

# Manager's Message

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June 1, 2006

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

Ladies and Gentlemen:

A recommended budget for the fiscal year beginning July 1, 2006 and ending June 30, 2007 is presented for your consideration.

The recommended budget for next year is \$356 million. This is an increase of \$16.5 million (4.9%) over the current budget. A property tax rate of 67.6¢ would be required for the recommended budget, an increase of 1¢ (1.5%) from the current rate of 66.6¢.

This recommended rate takes advantage of some information received after the budget document had gone to press. This information concerns a reduced rate of contribution to the State Retirement System which would save Forsyth County \$1.4 million, and affect all County departments with personnel. The numbers included in the departments and financial summaries assume the old rate. However, the numbers referenced in this Budget Message do include these savings which are incorporated into the recommended property tax rate, as well as the employee compensation line below.

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## Budget Objectives

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Our objectives for this budget are:

1. To allocate resources to maintain our current program of services as efficiently and effectively as possible for our citizens.
2. To allocate additional resources only for needs which:
  - are clearly essential for public health and safety;
  - are essential to provide a minimum level of a service or function required by law or regulations;
  - are necessary for the operation and proper maintenance of essential information systems, facilities or equipment;
  - will result in future savings or cost avoidance, and;
  - provide for our education responsibilities and plan for future additional school and community college debt service
3. To maintain the County's strong financial condition and our excellent credit rating by careful attention to our current and future fund balance position.
4. To prepare for a change to a new compensation plan in order to attract, retain and motivate excellent employees, while emphasizing performance and predictability in cost.

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## Expenditures

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The increases (or decreases) in expenditures in the proposed budget are as follows:

Debt Service	(\$788,977)
Medicaid	(1,064,425)
Schools	5,967,500
Downtown Health Plaza (remains at \$800,000)	0
Employee Compensation	1,674,015
Health Insurance	1,000,000
Public Safety and Health	3,177,944
Social Services	806,271
All other - limited discretion	4,413,311
All other - more discretion	<u>1,362,404</u>
Total Increase	<u><u>\$16,548,043</u></u>

### **Debt Service**

Debt service will be \$788,977 less than the current budget. Declining obligations for older debt are more than additional new debt.

### **Medicaid**

This budget assumes that the General Assembly will enact some form of Medicaid relief for counties – specifically: the House proposal to cap our Medicaid expenditures at current levels. Other helpful proposals have also been introduced.

If we do not get Medicaid relief, we will spend an additional \$1.2 - \$1.5 million for Medicaid, which will have to come from Fund Balance. Our current Fund Balance is comfortably in excess of our 14% - 16% goal and we expect to finish the current year with a very strong Fund Balance position.

### **Schools**

The recommended increase of \$5,967,500 (a 6.2% increase) is the lowest of the alternatives requested by the school system. In their budget request, this increase would only be sufficient if sales tax refunds are restored to the schools, and if some capital maintenance is deferred.

Any additional increase for the schools would require an additional tax rate increase.

### **Downtown Health Plaza**

This budget recommends continued funding for the Downtown Health Plaza at the present amount of \$800,000. At last the two hospital systems are taking serious steps to explore cooperation in the provision of maternal health services. This may reduce or eliminate the amount of county support needed for health care for low and moderate income persons in future years.

We need to continue our support for the present system while new alternatives are studied. The county does have some responsibility for assuring that maternal health services are available. However, we must be clear that the county cannot be the health care provider of last resort for all uninsured and underinsured people.

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### **Employee Compensation**

We are developing a new employee compensation plan which we expect to "turn on" next spring. This will be a system which emphasizes performance and market data in employee salary adjustments. It will require consistent funding to be effective.

The proposed budget provides for an average merit increase of 3.4% (awarded on the employee's anniversary date). The budget also includes \$1.6 million for market based adjustments which will be made next spring when the new system is implemented.

The cost of employee health insurance continues to increase for us, as it does for private sector employers. Our employees' co-insurance, deductibles, and cost have increased somewhat over the last several years.

As mentioned above, a reduction in the contribution rate for the retirement system has saved us \$1.4 million.

