

PLAN FOR EXTENSION OF SERVICES

All municipal services will be provided to the annexed areas as required by North Carolina General Statutes Section 160A-47. On June 30, 2004, the proposed effective date of annexation, the City of Winston-Salem will provide each major municipal service on substantially the same basis and in the same manner as such services are provided within the rest of the municipality immediately prior to annexation.

Under North Carolina General Statutes 160A-47, the City of Winston-Salem must set forth the method under which the municipality plans to finance extension of services into the areas to be annexed. Unless otherwise indicated below, the operating expenses associated with providing these municipal services will be financed by the city's General Fund. The General Fund is the major operating fund of the city and is primarily financed from *ad valorem* property tax revenues. The capital expenditures needed for the annexed areas will be financed from a variety of revenue sources. The revenue sources needed to finance the capital expenditures have been identified below in the detailed descriptions for each of the services to be extended to the annexed areas.

Police

For patrol purposes, on July 1, 2003, the Police Department will implement a new deployment strategy. The City will be divided into three areas called "districts", and each district will be divided into five smaller areas called "patrol beats." The beats will be established using the criteria of approximately 8,200 hours of service time each, a population between 9,000 and 11,000 citizens each and maintaining a six minute emergency response time (from time call is received until officers arrive) per beat. Each beat is designed to maintain beat integrity, by keeping "like" communities intact and assigning multiple officers to beats to fit the peaks and valleys in workload that will efficiently and consistently provide the level of service to improve quality of life. With this strategy, nine officers are needed per beat. Based on this criteria of beat design, two new patrol beats will be required for the proposed annexed areas, requiring an additional 18 beat officers for 24-hour coverage. For investigative purposes, two additional detectives will be needed in the criminal and special investigations units to handle the projected increase in referrals for criminal investigations.

For support purposes, five communications operators, three crime scene technicians, two records specialists, and one evidence specialist will be needed to address the increase in workload associated with the projected increase in calls for service. In addition, a computer information analyst will be needed to provide technical services support for the additional mobile digital computers and other computer-related tasks associated with the addition of staff department-wide.

Some expenses relating to patrol will be incurred in the FY 03-04 budget in order for police service to be delivered in full by the effective date of the proposed annexation. Projected personnel and equipment expenditures include the cost of training 20 recruits and purchasing vehicles and associated equipment. Vehicles and other capital equipment would be lease-

purchased through North Carolina Municipal Leasing Corporation.

Fire

The Fire Department has an operational objective to achieve a four minute response to emergency alarms. This includes fire calls, medical emergencies, and hazardous material events or emergencies. Current service achievements include an average response time of three point two minutes and a fire pumper on the scene within four minutes 90% of the time. The Fire Department also conducts fire safety inspections, reviews construction plans, investigates fire scenes, and issues inspections permits. To continue to achieve service objectives in the current city limits and extend the same level of service into the proposed annexation areas, two new stations will need to be built, staffed and equipped. These new facilities are needed in annexation area C in the southeastern quadrant of the city and in annexation area I in the northwestern quadrant. The companies that will provide coverage to each area are as follows:

AREA	COMPANY
Area A (Northeast)	Company 9 - 4685 Ogburn Avenue
Area B (East)	Company 17 - 4295 Old Greensboro Road
Area C and Q (Southeast)	New Company
Areas E and O (South)	Company 5 - 771 Palmer Lane
Area F (South/Southwest)	Company 16 - 1701 Pope Road
Area G and P (Southwest)	Company 2 - 2050 Griffith Road
Area H (West)	Company 10 - 4700 Country Club Road
Area I (Northwest)	New Company
Area N (North/Northwest)	Company 14 - 5457 Shattalon Drive

To ensure that the new stations and fire companies are available on June 30, 2004, the proposed effective date of annexation, two temporary stations should be in place, fully staffed and equipped. Therefore, two new companies, including six captains, six engineers, and twelve firefighters, a total of 24 new positions, would need to be recruited and trained. In addition, two new pumpers would need to be ordered in advance of the annexation date in order to be in service on the first day of the annexation. The pumpers would be lease-purchased through North Carolina Municipal Leasing Corporation.

Overtime funds will be required for vehicle maintenance personnel as a result of three additional pumpers in the fleet and increased use of existing vehicles.

