
CITY MANAGER'S MESSAGE SUMMARY

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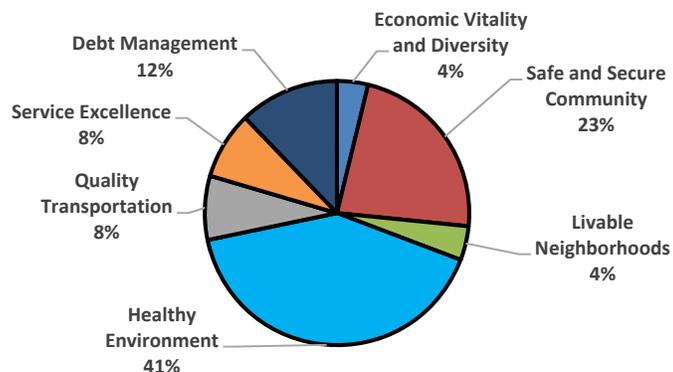
Dear Mayor Joines and Members of the City Council:

In January 2014, the Mayor and City Council held a special workshop to discuss the City’s priorities for the next three years. Out of that discussion, the Mayor and City Council identified the following six strategic focus areas that would guide City government over this period.

- Economic Vitality and Diversity
- Safe and Secure Community
- Livable Neighborhoods
- Healthy Environment
- Quality Transportation
- Service Excellence

Within these strategic focus areas, the Mayor and City Council also established 29 strategic objectives to measure the City’s progress in these areas. These objectives have provided the basis for developing strategies, which have been incorporated into City departments’ annual key work items. While this strategic approach has guided the work of City government, the annual budget has focused on the allocation of resources to City departments, and the budget document has reflected that focus. To enhance our performance management efforts, the presentation of the proposed FY 2016-17 budget is organized by the strategic focus areas. Departmental budgets or divisions within departmental budgets have been assigned to one of the focus areas in order to show a more strategic allocation of resources. The following chart shows the allocation of the total proposed FY 2016-17 budget by strategic focus area, including debt management.

Proposed FY 2016-17 Budget by Strategic Focus Area



The budgets for the strategic focus areas include both operating and capital expenditures.

While City management is aligning resources with the Mayor and City Council's strategic focus areas, the annual process of balancing the proposed budget remains challenging, requiring considerable effort and fiscal discipline. Since the "Great Recession" in 2008, the Mayor and City Council has worked tirelessly to keep the cost of City government low, minimizing the impact on taxpayers and citizens. During this time, the City has maintained the current level of service while restraining growth in expenditures. The City has achieved this balance by providing modest increases in employee compensation, limiting equipment replacements to the most critical needs, and deferring maintenance on some of the City's facilities and infrastructure. With the exception of providing for the 2014 bond referendum, the City only has raised taxes in recent years to offset the impact of State legislation that has eliminated revenues (hold harmless reimbursement and privilege license fees) or eroded the property tax base (exclusion of custom business software). Over the last couple of years, the City's major revenue sources—property, sales, and utility franchise taxes—have grown and provided the City with some capacity to address the City's fundamental needs related to employee compensation, equipment, and facilities. However, there still is much ground to make up.

As City management and staff have monitored the budget outlook and reviewed the needs of the City organization, we feel the City has reached a critical point where more investment is needed in our employees, facilities, and equipment to maintain our excellent city services, enhance the quality of life in the community, and position the City to be more competitive in attracting jobs and growing economically. Based on recent market pay studies, we know most City employees are paid below average actual market rates. We know nearly half of the City's fleet of sedans, trucks, and equipment exceeds age and/or mileage standards for replacement. We know there are City buildings and infrastructure that are in need of major maintenance and repair.

To address these needs, I hereby submit a proposed FY 2016-17 budget of \$442.0 million that includes \$326.5 million for operations, \$41.5 million for debt service, and \$74.0 million for capital. The operations budget is increased 4.9%. The budget is balanced with a proposed tax rate of 58.5 cents, which represents a two-cent increase from the current rate of 56.5 cents (+3.5%), to meet these fundamental needs of employee compensation, equipment, and facilities. The proposed budget provides market pay adjustments to increase the City's competitiveness within the Piedmont Triad and provides for more aggressive replacement of equipment, while using reserves to address some of the City's major facility needs.

The remainder of my message discusses in detail the following major decision points reflected in the proposed FY 2016-17 budget, based on the Mayor and City Council's strategic budget objectives.

Services

The proposed FY 2016-17 budget maintains the current level of services but also includes enhancements related to police patrol, forensic services, fire inspections, stormwater management, and right-of-way maintenance. These enhancements address priorities in the following strategic focus areas:

Safe and Security Community

Central City Police Patrol District: The proposed budget includes the addition of five full-time positions to establish a fourth police district that would serve the central city, from 28th Street south to Interstate 40 and from Martin Luther King, Jr. Drive west to Silas Creek Parkway. The new positions would include one sworn district captain who would have geographic responsibility similar to the existing districts and four public safety communication operators who would provide coverage for a separate radio channel for the new district. Based on the number of police calls in this area, the new district would enable the Police Department to reallocate patrol resources in order to provide enhanced response.