A few weeks ago, we received a petition asking that the \$2,000 Death Benefit for retired employees be increased. An increase is not included in the recommended budget.

### **Public Safety and Health Initiative**

For several years, some important needs have not been fully met in our public safety and health departments. I believe this is the opportunity to more adequately address those needs. Our debt service requirements are actually less than last year. We have serious hope for Medicaid relief. However, we are considering a large bond referendum for this fall. If it passes, our debt service will increase substantially for the next several years.

We have a "window of opportunity" next year in which to address some other needs. A window that will not recur.

The recommended additional resources for the Public Safety and Health Initiative are summarized in Exhibit A.

### **Social Services Improvements**

In February, our Social Services Director gave us a comprehensive assessment of the strengths and weaknesses of our DSS. It is clear that additional personnel are needed to bring all of our services up to standards that are adequate and which meet state requirements. Also recommended are upfits to the DSS building.

These recommended improvements are summarized in Exhibit B. The total cost of these improvements would be \$806,271. However, the State will provide \$648,202 of this cost. Also, the Department has taken steps that will result in \$445,000 in savings in Foster Care. Therefore, the net County cost of these improvements is \$158,069.

### **Other Additional Expenditures**

Other recommended additional expenditures are summarized in Exhibits C and D. Exhibit C are expenditure additions over which we have little discretion or control. Many are committed projects or inflationary increases. Exhibit D are important new projects which are also recommended for next year.

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### Revenues

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The recommended budget includes the following increases (or decreases) in revenues:

Tax Base Increase	\$6,796,796
Tax Rate Increase	2,867,970
Sales Taxes	5,604,615
Interest Income	1,034,529
Intergovernmental	601,066
"Hold Harmless"	(1,302,749)
Licenses and Permits	(381,360)
Charges for Services	801,663
Other Financing Sources	293,263
All Other Revenues	932,250
Fund Balance Appropriated	<u>(700,000)</u>
Total	<u>\$16,548,043</u>

#### **Tax Base Increase**

Our estimated tax base has increased by 3.8% over last year, a pleasant surprise as our earlier forecasts were for an increase of less than 2%. We need to be cautious because the increase in future years may not be as large.

#### **Tax Rate Increase**

The recommended tax rate increase of 1¢ (1.5%) will generate \$2,867,970. A penny on our tax rate now represents \$2,867,970.

#### **Sales Taxes**

Our estimated sales tax revenues are up 8.9% budget to budget. After several years of erratic results, the sales tax situation seems to have clarified itself very favorably for us.

#### **Other Revenues**

Estimated interest income is up due to higher interest rates. "Hold Harmless" revenue from the State will continue to go down as our Article 44 sales taxes increase. Licenses and permits are down due to the effect of City annexation on Cable TV franchise fees. We have also lowered EAD fees to the same schedule as the State.

#### **Fund Balance Appropriated**

Although our Fund Balance situation is excellent, I believe it is prudent to use less Fund Balance than we did last year. The proposed budget uses \$8.4 million of Fund Balance compared to \$9.1 million in FY 2006.

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### **Future Considerations**

Our future considerations should always include:

- Maintaining our sound fiscal policies for debt management and maintenance of fund balance;
- Maintaining a fair and competitive compensation package. In the future, we will need to consider amending our 401K package so that all employees (and not just those in law enforcement whom we are mandated to include) can receive this basic benefit. Many of our competitors are providing a 401K package for all employees, and this gives them a competitive advantage for recruiting and retaining employees;
- Staying alert for opportunities to reduce costs by innovation, use of technology and alternative ways of delivering services – without loss of quality or attention to our citizens and their needs;
- Determining which of the many services the County provides to continue to fund based on available resources;
- Maintaining our facilities and equipment to ensure their usefulness, efficiency, and useful life;
- Planning carefully for our future capital facilities needs.

### **Thank You**

I would like to thank all of our department heads, the Sheriff and the Register of Deeds. They all presented thoughtful and conservative budget requests. Even when our resources are limited, they have the responsibility to articulate what they need to provide services effectively. School Superintendent Don Martin and Forsyth Technical Community College President Gary Green are always helpful. The directors and managers of the other agencies that we work with are cooperative as well. We thank them all.

