



Office of the City Manager

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Dear Mayor Joines and Members of City Council,

I hereby submit the fiscal year 2010-2011 budget proposal for your consideration. The total budget, net of interfund transfers and internal service charges, includes \$295.5 million for operations and debt service and \$66.9 million for capital expenditures, for a total of \$362.4 million. Compared to fiscal year 2009-2010, the total budget is decreased by 6% as a result of reduced appropriations for operations overall and a substantial drop-off in annual debt service payments for equipment. For the general fund, which accounts for municipal services that are covered primarily by property tax, sales tax and other general purpose revenues, the proposed budget is \$169.5 million, a decrease of 1.1% compared to fiscal year 2009-2010.

This has been one of the most challenging budgets in recent City history. As shared with the Mayor and City Council at a pre-budget workshop on March 29, 2010, the gap between projected general fund revenues and expenditures was in the range of \$8.5 million, due to the following factors:

- **Revenues.** The impact of the economic recession on City revenues is expected to continue a downward trend in property tax, sales tax, and construction-related revenues. Sales tax revenue is projected to decrease an additional 1% in 2010-2011, following 9% annual reductions over the last two years. The 2010 property tax base estimate from the Forsyth County Tax Office is 1% less than 2009, as businesses have delayed equipment replacement and other taxable investments and many people have deferred the purchase of new cars. Moreover, to avert a projected negative cash reserve in the solid waste disposal fund by 2016, annual support from the solid waste disposal fund to cover the City's residential recycling program would be eliminated, further reducing general fund resources.
- **Expenditures.** On the expenditure side, the City is facing an increase of 1.5% of total payroll in contributions to the State and local employee retirement systems, as mandated by State law or required by actuarial standards. In addition, the projected gap of \$8.5 million assumed a \$500 pay increase per full-time employee, pending a satisfactory performance evaluation. There was no increase in employee compensation in 2009-2010.

BALANCING THE BUDGET

To balance the 2010-2011 budget in these tough economic times, many of the same strategies are employed that have been necessary to balance and re-balance the budget over the past two years, such as position vacancy deletions, continued position freezes (both funded and unfunded), deferral of employee

pay increases for a second year, departmental expenditure cuts, and capital equipment replacement deferrals, as follows:

- **Position Deletions.** From existing position vacancies, some of which have been frozen since 2008-2009, 37 positions are identified for deletion (\$1,259,950), 31 of which are in the general fund (-\$1,011,310). An additional 3 position vacancies in construction-related programs are frozen and unfunded, pending increased demand for inspections and plan review services, for a savings of \$195,000. In total, general fund savings from position deletions are \$1,206,310. (See Attachment A for all position deletions, by department.)
- **Employee Compensation.** The \$500 pay increase per full-time employee that was previously included in the budget outlook is not included in the budget proposal, resulting in cost avoidance of \$1.2 million in the general fund. Should Council concur, this would be the second year without any increase in employee compensation. A history of annual pay adjustments is provided, below:

Fiscal Year	Sworn Police Officers	Certified Fire Fighters	All Other City Employees
2009-2010	0%	0%	0%
2008-2009	3%	3%	3%
2007-2008	7%	7%	3.5%
2006-2007	5%	5%	3%
2005-2006	6%	9%	3%
2004-2005	\$600	\$600	\$600

- **Departmental Expenditure Cuts.** As a part of the budget preparation process, departments were given a savings target of 2.5% in operating accounts that would not substantially affect services to the public. As a result of these cuts and additional cuts identified during budget reviews, general fund savings of \$960,000 were achieved in information systems charges, printing, postage, office supplies, books/magazines, software, travel, training, operating supplies, fuel, landfill tipping fees, and other miscellaneous accounts.
- **Service Level Adjustments.** Most City services are provided at levels that are comparable to other full-service municipalities of our size. At this point, however, Winston-Salem is the only large city in the state to offer residential refuse collection from the back yard. This budget proposal recommends that the refuse collection program be converted to curbside for all able-bodied residents. (Anyone who is physically unable to bring the cart to the curb would have the option of electing to continue backyard service, without questions asked.) Approximately 65% of the city currently participates in the voluntary curbside collection service. Operational savings in the first year, which would start on October 1 to allow for adequate community education, would be in the range of \$496,000 (-9 full-time positions, and -22 temporaries). Financing costs for additional roll-out carts would partially offset the operational savings, for a net impact of around \$176,000.
- **Capital Replacement Limitations.** Replacement of equipment and vehicles is limited to items that are not expected to last another year without major maintenance or are considered critical for emergency response, including 15 police patrol cars, 4 sanitation curbside leaf loaders, 4 snow plows, and 10 salt spreaders. Also included are 32,000 roll-out carts needed to implement curbside refuse collection citywide. The short list of replacements results in a general fund savings

