

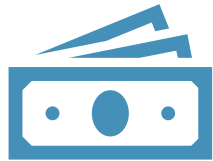
FISCAL YEAR 2023-24 PROPOSED BUDGET

FINANCE COMMITTEE WORKSHOP

BUDGET AND PERFORMANCE MANAGEMENT DEPARTMENT
MAY 30, 2023



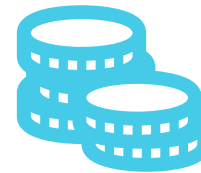
AGENDA



Total Budget
Overview



Employee
Compensation



General Fund
Budget Drivers



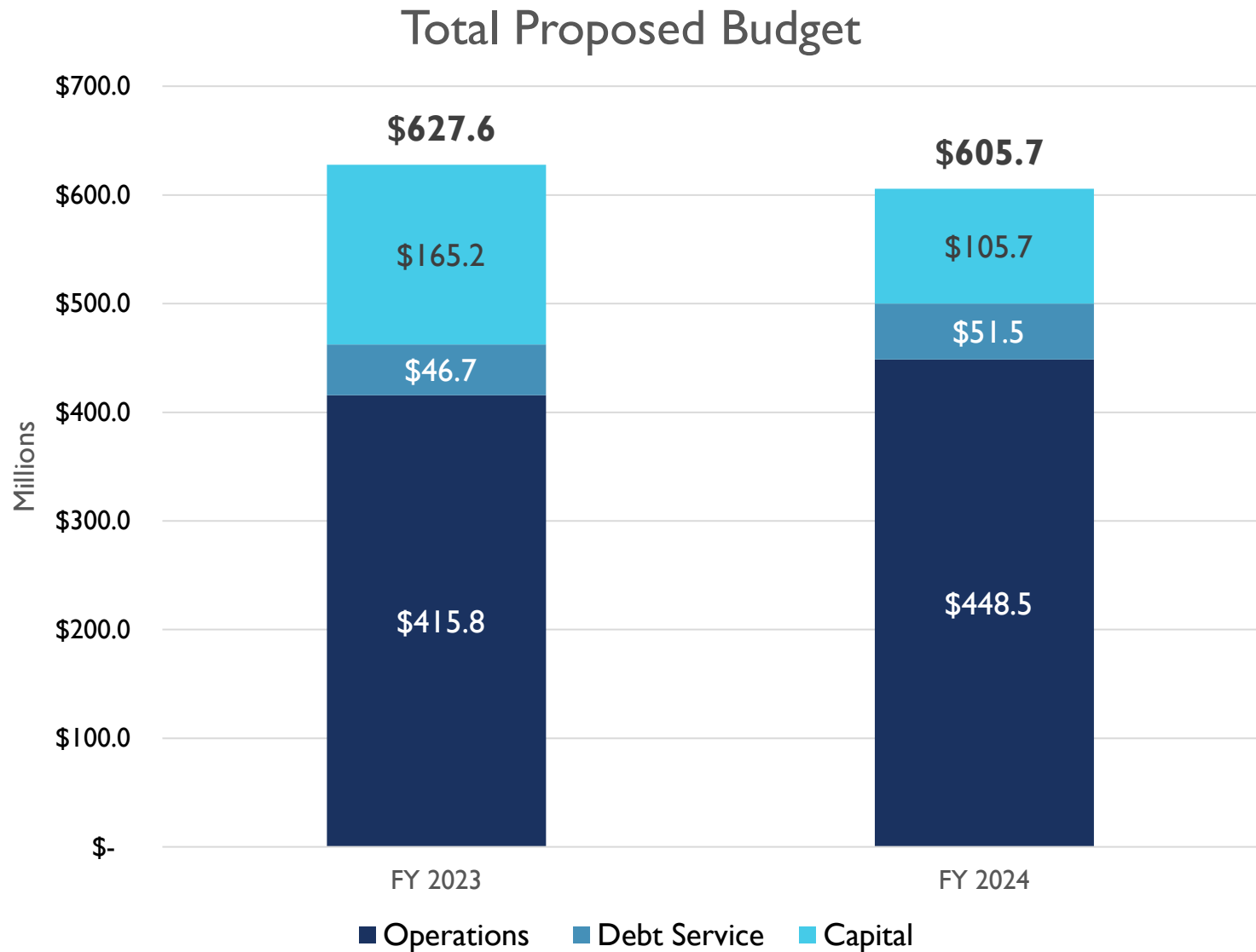
Enterprise Fund
Financial Forecasts



TOTAL PROPOSED BUDGET

REVENUE AND EXPENDITURE HIGHLIGHTS AND ANALYSIS





**TOTAL
PROPOSED
BUDGET**

**TOTAL NET
EXPENDITURES:
\$605.7 (ALL FUNDS)**

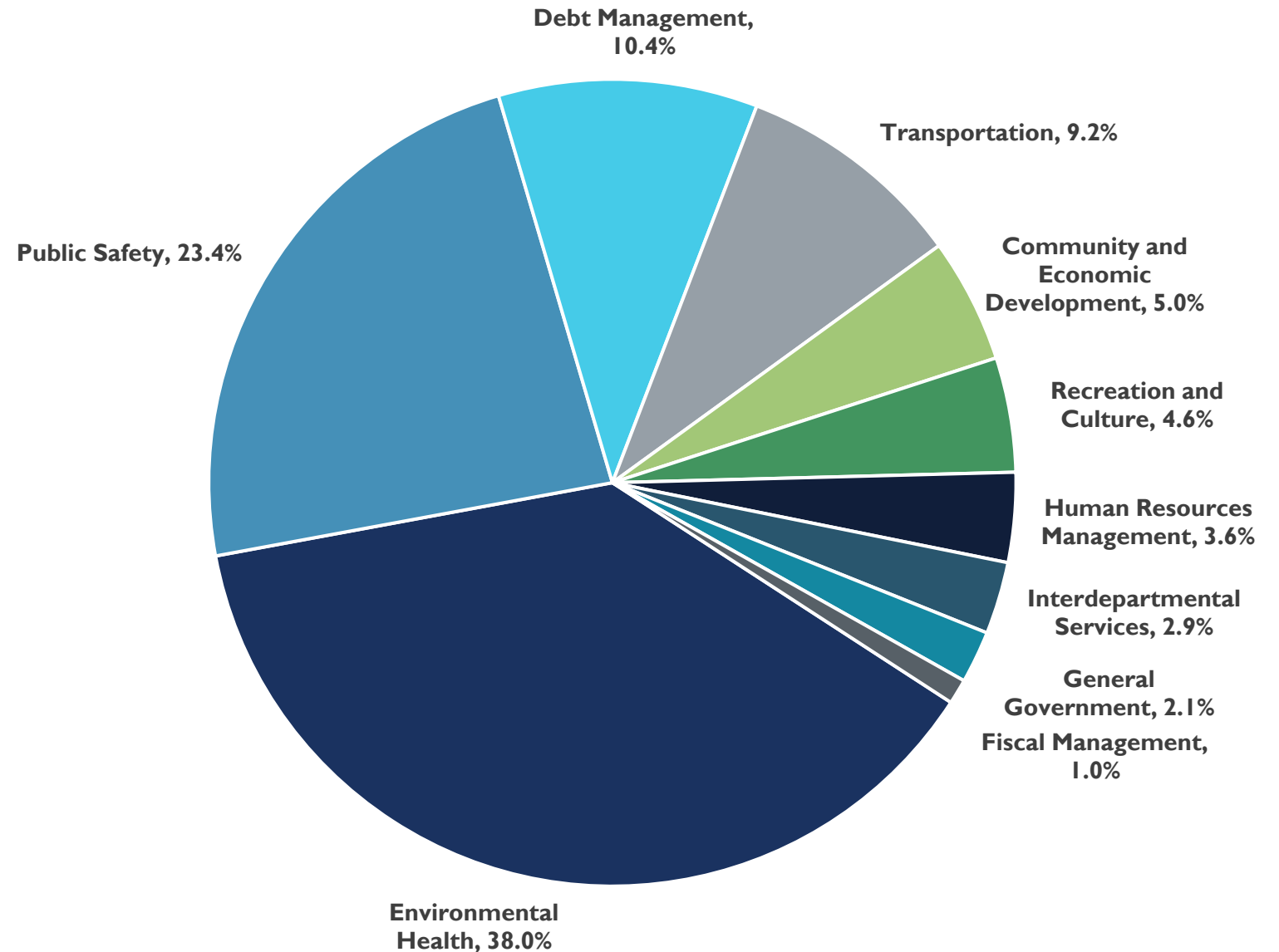
MAJOR BUDGET DRIVERS – ALL FUNDS

- Total Annual Budget
Decrease of \$21.9 million
- Compensation Includes:
 - No net new positions
 - Raises, benefits increases
 - Full year of Behavioral
Evaluation and Response
(BEAR) team and Recycling
programs

| <u>Type</u> | <u>Annual Increase</u> |
|------------------------|------------------------|
| Capital Projects Funds | -\$59.5 million |
