

Overview of Changes in Revenues, Expenditures, and County Dollars

The overall Adopted budget for Forsyth County for FY 2011-2012 increased by \$5,565,957 or 1.5% when taking the Contingency for Education Debt Leveling out of the FY 2011 Adopted Budget.

FY 2011 – 2012 Recommended Budget	\$387,351,489
FY 2010 – 2011 Adopted Budget	\$395,336,978
FY 2010 – 2011 Adopted Budget (less EDLP reserve Appropriated)	\$381,785,532
Difference	+\$5,565,957
Percent Change	+1.5%

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 2 or more years to see meaningful growth in revenues. The recommended budget continues to be a “hold the line” budget.

The FY 12 Recommended budget includes reductions that will impact employees’ lives. These items include a reduction in longevity for employees with 7 or more years of service, a 1-day furlough, and changes to the health benefits package. It is regrettable that these decisions are included in the budget, but difficult times require difficult decisions to be made.

A summary of changes is as follows:

County Dollars Change FY 11 to FY 12

(dollars potentially affecting property tax rate)

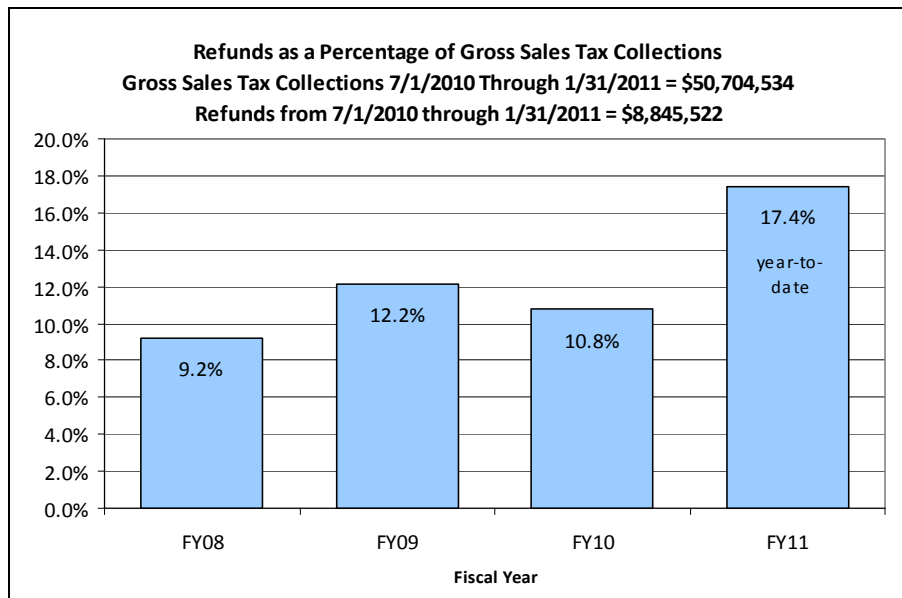
	<u>Expenditure</u>	<u>Revenue</u>	<u>Net County Dollars</u>
Sales Taxes (based on 2.5% increase in overall economic activity)	-	127,619	(127,619)
Property Taxes (higher collection percentage but lower tax base)	-	(30,136)	30,136
Interest Earnings	-	(236,636)	236,636
Hold Harmless	-	(1,603,151)	1,603,151
Debt Service (all)	9,985,926	(4,382,776)	14,368,702
Education Debt Leveling Fund Reserve	-	13,549,651	(13,549,651)
Winston-Salem/Forsyth County Schools	(813,822)	-	(813,822)
Forsyth Technical Community College	253,459	-	253,459
NC Cooperative Extension	(121,798)	(19,737)	(102,061)
Public Safety	(1,253,155)	(1,248,584)	(4,571)
Environmental Management	(271,913)	(199,380)	(72,533)
Health Services	88,710	719,760	(631,050)
Social Services	304,916	638,264	(333,348)
Culture and Recreation	(170,697)	(164,710)	(5,987)
Community & Economic Development	188,737	300,000	(111,263)
Administration & Support	(177,699)	(95,200)	(82,499)
Decrease Fund Balance Appropriated (Non-Departmental)	-	(1,636,117)	1,636,117
General Government (less Non-departmental)	101,554	(340,707)	442,261
Special Appropriations	(1,266,969)	17,468	(1,284,437)
Non-departmental (disregarding FY 11 EDLP designation & less sales/property taxes, Hold Harmless, Interest Earnings)	(1,035,087)	170,329	(1,205,416)
Performance Increase for employees (average 1.03%)	(246,205)	-	(246,205)
Benefit changes (County contribution increase - 5% increase for Health/0.53% increase for retirement) - \$1,167,505	allocated in departments		
Total	<u>5,565,957</u>	<u>5,565,957</u>	<u>-</u>