Consolidated City-County Forensic Services: The City and County have consolidated a number of government services to achieve economies of scale and reduce the cost to taxpayers. The City and County have successfully consolidated public safety services such as HAZMAT response, emergency management, arrestee processing, evidence management, an indoor firearms training facility, and a joint fire training facility. The proposed FY 2016-17 budget includes the consolidation of the crime labs of the Winston-Salem Police Department and the Forsyth County Sheriff's Office into a consolidated forensic services unit that the Winston-Salem Police Department would manage. The budget includes the addition of five forensic services technicians that would be paid for by the County through the Governmental Services Financing Agreement.

Public Safety Data Analytics and Information Systems Support: The proposed budget includes the addition of two crime analysts and two information systems analysts in the Public Safety Information Technology Division. The Police Department currently has six crime analysts on staff. These positions analyze public safety incident data and computer-aided dispatch system call activity and prepare reports and maps for use by police personnel. The addition of two crime analysts would enable the department to perform more data analytics and prepare customized reports more quickly to assist with investigations and proactively address crime trends. The Police Department currently has eight information technology professionals who support the computers, infrastructure, and applications for Police and Fire. The addition of two information systems analysts would enable the department to support new public safety facilities such as the police district facilities and would provide additional expertise to research and identify solutions to meet the needs of public safety. Recent projects and applications have included crime mapping, body camera support, magistrate video teleconferencing, and Fire automatic vehicle locator dispatching.

Fire Inspections: Currently, the Fire Department's Suppression Division handles the majority of Level One fire inspections conducted by the City. In February 2016, the Fire Chief presented a proposal to the Public Safety Committee that would shift the inspection workload to the Fire Prevention Bureau over a three-year period. This transition would require the addition of three fire inspectors, one each year over the three-year period, and the adoption of the State-mandated inspection schedule. The Fire Department currently inspects certain occupancy types more frequently than required by State law. The proposed FY 2016-17 budget includes the addition of one fire inspector position for the first-year implementation of this proposed three-year transition. Shifting the inspection workload from the Suppression Division would improve incident response coverage and provide additional time for critical training needs. In addition, inspections performed by the Fire Prevention Bureau would be more thorough, leading to safer building conditions with respect to fire mitigation.

Fire Shift Safety and Training Officers: The proposed budget includes the addition of three captain-level shift training and safety officers to provide enhanced departmental training and incident safety management. Along with the three positions added in FY 2015-16, the department would have a total of six safety and training officers, two per shift. These officers would provide training in the areas of suppression tactics, continuing education for emergency medical services, hazardous materials, facility safety, and employee health and wellness. These officers also would serve as on-scene safety coordinators at working fires to ensure compliance with Occupational Health and Safety Administration (OSHA) requirements and the Fire Department's policies and best practices. Because of the dual role of these positions, the additional three officers would provide the recommended level of coverage and training for each shift.

Healthy Environment

Stormwater Management: Currently, drainage maintenance crews construct improvements to the public storm sewer system and carry out approved projects on private property under the City's "70/30" program. Due to the construction of new public stormwater infrastructure in recent years and the increased requests for drainage improvements on private property, the proposed budget includes an

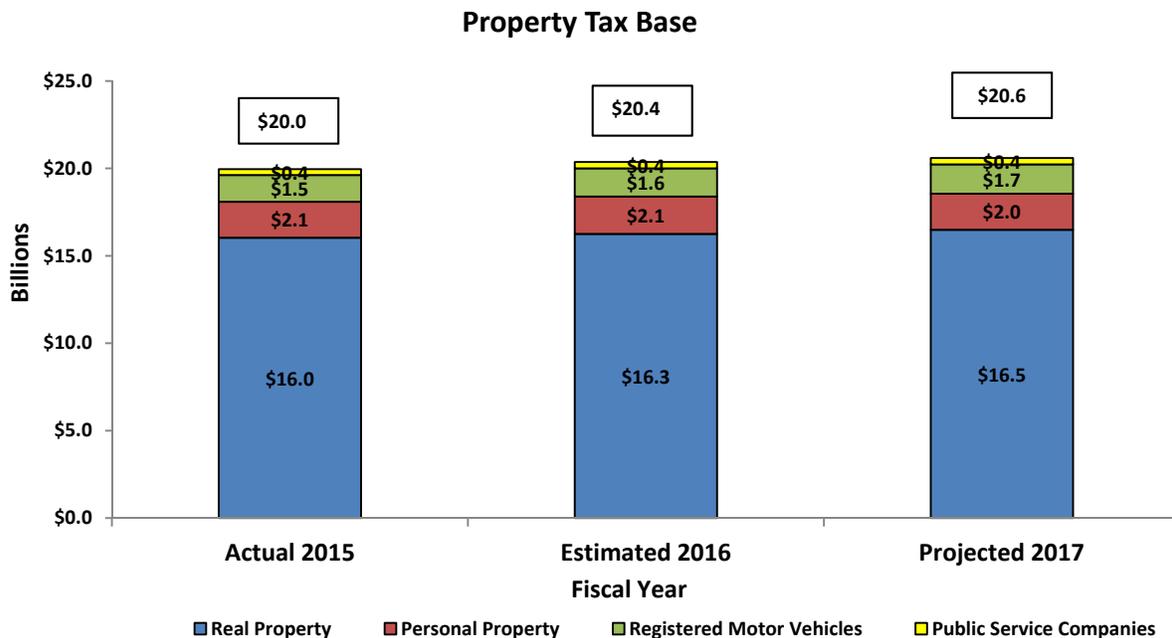
additional drainage maintenance crew to assist with this increased workload. The crew includes one senior crew coordinator, a heavy equipment operator, two light equipment operators, and the associated vehicles and equipment.

