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# CITY MANAGER'S MESSAGE SUMMARY

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**Winston-Salem**

Office of the City Manager

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Lee D. Garrity

City Manager

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May 24, 2018

Dear Mayor Joines and Members of the City Council:

I respectfully submit to you the proposed fiscal year (FY) 2018-19 budget of \$530 million, which includes \$363 million for operations, \$125 million for capital, and \$42 million for debt service. Compared to FY 2017-18, the total budget is increased by 9.8% primarily to provide for major capital improvements for water and sewer system upgrades.

The general fund accounts for municipal services that are covered primarily by property and sales taxes. The FY 2018-19 general fund is budgeted at \$205.4 million, an increase of \$2.6 million or 1.3 percent, compared to the FY 2017-18 adopted budget. The major drivers of the increase are related to ongoing public safety investments and the City's commitment to employee compensation.

This year's proposed budget is the culmination of a three-year plan to implement a new classification and compensation system with market pay adjustments for all employees. During FY 2017-18, the City invested over \$2 million to provide more competitive employee compensation and stronger police retention strategies by implementing recommendations from a study of one-half of the workforce (i.e. laborers, equipment operators, law enforcement, etc.). As part of the study, the minimum hourly rate was increased from \$11.00 to \$11.25 per hour. For the FY 2018-19 proposed budget, the City will invest in the remaining one-half of employees (not included in the first round of market adjustments), provide additional police and fire supplemental pay, and increase the minimum wage from \$11.25 to \$12.50 per hour. The full implementation of the market study will ensure that the City of Winston-Salem can attract, retain, and reward skilled employees in order to provide reliable, high-quality services to the community, which aligns with Council's strategic focus area of service excellence.

In the spring of 2018, the City conducted a resident satisfaction survey to measure residents' satisfaction and perceptions with various city services. Overall, respondents rated the City very positively, with high satisfaction, as a place to live, raise children, and work. However, some results revealed service areas in need of improvement. While the proposed budget allocates most of the new resources toward implementing the compensation and classification study recommendations, departments will utilize and reprioritize existing resources to address some of the residents' concerns identified in the survey results.

The FY 2018-19 proposed budget is balanced with no proposed tax rate increase. The current rate remains at 59.74 cents per \$100 of assessed value.

This budget demonstrates the Mayor's and City Council's commitment to six strategic focus areas: Economic Vitality and Diversity, Safe and Secure Community, Livable Neighborhoods, Healthy Environment, Quality Transportation, and Service Excellence. To enhance the City's strategic plan and performance management efforts, the presentation of the proposed FY 2018-19 budget is organized by departmental budgets which have been assigned to a strategic focus area based on the department's overall mission. The total budgets for the strategic focus areas include both operating and capital expenditures. The following chart shows the allocation of the total proposed FY 2018-19 budget by strategic focus area, including debt management.

### Proposed FY 2018-19 Budget by Strategic Focus Area



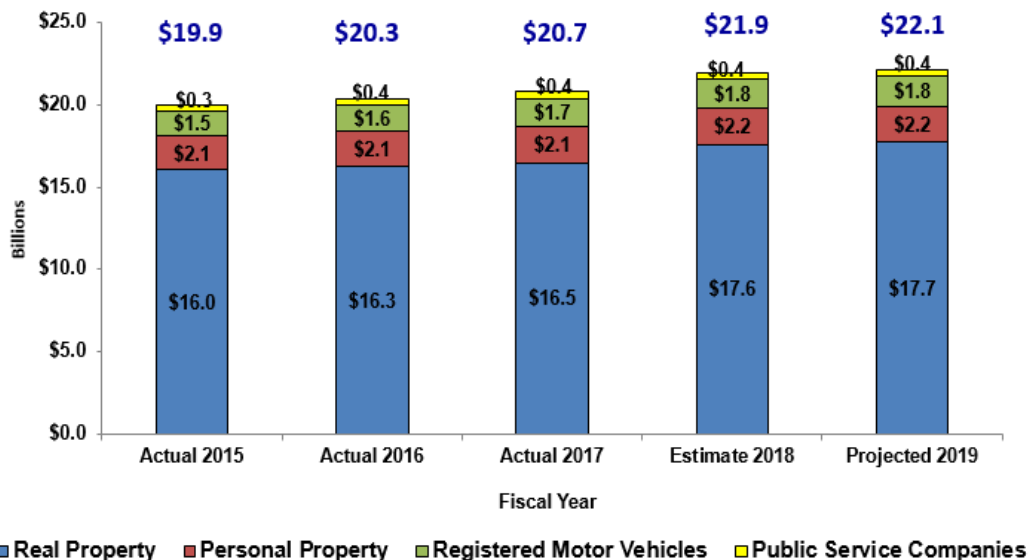
While each strategic focus area is important, the FY 2018-19 proposed budget focuses on the following three focus areas: creating a ‘healthy environment’ (41%) by investing in water and sewer capital improvements; championing ‘service excellence’ (20%) by adjusting employee compensation to align closer to market pay; and establishing Winston-Salem as a ‘safe and secure community’ (18%) by supporting public safety pay adjustments and enhancing police retention efforts.