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

Overview of Changes in Revenues, Expenditures, and County Dollars

Sales Taxes

- Forsyth County receives sales taxes from three (3) statutory Articles: 39, 40, and 42. 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%.
- 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.
- Overall economic activity for Forsyth County Sales Taxes continues to show moderate improvement; however, for FY 11, there have been 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.
- Refunds seem to be impacting the Article 39 more heavily and this Article is the largest of the 3 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 these refunds have peaked and Sales Taxes will normalize over the next months.

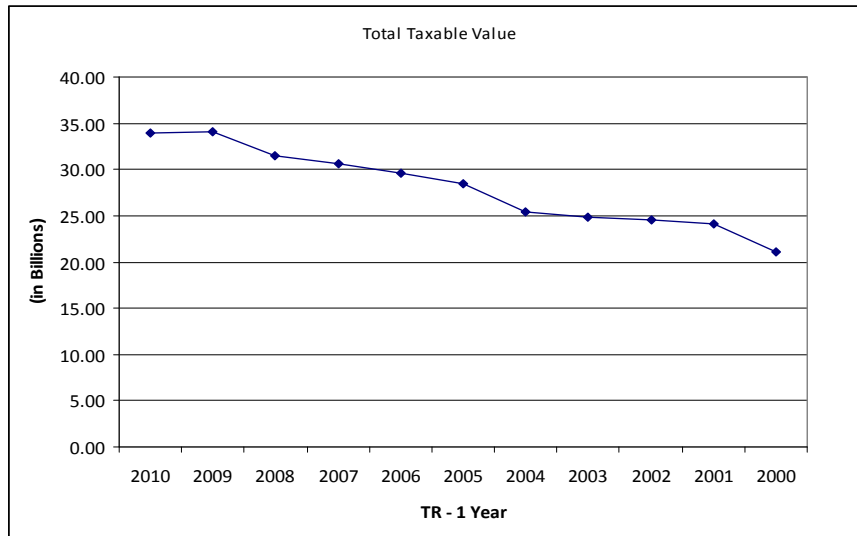


- Several months remain in the current fiscal year and projections show that Sales Taxes will be approximately \$1.2 million or 2.5% less than budgeted. One impact of the Medicaid/Sales Tax swap is that although the State now receives the Article 44 Sales Tax as part of the swap, refunds are still being posted against our Sales Tax in the monthly reports for refunds prior to the October 1, 2009 switch. This results in negative posts against the Article 44 Sales Tax. But, on a positive note, Articles 40 and 42 are showing signs of life.
- For FY 2012, the State of North Carolina projects State Sales Tax between a 3% - 5% increase. The projection used in the County's recommended budget is 2.5% in overall economic activity in the County. Because of the State taking over Medicaid and the County ceding Article 44 to the State, counties are required to hold municipalities harmless from this change. 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. This is part of the reason that the projection is less than State projections.
- With 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.

Overview of Changes in Revenues, Expenditures, and County Dollars

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.
- For FY 2011, the tax base 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 used in FY 2012 is 97.82% compared with a collection percentage of 97.54% used in FY 2011. The following chart provides a history of total taxable values for Forsyth County. For information, 2001, 2005, and 2009 were revaluation years and as shown, only the last revaluation reflected a decline in tax base valuation after a revaluation period.



- The collection rate applied (97.82%) is the same as was actually 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.
- 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.

Interest Earnings

- 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.

Hold Harmless

- 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 the County share for Medicaid.
- In FY 2011, the Hold Harmless amount budgeted was \$3.25 million but only received \$2.84 million. For FY 2012, the Hold Harmless amount will be \$1.64 million. This is actually a good thing because it means that Sales Taxes are picking up for Forsyth County.