There are 14 volunteer fire departments serving the proposed annexation areas. If a volunteer fire department makes a written request for a contract, the city is required to make a good faith effort to negotiate a five-year contract with the volunteer fire department. The contract will provide first responder fire protection to the newly annexed area. The annexation areas will receive the same level of fire protection currently provided within the city boundaries.

The Insurance Services Organization (ISO) gives fire protection ratings to fire departments based on coverage, response time, water availability, etc. The City of Winston-Salem Fire Department has an ISO rating of Three, and the volunteer fire department districts have ratings that range from Five to Nine. Stations with an ISO rating of Five are Gumtree, Rural Hall (city limits), Vienna (effective 4/1/03), and Mt. Tabor (effective 4/1/03). Stations with an ISO rating of Six are City View, Clemmons, and South Fork. The ISO ratings of some volunteer fire station areas have a 6-9S range depending on exact location. These stations are Griffith, Lewisville, Mineral Springs, Old Richmond, Rural Hall (Suburban Area), Triangle, and Union Cross.

The ISO rating is one of several factors used by insurance agencies to determine insurance premiums. For homeowner policies, ISO ratings between One and Six are considered the same for calculating premiums. Therefore, insurance rates for most homeowners in the annexation areas will not be affected. However, those homeowners that currently have fire protection service from a volunteer department with an ISO rating of Seven or higher could experience a rate decrease. An ISO rating of Seven results in an estimated 10% increase over ratings of One-to-Six of the fire insurance part of standard home insurance. ISO Eight is 10% over ISO Seven; ISO Nine is 30% over ISO Seven; and, ISO Ten is 60% over ISO Seven. (Source: North Carolina Rate Bureau - Raleigh)

Summarizing possible insurance premium changes for commercial buildings in the proposed annexation areas is difficult to determine because of the high number of variables, so premium changes will vary. Large commercial-center businesses in an older structure that are not self-insured or do not have sprinkler systems could experience sizeable premium decreases. In addition, some large stores (value of \$500,000), daycare centers, and churches could also see some decreases in premiums depending on occupancy, construction of the building, location, deductibles, age of building, fire safety practices in the building and a host of other variables. As another example, a masonry structure with an ISO rating of Six, having a cost of approximately 41¢ per \$100, could see that cost reduced to 32¢ per \$100 under an ISO rating of Three, depending on the above-described variables.

See Appendix A for the financial impact of annexation on the 14 rural fire departments.

Refuse Collection

The city provides back-yard residential refuse collection service on a schedule of once a week. Four additional crews are needed to extend the same level of service to the annexation areas. The crews would consist of four sanitation equipment operators, eight sanitation laborers, and three temporary laborers. Equipment needed would include four rear loader packers and four radios. The purchase of equipment would be lease-purchased through North Carolina Municipal Leasing Corporation.

Contracting with the private solid waste collection firms that have served these areas for at least 90 days prior to the resolution of consideration is an acceptable alternative for providing service. If the private solid waste collection firms request a contract, the city is required to either contract with these firms for a period of two years after the effective date of annexation or to pay them, in

lieu of a contract, a sum equal to a determined economic loss. The written request for a contract must be delivered to the city clerk at least 10 days before the public hearing. For the purposes of this report, estimated first year expenses related to refuse collection include the costs incurred by the city to provide service and the economic loss payment to the private solid waste collection firms. The economic loss payment is expected to be paid out to the private haulers in equal payments over a two-year period.

Bulk container refuse in the annexation areas will be collected according to the current city schedule. The city provides up to five pick-ups per week. Pick-up frequency is determined by the volume of refuse. No additional personnel or equipment is needed to extend bulk container refuse collection in the annexed areas. There is a charge to all bulk container users, with a fee schedule based on the number and size of containers, as well as frequency of collections.

Code Enforcement

The code enforcement program provides for an environment free from the hazards of improper refuse storage through the enforcement of the city's sanitation code. No additional personnel or equipment is needed to extend services to the proposed annexation areas.

Recycling

The city provides curbside collection of recyclables on a schedule of once a week. It is estimated that the cost of a recycling contract to cover the additional households in the annexation areas would be approximately \$225,590 for FY 04-05. This estimate is based on the city's current contract cost per household.

Expenses related to recycling will be incurred beginning in FY 04-05, if annexation is approved. Recycling bins must be ordered in advance of the annexation date so that the program can be implemented on June 30, 2004. The cost of the recycling contract, along with the purchase of bins and brochures, would be covered by a transfer from the Solid Waste Disposal Fund.