The remainder of my message discusses in detail the following major decision points reflected in the proposed FY 2018-19 budget.

### Property Tax

The FY 2018-19 proposed tax rate is 59.74 cents per \$100 of assessed value, which represents no increase from the current year’s rate.

Based on estimates from the Forsyth County Tax Office, the City’s overall tax base is projected to increase by .7% over FY 2017-18 and shows slow growth since the last revaluation in FY 2017-18. The slow growth of the tax base is due to exemptions and potential appeals on new economic development projects. The following chart shows the changes in components of the tax base—real property, personal property, registered motor vehicles, and public service companies—over the last few years.



## **Services**

The proposed FY 2018-19 budget maintains the current level of services, except elimination of the dumpster collection service.

## Healthy Environment

The proposed budget assumes the Bulk Container program will end effective January 1, 2019. Expenditures and revenues in the proposed budget will allow the program to honor existing contracts through July 1, 2019. One senior equipment operator will remain assigned to the program to collect bulk containers for remaining contracts and City facilities. Ending the program in FY 2018-19 will result in annual savings of at least \$300,000 to the general fund. An estimated additional savings of \$200,000 will be realized in FY 2019-20 when the program is not in operation.

## Service Excellence

### **Employee Compensation and Benefits**

*Merit Pay:* The proposed budget includes funding for an average 2.0% merit pay increase for employees that would be provided based on the following tiered ratings: top performers-3%; strong performers-2%; solid performers-1.5%.

*Classification and Compensation Study:* The City's Human Resources Department utilized an independent consultant to conduct a classification and compensation study for approximately fifty percent of the City's workforce (after police personnel was added). The FY 2017-18 adopted budget included a market pay adjustment for one-half of the workforce to bring employees (e.g. equipment operators, laborers, etc.) closer to market pay based on the study's recommendation. The FY 2018-19 proposed budget includes adjusting the market pay for the remaining one-half of the workforce. In order to implement the plan, the consultant recommended raising the salary of each employee whose current salary is below the new pay plan minimum for their assigned pay grade. Their salaries would be adjusted to the new pay plan minimum, with each employee receiving an increase of at least 2% (even if less is required to raise their pay to the new minimum). For those employees whose salaries are above the new minimum, an increase of 2% is recommended to address pay compression caused by raising the pay grade minimums. The new minimum wage will increase from \$11.25 to \$12.50 per hour, with a recommendation to move the minimum rate to \$15 per hour by the year 2021.

*Public Safety Supplemental Pay Adjustments:* In February 2016, the Mayor and City Council approved a public safety supplemental pay plan that increased minimum salaries by 7.5% and employee salaries by 2% for sworn police and certified fire personnel. The proposed budget also includes a fourth round of supplemental pay adjustments that would increase sworn police and certified fire personnel salaries by an additional 2%, effective January 1, 2019.

*Health and Dental Benefits:* For the 2018 plan year, the proposed budget anticipates a modest increase in the City's health care expenditures. The impact on employee contributions again will be limited to a 5% increase. The City's internal health care task force continues to focus on a comprehensive approach to addressing the health and wellness of our employees and covered members and will continue to emphasize preventive care, education awareness, and benefit utilization analysis to evaluate and recommend approaches to controlling current and future costs.

## Livable Neighborhoods

*Bond Project Operating/Personnel Costs:* Two new or renovated City facilities (from the 2014 bond referendum) are scheduled to open during FY 2018-19. These facilities include Union Station (projected to open October 2018) and Long Creek Pool (opening the summer of 2018). There are no additional full-time authorized positions required for the opening of these facilities.

### **Economy of Operation**

*Position Changes:* The FY 2018-19 proposed General Fund budget eliminates fifteen (15) vacant positions, freezes seven (7) vacant non-sworn public safety positions, and defunds ten (10) vacant Community Oriented Policing (COPS) grant positions. A full list of positions can be found on Attachment A. Once our savings goal is met, we can relax the freeze by the end of the fiscal year.

