



Municipal Budgeting & Finance

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Presented by:

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Legal Framework

North Carolina Local Government Budget and Fiscal Control Act



BUDGET

- Balanced Budget Requirement
 - All Funds
 - Appropriated Expenditures
(Estimated Revenues + Appropriated Fund Balance)
- Public Hearing
- Approved by Ordinance
 - Property tax rate is set
 - Full amount of debt service must be included
- Changes to Budget Ordinance by Amendment
 - Must Be Balanced
- Fiscal Year – July 1 to June 30
- Appointment of Budget Officer

Fiscal Management Structure

Budget and Evaluation Office



- Prepares the City's annual operating budget and six-year capital plan
- Participates in the N.C. Benchmarking Project
- Conducts program and efficiency reviews and other analytical studies related to monitoring and forecasting financial position
- Provides staff support to the Citizens' Budget Advisory Council (CBAC) and the Community Agency Allocation Committee (CAAC)

Adopted Strategic Budget Objectives



- Services
- Property Tax
- User Fees
- Balancing Current Expenses with Current Income
- Fund Balance Reserve
- Employee Compensation
- Economy of Operation
- Expanding the Tax Base
- Downtown Revitalization

Legal Framework

North Carolina Local Government Budget and Fiscal Control Act



FISCAL CONTROL

- Appointment of Financial Officer
- Establish/maintain accounting records
- Manage the receipt and disbursement of monies
- Payment of debt service obligations
- Investment of funds
- Preparation of annual financial report and independent audit

Fiscal Management Structure

Financial Management Services Department



- Provides City elected officials and management with financial advice for investment and debt issuance activities
- Management of strategic business relationships with banks and financial advisors
- Purchasing (joint with County)
- Financial reporting and analysis for all City funds
- Revenue collection and recordkeeping
- Cash management and forecasting and related activities (accounts payable, daily investment/debt transactions)
- Risk management (insurance, claims, safety)

Fund Accounting



- **General Fund** – principal operating fund of the city
- **Enterprise Funds** – the “business” activities of the city
- **Special Revenue Funds** – used to track restricted revenues (ex. federal and state grants)
- **Debt Service Fund** – used to accumulate and track debt principal and interest
- **Capital Projects Funds** – used to track capital improvements costs and related financing
- **Internal Service Funds** – used to account for certain centralized services and user charges for those services (ex. Fleet Services, Information Systems, and Warehouse)
- **Fiduciary Funds** – used to hold and manage financial resources in a fiduciary capacity (ex. post-employment benefits funds)

City Fiscal Policies



- Credit Rating
- Revenue Projections
- General Obligation Debt
- General Debt Service
- Unfunded Pension Liability
- Revenue Sources
- Cash Management and Investment

Budget and Financial Reports



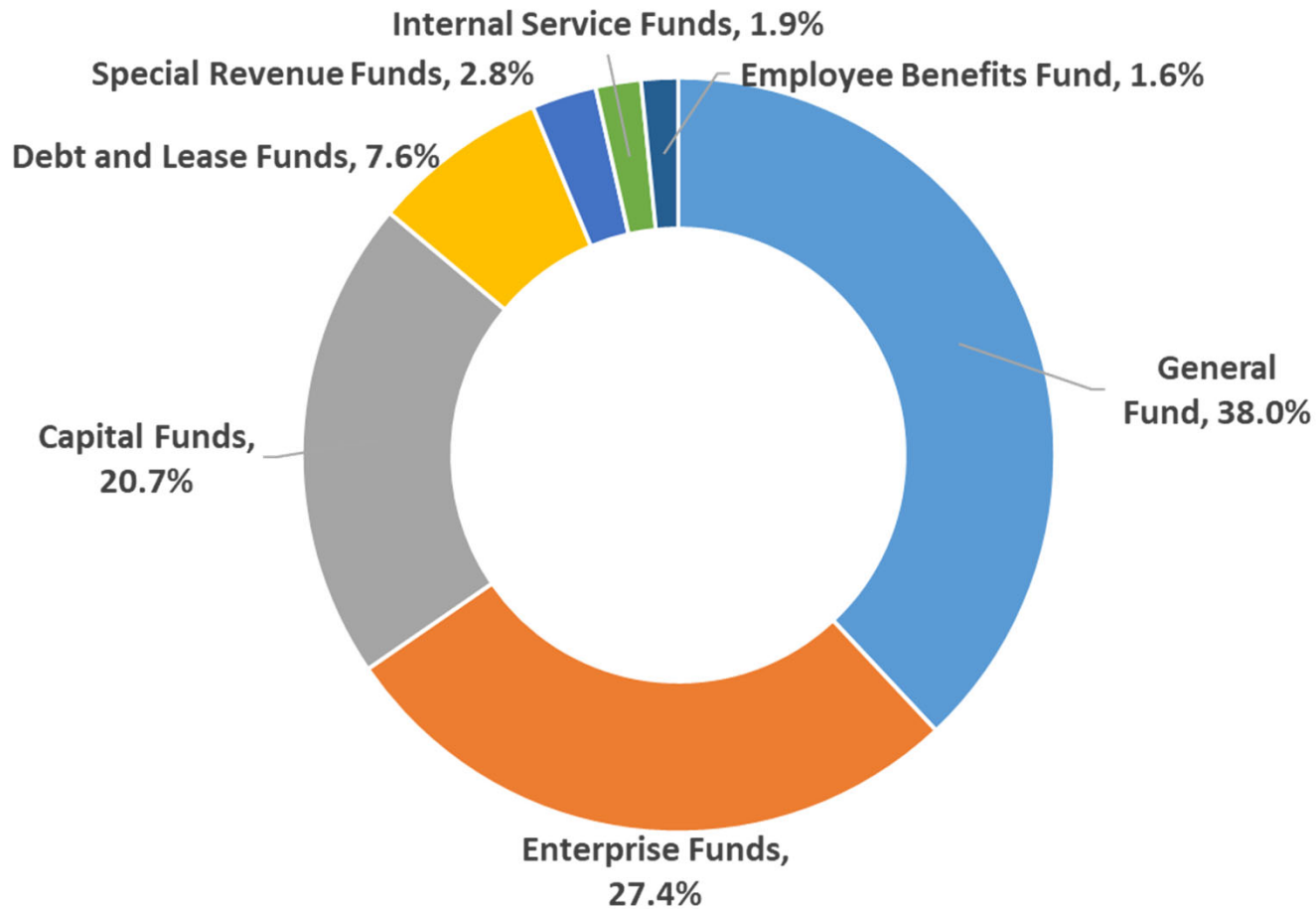
- Annual Budget
- Capital Plan
- Annual Comprehensive Financial Report