of \$690,000. (A complete list of capital equipment included in the proposed budget for all funds is included in the Supplemental Information section of this document, on page 253).

Overall, the general fund budget proposal is balanced using the strategies listed above, in combination with a property tax rate increase of 0.75¢ per \$100 of assessed value (+\$1,560,000) and various non-tax revenue increases (+\$900,000). Also, as described in more detail on page vii of this message, I am proposing that the general fund assume 20% of the cost of recycling, \$520,000, in the coming year, rather than the full \$2.3 million included in the \$8.5 million gap projection, thereby decreasing the gap by around \$1.8 million.

Property Tax Rate Proposal and Possible Alternatives

The proposed property tax rate is increased from 46.75¢ to 47.5¢ per \$100 of assessed value, a 1.6% increase in the rate, to help offset the impact of decreased revenues and reduced support from the solid waste fund. For a home valued at \$130,000, the property tax bill would be increased from \$607.75 to \$617.50, or \$9.75, in the upcoming fiscal year. The property tax rate was last increased by 0.5¢ in 2007-2008, in association with increased costs for Police and Fire compensation. In comparison to Raleigh, Charlotte, Greensboro, and Durham, Winston-Salem's property tax rate remains in the middle, with Greensboro and Durham higher and Charlotte and Raleigh lower.

Because of the negative impact of the economic recession on the financial well-being of city residents, it is with the greatest reluctance that I have included any increase in taxes and fees in the 2010-2011 budget. Several alternatives were considered that could reduce the increases in the property tax rate and fees, as follows:

- Implement a restructuring of selected city departments and services, which would result in employee lay-offs. (-\$1.0 million)
- Decrease services to the public:
 - Reduce operating hours at all recreation centers (-\$35,000)
Reduce part-time hours.
 - Close 2 neighborhood centers. (-\$58,000)
Reduce part-time hours.
 - Close 1-4 swimming pools for the 2011 season (½ year). (-\$20,000 per pool)
Reduce seasonal employment.
 - Close the Winston Lake Golf Course. (-\$235,000)
Eliminate 7 full-time positions (2 vacant) and 4 part-time positions.
 - Turn off fountains at Corpening Plaza and Winston Square. (-\$20,000)
 - Reduce park maintenance activities. (-\$30,000)
Reduce temporary positions from 7 to 4.
 - Eliminate bulky item pick-up, starting in spring 2011. (-\$124,000)
Reduce temporary positions.
 - Eliminate one contract mowing cycle, including litter pick-up. (-\$40,000)

It was my decision to exclude these alternatives from the budget proposal, because they negatively affect city employees when they are already under pressure and are expected to do “more with less,” or they reduce city services where and when they are needed most.

OTHER BUDGET HIGHLIGHTS

Employee Benefits. The City has continued to experience increased health care costs, averaging 4% annually for the current and past fiscal year. A wellness discount will be continued in 2011, allowing employees who monitor their health through a health risk assessment and annual physical exam, and

participate in health risk management programs to maintain a discount on their monthly health premiums. Related to the City's commitment to healthy employees, effective January 2011, employees who use tobacco products will be required to contribute a higher share of their health care premium. Health care premiums will remain the same for employees participating in the basic plan who do not use tobacco products and participate in the wellness program.

City staff is also exploring safety incentive programs that can be aligned with health management and assist in reducing workers' compensation claims and costs. A formal program of activities and benefits from the safety incentive program will be evaluated for implementation in 2010-2011.

