
CITY MANAGER’S MESSAGE SUMMARY

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Winston-Salem

Office of the City Manager

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May 27, 2021

Dear Mayor Joines, Mayor Pro Tempore Adams, and Members of the City Council:

I respectfully submit to you the proposed fiscal year (FY) 2021-22 budget of \$530.9 million, which includes \$380.4 million for operations, \$110 million for capital, and \$40.5 million for debt service. Compared to FY 2020-21, the total budget increased by 11%.

The general fund accounts for municipal services that are covered primarily by property and sales taxes. The FY 2021-22 general fund is budgeted at \$221.7 million, an increase of \$7.6 million or 3.5 percent, compared to the FY 2020-21 adopted budget. The major drivers of the increase are related to costs associated with establishing a diversity, equity, and inclusion (DEI) office, investments in employees (reinstates merit pay at a 2.5% average, increases minimum wage to \$15 per hour, adds a 2% Public Safety supplemental pay adjustments), a new contract for upgraded police body cameras, and increased investments in capital projects and capital outlay.

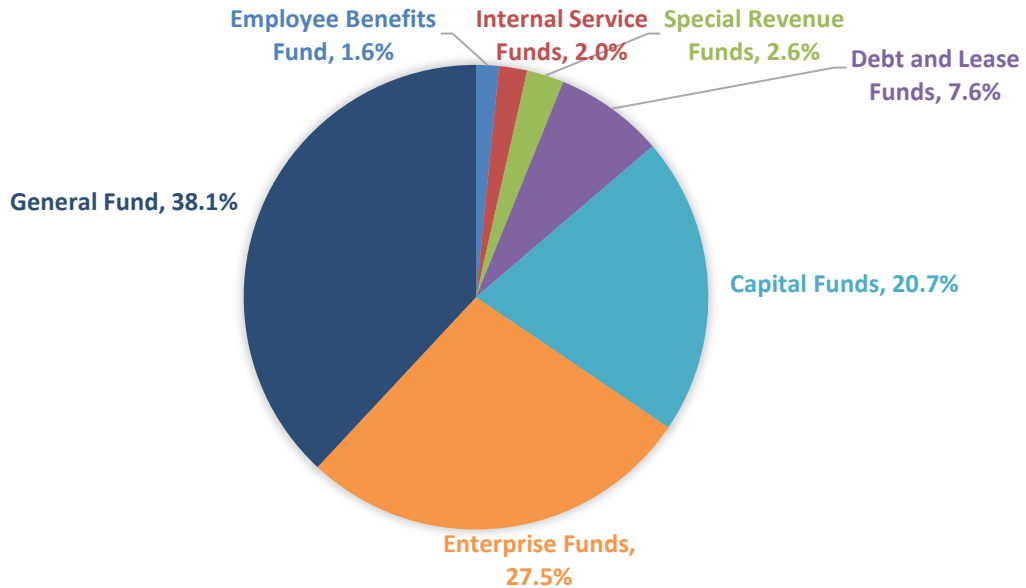
Last fiscal year (FY) of 2020-21, the City faced one of the most challenging budgets in recent history due to the uncertainties of the COVID-19 pandemic. In response to the economic recession, U.S. Congress passed the CARES Act, which was a \$2.2 trillion stimulus package that provided direct payments to individuals and families and assistance to businesses and local governments. In addition, the American Rescue Plan (ARP) will infuse another \$51.7 million into the City of Winston-Salem. As a result, the City has experienced significant growth in sales tax and the property tax base (based on the 2021 reappraisal of real property). Therefore, the FY 2021-22 budget is based on recovery, restoration, and maintaining a standard of excellence in delivering public services to our community.

The proposed FY 2021-22 operations budget is balanced with a proposed tax rate of 62.24 cents per \$100 of assessed value, which is a 1.5 cent decrease from the current rate of 63.74 cents. The Forsyth County Tax Office conducted an appraisal of real property values in 2021. The revenue neutral rate (which is the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no revaluation had occurred) is 58.42 cents.

To enhance the City's strategic plan and performance management efforts, the presentation of the proposed FY 2021-22 budget is organized by departmental budgets, which have been assigned to a strategic focus area based on the department's overall mission.

The remainder of my message discusses in detail major decision points reflected in the proposed FY 2021-2022 budget, based on the Mayor and City Council's strategic budget objectives.