Annual Budget Calendar



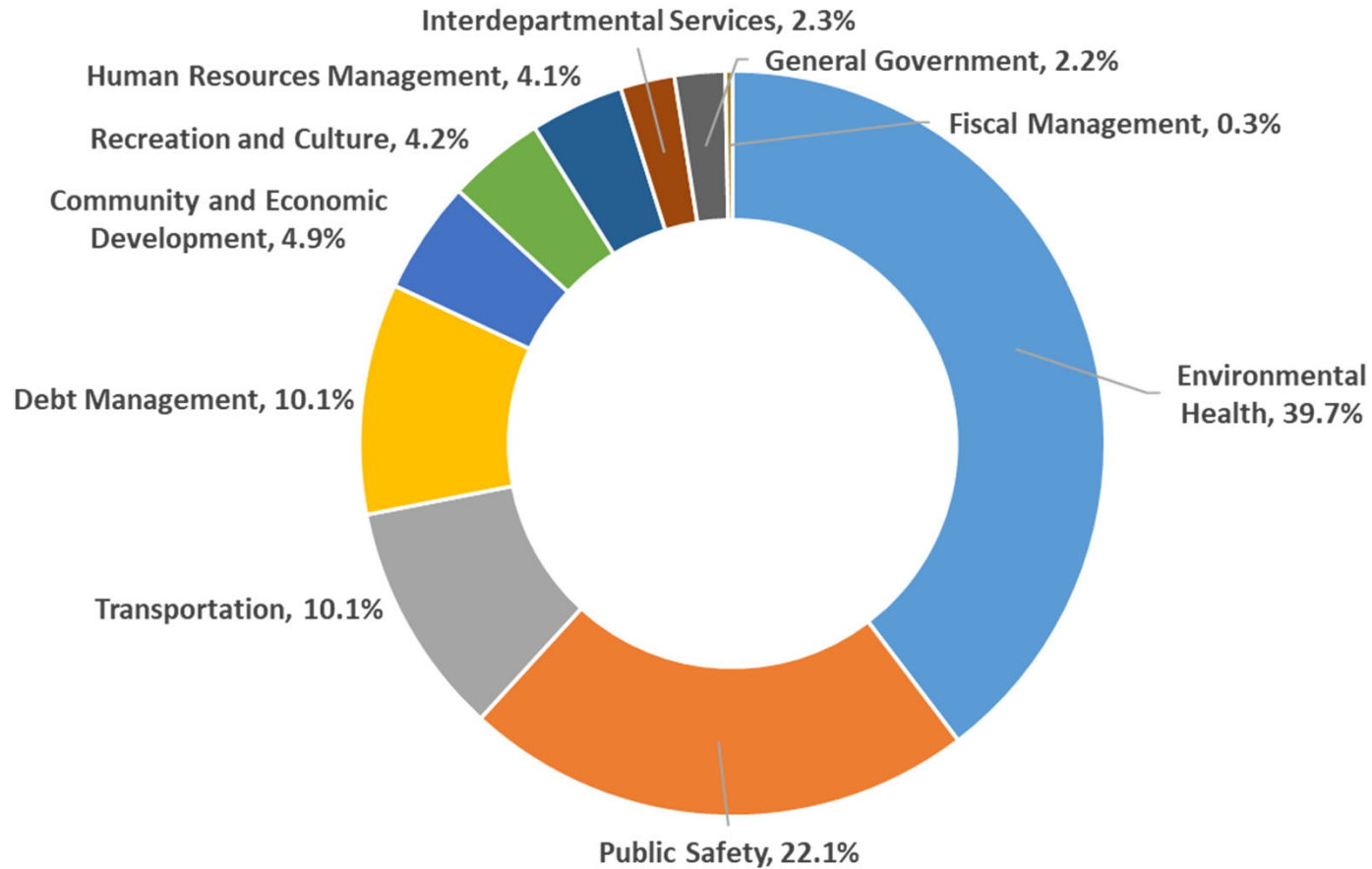
July 1	Start of Fiscal Year
August – December	Early forecast for upcoming fiscal year. Steps to eliminate the “gap” between projected expenditures and revenues.
December – January	Mid-year update of the forecast. Formulation of budget guidelines for upcoming year.
January – February	Budget Kick-Off. Departments submit budget requests.
March – April	City Council pre-budget workshop. Preparation of annual budget proposal.
May – June 30	Distribution of City Manager’s proposed budget. Finance Committee workshops and public hearing. Adoption of budget ordinances and property tax rate.