### **User Fees**

There are no increases to user fees, except water/sewer and landfill tipping fees approved by the City/County Utilities Commission.

### **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 2018, the Downtown Winston-Salem Business Improvement District Advisory Committee approved a recommended work plan, budget, and tax rate for FY 2018-19. The work plan continues to focus on the following program areas: cleaner environment, increased safety and security, stronger marketing and promotion, accelerated development, enhanced physical appearance, and administration. Based on an estimated tax base of \$674.5 million and a recommended tax rate of 9¢, the FY 2018-19 budget totals \$602,020. During the fiscal year, the Advisory Committee will continue to provide regular reports to the Mayor and City Council regarding the services and programs in the BID.

### **Community Agency Funding**

In November 2014, the Mayor and City Council created the Community Agency Allocation Committee to review applications from non-profit organizations seeking financial assistance from the City and to make funding recommendations to the City Manager. For FY 2018-19, the Committee reviewed over 80 applications. I have reviewed the Committee's recommendations and reflected some of those recommendations in my proposed FY 2018-19 budget. Attachments B and C provide a full listing of my recommendations for community agency funding.

### **2019-2024 Capital Plan**

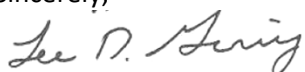
The 2019-2024 Capital Plan represents a six-year plan, organized by the City Council's strategic focus areas, that proposes to invest \$388.5 million in the City's facilities and infrastructure. The Capital Plan includes \$282.9 million in investments in water, sewer, solid waste disposal, and stormwater infrastructure, by far the largest part of the capital budget. 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**

Citizen engagement will continue to be a vital part of the City's budget process. We will provide the proposed budget on the City's website ([www.cityofws.org](http://www.cityofws.org)) and will review feedback that is posted by citizens through the Citizen Feedback Line. In addition, copies of the proposed budget will be placed in libraries within the city and recreation centers. As always, my staff and I stand ready to meet with your constituents, as needed, to explain the details of the budget proposal.

I look forward to our budget discussions in the weeks ahead. I have attached the calendar of budget events beginning Thursday, May 31, 2018.

Sincerely,



Lee D. Garrity, City Manager

## ATTACHMENT A

### Changes to Positions in the FY 2018-19 Proposed Budget

The proposed FY 2018-19 budget eliminates 15 vacant positions and defunds 10 vacant grant positions in the General Fund. The following table lists the positions including the cost in salaries and benefits.

Position	Department	Salaries & Benefits
<b>General Fund – Elimination/Defund</b>		
Sanitation Laborer (8)	Sanitation – Refuse	\$210,000
Equipment Operator (6) & Supervisor (1)	Sanitation – Dumpster (½ yr)	\$309,000
COPS Grant Positions (10)	Police Department	\$128,000
	<b>Total savings:</b>	<b>\$647,000</b>

- The proposed budget includes the elimination of eight vacant sanitation laborer positions in refuse collection. This continues the transition from three-person crews using rear loading trucks to one-person crews using automated side loaders.
- The Commercial Dumpster service is proposed to end on January 1, 2019. Seven equipment operator positions will be eliminated at that time and staff will be moved into vacant positions.
- The COPS grant positions (all vacant) will be defunded from the FY 2018-19 budget due to high officer vacancies in the WSPD. Once adequate staffing levels increase for officers, the budget will be restored.

The proposed FY 2018-19 budget freezes seven positions in the general fund. The following table lists the positions including the cost in salaries and benefits.

Position	Department	Salaries & Benefits
<b>General Fund – Freeze</b>		
Contact Center Team Lead/Trainer (1)	City Link	\$54,000
Police Records Specialist (1)	Police Department	\$43,500
Sanitation Operations Supervisor (1)	Sanitation – Administration	\$56,000
Senior Administrative Assistant (1)	Sanitation – Refuse	\$54,000
Building Construction Specialist (1)	Engineering	\$54,000
Senior Engineering Technician (1)	Engineering	\$56,000
Painter (1)	Recreation and Parks	\$35,000
Newly vacated positions	Various	\$120,500
	<b>Total savings:</b>	<b>\$473,000</b>

- The list provided was based on a point-in-time vacancy report, however, as service-level demands arise, the actual list may be adjusted to maintain appropriate levels of service.
- There will be ongoing management of (non-sworn public safety) positions that become vacant throughout the fiscal, beyond the positions noted above, in order to achieve the salary savings.