Proposed FY 2021-22 Budget by Fund



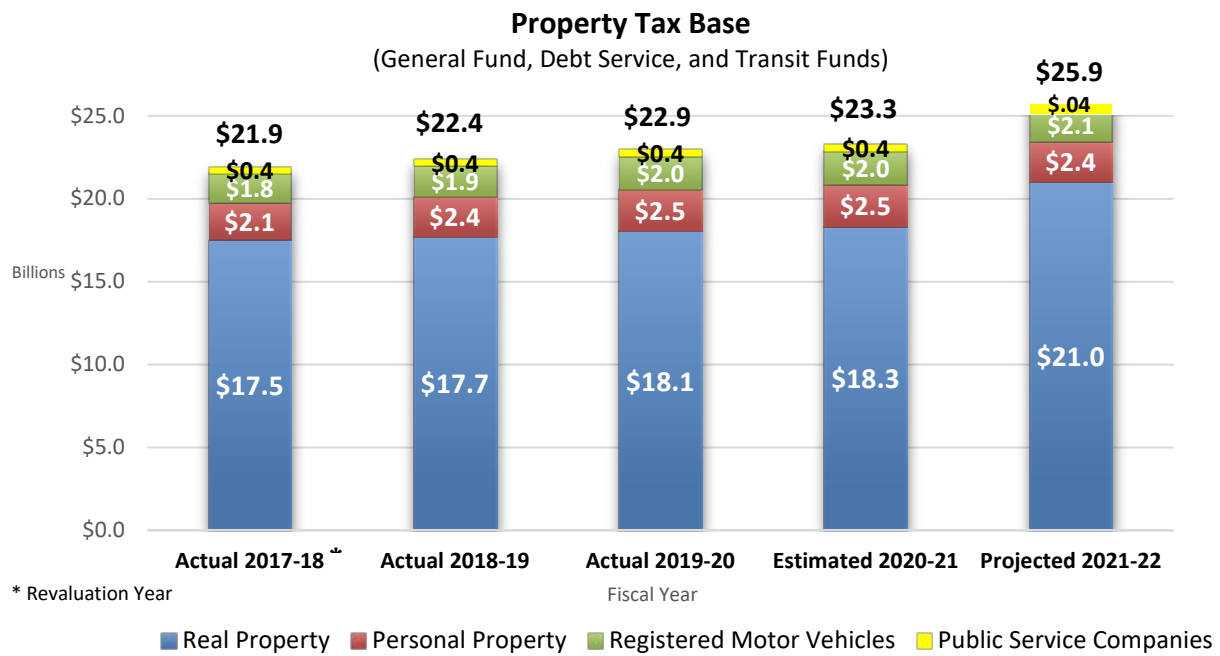
Total = \$530.9 million

The General Fund, as the principal operating fund of the City, represents 38.1% of the overall budget and provides resources to services such as police, fire, sanitation, streets, and recreation. These services are supported by general purpose revenues such as property taxes and local option sales taxes. Enterprise funds, which make up 27.5% of the overall budget, provide services such as water/sewer, solid waste disposal, public assembly facilities, etc., and are typically self-supporting.

Property Tax

The proposed FY 2021-22 operations budget is balanced with a proposed tax rate of 62.24 cents per \$100 of assessed value, which is a 1.5 cent decrease from the current rate of 63.74 cents. The allocation of the rate among general, debt service, and transit funds remains unchanged.

Based on estimates from the Forsyth County Tax Office, the City's overall tax base is projected to increase by 11.3% in FY 2021-22, compared to 1.4% growth in the previous fiscal year. Most of the growth is due to the 2021 countywide revaluation of real property as well as new investments resulting from recent economic development projects and increased collections in registered motor vehicle property taxes. The revenue neutral rate for FY 2021-22 is 58.42 cents per \$100 of assessed property value. A penny on the tax rate currently generates approximately \$2 million. 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 few years.



Fund Balance Reserve

The proposed FY 2021-22 budget does not include a general fund balance appropriation. Typically, the City budgets \$2 million in fund balance reserves. Not budgeting reserves means that the City only plans to spend what is budgeted. The City’s policy is to maintain a minimum fund balance reserve in the general fund that is equivalent to 14.0% of budgeted expenditures. In FY 2020-21, the adopted budget included a \$5.4 million fund balance appropriation, due to uncertainties of the COVID-19 pandemic’s impact on the budget. The projected FY 2020-21 year-end projections came in better than expected and there will be no need to use any fund balance. The estimated June 30, 2021 fund balance reserve is projected to be 33 million, or 15% of budgeted expenses, which means that we now meet the City’s reserve policy.