Curbside Collection

The program provides for the collection of brush and leaves, as well as once a year bulky item collection service. Brush is collected every ten working days, except during leaf season. Leaf collection is provided every ten working days, weather permitting, between October 15 and January 15. To serve the annexation areas, the following resources are needed, by program:

Brush Collection. The addition of four crews would include the following: two medium equipment operators, four maintenance workers, and four laborers. The associated equipment would include four scow trucks, two hoist trucks, and six radios.

Other costs for brush disposal, uniforms, and vehicle expenses are also included. Also included are costs associated with a tipping fee increase from \$22 to \$31 per ton due to the need for an additional disposal site on the north/northwest side of the city.

Leaf Collection. The positions added for brush collection will be used for leaf collection from October 15 through January 15. To fill out the four crews needed for leaf collection, there will be a need for an additional two temporary workers and overtime for full-time workers. There would also be a need to purchase four leaf beds and four leaf vacuums to serve the areas.

Bulky Item Collection. To add the annexation areas to the current city neighborhoods that are receiving bulky item pickup from March through August, one crew, consisting of three medium equipment operators, a hoist truck, a scow truck, and a rear loader packer, needs to be added for a six month period each year. One medium equipment operator and the rear load packer would be provided from the Sanitation Department's existing workforce, and reserve fleet of equipment. The purchase of capital equipment would be lease-purchased through North Carolina Municipal Leasing Corporation.

Yard Cart Collection

This program provides for the year round weekly curbside collection of containerized yard waste. To extend services to the proposed annexation areas, one additional crew is recommended (one equipment operator, using a previously purchased automated loader.) The recommendation is based on mileage. The assumption is that it will take approximately four years to bring the participation rate in this program up to the level in the existing city limits, around 17%.

Street Sweeping

Street sweeping services will be extended to the annexation area streets. It is anticipated that all curb and gutter streets in the annexation areas will be swept three, four, or five times a year based on their classification (light, heavy, or normal debris). The sweeping schedule within the proposed annexation areas will incrementally increase the annual sweeping contract. The cost of the street sweeping contract will be covered by a transfer from the city's stormwater management fund.

Paved Street Maintenance

Paved streets in the proposed annexation areas that were constructed to State of North Carolina or City of Winston-Salem standards will be maintained in accordance with city policies. Work performed includes periodic maintenance by the application of a drag seal treatment, resurfacing, patching and other related repairs. Pothole and street cut repairs and other routine maintenance functions also will be performed. In order to provide services in the proposed annexation areas, four full-time positions will be added, as follows: one heavy equipment operator, one medium equipment operator, and two light equipment operators. Other expenses include one backhoe, two tandem trucks, two snow plows, and other operating materials and supplies such as asphalt, concrete, gravel, and stone. Capital equipment would be lease-purchased through North Carolina Municipal Leasing Corporation

Street Paving

Present city paving policies will apply to the proposed annexation areas. Funds for bringing streets up to city standards include gasoline tax revenue and other capital resources. The city will continue to use these funds to finance street paving projects in the annexed areas, on an as-needed basis. Annual funding of approximately \$200,000 needed for this purpose, would be appropriated from two-thirds bonds..

Dirt Street Paving

Dirt streets will be paved to ribbon pavement standards provided adequate dedicated right-of-way exists or is dedicated by abutting property owners. In addition to the dedicated right-of-way, all water and sewer lines must be installed prior to the paving. The cost of upgrading dirt streets to ribbon pavement standards will be borne totally by the city. The City of Winston-Salem will use gasoline tax revenue or other capital resources to finance the paving of dirt streets in the annexed areas. No additional positions or equipment are needed to provide dirt street paving services in the proposed annexation areas.

Traffic Control

Signs, signals, street markers, pavement markings, and other related traffic control devices will be installed and maintained in accordance with existing city policies and procedures. The anticipated workload related to traffic signals, signs and street markings would require the addition of two traffic maintenance workers.