Service Excellence

Right-of-Way Maintenance: During FY 2015-16, City management implemented a pilot program to provide enhanced litter pick-up throughout the City’s right-of-ways. Under the program, two crews work set routes to clean certain corridors that experience regular littering. During the work day, if the City receives a complaint about litter in a particular area, the Division of Vegetation Management deploys the crews to address those concerns immediately. Due to the effectiveness of these crews, the proposed budget includes the addition of six positions—two crew leaders and four maintenance workers—to make these crews permanent.

Property Tax

While the City experienced declines in the property tax base due to the 2013 countywide reappraisal and the exclusion of custom software from taxation in 2014, the City has benefited from modest growth in recent years due to the economic recovery and investments related to economic development projects. The following chart shows the changes in components of the tax base—real property, personal property, registered motor vehicles, and public service companies—over the last three years.



Based on the Forsyth County Tax Department’s May estimate, the projected FY 2016-17 property tax base reflects 1.1% growth over FY 2015-16. A penny on the tax rate currently generates \$2.0 million. Based on the current tax rates of the other large cities in North Carolina, Winston-Salem’s rate would remain in the middle of the group.

The proposed tax increase of two cents would raise the rate from 56.5 cents to 58.5 cents, an increase of 3.5%. The following table shows the impact of the increase on residential properties at different values.

| Value | Rate Increase | Annual Tax Bill |
|-----------|---------------|-----------------|
| \$100,000 | \$0.02/\$100 | \$20.00 |

| | | |
|-----------|--------------|---------|
| \$150,000 | \$0.02/\$100 | \$30.00 |
| \$200,000 | \$0.02/\$100 | \$40.00 |

Economy of Operation

A number of new or renovated City facilities are scheduled to open during FY 2016-17, including new public safety and recreation facilities funded from the 2014 bond referendum. Those facilities include the three new police district facilities, renovations to fire stations and the Alexander Beaty Public Safety Training and Support Center, Sedge Garden gymnasium, Jamison Park, and water spraygrounds. The new Lowery Street Facility, which will be home to the Sanitation Department, Employee Training, and the Engineering Field Office, also will open during FY 2016-17. The proposed FY 2016-17 budget includes the addition of six full-time positions in the Property and Facilities Management and Recreation and Parks Departments to operate and maintain these new facilities. The budget also includes other operating expenses such as utilities, supplies, and custodial support. In addition, the proposed budget includes the addition of a senior information systems administrator that would be responsible for maintaining the new traffic signal system network and the City’s new fiber optic network, both of which will be operational in FY 2016-17.

The proposed budget includes the addition of 45 positions (35 in general fund and 10 in other funds) to provide for the enhanced services described above, to support new and renovated facilities opening during the year, and to increase internal support capacity for Police, Employee Training, and Fleet Services. Landfill and water/sewer operations also include additional positions that are offset by the elimination of five positions. The overall full-time position count increases by 40 positions. Attachment A to the City Manager’s message provides a full listing of the proposed new full-time positions in the FY 2016-17 budget.

Nearly half of the City’s fleet of vehicles and equipment has exceeded the age and/or mileage criteria for replacement. As a result, the City is experiencing an increase in maintenance and repair expenditures and downtime. The proposed budget provides additional funding to address the most critical equipment replacement needs, including police pursuit vehicles, fire trucks, sanitation trucks, snow equipment, and heavy equipment for public works operations. The “Supplemental Information” section at the end of the budget document provides a complete list of recommended vehicle and equipment purchases for next year.

The City staff continues to seek ways to invest in new technologies and equipment that will improve the efficiency of City operations and improve customer service. For FY 2016-17, key investments include the following:

- Electronic solution for managing routes and tonnage in the Sanitation Department
- Document scanning solution for Employee Medical to capture historical employee health paper records
- Updates to the City website to improve the search engine along with other enhancements
- Visitor management solution for City Hall and Bryce A. Stuart Municipal Building
- Mobile inspection and record-keeping system for Engineering field inspectors

Employee Compensation and Benefits

The City’s pay plan continues to lag behind average actual salaries for our market, in particular the Piedmont Triad. As a result, we constantly experience challenges with retaining employees, especially in police and public works. My FY 2016-17 budget proposal includes a merit pay increase, the continuation

of the public safety pay supplement approved in February 2016, a retention adjustment for sworn police officers and corporals, and a market pay adjustment to bring employees closer to market rate.

Merit Pay: The proposed budget includes funding for an average 2.0% merit pay increase for employees that would be provided based on the following tiered ratings: top performers-3%; strong performers-2%; solid performers-1.5%. Over the last five years, employees have received modest increases, including a 2% increase each year from FY 2014 through FY 2016, a flat \$250 increase in FY 2013, and a 1.5% increase with a minimum \$500 in FY 2012. Employees did not receive any merit increases in FY 2010 and FY 2011.

Market Pay Adjustment: The Human Resources Department continues to conduct pay comparisons to gauge the competitiveness of the City’s pay plan to market averages. While these comparisons have included the other large cities in the state (Charlotte, Durham, Greensboro, and Raleigh), analysis of these markets and turnover data indicate that the City’s market pay efforts need to focus on maintaining the City’s competitiveness within the Piedmont Triad.