Services

Diversity, Equity, and Inclusion (DEI) Office

In the Spring of 2021, the City created an office committed to fostering diversity, equity, and inclusion throughout city-wide internal processes. The proposed FY 2021-22 budget invests \$500,000 to support the operation of the DEI Office and includes the addition of four new positions. The positions include a Diversity Equity and Inclusion Director, Equity and Inclusion Coordinator, Equity Assurance Administrator, and an Administrative Assistant. In addition to operating costs for the office, the proposed budget includes a \$25,000 cohort fee for the Government Alliance on Race and Equity (GARE) and \$10,000 for DEI-related community sponsorships, such as the Juneteenth celebration. The office will create a work plan that fosters cultural literacy and addresses challenges around issues of social justice, equity, and bias within the organization and processes that impact the community.

Employee Compensation and Benefits

This year presented challenges for employees as some successfully transitioned to a work-from-home environment and essential workers continued work on the frontlines of service throughout the pandemic. In order to reflect the hard work and resilience of our employees, the proposed budget reinstates merit pay to an average of 2.5%. It is also important to continue efforts to recruit and retain qualified public safety employees; therefore, the budget includes a 2% public safety supplemental pay increase for sworn police officers and certified firefighters. In addition, the FY 2020-22 budget increases the minimum wage to \$15.00 per hour. This increase will benefit 217 employees (204 full-time and 13 part-time/temporary employees), including custodians, maintenance workers, laborers, and fleet attendants.

Health and Dental Benefits: For the 2022 plan year, the proposed budget has no increase in the health insurance premium for employees. The City's internal health care task force continues to focus on a comprehensive approach to addressing the health and wellness of our employees including preventive care, education awareness, and benefit utilization analysis to evaluate and recommend approaches to controlling current and future costs.

Economy of Operation

Position Changes: The proposed FY 2021-22 General Fund budget adds five (5) new positions in the General Fund, two (2) new positions in the water and sewer fund, and one (1) new position in solid waste. A full list of positions can be found on Attachment A.

User Fees

On May 10, 2021, the City-County Utility Commission approved a resolution recommending to the Mayor and the City Council the adoption of the FY 2021-22 budget for the water and sewer system and approved volumetric and readiness to serve rate increases of 3.5% for water and sewer services.

These rate increases will generate sufficient revenues to meet the net operating income-to-debt service ratio requirements of approved revenue bonds. These requirements are part of the revenue bond covenants and are intended to ensure that there are sufficient revenues to meet the debt obligations of the water and sewer system. If the system did not generate sufficient revenues to pay off the bonds, the covenants would require the City to increase water and sewer rates. The additional revenue required to meet existing bond obligations will also allow for additional pay-as-you-go financing for future projects. The approved rate increases will be effective July 1, 2021.

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 2021, the Downtown Winston-Salem Business Improvement District Advisory Committee approved a recommended work plan, budget, and tax rate for FY 2021-22. 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 a recommended tax rate of 9¢ per \$100 of valuation, the same rate as FY 2020-21, the FY 2021-22 budget totals \$620,720. 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.

Public Assembly Facilities Funds and Occupancy Tax Funds

The negative economic impact of the COVID-19 pandemic had a major impact on tourism, convention business, fair attendance, sporting events, and concert/special event attendance. The general fund subsidy to The Benton is projected to increase by 14%. Projected revenues for the Carolina Classic Fair remain the same as FY 21 (which reflected a 25% decrease), assuming fair attendance will remain low for FY22 due to impacts of the pandemic. Bowman Gray Stadium assumes that there will be NASCAR racing with reduced capacity and a reduction in Winston Salem State University (WSSU) football and homecoming attendance. With the lifting of recent restrictions, these budgets represent a conservative outlook for those facilities. The Occupancy Tax Fund reflects an increase of \$60,000, or approximately 20%. The four community agencies supported by this fund (River Run, National Black Theatre Festival, Old Salem, and Piedmont Film Commission) will remain funded at their current levels.