FY22 Total Net Expenditures by Fund



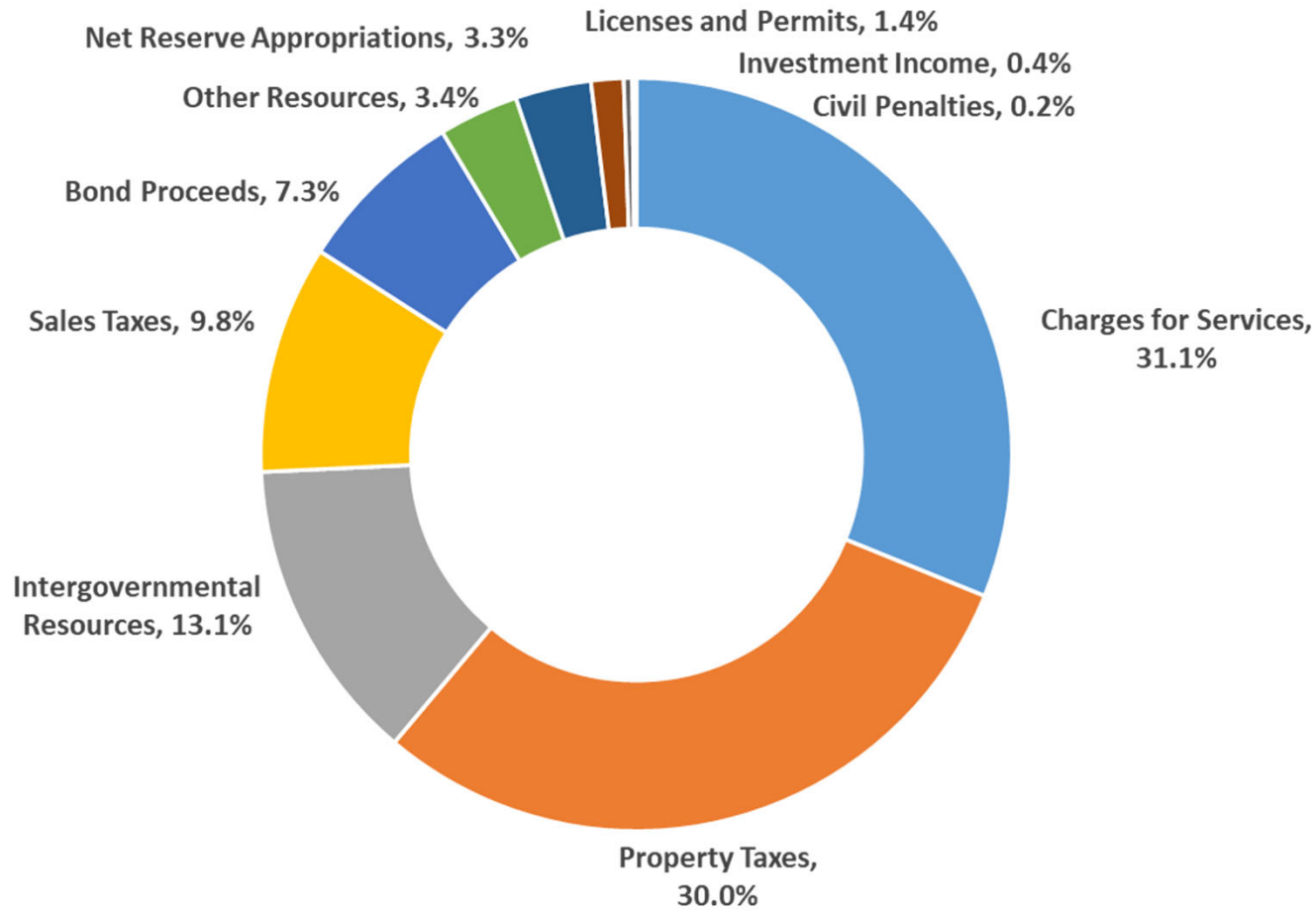
Net Total \$532.2 Million

FY22 Total Net Expenditures by Service Area



Net Total \$532.2 Million

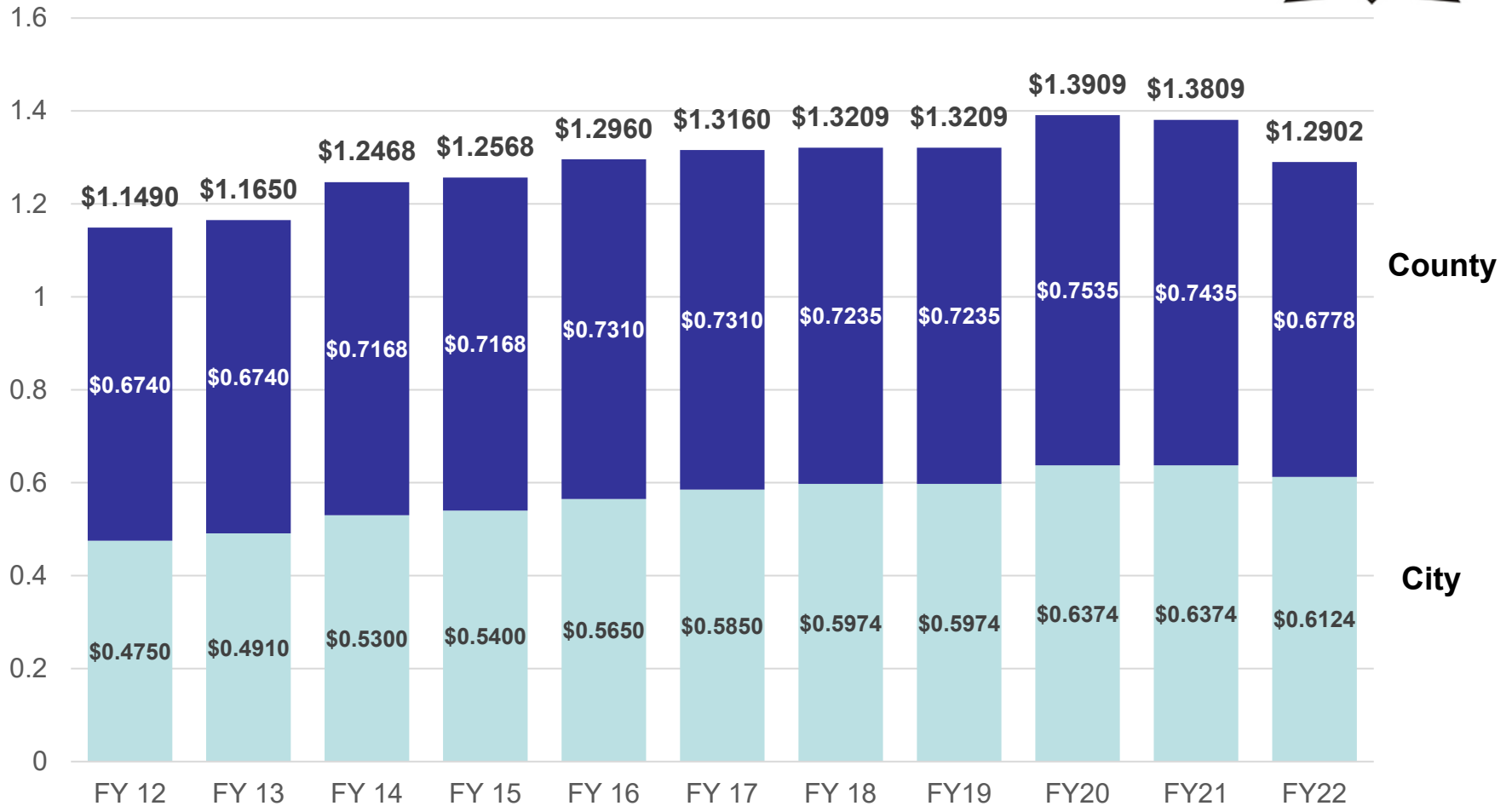
FY22 Total Resources by Type