Street Lighting

Installation of street lights will be in accordance with the street lighting policies presently in effect in the city. Only streets that are owned by the city or the state and are maintained by the City of Winston-Salem will be approved for lighting. An initial survey of street lighting needs indicates that the following street lights are required:

Area A	415
Area B	170
Area C	859
Area E	211
Area F	310
Area G	219
Area H	292
Area I	1,011

The cost of street lighting includes planning and design cost prior to installation and electrical expenses after installation. These costs are phased in, with one-half of the total expense in FY 04-05 and the full cost of all street lights beginning in FY 05-06.

Vegetation Management

The Vegetation Management Division provides the following services: mowing grass on the right-of-way on primary thoroughfares approximately every two weeks, mowing grass on the right-of-way adjacent to vacant areas or wooded zones once every four to six weeks, mowing underbrush and slopes along rights of way as needed, spraying herbicides on concrete medians and unoccupied curb lines three to four times during the growing season, and pruning and removing trees growing on city-owned or controlled property. To extend these services into the annexation areas, it is recommended that three maintenance worker positions and three tractor mowers be added to provide for grass mowing along primary and secondary roads. Additional funds should also be budgeted to cover the cost of increased fuel, chemicals, and equipment maintenance. Capital equipment would be lease-purchased through North Carolina Municipal Leasing Corporation.

Housing Code Enforcement

The city is divided into 15 strategy areas for the purpose of enforcement of the city's codes related to minimum housing standards, weeded lots, solid waste in yards, curbside trash, rodent control, and abandoned vehicles. The current standard of service within the city is to respond to complaints within forty-eight hours and to inspect a minimum of eight percent (8%) of the city's housing stock each year. To extend this level of service into the proposed annexation areas, it is recommended that an additional housing inspector position be added, as well as associated costs, including a vehicle, a computer, and other miscellaneous supplies.

Marketing and Communications

Brochures describing city services will be produced and mailed to all residents in the proposed annexation areas. The total cost for production and distribution of this information is estimated to be \$37,610 in FY 03-04, and \$3,090 in FY 04-05.

Recreation

Pools. The city's eight swimming pools are dispersed throughout the present city limits. None of these pools is at capacity usage. Many citizens in the annexation areas already use existing city pools, and there will be no need to build additional pools as existing facilities can handle the demand posed by the annexation areas.

Recreation Centers. The existing inventory of community centers and neighborhood centers is sufficient to serve the population in the proposed annexation areas. Centers, such as Sedge Garden, Sprague, Georgia Taylor, Polo, Old Town, Little Creek, and the new Hanes Hosiery, will provide leisure programming for these areas. Also, the use of school buildings for centers is possible with school system support. This is in line with the Citizen Efficiency Review Committee's recommendations concerning future centers.

Schools that would be appropriate for programming in the annexation areas would include Jefferson Elementary, Meadowlark Elementary or Middle, Clemmons Middle or Marvin Ward Elementary, Ibrahim Elementary, and Union Cross Elementary.

In the future, the Sedge Garden Center should be enlarged to provide a gymnasium. This will be added to the five-year capital plan and financed through two-thirds bonds.

Parks. With regard to parks and open space needs, there will be a need to pursue land acquisition and/or park development in some areas, as follows:

Area A	Oak Summit Park will serve the southern section of this area. Presently, the northern section is served by Horizons Park, a Forsyth County park.
Area B	Winston Lake Park serves this area.
Area C	Sedge Garden Park serves this area as well as Forsyth County's Union Cross Park.
Area E	Weston Park and Parkland Park serve this area.
Area F	Griffith Park and the surrounding school grounds, as well as Hobby Park, provide park/open space to this area.
Area G	Hobby Park and the park land the city is obtaining from the school system off Hope Church Road will serve this area. Funding will be needed in a future year for park development.
Area H	Jamison Park and the surrounding school property will serve this area. An estimated \$1.04 million for park development is included in the planning years of the five-year capital plan.
Area I	Property received from the school system (Jefferson Elementary) will serve the southern section of this area. The northern portion is currently served by Forsyth County's C.G. Hill Park. There is property contiguous to C.G. Hill Park that is jointly owned by the city and county, approximately 114 acres. This acreage could be used for park purposes, and additional property could be purchased on Balsom Road to allow for better access to this existing land. Funds would be included in the future years of the capital plan to purchase these lands and to begin development of these areas for recreational use, using two-thirds bonds.
Areas K, M, N, O, P, and Q	These are small areas that are presently served by existing parks.