Community Agency Funding

For FY 2021-22, the Community Agency Allocations Committee reviewed over 80 applications. The proposed FY 2021-22 reinstates two previously funded agencies in the General Fund and maintains the

same level of funding for all currently funded agencies as the current fiscal year. Attachments B and C provide a full listing of my recommendations for community agency funding.

2022-2027 Capital Plan

The Capital Plan provides a schedule of the City's capital appropriations for the next six years. The purpose of capital planning is to fund all appropriate capital needs by matching projects with the appropriate funding source(s) at the appropriate time. The planned capital appropriations from FY 2021-22 through FY 2026-27 total \$391.8 million. The Capital Plan includes \$268 million in investments in water, sewer, solid waste disposal, and stormwater infrastructure, by far the largest part of the capital plan. 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 and Budget Outlook

Outreach

Citizen engagement will continue to be a vital part of the City's budget process. In the aftermath of COVID-19 and social distancing practices, we will continue to enhance our digital media presence to make sure the public has access to review the proposed budget via the City's website (www.cityofws.org) and with an ability to provide feedback on this website, through the Citizen Feedback Line, and other digital online platforms. City staff will place posters in recreation centers and libraries that direct citizens to the proposed budget on the website. City staff will also utilize social media (i.e., Twitter, Facebook, and Instagram) to educate and engage with citizens about the proposed FY 2021-22 budget.

Recovery and Restoration

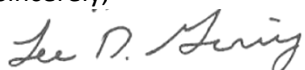
The FY 2020-21 budget presented many challenges as we were faced with the uncertainties of the COVID-19 pandemic and the rise in the call for social justice along with the rest of the nation. We, as a City, were responsive to these issues by continuing to maintain our core services and ensuring the safety of our frontline workers, as well as investing in social justice and anti-poverty initiatives. The fiscal austerity measures adopted last year have allowed us to be resilient as we managed through these challenges, and they will be the foundation for our continued fiscal soundness in FY 2021-22. Your disciplined strategy through the pandemic resulted in the City maintaining its AAA credit rating, while continuing to provide core services to our community.

As we enter into FY 2021-22 as a year of recovery, it is important to reinstate regular employee pay for performance (merit), replace aging equipment and vehicles, further enhance information systems, and respond to growing service needs. New investments will include an internal focus on diversity, equity, and inclusion, and investments in solar energy technologies.

The American Rescue Plan Act (ARPA) passed by Congress in March 2021, will provide an additional \$51.7 million in relief for the City of Winston-Salem. We will continue to review and await further guidance/clarity from the U.S. Treasury regarding the eligible uses of ARPA Funds. This is a tremendous opportunity towards recovery and transformation for our City and we will continue to engage with our community partners to ensure the most impactful use of these funds.

I look forward to our budget discussions in the weeks ahead. Please see the attached calendar of budget events beginning Thursday, May 27, 2021.

Sincerely,



Lee D. Garrity, City Manager

ATTACHMENT A

Changes to Positions in the Proposed FY 2021-22 Budget

GENERAL FUND

The proposed FY 2021-22 budget adds five (5) new positions in the General Fund, two (2) new positions in the water and sewer fund, and one (1) position in solid waste. The following table lists the positions, including the cost in salaries and benefits.

Department	Position Title	Salary	With Benefits
Diversity, Equity, and Inclusion	DIVERSITY EQUITY & INCLUSION DIRECTOR	\$105,500	\$147,764
Diversity, Equity, and Inclusion	EQUITY ASSURANCE ADMINISTRATOR	\$63,909	\$89,511
Diversity, Equity, and Inclusion	EQUITY AND INCLUSION COORDINATOR	\$55,820	\$78,182
Diversity, Equity, and Inclusion	ADMINISTRATIVE ASSISTANT	\$42,585	\$59,645
Fire	FIRE INSPECTOR	\$73,669	\$103,630
			\$478,732

OTHER FUNDS

Department	Position Title	Salary	With Benefits
Water and Sewer	ASSISTANT CITY ATTORNEY	\$76,760	\$107,510
Water and Sewer	ASSISTANT UTILITY PLANT SUPERINTENDENT	\$66,751	\$93,900
Solid Waste	HEAVY EQUIPMENT OPERATOR	\$36,466	\$51,296
			\$252,706