| Compensation | \$21.6 million |
| Supplies/Services | \$18.2 million |
| Debt Service | \$4.8 million |
| TOTAL | -\$14.9 MILLION |

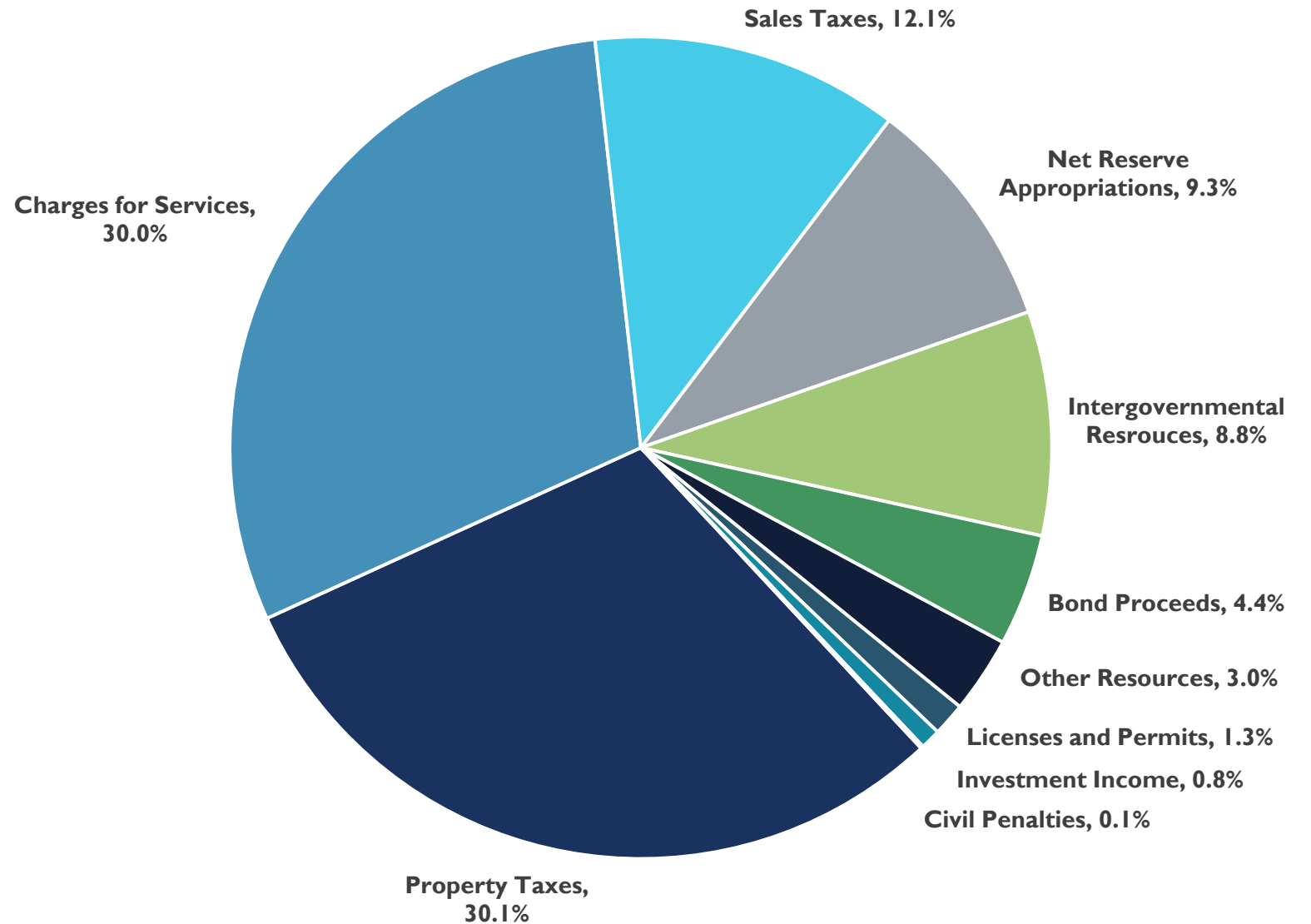
TOTAL PROPOSED BUDGET EXPENDITURES

■ **Total \$605.7 Million**



TOTAL PROPOSED BUDGET REVENUES

■ **Total \$605.7 Million**



MAJOR TAX AND FEE CHANGES – PROPOSED BUDGET



Property Tax Rate Increase – 3.9% (2.5 cents per \$100 of value)



Water/Sewer Rates – 7%

Effective July 1, 2023



Stormwater Rates – 8%

Effective January 1, 2024

| Tax/Fee Type | Current | Proposed | Difference | Percentage |
|-------------------------|----------------|----------------|--------------|-------------|
| Property Taxes | \$1,620 | \$1,684 | \$64 | 3.9% |
| Water/Sewer Charges | 561 | 603 | 41 | 7.3% |
| Stormwater Fees | 54 | 56 | 2 | 4.0% |
| Total Major Fees | \$2,235 | \$2,342 | \$107 | 4.8% |

Assumptions:

Median Home Value - \$254,694 (from National Assoc. of Realtors - Q3 2022)