The table below provides updated market pay comparison for a sample of the positions studied and how average actual salaries compare to the market averages. In addition, the table provides the voluntary turnover rate for these positions, as well as the number of positions in each classification. The voluntary turnover rate excludes terminations and retirements.

City Actual Salaries vs. Average Actual Salaries – Piedmont Triad Market

| | City of WS | Triad Market | % Variance | Total # of Positions | Voluntary Turnover Rate |
|---------------------------------------|-------------------|---------------------|-------------------|-----------------------------|--------------------------------|
| Building Inspector | \$42,541 | \$55,385 | -30% | 4 | 25% |
| Construction Inspector | \$41,343 | \$52,942 | -28% | 11 | 18% |
| Crew Leader | \$28,701 | \$36,170 | -26% | 28 | 11% |
| Equipment Operator/Light | \$24,932 | \$27,434 | -10% | 51 | 45% |
| Laborer | \$23,600 | \$27,759 | -18% | 61 | 3% |
| Maintenance Worker | \$24,325 | \$29,144 | -20% | 90 | 23% |
| Public Safety Communications Operator | \$32,542 | \$36,547 | -12% | 39 | 15% |
| Police Officer | \$40,927 | \$41,624 | -2% | 334 | 8% |
| Police Sergeant | \$66,079 | \$58,690 | 11% | 63 | 0% |
| Firefighter | \$38,227 | \$36,519 | 4% | 180 | 4% |
| Fire Captain | \$63,034 | \$56,670 | 10% | 63 | 2% |
| Sanitation Laborer | \$24,808 | \$28,867 | -16% | 34 | 6% |
| Senior Office Assistant | \$33,150 | \$34,121 | -3% | 26 | 8% |
| Utilities Plant Mechanic | \$32,358 | \$35,418 | -9% | 16 | 19% |

| | City of WS | Triad Market | % Variance | Total # of Positions | Voluntary Turnover Rate |
|--------------------------|------------|--------------|------------|----------------------|-------------------------|
| Utilities Plant Operator | \$34,400 | \$35,180 | -2% | 35 | 11% |

Based on the pay and turnover data provided above, the City is expending resources training employees for these positions, only to see them leave, often for better pay. As part of the FY 2016-17 budget discussion, I am proposing a multi-year plan to raise employees' salaries to market averages for the Piedmont Triad. To start, the proposed budget includes a 3% market adjustment for all employees except sworn police and certified fire personnel. This increase also applies to pay plan minimums. Coupled with this increase, I also propose the City conduct a comprehensive market pay study in which one-third of the City's positions would be reviewed each year for the next three years to identify positions that are lagging the Piedmont Triad market. In addition, the proposed budget would increase the City's minimum hourly rate from \$10.10 to \$10.40. This increase would benefit both full-time and part-time employees, including the City's custodial staff.

Public Safety Supplemental Pay Adjustments: In February 2016, the Mayor and City Council approved a public safety supplemental pay plan that increased minimum salaries by 7.5% and employee salaries by 2% for sworn police and certified fire personnel. The full year impact of those adjustments is reflected in the FY 2016-17 budget. The proposed budget also includes a second round of supplemental pay adjustments that would increase sworn police and fire personnel salaries by an additional 2%, effective January 1, 2017.

A more in-depth analysis of sworn police salaries has shown the Police Department is experiencing significant turnover among veteran officers with 5 to 15 years of service; the most acute problem is among officers with 7.5 years of experience. The proposed budget includes a schedule of adjustments ranging from \$1,200 to \$2,300 to improve the retention of police officers and corporals within this range of experience. The cost of this retention adjustment totals \$640,000 including salaries and benefits.

Supplemental Retirement Contribution: Compared to other large cities and counties in the state, Winston-Salem is the only large local government, with the exception of High Point, that does not contribute to a supplemental retirement plan for its employees. As part of the overall effort to make Winston-Salem employee compensation competitive with the Piedmont Triad, the proposed budget includes a 2% contribution to an employee 401(a) plan that would be effective on January 1, 2017. City staff anticipate that a contribution, compared to a City match, would provide a greater benefit to lower salaried employees who otherwise may not participate in a supplemental retirement program. With a 401(a) plan, employer contributions do not apply to the limits established for contributions to 401(k) and 457 deferred compensation plans. Employees would be vested in their 401(a) plans after five years of service. The effective date of January 1, 2017 would provide sufficient time to educate employees on the supplemental retirement plan and select how they wish to invest the City's contribution.

Health and Dental Benefits: For the 2017 plan year, the proposed budget anticipates a modest increase in the City's health care expenditures. The impact on employee contributions again will be limited to a 5% increase. The City's internal health care task force continues to focus on a comprehensive approach to addressing the health and wellness of our employees and covered members and will continue to emphasize preventive care, education awareness, and benefit utilization analysis to evaluate and recommend approaches to controlling current and future growth of costs. The Mayor and City Council recently approved an operating memorandum with the Risk Acceptance Management Corporation for FY 2016-17 that includes stop-loss coverage for health claims exceeding \$250,000. This provision also will assist in managing the growth in claims expenses paid out of the health benefits fund.