ATTACHMENT B

FY 2021-22 Community Agency Funding Recommendations General Fund, Occupancy Tax

EXPENDITURES BY AGENCY	Budget	Requested	Proposed	Percent
	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 21-22</u>	<u>Change</u>
Arts and Innovation				
Agile City Winston-Salem **	20,000	0	0	-100%
Arts Council – Operating	\$217,360	\$250,000	\$217,360	0%
Authoring Action*	0	10,000	5,000	N/A
Center for Creative Economy	25,000	35,000	25,000	0%
Experiment in Self-Reliance (ESR)	85,230	150,000	85,230	0%
Forsyth County District Attorney – Domestic Violence Unit	45,000	177,972	45,000	0%
IFB Solutions	0	0	0	0%
Insight Human Services - Drug Treatment Court	0	0	0	0%
Institute for Dismantling Racism	33,350	45,000	45,000	0%
Kaleideum – Operating	172,360	175,000	172,360	0%
LEAD Girls of NC, Inc.*	5,000	10,000	5,000	0%
National Black Theatre Festival	115,000	122,000	115,000	0%
Old Salem	197,710	200,000	197,710	0%
Phoenix Rising - Drug Treatment Court	35,000	20,000	20,000	-43.0%
Piedmont Triad Film Commission	35,000	35,000	35,000	0%
RiverRun International Film Festival	42,400	42,400	42,400	0%
Shepherd's Center of Greater Winston-Salem	15,000	20,000	15,000	0%
The Sergei Foundation	5,000	0	0	-100.0%
YMCA – Youth Incentive Program	66,000	120,000	66,000	0%
Subtotal	\$1,114,410	\$1,412,372	\$1,091,060	-2.1%
Successful Outcomes After Release				
Boys2Men Mentorship Program	\$5,000	\$45,425	\$5,000	0%
Eliza's Helping Hands	5,000	50,000	5,000	0%
Eureka Ministry, Inc.	20,000	20,000	20,000	0%
My Brothers Second Chance	5,000	15,000	5,000	0%
Piedmont Triad Regional Council – Project Reentry	10,000	16,929	10,000	0%
Southside Rides Foundation	0	50,000	10,000	100%
The Wells Center, Inc.*	5,000	228,000	5,000	0%
YWCA – Hawley House	13,500	32,043	13,500	0%
Contingency	10,000	10,000	10,000	0%
Subtotal	\$73,500	\$467,397	\$83,500	14.0%
Total Expenditures by Agency	\$1,187,910	\$1,879,769	\$1,174,560	-1.1%

*Seed funded agency

** Formerly Venture Café' Winston-Salem

ATTACHMENT B

UNFUNDED NEW REQUESTS	Budget	Requested	Proposed	Percent
Arts and Innovation	<u>FY 20-21</u>	<u>FY 21-22</u>	<u>FY 21-22</u>	<u>Change</u>
a/perture cinema	0	22,500	\$0	N/A
Addiction Recovery Care Association, Inc.	0	99,218	0	N/A
Big Brothers Big Sisters Services, Inc. *	0	200,000	0	N/A
Bookmarks	0	20,000	0	N/A
Flywheel Foundation *	0	15,000	0	N/A
Forsyth Humane Society	0	10,000	0	N/A
Great Commission Community Church	0	50,000	0	N/A
greeNest	0	25,000	0	N/A
My FACE (Males and Females Acting in Confidence and Empowerment) *	0	30,000	0	N/A
Net Impact Triad	0	5,000	0	N/A
Parenting Path	0	18,839	0	N/A
Reynolda House	0	50,000	0	N/A
Salvation Army Social Services	0	50,000	0	N/A
Southeastern Center for Contemporary Art	0	25,000	0	N/A
Special Olympics Forsyth County	0	5,000	0	N/A
The Poverty Revolt	0	5,000	0	N/A
Triad Cultural Arts, Inc. *	0	34,000	0	N/A
Winston-Salem Delta Fine Arts, Inc.	0	187,500	0	N/A
Winston-Salem Theatre Alliance	0	100,000	0	N/A
Subtotal	\$0	\$952,057	\$0	N/A
Successful Outcomes After Release				
Love Out Loud*	0	100,000	0	N/A
The Dream Team Foundation, Inc. *	0	5,000	0	N/A
The Wells Center – CATCH	0	20,000	0	N/A
Triad Restorative Justice *	0	5,000	0	N/A
Subtotal	\$0	\$130,000	\$0	N/A
Total Unfunded New Requests	\$0	\$1,082,057	\$0	N/A