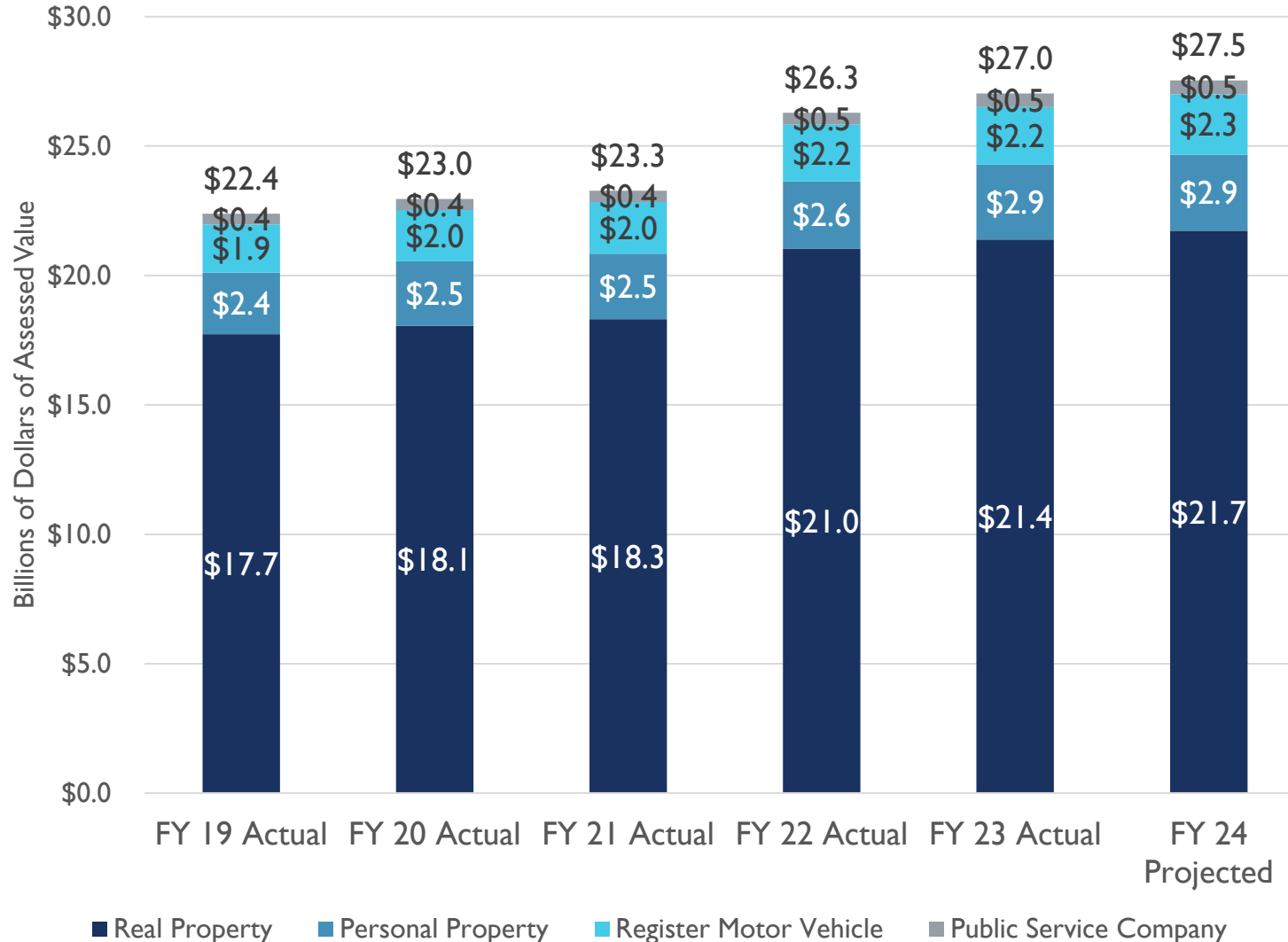
Average Residential Water/Sewer Usage (10 ccf or 7,480 gallons per month)

2,001 - 4,000 Square Feet of Impervious Surface (Residential Tier 2)

PROPOSED BUDGET EFFECT ON TYPICAL HOUSEHOLD

MONTHLY INCREASE - \$8.92

Property Tax Base



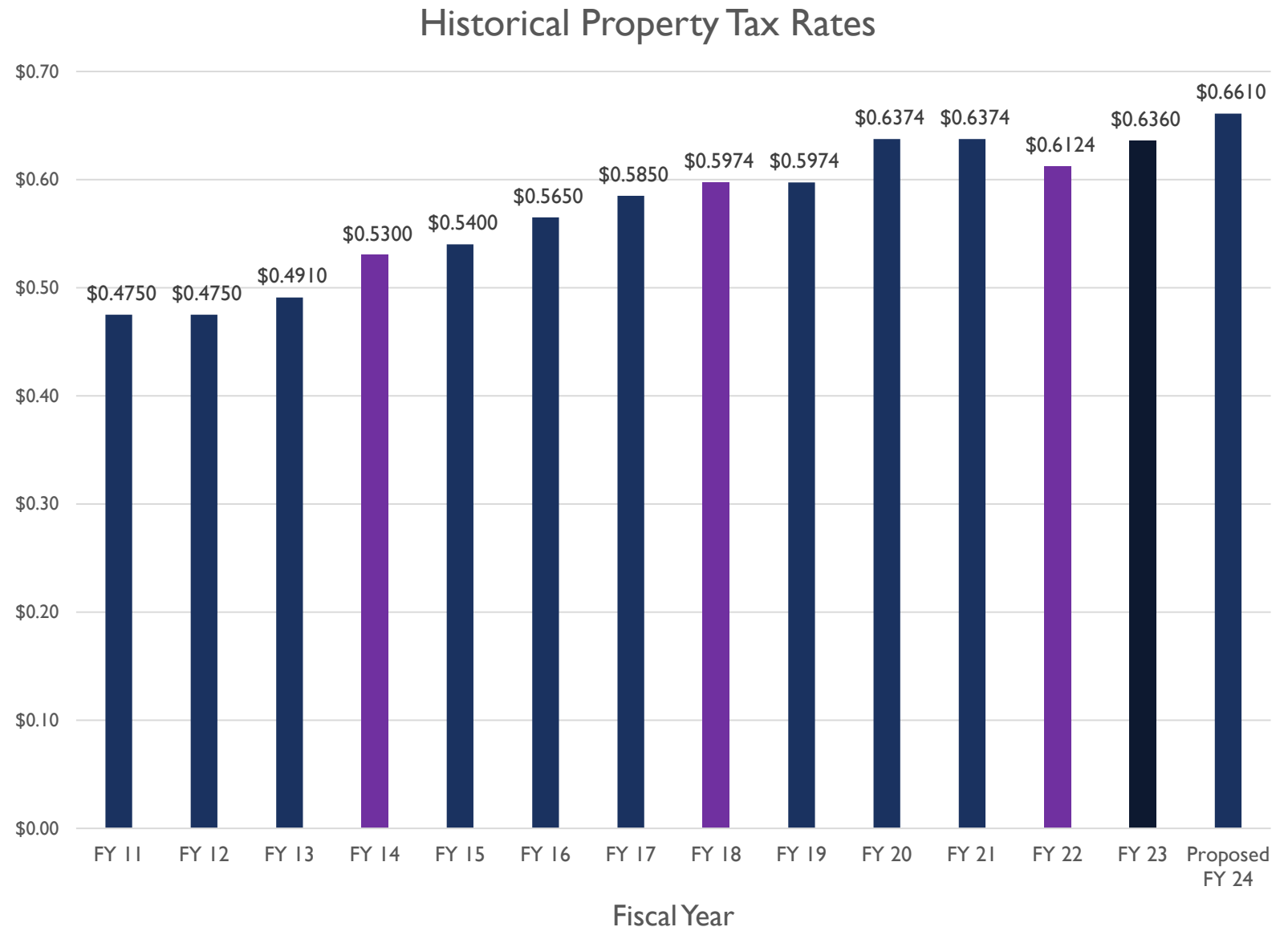
PROPERTY TAX BASE

- Average 2.25% growth last three non-revaluation years
- Growth rates:
 - FY 19 – 2.1%
 - FY 20 – 2.6%
 - FY 21 – 1.4%
 - FY 22 – 13.0%*
 - FY 23 – 2.8%
 - FY 24 – 1.9%

*FY 22 was a revaluation year.