Thanks to Ed, Ron, Joe, and Paul for their council and support; to Debbie, Ronda, Damon, Stephanie, and William of the Budget and Management staff for their long hours and hard work; to the Print Shop; and to Jane, Kim, Carol, and Sandy for all they do year-round for the Commissioners and me.

Respectfully submitted,

Graham Pervier  
County Manager

## Manager's Message - Exhibit A

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	<u>Expense</u>	<u>Revenue</u>	<u>Net County Dollars</u>	
<b><u>Public Safety &amp; Health Initiative</u></b>				
<b><u>Animal Control</u></b>				
Lead Shelter Attendant	34,764		34,764	Needed to provide additional supervisory capacity on the weekends. In addition, the position will be required to be certified to perform vaccinations and other procedures.
<b><u>EMS</u></b>				
Quality Improvement Coordinator	49,435		49,435	Needed to oversee all quality assurance and improvement activities, i.e., those required by the NC Office of EMS as part of the EMS Model System.
10 positions to staff 2 "peak load" crews.	746,092		746,092	Needed to meet demand during busiest times of day. Includes 2 ambulances.
2 New Reserve Ambulances	335,496		335,496	Ambulances for use when other ambulances are taken out of service for repairs, scheduled preventive maintenance, or remounts.
<b><u>Fire</u></b>				
4 positions	158,592		158,592	3 Telecommunicators necessary to handle increased workload required to follow protocols under the Emergency Medical Dispatch System. 1 E-911 database technician to assist existing position in maintaining the CAD/AVL database.
<b><u>Sheriff</u></b>				
System Administrator	75,044		75,044	Needed to supervise 3 existing information technology staff critical to maintaining all of the computer systems for department.
Law Enforcement - 8 positions	557,590		557,590	2 additional Crime Scene Investigators, 2 Detectives, & 2 Narcotics Officers. Includes vehicles for each. Also includes 2 clerical positions.
Law Enforcement - Use Retired Deputies	167,934		167,934	To be used to hire experienced retired deputies in a part time capacity for the Courtroom Services and Civil Divisions.
Detention - 14 positions	596,797		596,797	13 positions to provide relief for existing positions for the current 9½ towers. Also includes 1 clerical position.
<b><u>Public Health</u></b>				
2 grant funded positions	49,748	49,748		- 1 PT position in WIC program; 1 FT position for the Children's Center.
Community Health Assistant for Infant Mortality program.	28,221		28,221	This position already exists but is currently funded with grant from the KBR Foundation. Request is for County to fund in FY 2007.
8 additional County funded positions	378,231		378,231	These positions are recommended as a result of increased workload. These include 2 FT and 1 PT Environmental Health positions, 3 additional nurses for School system, 1 additional nurse for Child Health, and 1 additional position in Health Education.
<b>Total Public Safety &amp; Health Initiative</b>	<b>3,177,944</b>	<b>49,748</b>	<b>3,128,196</b>	