Voluntary Furlough Program. A voluntary furlough is a period of unpaid absence that full-time employees may request, subject to advance approval by their supervisor and department head. The purpose of the furlough program would be to provide the City with short-term savings, by reducing payroll costs. It is estimated that in an organization of our size, we should be able to generate approximately \$100,000 in savings from those who choose to take time off without pay. Participation in this program would be entirely voluntary.

Authorized Positions. Total authorized, full-time positions are decreased by a net of 34, for a total of 2,460, reflecting 37 position vacancy deletions and the addition of one registered nurse position in Employee Health and Wellness, covered by the workers' compensation fund, one evidence management specialist, covered by revenue from Forsyth County, and one Geographic Information System (GIS) coordinator in the Utilities Department, covered by the deletion of a vacant Utilities custodian position and a consulting contract. Justification for the nurse position addition is based on the proposed increase in safety and wellness initiatives during the coming year. The evidence management specialist position is added as a part of the consolidation of City Police and County Sheriff evidence management operations, as authorized in the recently approved City/County financing agreement. The GIS coordinator is added to supervise the Utilities' technical support staff and to provide in-house technical skills previously contracted out, for a net savings of around \$32,000. A complete list of position changes by department can be found in the Total Budget Summary, on pages 11 and 12.

Community Agency Grants. Operating assistance grants to non-profit community agencies from the general and occupancy tax funds are reduced by at least 2.5% for 2010-2011, to be consistent with the budgetary savings target for all City departments. A list of agency requests and approved grants is provided on page 85 of this document. Community agencies supported by federal housing funds are listed on pages 78 and 79. There is a capital contribution of \$50,000 from the general fund to the Arts Council. Last fall, the City Council approved the payment of the annual debt expense on the AC Delco building that is now a part of the new Downtown Arts Center, owned and managed by the Arts Council. The City will make annual payments of \$50,000 for the next eight years, for a total contribution of \$400,000, to help provide the local match for the Arts Council's grant from the Kresge Foundation for the overall construction of the Center.

Non-Tax Revenue Adjustments. Adjustments in non-tax revenues are proposed to help balance the general fund budget (+\$900,000), as follows:

Licenses/Permits

- Privilege license revenue is expected to increase as a result of a recently approved amendment to the City Code related to business licenses, increasing the fee for establishments operating Internet "Sweepstakes." There are currently a total of 42 locations and 690 machines linked to the Internet. The change in the Code allows for a flat fee of \$2,500 per location plus a charge of \$500 per machine. (+\$500,000)
- Zoning fees are proposed to be increased to recover more of the cost of the City/County Inspections Department letters of notification. (+\$17,000)
- Sidewalk excavation and repair permits are also increased. (+\$3,000)

Charges for Services

- The annual reimbursement from the Dixie Classic Fair for security services provided by the Police Department is increased to help the general fund recover more of the cost of the service, without putting the Fair at financial risk. (+\$100,000)
- Annual fee for the collection of yard waste using a roll-out cart is increased from \$55 to \$60, to achieve recovery of direct cost of the services. (+\$111,300)
- Existing Recreation and Parks fees for Winston Lake membership, Historic Bethabara adult admission fees, and adult softball team fees are incrementally increased. (+\$28,400)
- New Recreation and Parks fees are proposed for adult open gym basketball/annual registration, rental set-up for ballrooms/gymnasiums, non-resident fees for picnic shelter rentals and youth soccer leagues, secondary ball field use, rental for the Winston Lake Golf clubhouse, non-resident fee for aquatics, and rental fee for the showmobile. (+\$13,500)

Other Revenues

- The rate schedule for on-street parking citation revenue is increased, with the most common violation of parking meter limits changed from \$5 to \$10. (+\$92,000.)
- The schedule for Neighborhood Services code enforcement fines is increased to generate additional revenue for sanitation/trash violations, weeded lot violations, house number violations, housing code violations, and abandoned vehicle storage fees. (+\$38,020)

Other non-general fund revenue adjustments include water and sewer rate increases of 10% and 11%, respectively. These rate increases were approved by the City/County Utility Commission on May 10, 2010. These increases are driven primarily by “bond covenants,” which require that a 1.1 ratio of net income to debt service costs be maintained by City/County Utilities. Should the mandated ratio not be met, the bond holders can “force” rate increases to be implemented, as needed. The average bi-monthly bill for residential customers continues to be lower than the same bill for other major systems in North Carolina, including Durham, Charlotte, Greensboro, and Raleigh. See a list of all non-tax revenue adjustments in the Supplemental Information section starting on page 255.