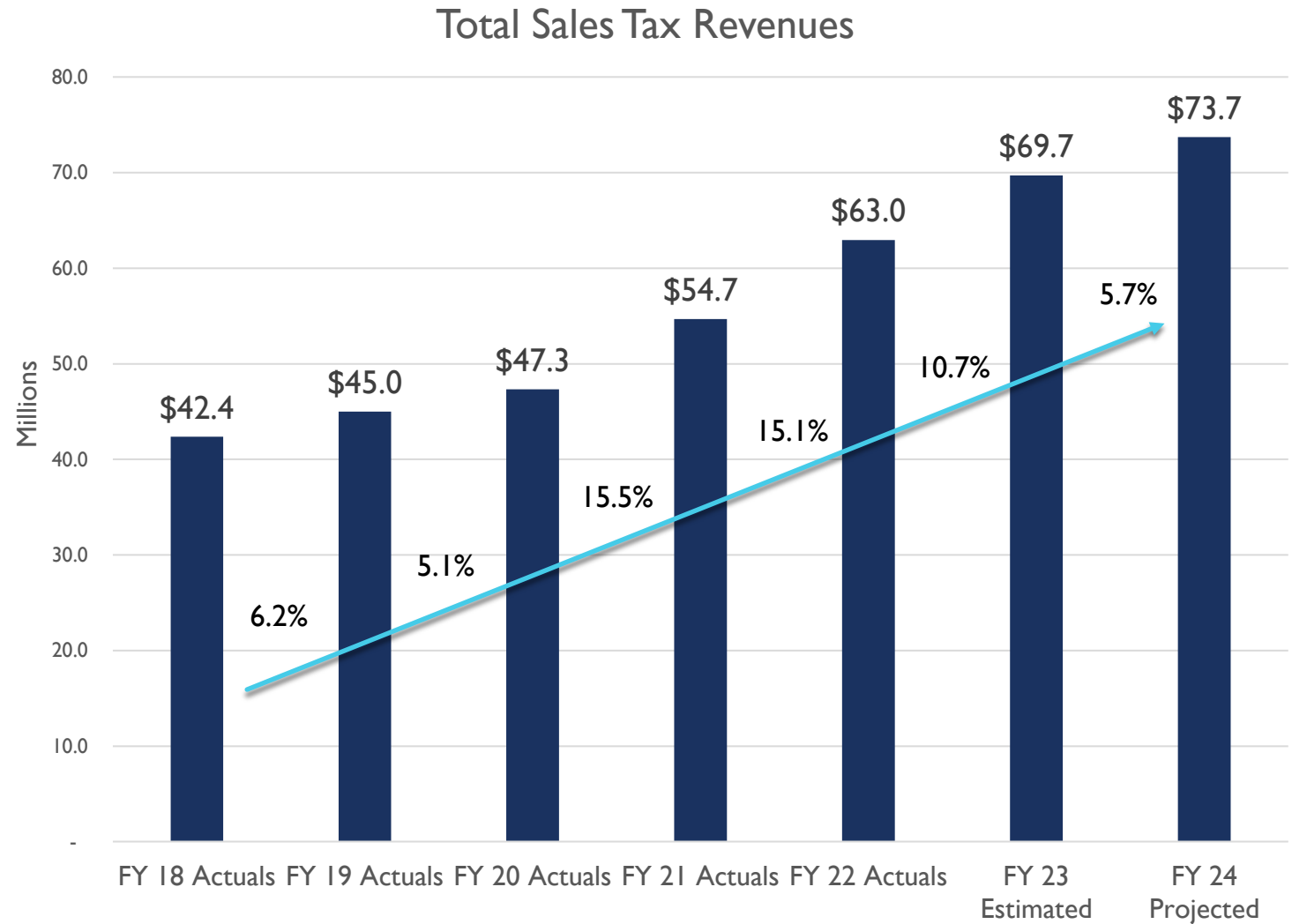
BUDGET HIGHLIGHTS: PROPERTY TAX RATE

- Property tax rate increase of 2.50 cents (proposed rate: 66.1 cents per \$100 of assessed value)
 - 1.5 cents related to non-police personnel and operating increases
 - 1.0 cent for police pay plan changes



SALES TAX REVENUE: ALL FUNDS

- County-wide growth in FY 23:
 - July – February: 8.5%
 - Projected: 6% (Through YE)
- FY 2024 Budget includes 4% growth in distributions from projected year-end



Note: Projection includes 4% growth in county-wide distributions in FY 24. The 5.7% growth in chart reflects changes in ad valorem distribution.

EMPLOYEE COMPENSATION



FY 2023-24 MERIT ADJUSTMENTS

- Employees on General Pay Plan
 - Average 6.0% merit increases:
 - 4.5% - Meets Expectations
 - 5.5% - Exceeds Expectations
 - 6.5% - Outstanding
- Effective first full pay cycle in October
 - Based on performance evaluations at end of current fiscal year
- Pay plan minimums to increase by 3% on 1/1/2024
 - New City minimum wage - \$15.45 per hour

SUPPLEMENTAL PAY – ALL CITY EMPLOYEES

One-Time Supplement for All Employees

- \$2,000 for employees with annual salary under \$100,000
- \$1,000 for employees with annual salary greater than \$100,000
- Applies to all permanent part-time and temporary workers meeting eligibility

General Fund Cost - \$5.2 Million

- \$2.2 million from unassigned general fund balance
- \$3.0 million from revenue replacement funding

All Funds Cost - \$6.7 Million

- Covered by fund balances in respective funds

SUPPLEMENTAL PAY – ALL EMPLOYEES

Purpose

- Help offset inflation hardships for those in greater need
- Recognize additional workload taken on related to vacancies
- Provide for retention bridge until pay study is completed

Methods

- Equity focused – larger payments to lower wage earners
- Represents additional 6.4% to those making the City minimum wage
- Must have been employed on 1/1/23 and work continuously to be eligible