Overview of Changes in Revenues, Expenditures, and County Dollars

Debt Service, Education Debt Leveling, & Lottery Funding

- For FY 2012, Debt Service expense is up 18.7% or \$9,985,926 million. \$15.3 million of the budgeted \$63.4 is attributable to Educational and Community College bonds approved by voters in November 2006 and November 2008.
- In order to avoid property tax increases to pay for new schools and renovations, the Board of County Commissioners agreed to designate lottery proceeds towards the payment of debt service associated with the Winston-Salem/Forsyth County Schools' (WS/FCS) construction projects approved by voters in the 2006 Education Bond Referendum. Through the end of FY 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 are covering.
- As stated in the Property Tax section above, 4.1 cents of the Property Tax levied is dedicated for the two (2) Education Debt Leveling Plans (EDLPs) to pay for the debt service on these bonds. Three cents (3¢) of Property Tax collected is dedicated to debt on voter approved bonds from November of 2006 and 1.1 cents is dedicated to debt on voter approved bonds from November of 2008.
- Although Debt Service expense is up, the County is fortunate to have the Debt Leveling plans in place. Below is a chart outlining EDLP and showing that in FY 12, we will have to use almost \$4 million in EDLP reserves to pay the allowable debt for the Schools and Community College.

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	<u>\$ 32,378,276</u>

- 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.
- 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.
- Debt as a percentage of budget when taking the 4.1 cent tax levy into account is 12.9%.
- FY 2012 reflects 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 of 2/3rds Bonds.
- While a rather large amount of new debt was added, the bonds were sold at very good rates and the interest rates on the bonds were exceptional.

Overview of Changes in Revenues, Expenditures, and County Dollars

Fund Balance Appropriated

- There are two places in the Budget where Fund Balance is appropriated: 1) Non-Departmental (\$12.8 million) and 2) the Debt Department (\$4.7 million).
 - The appropriation in the Debt department relates exclusively to the debt service from the November 2006 and November 2008 referenda not covered by NC Education Lottery proceeds.
 - The appropriation in Non-Departmental is the more traditional Fund Balance. For FY 2012, the recommended budget decreases the fund balance appropriation from current year by \$1,636,117.
 - 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 it seems practical.

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 Recommended budget.

Winston-Salem/Forsyth County Schools

- The Recommended budget provides \$813,822 less County dollars to the Winston-Salem/Forsyth County Schools which is a decrease of 0.7% from current year original. In FY 2011, the Board of Commissioners approved appropriating an additional \$2.7 million to the Schools to help offset some of the State budget cuts, however, this was a one time appropriation and the FY 2012 starting point was the Manager's FY 11 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 know 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.
- The current year per pupil expenditure based on the original budget is \$2149 based on average daily membership of 52,273 students. The Recommended budget decreases the per pupil expenditure to \$2,110 (1.8% or \$39 per pupil) based on a projected average daily membership of 52,850 students (per North Carolina Association of County Commissioners forecast).
- The Manager's recommended budget also includes approximately \$1.5 million to open two new schools in the County – Morgan Elementary and the combined Walkertown Middle/High School. These are operational dollars for these two schools.
- 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 recommended appropriation will be transferred to this Capital Maintenance Project Ordinance to continue the agreement.
- Finally, the School System is changing the manner in which School Resource Officers 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. These officers will take over from the Forsyth County Sheriff's Office. In addition, the Manager's recommended budget continues to provide \$1.8 million to help fund this program.

Forsyth Technical Community College

- The recommended budget provides \$253,459 more 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 recommended budget includes \$339,325 for six months of operations. The center will be ready to open January 1, 2012.

Overview of Changes in Revenues, Expenditures, and County Dollars

- 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.

NC Cooperative Extension

- NC Cooperative Extension is a part of the Education Service area therefore it is discussed in this section.
- The recommended budget for NC Cooperative Extension reflects a County dollar reduction of \$102,061. Included in the reduction is the deletion of 2 full time positions due to the elimination of Smart Start funding. The Smart Start program has 3 full time positions allocated to it.
- North Carolina Agricultural and Technical State University is taking over the funding for one of the Smart Start positions.

Public Safety Service Area

- Included in the Public Safety Service are Animal Control, Interagency Communications, Emergency Management, Sheriff, Emergency Services and Court Services. This service area is 15.9% of the total General Fund budget.
- Animal Control, Interagency Communications, and Emergency Services (Fire/EMS) all reflect budget-to-budget County dollar decreases. The decrease in **Emergency Services** is attributable to a fee change approved in the current fiscal year and better collections of ambulance bills. There will be 1 new full time Database Specialist position added in April 2012 using savings from a Resident Engineer contract.
- **Emergency Management** is a joint City/County department administered by the City of Winston-Salem. Costs are shared 50%/50% net of revenue.
- 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 will delete 11 full time positions allocated to the School Resource Office program. The Sheriff has vacant positions so that 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 a little as 5 officers in the SRO program.
- In addition, the Sheriff is deleting 4 full time vacant Detention Officer positions due to an unusually low daily population. The daily population has decreased 20% in the past twelve months and the savings can be seen in the amount of overtime expended. The daily population for March 2011 was 639 versus 781 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 recommended budget for **Court Services** includes the reduction of funding for the Deferred Payment Coordinator position. This is not a mandated program for the County or the court system and the data does not seem to imply that there are significant savings in jail time for those on the program.