Solid Waste Disposal Budget. Past presentations of the long-range financial outlook for the solid waste disposal fund have shown that, due to a decline in tipping fee revenue and investment income, as well as the cost of recycling programs, cash reserves would be depleted by 2013. In response to this outlook, I was ready to recommend that the financial responsibility be transferred 100% to the general fund in 2010-2011. However, a recent update of the financial outlook indicates that the solid waste fund could continue to support recycling, along with its other responsibilities, through 2016. As a result, we now have time to review the results of an upcoming study on all solid waste disposal options (including plasma gasification and other technologies) and to evaluate the impact of our pilot conversion to roll-out carts for recycling, which should reduce the net cost of recycling in the future. In the meantime, I am proposing that the general fund assume 20% of the cost of recycling in the coming year, to help retain sufficient reserves in the solid waste disposal fund for future landfill development. My goal would be to have the general fund completely assume the cost of recycling over the next few years.

Public Assembly Facilities Funds. Despite the negative impact of the economy on tourism, convention business, and concert/special event attendance, general fund operating support for the M.C. Benton, Jr. Convention and Civic Center and the Winston-Salem Entertainment-Sports Complex (WSESC) is projected to remain the same or be reduced, compared to 2009-2010. The subsidy to WSESC is reduced by \$74,040, primarily as a result of the deletion of two positions, an events coordinator and a promotions coordinator. Expenditures, in general, are reduced in keeping with the lower level of event activity projected. In the case of the Convention Center, management is contracted out to Noble Management Group, which has been able to cut operating costs by sharing resources with its other client-facilities. In keeping with the current management contract, the proposed budget includes an appropriation of

\$250,000 for Convention Center improvements, lease purchased over five years. The lease payment of \$50,000 is covered by the general fund.

Capital Projects. The six-year capital plan, from 2010-2011 through 2015-2016, is provided in a separate companion document. The first year of the plan, 2010-2011, is incorporated in the project budget ordinance that is adopted by the City Council. The future years are adopted as a guide for future appropriations. Of the \$74.9 million programmed in 2010-2011, \$51.1 million is for water and sewer projects, financed principally by revenue bonds. Also included in the capital plan is a lengthy list of unfunded capital projects. Review of the unfunded projects could take more time than the budget workshops allow; therefore, additional discussion may be scheduled in the coming months to evaluate and prioritize outstanding capital projects that could be a part of a future bond referendum.

A highlight of the capital plan for 2010-2011 is the proposed use of \$2.5 million from the Dell economic development incentives reimbursements for the revitalization of urban commercial areas that are economically distressed. These funds will be used for infrastructure improvements and for low-interest loans to small business owners within the target areas.

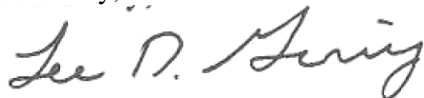
Potential Impact of the State Budget on the City. Although the North Carolina legislature is currently facing another very difficult budget year, we have not heard that any particular local revenues have been identified for State withholding. The beer and wine tax, which was cut by two-thirds for 2009-2010, has been reinstated. Previous threats, such as a repeal of the local privilege license tax (-\$2.4 million), the deletion of our “hold harmless” distribution based on the reimbursement/sales tax swap in 2002 (-\$2.8 million), and the repeal of our State sales tax refunds (-\$1.5 million, of which \$750,000 is general fund), are less likely to be imposed by the State during the “short session” this year. We continue working with the N.C. League of Municipalities to oppose these actions and to more fully understand the State budget’s financial impact.

Budget Outlook for the Future. Efforts have been made to position the City for a new budget dynamic, what we see as the “new normal.” What this means is that our past expectations for revenue growth may not be fully regained over time. As a result, positions have been cut, capital equipment replacement has been scaled back, and most categories of operating expenses have been decreased. In the future, our ability to reinstate regular employee pay for performance, to replace aging equipment and vehicles, to add information systems technology improvements, and to respond to growing service needs will depend on the rate and scope of the economic recovery. In addition, we need to address our growing list of unfunded capital needs, for which a bond referendum may be required in the near future.