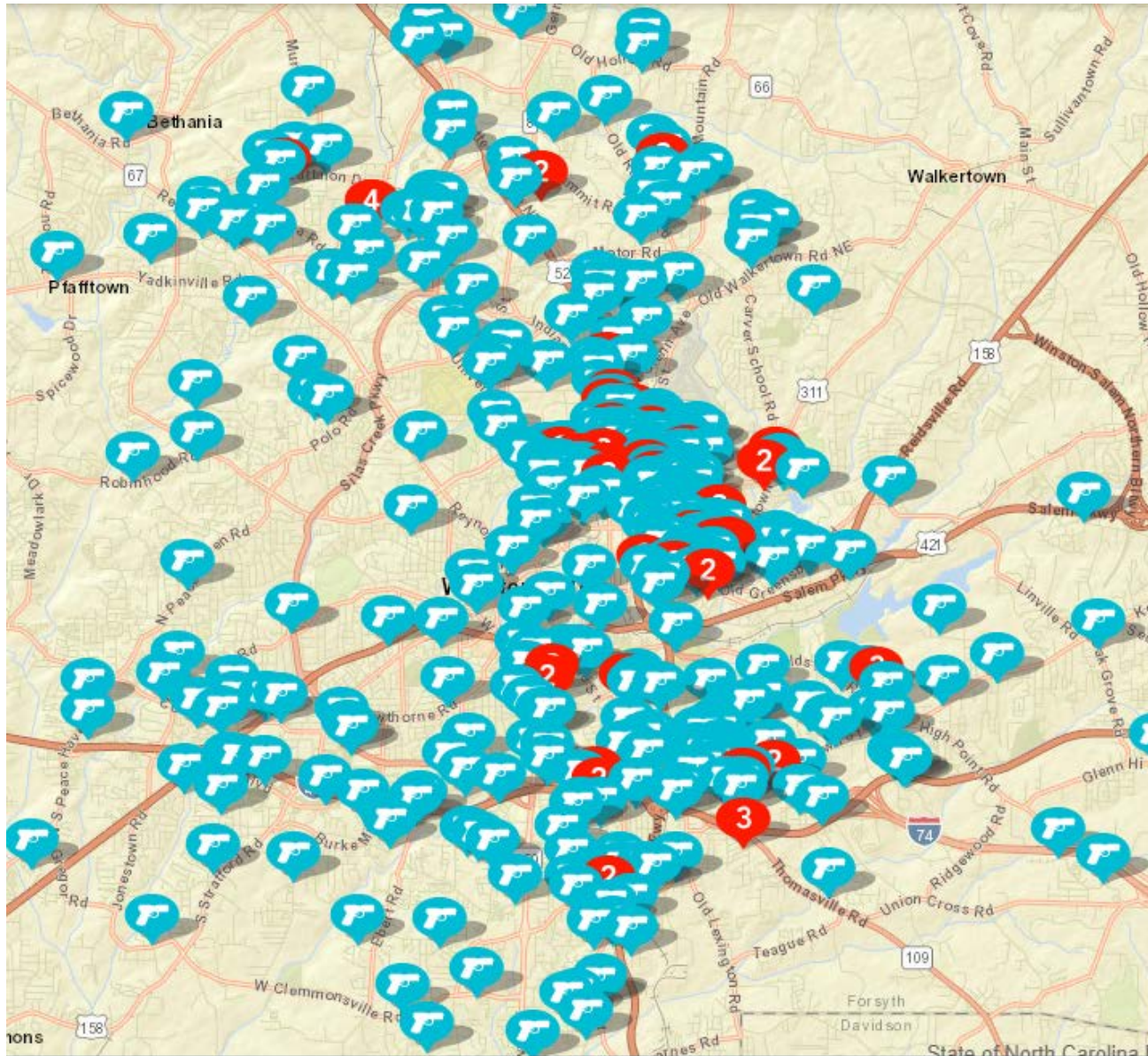
EMPLOYEES ON CERTIFIED FIRE PAY PLAN



- Fire Step Pay Plan Adjustments for Eligible Employees
 - 3% in first full pay period in July
 - 3% in first full pay period in January
- Supplemental pay adjustments up to \$2,000 depending on salary
- Fire Pay Plan Minimums increase by 3% on 1/1/2024
- Firefighters with 3 and 6 years of experience, respectively, eligible for promotion to Firefighter 2 and Master Firefighter

SWORN POLICE PAY PLAN CHANGES

- New minimum increased to \$52,500
 - Represents a 27% increase to all sworn position minimums and maximums
 - Effective July 2023
- Compression adjustment of 4% for all employees above new minimums
- Police Step Pay Plan Adjustments for Eligible Employees
 - 3% in first full pay period in July
 - 3% in first full pay period in January
- All current sworn employees receive at least 10.3% increase during the year
- Supplemental pay adjustments up to \$2,000 depending on salary



CRIME STATISTICS

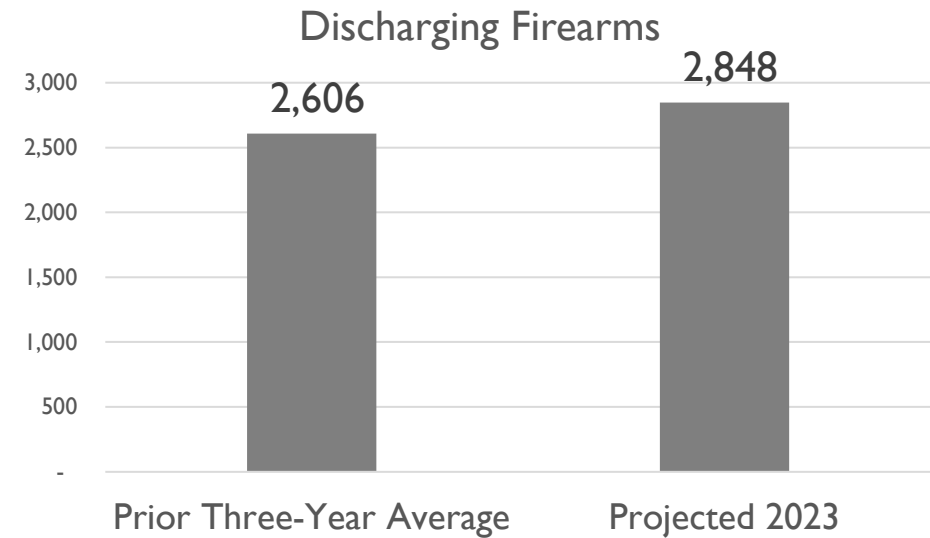
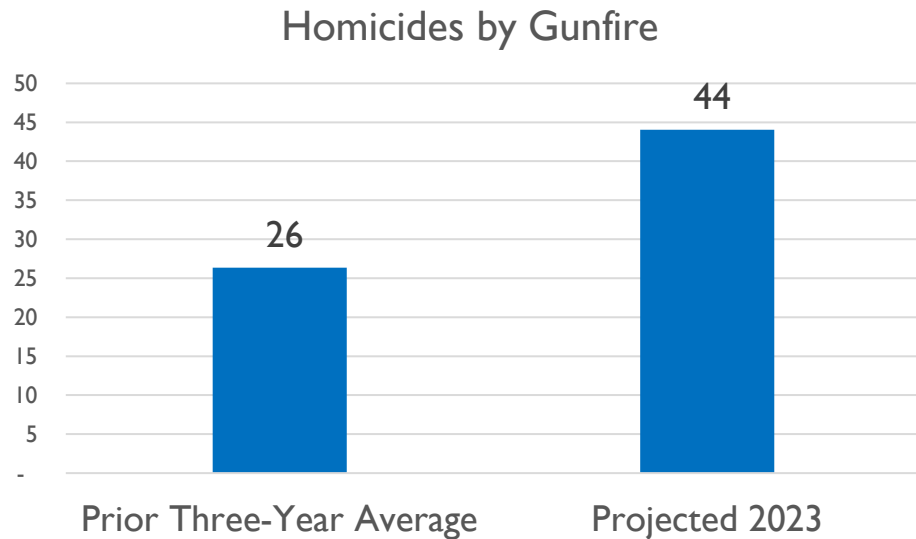
Map displays 435 weapons offenses between 4/1/23 – 5/21/23