Environmental Management Service Area

- This service area includes Inspections and the Environmental Affairs Department. Environmental Management makes up 0.6% of the Recommended General Fund budget.
- The **Inspections Department** is a joint City/County department administered by the City of Winston-Salem. With the downturn in the economy over the last four years, this department continued to require more and more operational dollars. For FY 12, the County share of this service will decrease by 10.8% (\$58,410). This decrease results from the elimination of 4 positions that had not been funded for a few years as well as 2 positions that became vacant during the year.
- The **Environmental Affairs Department** will eliminate 1 full time position and 2 part time positions, all filled, to eliminate the original County dollar increase of \$200,000.

Overview of Changes in Revenues, Expenditures, and County Dollars

Environmental Management Service Area (continued)

- One of the positions being eliminated is the long-time director who will retire. The two part time positions are filled with employees who retired and came back to work. The services of this department are not mandated of the County. This is a State function and there are only two other Counties with Environmental Affairs Departments, Buncombe and Mecklenburg. The impact of these position eliminations may be seen in unemployment costs in FY 2013.

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 Recommended General Fund budget.
- **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 addition of 3 full time positions and delete a net of 1 part time position.
- **CenterPoint** Human Services is the regional Mental Health provider. There are 4 counties that comprise the CenterPoint catchment area (Forsyth, Rockingham, Davie, and Stokes).
- The recommended 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 much stronger financial position and will provide predictability in funding.

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 Recommended General Fund budget.
- The recommended budget for **Social Services** reflects a County dollar decrease of \$122,365 or 0.8%.
- Included in the Social Services budget is 7.5 positions funded with Department of Defense funds. These positions are budgeted to continue 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 testing mode currently and almost ready to go into production mode. This system could save as much as 20% in worker efficiency alone.
- **Youth Services** is the County's juvenile incarceration facility. Youth Services' recommended 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 will increase to \$122 per day per child and if an out-of-county child is held, the reimbursement doubles to \$224 per child per day.
- 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 allow for 1 full time and 1 part time position to be eliminated. Both were vacant.

Overview of Changes in Revenues, Expenditures, and County Dollars

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 Recommended General Fund budget.
- 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.
- The primary topic for the Library is how to proceed with the voter approved Library bonds. The Board of Commissioners are divided as to whether to move forward with the planning and construction of a new Central Library or wait until more issued debt is paid down. This will be a discussion item during the budget workshop.
- 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 a substantial amount of 2/3rds bond funds to do lifecycle maintenance at the various parks including Tanglewood Park which has a championship golf course needing repairs.

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 Recommended General Fund budget.
- The **Housing** department has significant resources located in Grant Project Ordinances to assist with homeownership and rehabilitation. County dollars for the program will increase by 1.6% in FY 2012 and this is primarily due to personal services increases such as health and retirement contributions.
- **Planning** is a joint City/County department administered by the City of Winston-Salem. For FY 2012, the recommended County contribution will decrease by \$73,590 primarily due to the elimination of a full time position.
- 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 Recommended 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 with this project.

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 Manager's recommended budget.
- **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.
- The **Budget & Management Department** will eliminate 1 full time Inmate Medical Coordinator position in FY 2012. The department will also continue to administer the Juvenile Crime Prevention Council (JCPC) program. This provides the department with a revenue source; however, by eliminating a position, we will have to use resources from the Manager's office to assist with this service. This reduction allows the department to reduce County dollars by 6.9% (\$35,701).
- **Management Information Systems** continue 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.

Overview of Changes in Revenues, Expenditures, and County Dollars

- **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 still minimize costs.
- 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.