Utilities

The extension of water and sewer services to the proposed annexation areas will have no

financial impact on the general fund. The extension of water and sewer services will be financed with a combination of utility revenue bonds and assessments.¹ Operating expenses will be financed from water and sewer service charges. The Utilities Division does not anticipate needing additional personnel to service the proposed annexation areas until the third and fourth year after the annexation becomes effective. The cost of providing water and sewer services to the proposed annexation areas primarily involves expenses associated with capital improvement projects.

State law requires that the construction of major water and sewer lines to the newly annexed areas be completed within two years after the date of annexation and that water and sewer policies in the newly annexed areas will be extended according to the same policies within the existing city limits. The Utilities Division does not anticipate any problems in complying with these state requirements.

Water and sewer lines will not be automatically installed on every newly annexed street. While the major service lines will be installed within two years, lines on individual streets will be installed as property owners on those streets petition for such service. However, the Utility Commission has the authority to order a project installed if the health and welfare of the public are jeopardized.

Many businesses and residences in the proposed annexation areas are already connected to the city-county water system. These customers will experience a rate reduction for water service once annexation occurs, since customers outside the city limits pay a higher rate than do customers within the city limits. In order to provide the same level of service that exists within the current city limits, certain major water mains (12-inch and 16-inch) will be constructed.

There are few businesses and residences within the proposed annexation area already connected to the city-county sewer system. Most property owners currently use septic tank systems. The proposed annexation will require the Utilities Division to construct major sewer mains (15-inch and 18-inch) to permit property owners to connect to the sewer system. Since the sewer system is less developed than the water system in the proposed annexation areas, sewer construction will cost more than water construction projects.

¹The current assessment rate per property front foot is \$15.00 for water main construction and \$26.00 for sewer main construction. Both of these figures are subject to annual review and may be adjusted periodically. In addition to the front footage assessments, standard connection fees are also charged to property owners.

PLANS FOR FINANCING THE EXTENSION OF SERVICES

In preparation for the extension of services into the proposed annexation areas on June 30, 2004, there will be costs associated with the training of police and fire recruits, as well as for the purchase of police patrol vehicles and sanitation rear loaders. In addition, there will be publication and postage expenses related to a public information campaign to ready the residents of the annexation areas for city services. These pre-annexation costs which will be incurred in FY 03-04 are estimated at approximately \$1,043,000. Because there are no annexation revenues prior to the effective date of June 30, 2004, a temporary advance from the cash balance in the capital projects fund of \$400,000 is proposed to reduce the pre-annexation difference between revenues and expenses to \$643,000. The advance from the capital projects fund will be repaid in FY 05-06 and FY 06-07, at which time there should be sufficient annexation revenue growth to cover the repayment.

In FY 04-05, a full year of service costs are projected, as well as a substantial payment to those private haulers who may choose to be bought out rather than to contract to provide refuse collection services in the annexation areas. Moreover, on the revenue side, the city does not receive any sales tax revenue increase from annexation in the first year of annexation, a delay caused by the distribution of sales tax on an *ad valorem* basis. To balance expenses and resources, therefore, an additional advance of \$600,000 from the capital projects fund is proposed. This advance is scheduled to be repaid from annexation revenues in FY 06-07 and FY 07-08. In FY 05-06, projected expenditures and resources indicate a positive net balance.

New capital expenditures associated with annexation will be covered by a variety of funding sources. All utilities capital projects rely on a combination of utility revenue bonds and assessments.

In the following tables, all expenditures and revenues directly related to annexation have been projected and combined into both yearly totals and totals for each annexation area.

1. A Summary of Estimated Revenues and Operating Expenses for all annexation areas combined, is projected for the year prior to annexation and for the next four years. This table shows the total for each revenue source and expenditure activity by year, as well as the total difference between expenses and revenues for each year.
2. A Summary of Capital Expenditures and Proposed Funding Sources provides projects that should be added to the city's capital improvement program related to the needs of the proposed annexation areas.
3. An Explanation of Revenue Estimates describes the assumptions and procedures used to project all major revenue sources that will be affected as a result of the proposed annexation.
4. A Summary of Estimated Expenditures and Revenues by Area outlines the projected

revenues and expenses for each of the proposed annexation areas for FY 04-05 and FY 05-06.

5. The final two tables summarize Estimated Capital Expenditures and Funding Sources for the sewer and water funds. The estimates provide the costs and revenues associated with providing full sewer and water services to all areas from FY 04-05 through FY 08-09 and the future.