Closing the 2010-2011 budget gap has been a difficult and painful task. My proposal attempts to minimize the pain of budget adjustments by spreading the impacts. The proposal requires our City employees to do more with fewer people and without any increased compensation. It also affects our citizens with some service level changes and some modest fee and property tax increases.

I look forward to discussing the 2010-2011 budget proposal with you at the upcoming budget workshops. I have attached the calendar of budget events beginning Tuesday, June 1.

Sincerely,



Lee D. Garrity
City Manager

Budget Review Calendar

For Fiscal Year 2010-2011

Thursday, May 27	Distribution of the City Manager's Budget Proposal to the Mayor and City Council
Tuesday, June 1 4:00 – 6:00 p.m.	Finance Committee Workshop Council Committee Room, 2nd Floor, City Hall <ul style="list-style-type: none">• Budget Overview and Highlights
Wednesday, June 2 4:00 – 6:00 p.m.	Citizen's Budget Advisory Council Meeting, 3rd Floor Conference Room, City Hall <ul style="list-style-type: none">• Budget Overview and Highlights
Thursday, June 3 4:00 – 6:00 p.m.	Finance Committee Workshop Council Committee Room, 2nd Floor, City Hall <ul style="list-style-type: none">• Budget Highlights, continued
Tuesday, June 8 7:00 p.m.	Finance Committee Public Hearing Council Chamber, 2nd Floor, City Hall
Thursday, June 10 4:00 – 6:00 p.m.	Finance Committee Workshop Council Committee Room, 2nd Floor, City Hall <ul style="list-style-type: none">• Review Proposed Capital Plan
Monday, June 14 5:00 – 6:30 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 City Council meeting
Monday, June 14 6:30 p.m.	Public Safety Committee Review of Police, Fire, and Emergency Management Budgets Council Committee Room, 2nd Floor, City Hall
Monday, June 21 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

Attachment A: List of Vacant Position Deletions for FY 10-11

GENERAL FUND DELETED VACANCIES:

Department	Position Title	\$- Value
City/County Inspections	Electrical Inspector	\$35,780
City/County Inspections	Customer Service Clerk*	-
City/County Inspections	Zoning Enforcement Officer	35,320
City/County Planning	Planner*	-
Engineering	Construction Inspector	35,120
Facilities Management	Asst. Facilities Management Director	50,650
Human Resources	Human Resources Analyst	40,800
Information Systems	Administrative Assistant	32,120
Neighborhood Services	Neighborhood Conservation Officer	33,870
Police-Special Operations	Data Technician	27,990
Police-Communications	Public Safety Communications Operator	28,890
Recreation – Administration	Office Assistant	21,530
Recreation – Centers	District Recreation Supervisor	44,880
Recreation – Maintenance	Custodians (2)	37,440
Recreation – Maintenance	Light Equipment Operator	20,700
Recreation – Spec. Pops.	Adult Recreation Program Supervisor	34,390
Sanitation –Refuse Collection	Sanitation Equipment Operators (9)	149,180
Streets Maintenance	Light Equipment Operators (2)	41,400
Transportation	Traffic Maintenance Worker	20,700
Vegetation Management	Crew Coordinator	30,780
Vegetation Management	Vegetation Management Supervisor	34,020
GENERAL FUND TOTAL		\$755,560
GENERAL FUND TOTAL, WITH BENEFITS (- 31 Vacant Positions)		\$1,011,310

* These positions were frozen and unfunded in FY 09-10; therefore, deleting these vacancies does not provide budgetary savings for FY 10-11.