## ATTACHMENT B

### FY 2018-19 Community Agency Funding Recommendations General Fund, Occupancy Tax

<b>EXPENDITURES BY AGENCY</b>	<b>Budget</b>	<b>Requested</b>	<b>Adopted</b>	<b>Percent</b>
	<b><u>FY 17-18</u></b>	<b><u>FY 18-19</u></b>	<b><u>FY 18-19</u></b>	<b><u>Change</u></b>
A/perture Cinema	\$0	\$27,500	\$0	N/A
Arts Council – Operating	217,360	250,000	217,360	0%
Arts Council – Capital	52,540	70,190	70,190	33.6%
Authoring Action	0	20,000	0	N/A
Big Brothers Big Sisters Services, Inc.	0	200,000	0	N/A
Center for Creative Economy	25,000	40,000	25,000	0%
City with Dwellings	0	5,000	0	N/A
Crosby Scholars	0	32,500	0	N/A
Experiment in Self-Reliance (ESR)	85,230	125,000	85,230	0%
Forsyth County Adult Drug Treatment Court	35,000	35,000	35,000	0%
Forsyth County District Attorney Family Court	45,000	90,027	45,000	0%
High Horizons Academies	0	50,000	0	N/A
Institute for Dismantling Racism	33,350	35,196	33,350	0%
J.W. Paisley Alumni Association	0	25,000	0	N/A
Kaleideum – Operating	172,360	225,000	172,360	0%
Kaleideum – Capital	50,000	50,000	50,000	0%
LEAD Girls of NC*	0	5,000	0	N/A
Mediation Services	7,500	0	0	-100.0%
National Black Theatre Festival	85,000	100,000	100,000	17.6%
North Carolina Governor’s School Foundation	0	57,307	0	N/A
Old Salem	175,000	250,000	186,520	6.6%
Piedmont Triad Film Commission	32,310	35,000	34,640	7.2%
Reynolda House	75,000	50,000	0	-100.0%
RiverRun International Film Festival	40,000	50,000	40,000	0%
Shepherd's Center of Greater W-S	15,000	25,000	15,000	0%
Triad Cultural Arts	0	75,000	0	N/A
The Sergei Foundation	5,000	10,000	5,000	0%
Winston-Salem MIXXER, Inc.	0	135,000	0	N/A
YMCA: Youth Incentive Program	66,000	66,000	66,000	0%
<b>Subtotal</b>	<b>\$1,216,650</b>	<b>\$2,138,720</b>	<b>\$1,180,650</b>	<b>-3.0%</b>

## ATTACHMENT B

<b>EXPENDITURES BY AGENCY - Continued</b>	<b>Budget</b>	<b>Requested</b>	<b>Adopted</b>	<b>Percent</b>
<b>Successful Outcomes After Release</b>	<b><u>FY 17-18</u></b>	<b><u>FY 18-19</u></b>	<b><u>FY 18-19</u></b>	<b><u>Change</u></b>
Beating up Bad Habits	\$0	\$20,000	\$5,000	N/A
Boys2Men Mentorship Program (More Than Conquerors)*	5,000	20,125	5,000	0%
Eliza's Helping Hands	0	250,000	0	N/A
Eureka Ministry, Inc.	20,000	23,000	20,000	0%
Honorable Youth*	5,000	0	0	-100.0%
Hoops4L.Y.F.E.*	5,000	125,000	5,000	0%
I.C.A.R.E Support Group	0	20,000	0	N/A
Josh Howard Foundation	6,500	0	0	-100.0%
My Brothers Second Chance*	5,000	15,000	5,000	0%
Piedmont Triad Regional Council (PTRC)	10,000	17,925	10,000	0%
Self-Empowerment Last Forever (SELF)	10,000	20,000	0	-100.0%
Southside Rides	10,000	20,000	10,000	0%
Total Concepts International, Inc.*	0	10,000	0	N/A
Triad Restorative Justice*	0	5,000	0	N/A
YAMM (Youth Achieving Moral Maturity)*	0	5,000	0	N/A
YWCA: Hawley House	13,500	143,825	13,500	0%
Contingency	5,000	N/A	10,000	100.0%
<b>Subtotal</b>	<b>\$95,000</b>	<b>\$694,875</b>	<b>\$83,500</b>	<b>-12.1%</b>
<b>Total Expenditures by Agency</b>	<b>\$1,311,650</b>	<b>\$2,833,595</b>	<b>\$1,264,150</b>	<b>-3.6%</b>