User Fees

Based on the recommendation of the Citizens' Organizational Efficiency Review Committee, the Budget and Evaluation Office has developed a new process for evaluating City user fees to ensure fees achieve an appropriate level of cost recovery and are competitive with similar fees charged in other cities. The FY 2015-16 review focused on recreation and parks fees and identified a number of fees recommended for adjustment, including rental fees for picnic shelters and soccer fields and a non-resident fee. The proposed budget does not include any proposed increases in recreation and parks user fees; however, City staff plan to develop a proposal to adjust some of the fees reviewed and bring an action item for the City Council's consideration prior to next spring.

The proposed budget includes a new after-hours inspection fee and a plan review fee for non-residential projects that are less than 4,000 square feet.

On May 9th, the City-County Utility Commission approved a 1.5% increase in the water volumetric rate, a 3% increase in the sewer volumetric rate, and a \$2.49 increase in bi-monthly base rates for the average customer. These increases will generate sufficient revenues to provide funding for all operating expenses and to meet debt coverage requirements for revenue bonds issued in recent years to provide for significant investments in the water and sewer system's treatment facilities and to provide for rehabilitation of aging water and sewer infrastructure in neighborhoods throughout the city. Even with these rate increases, Winston-Salem's rates continue to be among the lowest among the large cities in the state. These increases will go into effect on October 1, 2016.

The Utility Commission also approved an increase of \$0.50 in the large volume tipping fee at Hanes Mill Road Landfill and an increase of \$1 at the Old Salisbury Road Construction and Demolition Landfill. These increases will go into effect on July 1, 2016.

Fund Balances

The proposed FY 2016-17 budget increases the fund balance appropriation in the general fund from \$2.9 million to \$4.4 million, mainly to address a number of major maintenance needs and other one-time expenditures. Of that amount, the proposed budget includes \$890,000 to renovate a number of recreation facilities including: picnic shelters, basketball courts, softball fields, soccer fields, South Fork Recreation Center parking lot, Grace Court, and other park improvements intended to enhance amenities and increase public use. The proposed budget also appropriates \$200,000 for kitchen renovations at Fire Station #5 located at 771 Palmer Lane and \$10,000 for demolition of a structure at City Yard. The proposed fund balance appropriation also provides one-time funding to complete the City's new fiber optic network project (\$550,000) and to cover a short-term increase in the operating subsidy for the Benton Convention Center during the \$18.5 million renovation project (\$715,350).

Due to our careful management of expenses and improved revenue collections over the last couple of years, we project to have \$0.9 million in undesignated general fund balance heading into next year, even with the increase in the fund balance appropriation. This undesignated amount is in addition to the 14% of budgeted general fund expenditures that the City maintains in reserve to provide adequate working capital, produce investment income for debt retirement, and meet the highest standards of the national credit rating agencies.

Downtown Revitalization

In November 2013, the Mayor and City Council approved the creation of the Downtown Winston-Salem Business Improvement District (BID) to provide an enhanced level of service and programs to the

downtown area. In April 2016, the Downtown Winston-Salem Business Improvement District Advisory Committee approved a recommended work plan, budget, and tax rate for FY 2016-17. The work plan continues to focus on the following program areas: cleaner environment, increased safety and security, stronger marketing and promotion, accelerated development, enhanced physical appearance, and administration. Based on an estimated tax base of \$616 million and a recommended tax rate of 9¢, the recommended FY 2016-17 budget totals \$547,950. During the fiscal year, the Advisory Committee will continue to provide regular reports to the Mayor and City Council regarding the services and programs in the BID.

Community Agency Funding

In November 2014, the Mayor and City Council created the Community Agency Allocation Committee to review applications from non-profit organizations seeking financial assistance from the City and to make funding recommendations to the City Manager. For FY 2016-17, the Committee reviewed over 50 applications. Their funding recommendations for agencies receiving federal housing funds are reflected in the Consolidated Housing and Community Development Plan that was approved in April 2016. I have reviewed the Committee's recommendations and reflected some of those recommendations in my proposed FY 2016-17 budget. Attachments B and C provide a full listing of my recommendations for community agency funding.

2017-2022 Capital Plan

The 2017-2022 Capital Plan represents a six-year plan, organized by the City Council's strategic focus areas, that proposes to invest \$370 million in the City's facilities and infrastructure. For FY 2016-17, the Capital Plan includes \$56.1 million in investments in water, sewer, solid waste disposal, and stormwater infrastructure, by far the largest part of the capital budget. The FY 2016-17 capital budget also includes an appropriation of \$2 million in limited obligation bonds for improvements at the Winston-Salem Fairgrounds that were recommended as part of the recent operational review and master plan study. The 2017-2022 Capital Plan will continue to focus on maintenance and investments in the City's existing facilities and infrastructure. The complete Capital Plan will be provided to the Mayor and City Council as part of the submission of the proposed operating budget.

Citizen engagement will continue to be a vital part of the City's budget process. We will provide the proposed budget on the City's website (www.cityofws.org) and will review feedback that is posted by citizens through the Citizen Feedback Line. As always, my staff and I stand ready to meet with your constituents, as needed, to explain the details of the budget proposal.

I look forward to our budget discussions in the weeks ahead. I have attached the calendar of budget events beginning Thursday May 26, 2016.