Net Total \$532.2 Million

City and County Tax Rates

Last Ten Years



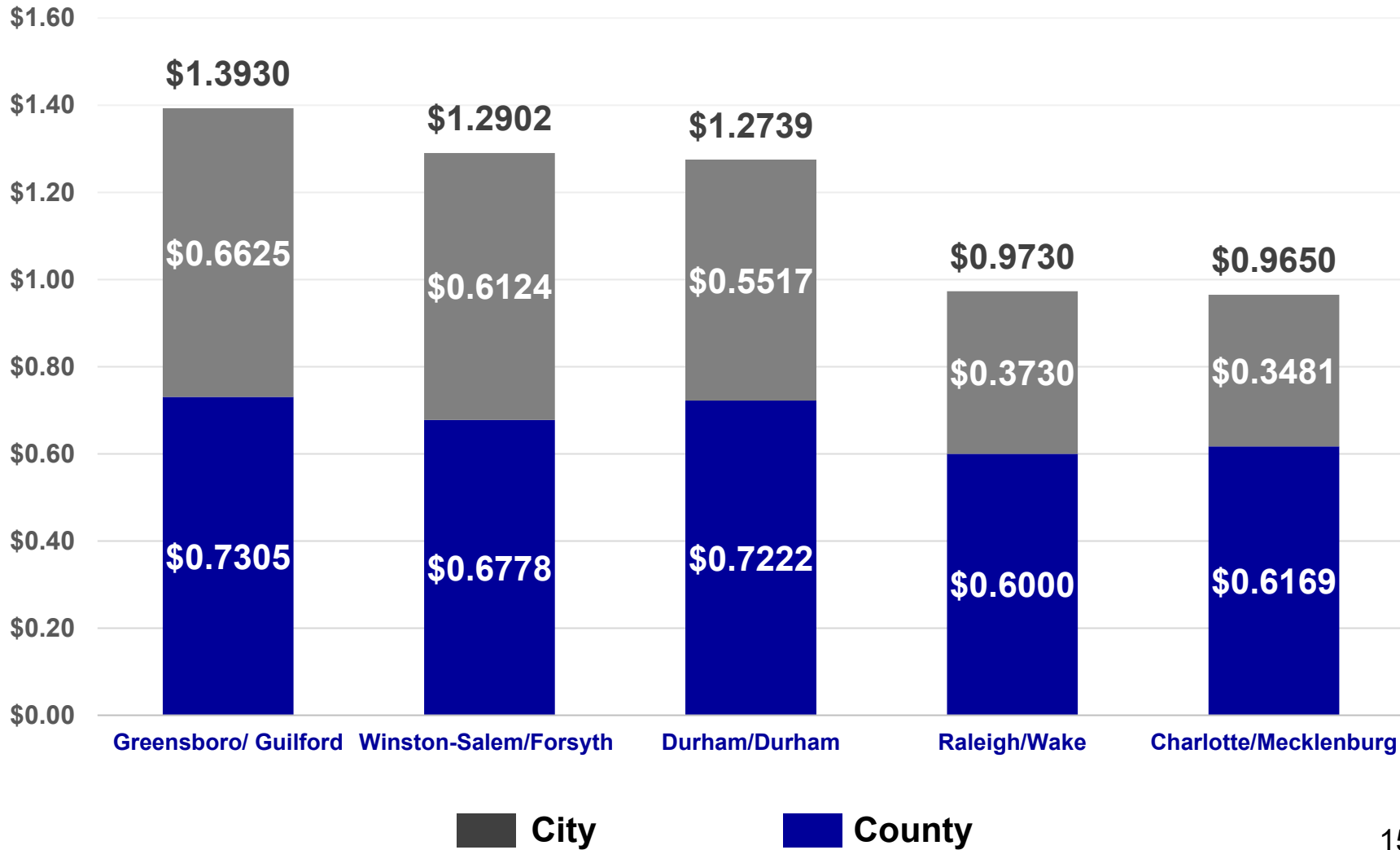
Note:

- Revaluations in FY 14, FY 18, FY 22
- City rate for FY 2015 through 2022 excludes \$0.09 for Downtown Winston-Salem Business Improvement District.