Total Weapons offenses from 1/1/23 – 5/21/23 were greater than 1,000 incidents

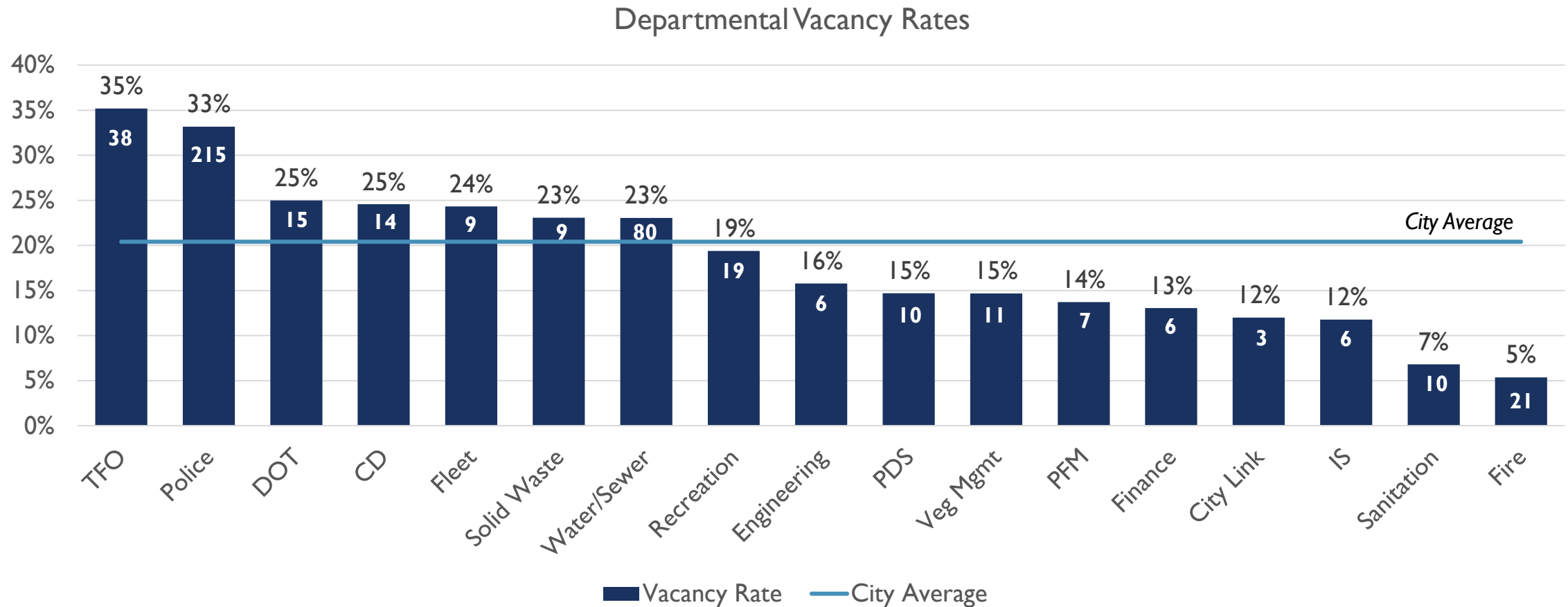
SELECTED CRIME STATISTICS – WEAPONS

| <u>Statistic</u> | <u>Prior Three- Year Average</u> | <u>Projected 2023*</u> | <u>Rate Increase</u> |
|------------------------|--------------------------------------|----------------------------|--------------------------|
| Homicides by Gunfire | 26 | 44 | 67% |
| Discharging Firearms | 2,606 | 2,848 | 9% |
| All Weapons Violations | 3,094 | 3,304 | 7% |

*Based on data as of 4/28/23 and straight-line projected through year-end.



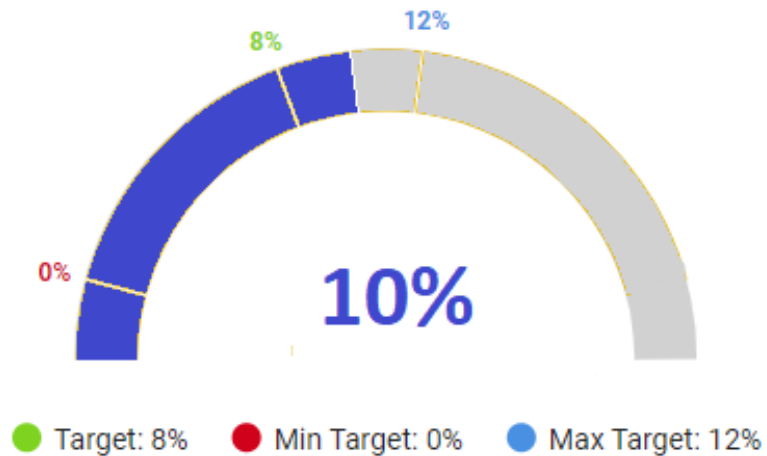
DEPARTMENTAL VACANCY RATES



**Excludes departments with fewer than twenty-five (25) authorized positions*

PRE AND POST PANDEMIC VACANCY RATES

December 2019 Total Vacancy Rate



May 2023 Total Vacancy Rate



- Total organizational vacancy rate is twice that of pre-pandemic experience



GENERAL FUND

FUND SUMMARY AND HIGHLIGHTS



PROPOSED GENERAL FUND SUMMARY

| | <u>FY 23</u> | <u>FY 24</u> | <u>Change</u> | <u>% Change</u> |
|-----------------------|--------------------|--------------------|-------------------|-----------------|
| Property Taxes | 131,630,020 | 142,352,100 | 10,722,080 | 8.1% |
| Sales Taxes | 54,649,990 | 61,945,830 | 7,295,840 | 13.4% |
| Other Revenues | 58,535,210 | 59,795,440 | 1,260,230 | 2.2% |
| Fund Balance | 6,085,330 | 7,928,620 | 1,843,290 | 30.3% |
| Total Revenues | 250,900,550 | 272,021,990 | 21,121,440 | 8.4% |
| | | | | |
| Personnel | 169,421,170 | 186,004,340 | 16,583,170 | 9.8% |
| Supplies & Services | 67,289,820 | 72,226,790 | 4,936,970 | 7.3% |
| Intradept. Credits | -8,381,360 | -8,734,950 | -353,590 | 4.2% |
| Lease Payments | 11,389,840 | 13,290,690 | 1,900,850 | 16.7% |
| Transfers | 11,181,080 | 9,235,120 | -1,945,960 | -17.4% |
| Total Expenses | 250,900,550 | 272,021,990 | 21,121,440 | 8.4% |

FY 2023-24

GENERAL FUND - PERSONNEL



| Budget-to-budget personnel changes | FY 23 | FY 24 | Change | % Change |
|------------------------------------|------------------------|------------------------|-----------------------|-------------|
| Salary, Wages, and Benefits | \$173.5 million | \$190.4 million | \$16.9 million | 9.7% |
| Salary Savings Adjustment | -4.1 million | -4.4 million | -0.3 million | 7.2% |
| TOTAL | \$169.4 million | \$186.0 million | \$16.6 million | 9.8% |