Sincerely,



Lee D. Garrity
City Manager

ATTACHMENT A

Full-Time Position Additions Included in the Proposed FY 2016-17 Budget

The proposed FY 2016-17 budget includes the addition of 45 full-time positions, 35 in the general fund and 10 in other funds. The following table lists the added positions including the cost in salaries and benefits.

| Position | Department | Salaries & Benefits |
|--|---|---------------------|
| General Fund | | |
| Public Safety Communications Operators (4) | Police Department | \$189,000 |
| Police Captain | Police Department | \$121,000 |
| Forensic Services Technicians (5) | Police Department | \$262,000 |
| Crime Analysts (2) | Police Department | \$111,000 |
| Information Systems Analysts (2) | Police Department | \$165,000 |
| Fire Inspector | Fire Department | \$60,000 |
| Shift Safety and Training Captains (3) | Fire Department | \$265,000 |
| Fire Apparatus Mechanic | Fire Department | \$44,000 |
| Crew Leaders (2) | Property and Facilities Management Department | \$73,000 |
| Maintenance Worker (4) | Property and Facilities Management Department | \$125,000 |
| Equipment Maintenance Technician | Property and Facilities Management Department | \$41,000 |
| Electrician | Property and Facilities Management Department | \$41,000 |
| Trades Helper | Property and Facilities Management Department | \$33,000 |
| Pool Crew Coordinator | Recreation & Parks Department | \$43,000 |
| Pool Crew Specialists (2) | Recreation & Parks Department | \$59,000 |
| Information Systems Senior Administrator | Department of Transportation | \$88,000 |
| Human Resources Analyst | Human Resources Department | \$58,000 |

| Position | Department | Salaries & Benefits |
|-----------------------------------|--|--------------------------------|
| General Fund - Continued | | |
| MWBE Program Supervisor | Community & Business Development Department | \$73,000 |
| Video Production Specialist | Marketing & Communications Department | \$47,000 |
| Total General Fund | 35 | \$1,898,000 |
| Other Funds | | |
| Senior Civil Engineer | Solid Waste Disposal | \$72,000 |
| Civil Engineering Supervisors (2) | Water & Sewer | \$171,000 |
| Civil Engineer | Stormwater Management | \$66,000 |
| Senior Crew Coordinator | Stormwater Management | \$48,000 |
| Equipment Operator/Heavy | Stormwater Management | \$39,000 |
| Equipment Operator/Light (2) | Stormwater Management | \$65,000 |
| Marketing Coordinator | Winston-Salem Fairgrounds | \$53,000 |
| Service Writer | Property & Facilities Management Department/Fleet Services | \$40,000 |
| Total Other Funds | 10 | \$554,000 |
| TOTAL ALL FUNDS | 45 | \$2,452,000 |

Notes

- The proposed budget converts a video production specialist from part time with overtime to full time.
- The MWBE program supervisor position replaces a contracted supervisor position for the program.
- The senior civil engineer position in Solid Waste Disposal is partially offset by the deletion of a full-time solid waste operations specialist position.
- The two civil engineering supervisor positions in Water/Sewer are offset by the deletion of four full-time positions.
- **Overall full-time position count increases by 40 positions.**

ATTACHMENT B

FY 2016-17 Community Agency Funding Recommendations General Fund, Occupancy Tax, Housing Finance Assistance Fund

| EXPENDITURES BY AGENCY | Budget | Requested | Proposed | Percent |
|--|--------------------|--------------------|--------------------|---------------|
| Arts/Culture/Human Services | <u>FY 15-16</u> | <u>FY 16-17</u> | <u>FY 16-17</u> | <u>Change</u> |
| Arts Council – Operating | \$217,360 | \$250,000 | \$217,360 | 0% |
| Arts Council – Capital | 52,540 | 52,540 | 52,540 | 0% |
| Center for Creative Economy | 0 | 50,000 | 25,000 | N/A |
| Experiment in Self-Reliance (ESR) | 85,230 | 125,000 | 85,230 | 0% |
| Forsyth County District Attorney Family Court | 45,000 | 86,500 | 45,000 | 0% |
| HARRY Veterans Community Outreach Services | 25,000 | 25,000 | 25,000 | 0% |
| Institute for Dismantling Racism | 33,350 | 35,200 | 33,350 | 0% |
| Mediation Services | 7,500 | 7,500 | 7,500 | 0% |
| National Association of Black Veterans (NABVETS) | 10,000 | 10,000 | 10,000 | 0% |
| National Black Theatre Festival | 85,000 | 85,000 | 85,000 | 0% |
| Old Salem | 116,070 | 250,000 | 175,000 | 50.8% |
| Piedmont Triad Film Commission | 30,800 | 35,000 | 32,310 | 4.9% |
| RiverRun International Film Festival | 40,000 | 50,000 | 40,000 | 0% |
| SciWorks – Operating | 172,360 | 222,360 | 172,360 | 0% |
| SciWorks – Capital | 50,000 | 50,000 | 50,000 | 0% |
| Shepherd's Center of Greater W-S | 0 | 20,000 | 15,000 | N/A |
| The Sergei Foundation | 5,000 | 10,000 | 5,000 | 0% |
| Work Family Resource Center | 10,450 | 50,000 | 25,450 | 143.5% |
| YMCA: Youth Incentive Program | 66,000 | 66,000 | 66,000 | 0% |
| Youth in Transition | 0 | 40,000 | 18,350 | N/A |
| Subtotal | \$1,051,660 | \$1,520,100 | \$1,185,450 | 12.7% |
| Successful Outcomes After Release | | | | |
| Eureka Ministry | \$20,000 | \$25,000 | \$20,000 | 0% |
| Piedmont Triad Regional Council (PTRC) | 0 | 20,000 | 10,000 | N/A |
| Self-Empowerment Last Forever (SELF) | 10,000 | 20,000 | 10,000 | 0% |
| YWCA: Hawley House | 0 | 52,480 | 10,000 | N/A |
| Subtotal | \$30,000 | \$117,480 | \$50,000 | 66.7% |
| Total Expenditures by Agency | \$1,081,660 | \$1,637,580 | \$1,235,450 | 14.2% |

Note: The contribution to Old Salem includes \$135,000 for operating assistance, \$25,000 for Community Day in August 2016, and a reimbursement of \$15,000 for leaf collection and street sweeping services provided in the historic district by Old Salem.