Major NC Cities and Counties

Comparison of Combined FY 2021-22 Property Tax Rates

Tax Rates per \$100 of Assessed Valuation

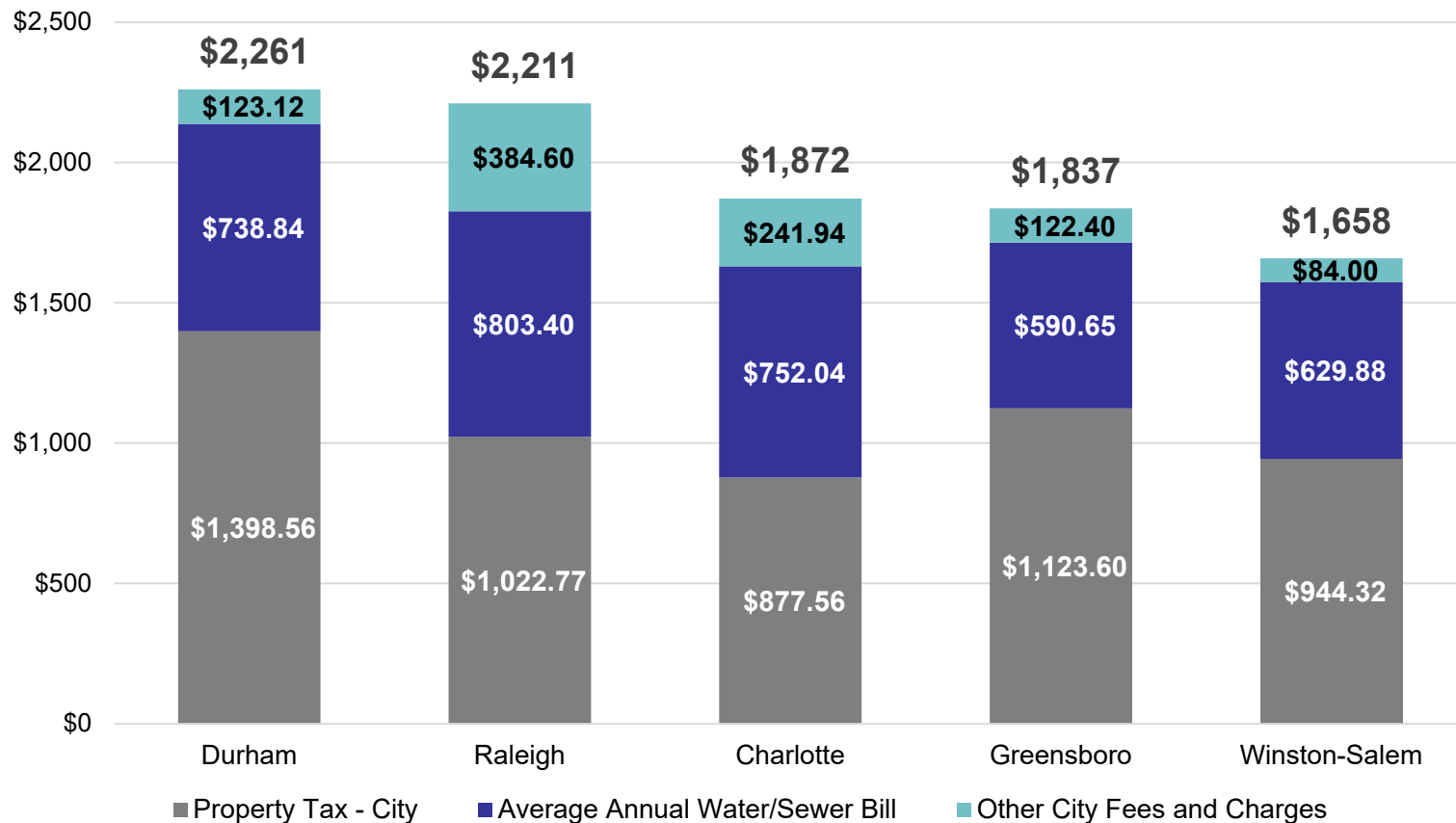


Customer Costs for Municipal Services

FY 2021-22

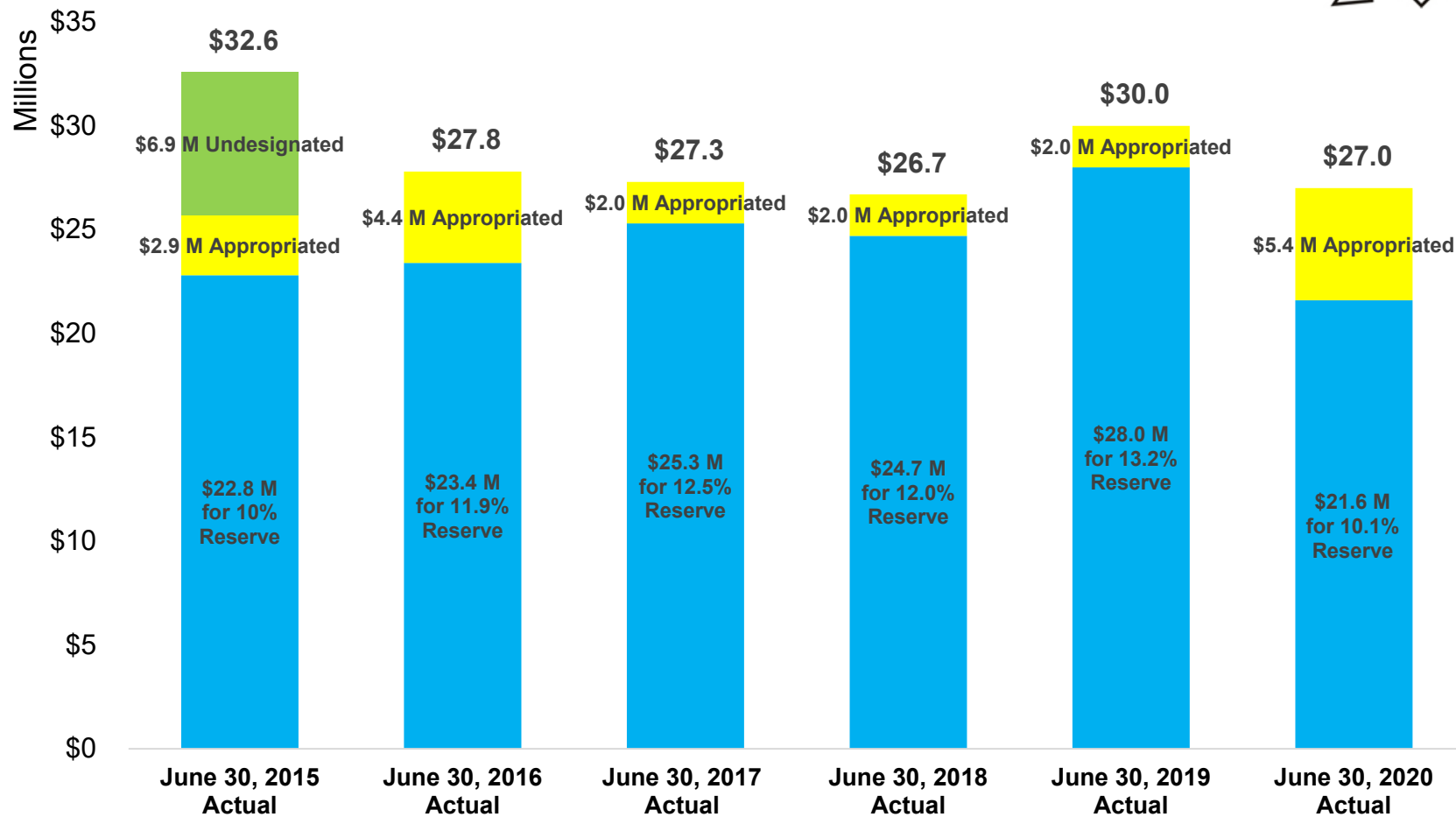


City Taxes and Fees Comparison