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 Manager's recommended budget.
- The **Register of Deeds Office** reflects change of \$131,762. This department has a separate fund 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.
- 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.
- The **Board of Elections** will have 2 elections in FY 2012, municipal elections in November and then a county-wide general election 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 departments. This resulted in a loss of approximately \$250,000 of revenue.
- The **Tax Department's** budget reflects a County dollar decrease of 0.4% (\$17,226). The decreases are found within operating accounts.
- 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.
- The **Non-departmental Department** is somewhat of 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.
- Also included in the non-departmental budget are the costs for Employee Performance Adjustments. The FY 2012 recommended 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%.
- In addition, the Non-departmental budget reflects a negative number for Salary Savings which is slippage that is difficult to project. For FY 2012, salary savings are budgeted at \$3,000,000 which is \$600,000 more than current year. In addition, the recommended budget includes an 8 hour furlough for all employees which equates to approximately \$357,000. The furlough along with increase in insurance costs to employees, and a lower performance adjustment equates to some employees taking home less money than they currently do. However, there are no massive layoffs that will occur with these recommendations.

Overview of Changes in Revenues, Expenditures, and County Dollars

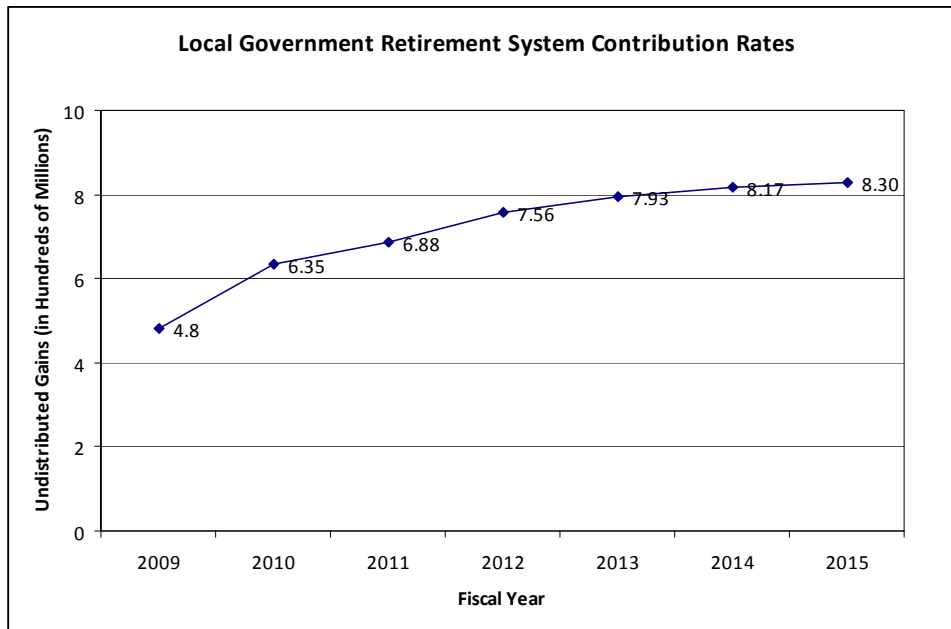
- Non-departmental also includes the appropriation of Fund Balance for general operating. For FY 2012, appropriated fund balance is \$1,636,117 less than current year. The ideal would be that appropriated fund balance be around \$8 million which is \$3 million less than appropriated in FY 2012. The Board's policy is that we should maintain a minimum of 16% unreserved fund balance. For FY 2012, that means that at the end of FY 2011, we need to have \$62 million of unreserved fund balance.

Special Appropriations Service Area

- The Special Appropriations Service Area comprises 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 or Social Services.
- For FY 2012, Special Appropriations agencies are recommended to receive a 10% reduction in County funding. 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. These payments were \$473,500 per year to each facility for 5 years.
- The Special Appropriations department also accounts for the pass-through funding for the JCPC agencies that the Budget & Management Department helps to administer.

Summary of Changes

- For the second year in a row, the Local Government Retirement System Board approved a 0.53% increase in employer contributions to the Retirement System. The employee contribution rates continue at 6%. For 2012, this equates to approximately \$450,000. The following chart provides a look at the potential retirement system increases for the next few years.



- County health insurance rates for employees increase by 5% however; there are increase in the pharmacy benefit as well as some co-pays and deductibles. These will impact employees. The County continues to provide the wellness benefit to employees which equates to a \$40 per month savings in health insurance premiums. The intent for the future is to manage healthcare costs so that County increases remain at roughly 5% or less.
- The County is self-insured and uses Blue Cross/Blue Shield as the Administrator.