## Manager's Message - Exhibit B

	<u>Expense</u>	<u>Revenue</u>	<u>Net County Dollars</u>	
<b><u>Social Services Improvements</u></b>				
<i>Family/Children Medicaid</i>				
5 Processing Assistants	164,693	82,598	82,095	To improve the performance of this division which has failed the State's mandated application time guidelines 14 out of the last 15 months.
1 Income Maintenance Caseworker II	35,575	35,575	-	
<i>Food Stamps</i>				
4 Income Maintenance Caseworker II	162,600	81,300	81,300	To address workload increase which has jumped 88% since January 2002 with no increase in staff.
<i>Child Support Enforcement</i>				
3 Processing Assistant III	99,115	66,110	33,005	To improve amount of child support actually being paid. Of counties providing this function, we current are next to last in child support actually being paid as a percent of court ordered payments.
<i>Adult Protective Services</i>				
1 Social Work Supervisor III	62,715	31,088	31,627	To address a sharply increasing workload from the "baby boomer" population. The number of cases in the 1st 6 months of this year exceeded all of last year.
1 Social Worker III	52,762	26,381	26,381	
<i>Adult Medicaid</i>				
1 Income Maintenance Caseworker II	40,650	20,325	20,325	Cases are up 16% in the last 4 years with no increase in staff. More thorough reviews of cases are needed to reduce chances of error potentially resulting in costly paybacks in the future.
<i>Aging Services</i>				
1 Administrative Assistant 1	23,511		23,511	Provides part time administrative support for the Forsyth County "Aging Services" initiative which began in FY 2003. This position has actually been in existence since FY 2003, but has not always been part of the County budget.
<i>Upfits to Building</i>				
1st and 2nd floors	469,250	234,625	234,625	The 1st and 2nd floor project will improve client and employee safety. The Attorney's area project will provide needed additional finished space in the DSS building.
Attorney's area	140,400	70,200	70,200	
<b>Total Social Services Improvements</b>	<b>1,251,271</b>	<b>648,202</b>	<b>603,069</b>	
Less: Social Svcs. - Foster Care savings	(445,000)		(445,000)	Savings in Foster Care expenses due to improved management practices developed by our Department of Social Services.
<b>Total Social Services</b>	<b>806,271</b>	<b>648,202</b>	<b>158,069</b>	

## Manager's Message - Exhibit C

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	<u>Expense</u>	<u>Revenue</u>	<u>Net County Dollars</u>	
<b><u>All Other Increases</u></b>				
<b><u>Less Discretionary</u></b>				
Forsyth Tech	(128,117)		(128,117)	Ongoing expense is up by \$214,526, major capital project expense is down by \$342,643.
CenterPoint	(99,550)	(236,757)	137,207	Authority services are up \$137,207, but County provided services are down \$236,757.
Energy	266,394		266,394	Countywide energy increase without gasoline.
Gasoline	392,500		392,500	Gasoline estimated at same usage as current year. Price estimated at \$2.40 per gallon.
Risk Management	420,485		420,485	Rate increases are anticipated due to last year's catastrophic hurricane season (primarily Katrina), as well as court decisions affecting governmental immunity.
Jail Medical and Food Contracts	675,246		675,246	Up mainly due to the medical contract.
Register of Deeds Automation Related	336,729		336,729	This utilizes dedicated revenue, some of which has been reserved in the Fund Balance.
Economic Development	228,624		228,624	Projects previously approved and Ferguson Group contract.
Information Systems	968,000		968,000	MIS (\$ 607,000) and Sheriff (\$ 361,000). Includes equipment replacements, maintenance contracts, and software licenses.
Tax Cashier/Collection System	200,000	62,000	138,000	Part of the system being developed jointly between MIS and Tax. This module is scheduled to become operational late in the fiscal year. Offsetting revenues from municipalities.
Other	1,153,000	312,500	840,500	Includes such items as contractual commitments, medical supplies, water and sewer, various Court Services and DSS expenses, etc.
<b>Total Less Discretionary</b>	<b>4,413,311</b>	<b>137,743</b>	<b>4,275,568</b>	



## Manager's Message - Exhibit D

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	<u>Expense</u>	<u>Revenue</u>	<u>Net County Dollars</u>	
<b><u>All Other Increases</u></b>				
<b><u>More Discretionary:</u></b>				
Other New Positions	184,792	23,136	161,656	3 additional for Tax; 1 additional and 1 to replace grant for Library, 1 PT for Parks.
Digital Imagery Project	600,000	210,000	390,000	For use by Tax as well as City & County Public Safety. Will provide verification of assessment data of all parcels in the County. Revenue from Winston-Salem & Kernersville.
Tanglewood/Other Parks Maint. Projects	350,000		350,000	Tanglewood (\$300,000) and Parks (\$50,000).
Accelerated Vehicle Replacements	500,455		500,455	Will reduce number of vehicles over 10 years old and/or with over 100,000 miles.
All Other - net	(272,843)		(272,843)	
<b>Total More Discretionary</b>	<b>1,362,404</b>	<b>233,136</b>	<b>1,129,268</b>	