ATTACHMENT C

FY 2016-17 Community Agency Funding Recommendations Community Development Block Grant, HOME Fund, Housing Finance Assistance Fund

| EXPENDITURES BY AGENCY | Budget | Requested | Proposed | Percent |
|---|------------------------|------------------------|------------------------|----------------------|
| Federal Housing Grant-Funded Agencies | <u>FY 15-16</u> | <u>FY 16-17</u> | <u>FY 16-17</u> | <u>Change</u> |
| AIDS Care Service, Inc. | \$68,370 | \$68,370 | \$60,850 | -11.0% |
| Bethesda Center for the Homeless: | | | | |
| Shelter Building | 0 | 0 | 0 | N/A |
| Case Management | 160,000 | 160,000 | 160,000 | 0% |
| Consumer Credit Counseling Service: | | | | |
| Center for Homeownership* | 71,220 | 75,000 | 66,750 | -6.3% |
| Experiment in Self-Reliance, Inc. (ESR): | | | | |
| Income Tax Preparation Assistance | 30,000 | 40,000 | 35,600 | 18.7% |
| Transitional Housing Program* | 91,150 | 100,265 | 89,250 | -2.1% |
| Habitat For Humanity of Forsyth County, Inc. (HOME) | 138,000 | 236,800 | 142,000 | 2.9% |
| Harry Veterans Community Outreach Support Services (VOCS) | 25,000 | 25,000 | 25,000 | 0% |
| Housing Authority of Winston-Salem: | | | | |
| Tenant Based Rental Assistance | 240,000 | 240,000 | 240,000 | 0% |
| Liberty Community Development Corporation | 0 | 0 | 0 | N/A |
| Liberty-East Redevelopment Corporation | 31,150 | 31,650 | 31,150 | 0% |
| National Association for the Advancement of Colored People (NAACP) | 0 | 0 | 0 | N/A |
| National Association for Black Veterans | 10,000 | 10,000 | 10,000 | 0% |
| North Carolina Housing Foundation: | | | | |
| Veterans Helping Veterans Heal* | 12,450 | 16,000 | 14,250 | 14.5% |
| The Commons | 200,000 | 200,000 | 200,000 | 0% |
| The Commons Case Management | 0 | 13,350 | 13,350 | N/A |
| Piedmont Triad Regional Council: Project Re- Entry* | 17,500 | 35,000 | 31,150 | 78.0% |
| Southside United Health Center | 0 | 18,000 | 16,020 | N/A |
| United Way of Forsyth County: | | | | |
| Ten-Year Plan to End Chronic Homelessness | 20,750 | 30,000 | 26,700 | 28.7% |
| Coordinated Intake Center | 34,120 | 34,120 | 30,400 | -10.9% |
| Continuum of Care Strategic Plan | 0 | 25,000 | 22,250 | N/A |
| Urban League: Summer Youth Employment Program | 125,000 | 125,000 | 125,000 | 0% |
| Winston-Salem Industries for the Blind | 0 | 303,500 | 0 | N/A |
| W-S Foundation: Neighbors for Better Neighborhoods | 39,170 | 45,000 | 40,050 | 2.3% |
| W-S Foundation: Funders Collaborative | 0 | 0 | 0 | N/A |
| Work Family Resource Center | 10,450 | 50,000 | 25,450 | 143.5% |
| Bethesda Center: | | | | |
| Women's Shelter | 32,690 | 35,000 | 32,690 | 0% |

| EXPENDITURES BY AGENCY - Continued | Budget FY 15-16 | Requested FY 16-17 | Proposed FY 16-17 | Percent Change |
|---|----------------------------|-------------------------------|------------------------------|---------------------------|
| Day Shelter | 25,910 | 20,000 | 19,600 | -24.4% |
| Men's Shelter | 25,480 | 25,000 | 23,890 | -6.2% |
| Experiment in Self-Reliance: Transitional Housing | 13,930 | 13,052 | 13,060 | -6.3% |
| Family Services: Women's Shelter | 31,340 | 30,636 | 30,640 | -2.2% |
| Samaritan Ministries: Emergency Shelter | 46,230 | 44,600 | 44,600 | -3.5% |
| The Salvation Army: Emergency Shelter | 46,230 | 46,223 | 44,600 | -3.5% |
| United Way: | | | | |
| Overflow Shelter | 11,500 | 11,500 | 11,500 | 0% |
| Goodwill | 46,860 | 120,000 | 38,540 | -17.8% |
| Rapid Re-Housing Collaborative | 69,860 | 100,000 | 72,590 | 3.9% |
| Data Evaluation | 38,650 | 38,650 | 38,650 | 0% |
| Total Expenditures by Agency | \$1,713,010 | \$2,366,716 | \$1,775,580 | 3.7% |