Overview of Changes in Revenues, Expenditures, and County Dollars

- Personal Services
As a result of baby-boomers leaving the workforce, the retirement incentive from two years ago, and younger employees getting hired, the result is a savings in salaries and wages for FY 2012 of 2.8% or \$2.45 million. This savings is offset by a \$1.5 million increase in employee benefits for a net savings in Personal Services of \$996,000 or 0.8%.
- Professional & Technical Services
This category of expenditures captures costs for items such as Inmate Medical Fees, Employee Drug Screens, Veterinary Fees, etc. The FY 2012 recommended budget reflects a 2.9% increase over current year original. The increases are inflationary and no new services are included.
- Purchased Property Services
This category of expenditures captures expenditures for services such as Exterminating Services, Elevator Maintenance, Equipment Repair Services, Equipment maintenance, Communications Equipment Maintenance, etc. For FY 2012, this category of expenditure reflects a 6.4% decrease in County dollars from the FY 11 Original budget.
- Other Purchased Services
This category of expenditure accounts for items such as telephones, the 911 services, other contractual services, insurance claims, etc. The FY 2012 recommended budget reflects a decrease of \$499,202 or 4.9%.
- Travel
This category of expenditure accounts for items such as training and conference. The FY 2012 recommended budget reflects a decrease of 1.2% from Current Year Original budget.
- Material & Supplies
This category of expenditure accounts for items such as office supplies, small equipment (less than \$5,000 per unit), uniforms, operating supplies, medical supplies, etc. The FY 2012 recommended budget reflects a decrease of 1.3% from Current Year Original budget.
- Other Operating Costs
The primary expenditures within this category are those related to Public Assistance programs within Social Services. Also included in this category of expenditure are membership and dues and tuition reimbursement. The FY 2012 recommended budget reflects a 1.2% decrease from Current Year Original budget.
- Contingency
This category of expenditure accounts for items such as general contingency. Some departments have a small amount of contingency budgeted with the anticipation of some grants becoming available. The grants have been applied for but have not been received to date. This category is recommended at \$260,715 less than current year original.
- Property
This category of expenditure accounts for items such as vehicle replacements and capital outlay (unit cost greater than \$5,000). For FY 2012, this category of expenditure is reflected to decrease by \$545,728 or 23.3% from Current Year Original budget.
- Debt Service
This area has been discussed at length previously but to recap, this expenditure is recommended at a \$9,985,926 increase over Current Year Original budget. Much of this debt will be offset using Education Debt Leveling dollars and NC Education Lottery funds. Again, this will be the first year in which property tax revenue for the 4.1 cent EDLP will not cover the debt service and an additional 3.9 million of EDLP reserves will be used.

Overview of Changes in Revenues, Expenditures, and County Dollars

- Payments to Other Agencies

This category of expenditure accounts for items payments to other local governments such as the City of Winston-Salem, the WSFC School System, Forsyth Technical Community College, and outside non-profit agencies. These payments are recommended at a level that is \$1.4 million less than the Current Year Original budget.

Top County Dollar Changes

Some benefit can be gained from seeing a ranking of changes in County dollars. As shown in the charts below, the County has placed a priority on funding areas that are statutorily required. It also reflects that as funding streams continue to contract, the County takes its fiscal responsibility seriously in minimizing the impact on its citizens. Normally, only increases of over \$500,000 would be reflected in the top County dollar increases. As reflected, one can see the impact of continued belt tightening. It is a testament to the commitment of department managers to continue to provide excellent services with limited resources. Most of the increases in the first chart are simply due to the normal costs of doing business. The departments reflected in the Bottom chart reflect departments that were impacted by revenue increases from grants or fees, as the case with Public Health and Youth Services, or reductions in operating and/or personnel.

Top County Dollars Change, by Department

	Change FY 11 to FY 12	
	\$	%
Debt (accounting for 4.1¢ EDLP)	819,050	2.2%
Board of Elections (cost of 2 elections)	327,725	54.8%
Forsyth Technical Community College	253,459	3.4%
Sheriff	196,839	0.6%
Library	67,654	1.0%
County Manager/Commissioners	49,817	4.9%
Attorney	42,086	3.4%
Emergency Management	9,010	2.8%
Purchasing	6,510	7.2%

Bottom County Dollars Change, by Department

	Change FY 11 to FY 12	
	\$	%
Special Appropriations	(1,284,437)	-72.7%
Winston-Salem/Forsyth County Schools	(813,822)	-0.7%
Public Health	(631,050)	-7.1%
Youth Services	(210,983)	-25.3%
Emergency Services	(178,635)	-3.4%
Social Services	(122,365)	-0.8%
NC Cooperative Extension	(102,061)	-15.3%
Management Information Services	(88,116)	-1.1%
Parks & Recreation	(73,641)	-2.3%
Planning	(73,590)	-4.6%