- Property taxes based on the Census' 2019 median owner-occupied home value for each city (i.e. Winston-Salem \$154,200)
- Water/Sewer charges based on an average monthly consumption of 6 ccf, approximately 4,500 gallons
- Other City Fees and Charges include: Stormwater fees based on 2,001 sq. ft. of impervious surface; Vehicle registration fees based on two cars per household; Solid waste fees based on curbside trash and recycling collection (does not include optional yard waste fees or solid waste fees charged by the county)

General Fund Balance



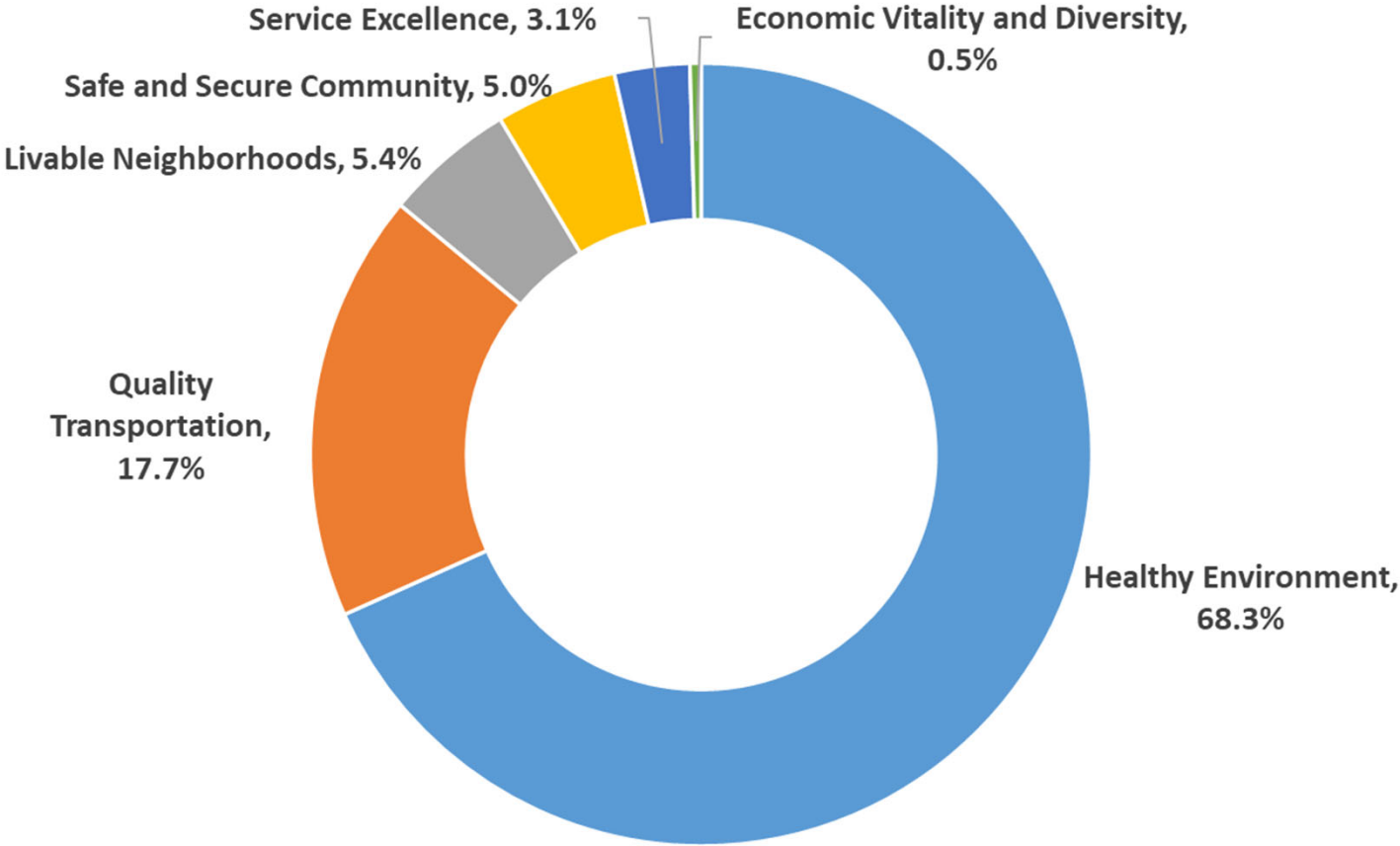
Note: Amounts represent the unrestricted portion of general fund balance and do not include balances restricted by state statute.