**SUMMARY OF ESTIMATED REVENUES AND OPERATING EXPENDITURES
ALL ANNEXATION AREAS**

		General Fund	
	2003-2004	2004-2005	2005-2006
Revenues			
Ad Valorem Property Taxes	\$0	\$4,444,520	\$4,533,410
Business Licenses	0	23,800	24,280
Gasoline Tax	0	528,700	544,570
Sales Tax	0	0	1,068,090
Utilities Franchise Tax	0	108,160	111,410
Cable Franchise Tax	0	143,990	146,870
Beer and Wine Tax	0	73,880	75,360
Motor Vehicle License Fee	0	145,120	148,030
Yard cart revenue	0	34,610	69,230
Fire fees	0	12,620	13,000
Transfer from Solid Waste Fund	0	225,590	232,360
Transfer from Stormwater Fund	0	4,000	4,120
Advance from the Capital Projects Fund	400,000	600,000	0
Total	\$400,000	\$6,344,990	\$6,970,730
Operating Expenses			
Police	\$580,680	\$1,701,060	\$1,667,460
Fire	327,240	1,353,700	1,412,610
Refuse Collection	97,730	713,160	731,520
Yard Waste Cart Collection	0	59,480	68,610
Brush Collection	0	505,080	513,750
Leaf Collection	0	108,260	111,080
Bulky Item Collection	0	29,970	30,670
Recycling	0	225,590	232,360
Street Maintenance	0	385,170	396,730
Traffic Control	0	77,340	86,180
Street Lighting	0	176,860	360,790
Vegetation Management	0	148,090	152,400
Housing Code Enforcement	0	48,980	50,450
Marketing and Communications	37,610	3,090	3,150
Estimated VFD contracts	0	435,450	444,160
Sanitation Econ. Loss Payout	0	386,860	386,860
Payback to the Capital Projects Fund	0	0	200,000
Total	\$1,043,260	\$6,358,140	\$6,848,780
Net Difference	-\$643,260	-\$13,150	\$121,950

NOTE: The majority of the FY 03-04 costs represent expenses required to train police

officers and fire fighters, and to purchase major sanitation equipment necessary to provide services on June 30, 2004.

**SUMMARY OF CAPITAL EXPENDITURES
AND PROPOSED FUNDING SOURCES**

	<u>Fiscal Year</u>				
	2003-2004	2004-2005	2005-2006	2006-2007	2007-2008
Capital Expenses					
<u>Capital Projects:</u>					
Fire Stations (2 temporary stations)	\$600,000		\$0		\$0
Recreation Facilities					
Addition of a Gym at Sedge Garden Center	0	0	0	0	800,000
Development of Park along Balsom Road	0	0	200,000	0	300,000
Development of Meadowlark Park	0	0	500,000	0	500,000
Street Resurfacing	0	200,000	200,000	200,000	200,000
Traffic Signal System	0	117,030	117,030	0	0
Signal Upgrades	0	116,000	0	0	0
Subtotal	\$600,000	\$433,030	\$1,017,030	\$200,000	\$1,800,000
<u>Capital Equipment:</u>					
Police Dept. (18 pursuit cars, 2 sedans, 24 radios, 18 MDC's, and 1 dispatch wkstation)	\$579,790	\$88,400	0	0	0
Fire Dept. (2 pumpers)	0	690,000	0	0	0
Refuse Collection (4 rear loaders, 4 radios)	488,640		0	0	0
Brush Collection (4 scows, 2 hoists, 6 radios)	0	435,320	0	0	0
Leaf Collection (4 leaf beds and vacuums)	0	74,840	0	0	0
Bulky Item Pick-up (1 scow, 1 hoist, radio)	0	78,580	0	0	0
Sanitation Code Enforcement (1 radio)	0	3,190	0	0	0
Streets (1 backhoe, 2 tandem trucks, and 2 snow plows)	0	274,500	0	0	0
Subtotal	\$1,068,430	\$1,641,640	\$0	\$0	\$0
Total Capital Expenses	\$1,668,430	\$2,074,670	\$1,017,030	\$200,000	\$1,800,000
Source of Funds					
Two-Thirds Bonds	\$600,000	\$433,030	\$1,017,030	\$200,000	\$1,800,000
North Carolina Municipal Leasing Corporation	1,068,430	1,641,640	0	0	0
Total Funding Sources	\$1,668,430	\$2,074,670	\$1,017,030	\$200,000	\$1,800,000

AN EXPLANATION OF REVENUE ESTIMATES

Assessed Valuation

The tax base for the proposed annexation areas was obtained from the Forsyth County land records system. The personal property portion of the base primarily represents vehicle tax valuations.