Budget Review Calendar For Fiscal Year 2016-17

| | |
|-------------------------------------|---|
| Thursday, May 26 | Distribution of the City Manager’s Budget Proposal to the Mayor and City Council |
| Tuesday, June 7 3:30 p.m. | Finance Committee Workshop Council Committee Room, 2nd Floor, City Hall <ul style="list-style-type: none">• Budget Overview and Highlights |
| Thursday, June 9 7:00 p.m. | Finance Committee Public Hearing City Council Chamber, 2nd Floor, City Hall |
| Monday, June 13 4:30 – 6:00 p.m. | Finance Committee Meeting/Workshop Council Committee Room, 2nd Floor, City Hall <ul style="list-style-type: none">• Consideration of a recommended budget and property tax rate• Preview of a preliminary agenda for the budget items at the June 20 City Council meeting |
| Monday, June 13 6:00 p.m. | Public Safety Committee Council Committee Room, 2nd Floor, City Hall <ul style="list-style-type: none">• Review of Police, Fire, and Emergency Management Budgets |
| Tuesday, June 14 2:00 – 4:00 pm | Finance Committee Workshop, if needed Council Committee Room, 2nd Floor, City Hall |
| Monday, June 20 7:00 p.m. | City Council Meeting Council Chamber, 2nd Floor, City Hall <ul style="list-style-type: none">• Public Hearing• Consideration and Adoption of Budget Ordinance |

City Council's Strategic Budget Objectives

The following list of objectives provides the framework for the preparation of the City Manager's budget proposal.

Services

Services that ensure the health, safety, and well-being of Winston-Salem residents will be delivered at the quality expected by the residents, at the least possible cost.

Property Tax

Property tax rate will be set annually at a level that reflects highly efficient and effective service delivery, maintains property tax rate stability, and compares favorably to the tax rates of other North Carolina municipalities with similar services and on similar revaluation schedules.

User Fees

Where appropriate, user fees for services will be developed and updated in order to achieve the expected level of cost recovery.

Balancing Current Expenses with Current Income

Budgets will be developed so as not to require the use of reserves to pay for recurring expenditures.

Fund Balance Reserve

Unrestricted fund balance equal to at least 14% of budgeted General Fund expenditures will be maintained to provide adequate working capital, produce investment income for debt retirement, and meet the highest possible standards of the national credit rating agencies.

Employee Compensation

Sufficient funds will be budgeted to maintain competitive compensation and benefits for city employees.

Economy of Operation

The City Manager is expected to review the cost of city operations continuously to determine ways to create savings, in order that such savings may be passed along to the taxpayers of Winston-Salem.

Expanding the Tax Base

A strong economic development program will be provided in the budget to attract new business investment and to encourage existing business growth in order to diversify and/or solidify the city's economic base.

Downtown Revitalization

The budget will reflect the Council's commitment to enhance the vitality of downtown, through the development of retail, office, entertainment, and residential projects in the downtown area. The eligible area for certain programs may be expanded to include areas outside the central core of the city, such as Waughtown/Parkview and East Winston.

City Fiscal Policies

Sound current and long-range financial policies are intended to 1) maintain relatively low property tax rates, 2) expand and diversify other revenues, 3) augment resources by astute cash management, and 4) facilitate funding for capital improvements by maintaining adequate resources and reasonable financing capability. The policies listed below reflect the City's commitment to maintaining its fiscal strength.

Credit Rating

The City shall achieve the highest credit ratings possible given prevailing local economic conditions. *The City is rated AAA by Fitch, Moody's Investors Service and Standard and Poor's Corporation.*

Revenue Projections

Revenue projections shall be sufficiently conservative to avoid shortfalls, but accurate enough to avoid a regular pattern of setting tax rates that produce significantly more revenue than is necessary to meet expenditure requirements. *Within the last 20 years, the city has experienced only four operating deficits as a result of a revenue shortfall, and these occurred during national recessions. In 2001, actions by the State of North Carolina, in which reimbursements of local revenues of approximately \$8 million were withheld, resulted in a year-end deficit of \$2.2 million. The City incurred a year-end deficit in 2008-09 due to what has been described as the worst national recession since the "great depression" of the 1930's; however, this deficit was less negative than it could have been as a result of financial restraint measures implemented early in the fiscal year.*

General Obligation Debt

The City shall not allow the amount of general obligation debt per capita to exceed \$1,000. *Net bonded debt per capita as of June 30, 2015 was \$334.*

General Debt Service

Annual general governmental debt service payments shall not exceed 20% of total general governmental noncapital expenditures. *For 2014-15, debt service expense was approximately 20.0% of all general governmental noncapital expenditures.*

Unfunded Pension Liability

The city shall pay the annual amount of the normal costs of pension and other post-employment benefits, as determined by an independent actuary, to ensure that obligations to retired employees are met on a timely basis. *The City is meeting its actuarially determined required contribution to its pension and other post-employment plans on an annual basis.*

Revenue Sources

The city shall diversify its revenue sources to reduce reliance on property taxes. *Property taxes made up an estimated 51.5% of general fund expenditures in 2014-15.*

Cash Management and Investment

Sound and astute management of cash and investments shall augment resources available to the city. *During 2014-15, equity investments reported a 4.47% return. Fixed income investments during the same time period had a rate of return of 1.04%. Overall, the cash and investment yield was 1.86%.*