Capital Plan



- Six-year plan for major projects including:
 - Construction, purchase, or major renovation of buildings, utility systems, streets, or other physical structures
 - Purchase of land for redevelopment, right-of-way for streets and utilities, parks, and sites for public buildings
 - Stimulation of economic development and housing (for business parks, downtown development, housing rehabilitation, and housing loans and grants)

2022-2027 Capital Plan by Strategic Focus Area



2022-2027 (Six-Year) Total: \$391.8 M

Financing Capital Projects



- Must be authorized by State law
- Federal law exempts interest paid on most state and local government obligations from federal income tax.
- Local Government Commission (LGC)
 - Established in 1931 in response to depression
 - Approval usually required to issue debt

Financing Capital Projects



Forms of Financing:

- Public Issues
 - General Obligation Bonds
 - Revenue Bonds
 - Special Obligation Bonds
 - Limited Obligation Bonds
- Private Placements
 - Installation Purchase Contracts
 - Capital Leases
- Other
 - State of NC Clean Water Loan Program

Financing Capital Projects



- All financings require City Council approval.
- Public hearings are required when there is a pledge of taxpayer revenues.
- Statutory net debt limitation

General Obligation Bonds



- Simplest form of borrowing available to local government
- Secured by the full faith and credit of the city and the promise to levy any amount of property tax necessary to repay the debt
- Promise to levy tax can be enforced by bondholder

General Obligation Bonds



- **Voted**
 - Approved by referendum

- **Two-thirds (Non-voted) Bonds**
 - Bonds may be issued in an amount not to exceed two-thirds of principal reduction of prior year
 - City issues two-thirds bonds on odd years (FY 2021) to maximize issue size

Steps to Issue Two-thirds General Obligation Bonds



- City Council approves projects as part of six-year Capital Plan.
- City Council approves initial resolution, introduces bond orders, and sets a public hearing date.
- Application to LGC
- Preparation of Official Statement for potential bond buyers and rating agencies
- City Council holds public hearing and adopts bond orders and authorizing resolution.
- Receive credit ratings
- LGC approval
- Issuance of bonds

Revenue Bonds



- Bonds are backed by pledge of revenues from a bond-financed project or from the operating system of which the project is a part.
- Purposes for which revenue bonds may be used:
 - Water and sewer projects
 - Parking facilities
 - Stormwater management

Revenue Bonds



- Bondholders have the right to force an increase in user charges if revenues prove inadequate to pay debt service.
- Bond Covenants-Bondholders' means to ensure continued health, construction and operation of the asset or system
 - Rate Covenant-requires “net revenues” to be a margin of safety or “times coverage” of the debt service

Special Obligation Bonds



- Secured by a pledge of any revenue source available, except locally levied taxes.
- Commonly used revenue source for cities is local sales and use tax.
- Common uses are solid waste disposal and economic development projects.
- Bondholders can attach a lien to incoming tax monies.

Installment Purchase Contracts



- Long-term financing: improvements to the Convention Center, Bowman Gray Stadium
- Short-term financing: rolling stock such as vehicles and equipment
- Financing is secured by assets for collateral.

Capital Leases



- North Carolina Municipal Leasing Corporation (NCMLC) is a non-profit corporation established to provide financing for the City to acquire real and personal property through capital leases.
- NCMLC issues Limited Obligation Bonds, which provide funds to acquire assets that are leased to the City.
- The debt is secured by the lease payments received from the City.

Refinancings



- The Financial Management Services staff constantly monitors and pursues opportunities to refinance existing debt issue at lower interest costs.
- Refinancings require City Council approval but do not require a public hearing.

Credit Ratings



- Indicator of government's financial strength and credit worthiness
- City's GO Rating is triple "A" from:
 - Moody's Investor's Service
 - Standard & Poor's Corporation
 - Fitch Investor's Service, Inc
- These high credit ratings lower the City's financing costs.

Risk Acceptance Management Corporation



- A non-profit entity created for the benefit of the City to provide a funding vehicle for the payment of general, auto, and professional liability claims against the City. In 2016, the operating memorandum was revised to provide payments to the City for excess coverage for workers' compensation and health care claims over \$250K.
- In 1988, the Risk Acceptance Management Corporation (RAMCO) issued COPS to provide funding for a \$15 million reserve.
- At the end of FY 2020, RAMCO's total assets were \$40.7 million.
- RAMCO has the authority to settle claims up to \$100,000. Claims over \$100,000 require the approval of the Mayor and City Council.

Contact Information



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