- Includes average 6.0% merit adjustments for all general personnel*
- Includes required contributions for retirement benefits
- Includes police pay plan changes and compression adjustments*
- Includes reduction of 50 positions (vacant police officer positions)
- Includes minimum wage increase to \$15.45 and pay plan minimum increases of 3%*
- Includes a full year of in-house recycling and BEAR team (alternative police response)
- Includes one-time supplemental payments up to \$2,000 per employee

**Personnel increases effective at different times of the year*

POSITION CHANGES IN FY 2023-24 BUDGET

-
- Reduction of 50 Vacant Police Officer Positions
 - 50 of 152 current vacancies for sworn law enforcement officers
 - Position reduction plus one penny on property tax rate pays for police pay plan increases

FY 2023-24

GENERAL FUND – SUPPLIES, SERVICES, & EQUIPMENT



| BUDGET-TO-BUDGET CHANGES | FY 23 | FY 24 | CHANGE | % CHANGE |
|--------------------------|----------------|----------------|---------------|----------|
| Supplies & Services | \$67.3 million | \$72.2 million | \$4.9 million | 7.3% |
| Equipment Lease Payments | 11.4 million | 13.3 million | 1.9 million | 16.7% |
| TOTAL | \$78.7 million | \$85.5 million | \$6.9 million | 8.7% |

- Supplies & Services
 - Significant increases related to general inflation
- Equipment Lease Payments
 - Approximately 30% of current equipment outside replacement criteria
 - Recent vehicle acquisitions coming in 10% - 40% over estimated costs

FY 2023-24

BUDGET-TO-BUDGET CHANGES (GENERAL FUND)

- Recycling collection contract removed; City began in-house collection April 2023
- Turnout gear meeting ten-year replacement requirement (NFPA 1851)
- Mowing contract bids coming in 40% higher than previous contract amounts in some cases
- Diesel fuel increases projected at \$3.30 per gallon
- Vehicle maintenance and fuel include full year of recycling program

| Major Non-Personnel Expenditure Changes | Cost increase |
|--|----------------|
| Recycling Collection Contract | -\$1.5 million |
| Other Contracted Services | 1.5 million |
| Net Increase in Communication and IS Charges | 711,830 |
| Vehicle Maintenance & Repairs | 673,560 |
| Firefighter Turnout Gear | 602,000 |
| Grounds Maintenance (Mowing) | 584,000 |
| Operating Electric (Street Lighting) | 497,000 |
| Fuel | 480,620 |
| Temporary Services | 312,000 |
| SUBTOTAL | \$3.9 million |

GENERAL FUND EQUIPMENT REPLACEMENT

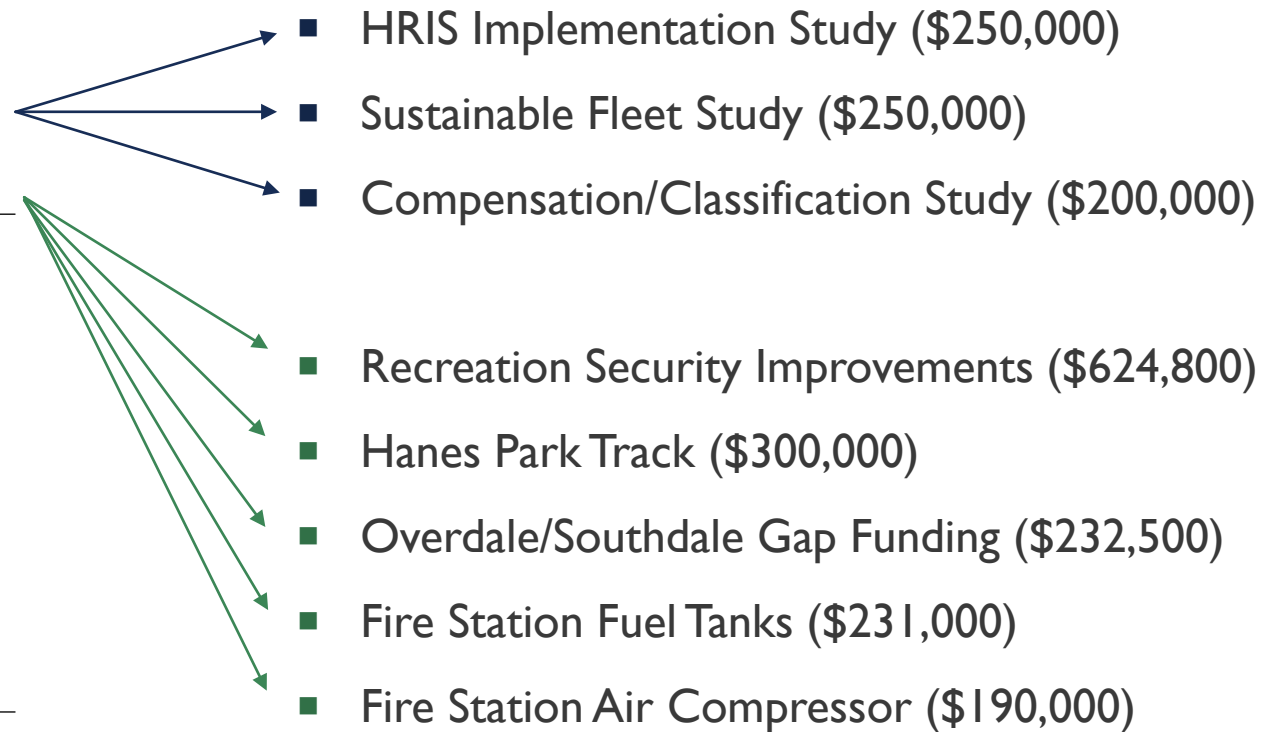
- Total of \$12.9 million
- Light vehicles purchased as hybrids
- Full list in supplemental section of budget document



USES OF GENERAL FUND BALANCE

Unassigned Fund Balance

| | |
|------------------|--------------------|
| Supplemental Pay | \$2,234,690 |
| One-Time Studies | 700,000 |
| One-Time Capital | 1,578,300 |
| Subtotal | \$4,512,990 |



Assigned ARPA Fund Balance

| | |
|------------------|--------------------|
| Supplemental Pay | \$3,000,000 |
| Grant Monitoring | 215,630 |
| BEAR (Year 2) | 200,000 |
| Subtotal | \$3,415,630 |