DELETED POSITIONS IN OTHER FUNDS:

Department	Position Title	\$- Value
Fleet Management Services	Senior Office Assistant	\$21,840
Information Systems	Information Systems Analyst	50,670
Warehouse	Warehouse Clerk	22,230
Winston-Salem Entertainment/ Sports Complex	Events Coordinator	34,250
Winston-Salem Entertainment/ Sports Complex	Promotions Coordinator	40,000
Utilities	Custodian	18,720
OTHER FUNDS TOTAL		\$ 187,710
OTHER FUNDS TOTAL, WITH BENEFITS		\$248,640
GRAND TOTAL – ALL FUNDS	-37 VACANT POSITIONS	\$1,259,950

Attachment B
General Fund Year-to-Year Percentage Change
Expenditures by Type

<u>Category of Expense</u>	<u>Actual</u> <u>FY 08-09</u>	<u>Budget</u> <u>FY 09-10</u>	<u>Proposed</u> <u>FY 10-11</u>	<u>Percent</u> <u>Change</u>
Personnel	\$115,776,945	\$116,696,680	\$116,196,080	-0.43%
Information Systems	5,129,610	6,059,700	6,055,560	-0.07%
Telephone/Leased Lines	724,440	784,600	877,750	11.87% ¹
Print & Publish	628,599	730,190	713,760	-2.25%
Office Supplies	523,368	530,790	509,100	-4.09%
Office Rent	3,149,580	3,310,210	3,362,220	1.57% ²
Utilities	1,207,325	1,316,650	1,323,350	0.51% ³
Vehicular Expense	6,381,565	7,218,130	7,396,300	2.47% ⁴
Business Travel	202,777	270,610	231,440	-14.47%
Memberships and Dues	228,893	252,300	262,540	4.00% ⁵
Certifications & Departmental Training	29,643	64,470	63,810	-1.02%
Building and Grounds Maintenance	2,796,682	2,680,560	2,846,100	6.18% ⁶
Operating Supplies	7,651,924	8,147,530	8,456,440	3.79% ⁷
Interdepartmental Services	3,745,754	3,906,750	3,808,630	-2.51%
Contracts	8,033,692	8,407,780	7,988,370	-4.99%
Risk Management	586,912	616,980	626,930	1.61% ⁸
Other	960,008	1,180,140	631,520	-46.49%
Community Agency Grants	804,737	769,970	713,290	-7.36%
Capital Outlay	6,291,429	6,704,710	6,283,420	-6.28%
Support to Other Funds	4,847,442	5,235,470	4,565,720	-12.79%
Interdepartmental Charges	-3,128,287	-3,444,690	-3,432,680	-0.35%
Grand Total	\$166,573,042	\$171,439,530	\$169,479,650	-1.14%

Notes on increased categories of expense:

- 1- Increased telephone expenses reflect additional leased lines for City Link services, which were expanded during FY 09-10. The increase is covered in part by a reimbursement from the Utilities Department.
- 2-Increased rental expenses include the 2.43% annual escalation of rent per the agreement for the Bryce A. Stuart Municipal Office Building.
- 3- Increased utilities expenses are primarily for a projected electric utility rate increase.
- 4- Increased vehicular expenses are due to projected growth in maintenance costs for an aging fleet of vehicles and other equipment.
- 5- Increased membership dues include first-time budget for a corporate membership in ICLEI (International Council for Local Environmental Initiatives), and annual increases in current memberships.
- 6- Increased building and grounds expenses reflect higher costs for building repairs and upkeep, primarily at Recreation and Parks facilities, but also at Fire Department facilities, City Yard buildings, Black-Phillips-Smith Neighborhood Center, and others.
- 7- Increased operating supplies include a projected electric utility rate increase for streetlights.
- 8- Increased risk management expenses reflect the annual 2% growth in Risk Acceptance Management Corporation (RAMCO) fees, per the terms of an operating agreement between the City and RAMCO.

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 10% 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 IBCA, 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 2008-2009 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, 2009 was \$376.*

General Debt Service

Annual general debt service payments shall not exceed 20% of total general governmental expenditures. *For 2008-2009 debt service expense was approximately 14.9% of all 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 48.9% of general fund expenditures in 2008-2009.*

Cash Management and Investment

Sound and astute management of cash and investments shall augment resources available to the city. *During 2008-2009, equity investments reported a 28.4% decline in returns. Fixed income investments during the same time period had a rate of return of 6.1%. Overall, the investment yield was -4.67%, due to fixed incomes investments being 74% of the total portfolio.*