*Seed funded agency

ATTACHMENT C

FY 2021-22 Community Agency Funding Recommendations Community Development Block Grant, HOME Fund, Housing Finance Assistance Fund, Emergency Solutions Grant

EXPENDITURES BY AGENCY	Budget FY 20-21	Requested FY 21-22	Proposed FY 21-22	Percent Change
Bethesda Center for the Homeless:				
Case Management	\$160,000	\$0	\$0	-100%
Men's Night and Day Shelter	46,070	60,000	48,530	
Women's Shelter	25,740	0	0	-100%
City with Dwellings: Street Outreach	27,190	32,000	32,00	
Consumer Credit Counseling Service:				
Center for Homeownership	66,750	70,000	66,750	0%
Experiment in Self-Reliance, Inc. (ESR):				
Income Tax Preparation Assistance	35,600	37,500	35,600	0%
Transitional Housing Program	89,250	95,000	89,250	0%
Transitional Housing (ESG)	13,460	16,352	16,352	%
Fifth Street Building Rehab	0	0	0	-100.0%
Burton Street Building Rehab	60,000	0	0	-100.0%
Spring Street Building Rehab	0	0	0	-100.0%
Family Services: Women's Shelter	32,610	148,378	32,835	0.7%
Habitat For Humanity of Forsyth County, Inc. (HOME)	199,000	207,200	203,000	2.0%
HARRY Veterans Community Outreach Services (VCOS)	25,000	25,000	25,000	0%
Housing Authority of Winston-Salem:				
Tenant Based Rental Assistance	240,000	300,000	240,000	0%
Liberty East Redevelopment, Inc.	31,150	31,500	31,150	0%
National Association for Black Veterans	10,000	10,000	10,000	0%
Neighbors for Better Neighborhoods	40,050	65,000	40,050	0%
North Carolina Housing Foundation:				
Veterans Helping Veterans Heal	0	19,000	14,250	N/A
Piedmont Triad Regional Council:				
Project Re-Entry	31,150	32,707	31,150	0%
Positive Wellness Alliance	35,100	36,750	35,100	0%
Samaritan Ministries: Emergency Shelter	44,240	47,000	44,690	1.0%
S.G. Atkins CDC	65,000	75,000	65,000	0%
The Salvation Army: Emergency Shelter	44,240	104,730	44,690	1.0%
United Health Centers	0	50,000	16,020	N/A
United Way of Forsyth County:				
Continuum of Care System Coordination	26,700	31,700	26,700	0%
Coordinated Intake Center	30,400	30,400	30,400	0%
Overflow Shelter	11,730	11,500	11,730	0%
Rapid Re-Housing Collaborative	110,360	200,000	132,160	19.8%
Data Coordination	42,130	41,120	41,120	-2.4%

ATTACHMENT C

EXPENDITURES BY AGENCY - Continued	Budget FY 20-21	Requested FY 21-22	Proposed FY 21-22	Percent Change
Winston-Salem Urban League:				
Summer Youth Employment Program	\$190,000	\$165,000	\$165,000	0%
Work Family Resource Center	25,450	25,450	25,450	0%
Total Expenditures by Agency	\$1,733,370	\$1,968,287	\$1,521,977	-12.2%
UNFUNDED NEW REQUESTS				
Hope to Thrive	\$0	\$327,590	\$0	N/A
IFB Solutions	0	75,000	0	N/A
Neighborhood's Hands	0	50,000	0	N/A
The Shalom Project, Inc.	0	50,000	0	N/A
United Way of Forsyth County:				
Partnership for Prosperity	0	50,000	0	N/A
YMCA of Northwest North Carolina:				
East Winston Initiative	0	450,000	0	N/A
Total Unfunded New Requests	\$0	\$1,002,590	\$0	N/A

Mayor and 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.

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

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, 2019 was \$624.*

General Debt Service

Annual general governmental debt service payments shall not exceed 20% of total general governmental noncapital expenditures. *For 2020-21, debt service expense was approximately 10.3% 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 52% of general fund expenditures in 2020-21.*

Cash Management and Investment

Sound and astute management of cash and investments shall augment resources available to the city. *During 2020-21, the overall cash and investment yield was 6.23%.*



Winston-Salem