***Ad Valorem* Taxes**

The tax revenue projection is based on the total assessed valuation multiplied by the projected general fund portion of the tax rate (\$.4311 per \$100 of assessed valuation). Net tax revenues are then calculated by subtracting 2% of the total revenue, to account for an uncollectible rate based on past experience. A growth factor of 2% is projected for each subsequent year. Growth is based on average annual tax base growth over the past 4 years, excluding revaluation.

Business Licenses

The city requires certain businesses to pay a privilege license fee in order to operate in the city. On a *per capita* basis, revenues from this source were \$10.70 for FY 01-02. Because the proposed annexation areas are primarily residential, the business license revenue from these areas is calculated by multiplying the population for each area times one-eighth of the city's *per capita* amount. A growth factor of 2% is applied to each subsequent year.

Gasoline Tax

The gasoline tax is estimated according to the statewide formula which calculates this revenue on the basis of population and city street mileage. For FY 02-03, gasoline tax revenue is projected to be received on the basis of \$1,810 per street mile and \$24.86 *per capita*. Revenue growth of 3% is estimated for each subsequent year.

Sales Tax

The city's general fund receives three sales tax allocations: Article 39 One Cent Tax, which is the original local government sales and use tax dating from 1971; Article 42 One-Half Cent Tax, which was authorized in 1986; and Article 44, authorized in 2002. In April 1991, Forsyth County changed the method of distribution of sales tax within the county to the *ad valorem* method. As a result of this method, there will be no incremental increase in sales tax revenue associated with annexation in the first year, FY 04-05. The net increase in the *ad valorem* share of the sales tax will not be accounted for until FY 05-06. The FY 05-06 sales tax estimate reflects annual statewide and local sales tax growth of 3% for both the one-cent and half-cent options.

Utility Franchise Tax

The utility franchise tax is based on the receipts of regional electric, telephone, and natural gas services. Revenue from this tax can be estimated on a *per capita* basis. For FY 01-02, the city received \$48.68 *per capita* from this revenue source. Because the proposed annexation areas are primarily residential, this citywide *per capita* revenue figure, which includes a large commercial and industrial base, is reduced by a factor of eight. The resulting *per capita* amount is multiplied by the population of each annexation area. A 3% annual revenue growth factor has been applied to this revenue source.

Beer and Wine

Beer and wine revenue is distributed by the state on a *per capita* basis. During FY 01-02, the city received \$4.16 *per capita* from this state-shared revenue. A 2% annual growth factor has been applied to beer and wine revenues.

Motor Vehicle Privilege License

City residents are charged \$10 per vehicle as a motor vehicle privilege license fee. The charge is billed on the property tax bill. It is assumed that each of the dwelling units in the annexation areas has two registered vehicles. A growth rate in this revenue is estimated at 2% per year.

Yard Cart Fees

It is estimated that revenue from the sale of yard carts (\$60 per cart) and annual service fees (\$50/cart per year) will grow over time until the level of current city participation is reached (17%) by FY 07-08. Because of low participation in the first couple of years in the annexation areas, the revenues will not balance out the cost of service; however, by FY 06-07, the revenues should meet or exceed expenses by a relatively small amount.

Transfer from the Solid Waste Disposal Fund

The cost of the contract for curbside recycling in the annexation areas will be covered by a transfer from the solid waste disposal fund, as it is in the existing city.

Transfer from the Storm water Management Fund

The cost of street sweeping will be covered by a transfer from the storm water management fund, as it is in the existing city.

Advances from the Capital Projects Fund

Advances from available cash in the capital projects fund of \$400,000 in FY 03-04 and \$600,000 in FY 04-05 are recommended first to offset a substantial portion of the annexation start-up expenses for training and equipment in FY 03-04, the year prior to the effective date of annexation, and second to compensate in part for there being no incremental increase in sales tax revenue in FY 04-05. Any amount so advanced would be scheduled for repayment out of future annexation income within three years of the advance.