure</u>	<u>Revenue</u>
<b><u>Recommended Continuation Budget</u></b>	\$392,342,405	\$392,342,405
Increase Current Expense Appropriation to WS/FC Schools	2,700,000	
Increase Fund Balance Appropriated - Dell incentive refund		1,896,570
Increase Fund Balance Appropriated - General Fund Balance		953,430
Add - Community Policing Deputy - Lewisville	103,288	108,734
Add Funds for 3rd District Attorney position - Domestic Violence & copier	35,842	
Fiscal Technician - Public Health - Pharmacy	35,839	35,839
Public Health Educator/Wellness Coordinator - Public Health	79,307	
Restore Arts Council Continuation Funding - one time only	18,859	
Increase Contingency	150,000	
General Services - Decrease Emergency Vehicle purchases	(128,562)	
Total Adjustments	<u>2,994,573</u>	<u>2,994,573</u>
<b>Grand Total</b>	<b><u>\$395,336,978</u></b>	<b><u>\$395,336,978</u></b>

May 13, 2010

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

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

I am honored to submit the enclosed recommended budget for the fiscal year beginning July 1, 2010 and ending June 30, 2011 for your consideration as required by North Carolina General Statute 159 and the Local Government Budget and Fiscal Control Act.

Two documents comprise the budget. The first document is the continuation budget necessary to continue providing services at the current level. This section contains both the financial information and narrative descriptions of each program currently funded by the Board. The second document contains detailed information on 56 alternate service levels requested by departments and outside agencies. These are "new and different" activities that expand or contract the current level of service to Forsyth County citizens and taxpayers.

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

## Goals

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

- Avoid shifting the increased costs of County government on taxpayers already struggling with the economic recession, changing credit markets, uncertain employment prospects, and the static income streams;
- Carefully analyze the savings from reduced service levels and present the efforts to balance the budget in this context;
- Conservatively estimate revenues and expenditures to avoid expectations of performance that are not realistic;
- The appropriated fund balance recommended by the County Manager is the goal for expenditure reversions. For the last two years, the Manager's recommended budget increased the reliance on savings to balance the budget. It is significant that the recommended budget for FY 2010-2011 restores appropriated fund balance to the FY 2008 level.

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

### Overview

This is the third year of extreme fiscal stress for businesses, citizens and local governments. Although both national and state economists officially declared the end of the "Great Recession" in late-summer 2009 and forecasters predict continuing recovery in 2010, the growth predictions are modest, at best. Continuing high unemployment negatively impacts the sales tax revenue generated from retail sales and prolongs the sluggish housing market with depressed prices. High unemployment also increases the workload in many of our departments, particularly the human services agencies.

The County has been successful in responding to this crisis. Two years ago the Manager's Message for Fiscal Year 2009 noted that reductions of \$8.3 Million were required to balance the budget and that economists were debating whether or not the United States was in a recession. The final adopted budget included the elimination of forty-three positions and across-the-board reductions to balance it without a tax increase. Obviously FY 2010 confirmed that we were in an historic recessionary period and additional reductions were required. This was also a re-valuation year and the Board adopted the revenue neutral rate, except for the 1.1 cent increase related to the approved Education Facilities Bonds. Efforts to balance the budget included a retirement incentive program and a vacancy review process that ultimately eliminated eleven positions and will spread cost savings across FY 2010 and future years. Reorganizations were required in numerous departments to re-assign duties in the wake of the reductions. Thirty-five employees took advantage of the retirement incentive; however many of those employees worked in Social Services and Public Health and were retained.

For FY 2010-2011, the Manager's recommended budget is balanced with the Countywide ad valorem tax rate unchanged at 67.4 cents. The portion of the tax rate earmarked for the Education Debt Leveling Plan is also unchanged at 4.1 cents, with the remaining 63.3 cents supporting County operational needs, debt service, and annually-funded capital needs.

The County's two main revenue sources, property tax revenues and sales tax revenues are projected to decline in FY 2011. The reduction in property taxes reflects the reduced collection rate in the previous fiscal year and a lower valuation of motor vehicles. Both of these are directly related to the overall economy and should improve as the recovery continues. It is important to note that decline in property valuation is rare. In recent history it has not declined since the recession in 1991. Earnings from interest on idle funds are also down, due to the low interest rate environment. The net County impact is approximately \$600,000.

This budget relies less on savings than the previous two budgets. This reflects management's intent to reduce the amount of fund balance appropriated to the pre-recessionary levels. This will serve to avoid dependency on savings to balance future budgets. The net County dollar impact of this is approximately \$2 million dollars. The recommended budget does rely on the availability of funds from the Education Debt Leveling (EDLP) program; however, there are sufficient funds to ensure that this program will continue to self-fund the increasing debt service requirements of publicly approved debt.

As FY 2010 began, the State had not completed their budget process. Once approved, there were several impacts affecting local governments that will continue to impact both expenditures and revenues in future years. The impact to the FY 2010 budget totaled \$1.3 million. Some of the impacts include the following: 1) the elimination of the jail misdemeanor reimbursement of \$18/day per inmate (\$850,000), 2) requiring the County to take on two (2) additional leases for Probation/Parole office space (\$160,000), 3) eliminating the DSS State Aid to Counties (\$177,000), and 4) the continued reversion of 2/3rds of the beer/wine tax.

The expenditure side of the budget also decreases by about \$1.1 million. In terms of net County dollars, most departments reduced their budgets from the FY 2009-2010 amount originally adopted by the Board. Exceptions include debt service, Sheriff's department, Public Health, Social Services, and the cost of providing health insurance.

One of the most significant reductions in the budget is funding for the Winston-Salem/Forsyth County School System. The Schools are facing unprecedented State budgetary cuts and the local reduction reflects the local impact of these cuts. The impact in net County dollars is \$2,363,300. The Schools are essentially asking that the County backfill approximately \$3.7 million to \$5 million in State cuts to avoid elimination of teacher positions. The amount required is contingent upon passage of the State budget. The requested funds are included in the budget as an alternate service level.

This is an important policy question and will likely generate a significant amount of debate. Every year the momentum to shift responsibility for curriculum support from the State to the local governments seems to grow. Since many of the cuts are temporary, such as furlough of workers, the impact in subsequent years will likely include continued funding for the curriculum support, plus the cost of elimination of the furlough.

The issue is made even more complex because of the likely sunset of the federal stimulus and stabilization dollars in FY 2012, referred to by school officials as the "cliff year". This could mean additional significant State reductions next year with the same pressure to assume these costs locally. This is a difficult situation and one with long term financial, operational, and social consequences.

More than half of the County departmental expenditure budgets reflect reductions due to reorganizations, re-engineering work processes, efficiency improvements and other efforts to control costs. I am indeed proud of departmental leadership and their profound sensitivity to the economic realities that we all face. The budget staff did a great job of working with these leaders to compile a workable proposal that forms the basis for an effective policy-level discussion of our community's future.

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 37.

### Summary

The proposed budget and work program for FY 2010-2011 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.

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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 recently promoted Budget and Management Director, I owe a tremendous 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.

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

To Ed Jones, Paul Fulton, Pete Rodda 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, Kim and Pat - 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