\*Indicates seed-funded agency



## ATTACHMENT C

### FY 2018-19 Community Agency Funding Recommendations Community Development Block Grant, HOME Fund, Housing Finance Assistance Fund, Emergency Solutions Grant

<b>EXPENDITURES BY AGENCY</b>	<b>Budget FY 17-18</b>	<b>Requested FY 18-19</b>	<b>Adopted FY 18-19</b>	<b>Percent Change</b>
Bethesda Center for the Homeless:				
Case Management	\$160,000	\$160,000	\$160,000	0%
Day Shelter Renovation	0	100,000	100,000	N/A
Women's Shelter	32,690	35,000	32,690	0%
Day Shelter	19,840	20,000	19,840	0%
Men's Shelter	24,520	25,000	24,940	1.7%
Consumer Credit Counseling Service:				
Center for Homeownership	66,750	70,000	66,750	0%
Exchange/SCAN HVAC Renovation	0	55,000	55,000	N/A
Experiment in Self-Reliance, Inc. (ESR):				
Income Tax Preparation Assistance	35,600	45,600	35,600	0%
Transitional Housing Program	89,250	102,756	89,250	0%
Transitional Housing (ESG)	13,220	15,591	13,220	0%
Family Services:				
Women's Shelter	30,770	50,094	31,790	3.3%
Head Start Building Repairs	0	50,000	50,000	N/A
Goodwill Industries of NWNC (in collaboration with United Way)				
	32,480	29,650	29,310	-9.8%
Habitat For Humanity of Forsyth County, Inc. (HOME)				
	142,000	331,200	207,000	45.8%
HARRY Veterans Community Outreach Services (VCOS)				
	25,000	25,000	25,000	0%
Housing Authority of Winston-Salem:				
Tenant Based Rental Assistance	240,000	315,000	240,000	0%
IFB Solutions	50,000	0	0	-100.0%
Liberty East Redevelopment Corporation	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	65,050	40,050	0%
North Carolina Housing Foundation:				
Veterans Helping Veterans Heal	14,250	21,000	14,250	0%
The Commons Workforce Development	13,350	18,000	13,350	0%
Piedmont Triad Regional Council:				
Project Re-Entry (SOAR)	31,150	35,684	31,150	0%
Positive Wellness Alliance	35,100	35,100	35,100	0%
Samaritan Ministries: Emergency Shelter	44,900	46,174	46,180	2.9%
S.G. Atkins CDC	0	65,000	65,000	N/A
Shalom Project	0	600,000	0	N/A
Share Food Coop/Freedom Tree	0	72,560	0	N/A
The Salvation Army: Emergency Shelter	44,900	46,174	46,180	2.9%
Ujima CDC	0	69,870	0	N/A
United Health Centers	16,020	50,000	16,020	0%

## ATTACHMENT C

<b>EXPENDITURES BY AGENCY - Continued</b>	<b>Budget <u>FY 17-18</u></b>	<b>Requested <u>FY 18-19</u></b>	<b>Adopted <u>FY 18-19</u></b>	<b>Percent <u>Change</u></b>
United Way of Forsyth County:				
Continuum of Care System Coordination	\$26,700	\$35,000	\$26,700	0%
Coordinated Intake Center	30,400	35,000	30,400	0%
Overflow Shelter	11,500	11,500	11,500	0%
Rapid Re-Housing Collaborative	76,610	220,000	75,930	-0.9%
Data Evaluation	45,650	45,650	45,650	0%
Urban League: Summer Youth Employment Program	165,000	165,000	165,000	0%
Work Family Resource Center	25,450	25,450	25,450	0%
YWCA: Rehabilitation of Hawley House	0	104,143	104,150	N/A
<b>Total Expenditures by Agency</b>	<b>\$1,624,300</b>	<b>\$3,237,746</b>	<b>\$2,013,600</b>	<b>24.0%</b>

# 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, such as Waughtown/Parkview and East Winston.

# City Fiscal Policies

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

## **Credit Rating**

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

## **Revenue Projections**

Revenue projections shall be sufficiently conservative to avoid shortfalls, but accurate enough to avoid a regular pattern of setting tax rates that produce significantly more revenue than is necessary to meet expenditure requirements

## **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, 2017 was \$535.*

## **General Debt Service**

Annual general governmental debt service payments shall not exceed 20% of total general governmental noncapital expenditures. *For 2016-17, debt service expense was approximately 17.1% 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 50.9% of general fund expenditures in 2016-17.*

## **Cash Management and Investment**

Sound and astute management of cash and investments shall augment resources available to the city. *During 2016-17, the overall cash and investment yield was 8.6%.*