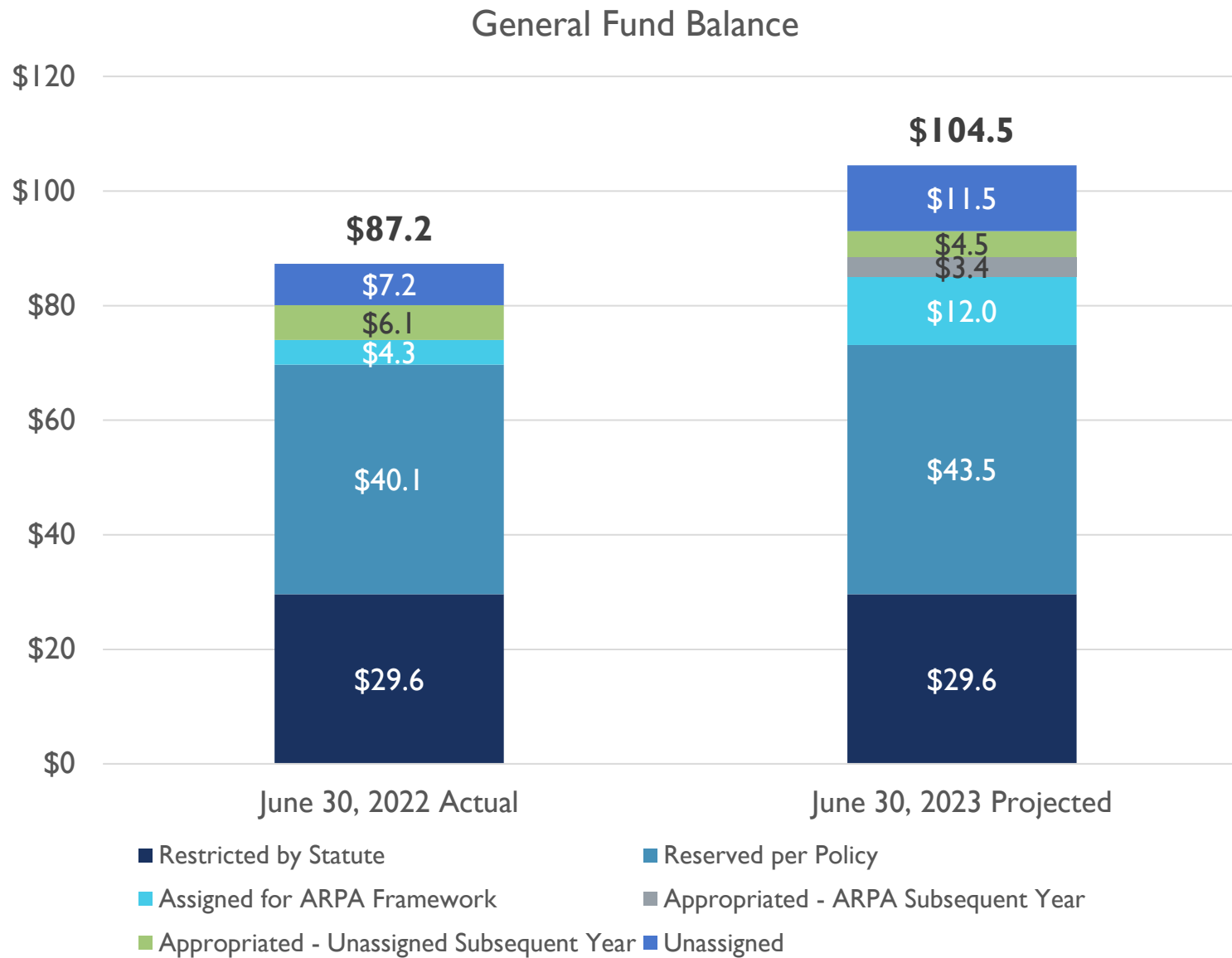
GRAND TOTAL **\$7,928,620**



CURRENT YEAR-END PROJECTION

FY 2022-23 PROJECTED FUND BALANCE AND POLICY RECOMMENDATIONS

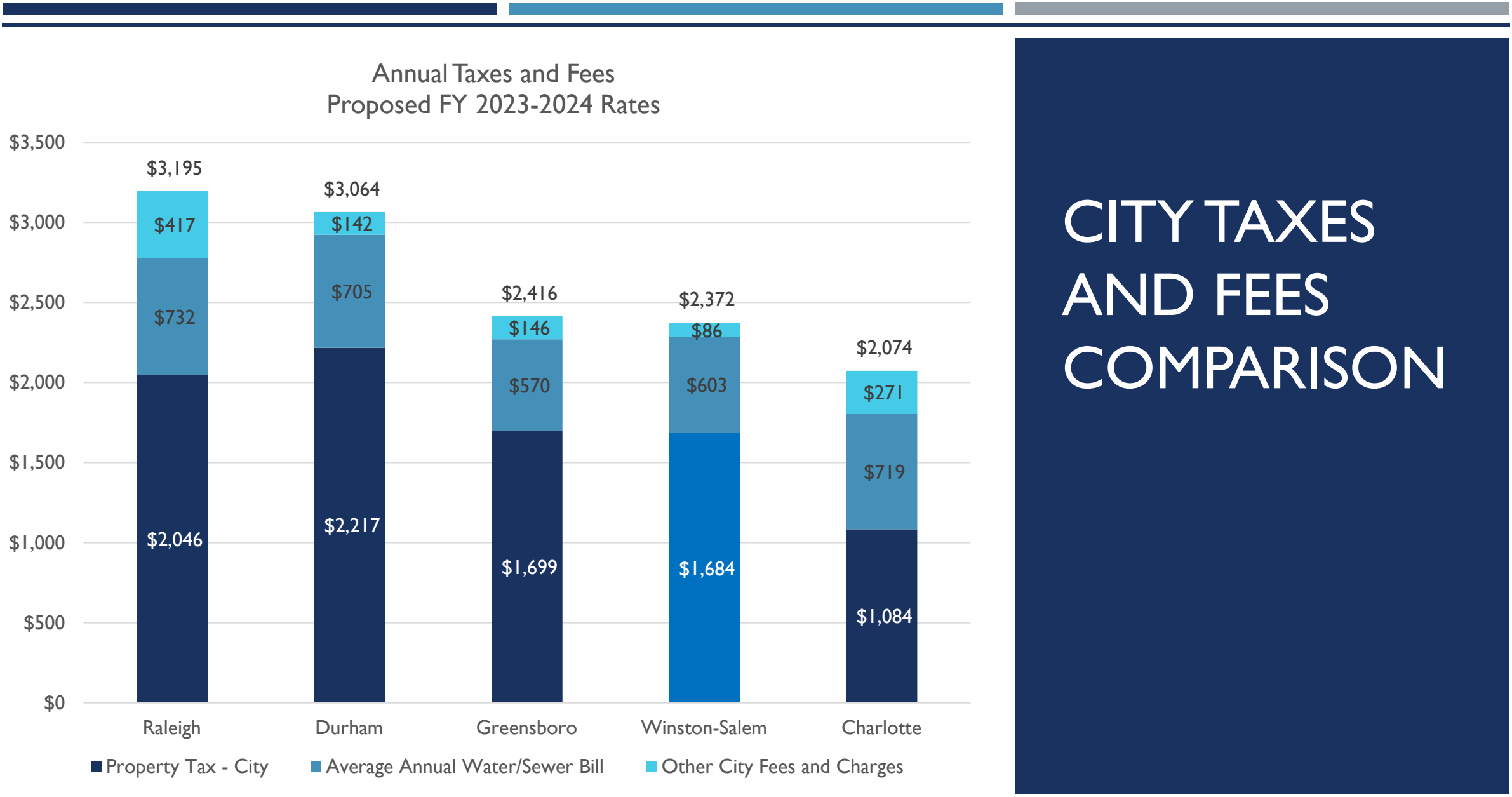




PROJECTED YEAR-END

PROJECTED ADDITION OF \$4.3
MILLION TO UNASSIGNED
GENERAL FUND BALANCE

**City general fund balance reserve policy is 16% of subsequent year appropriations*



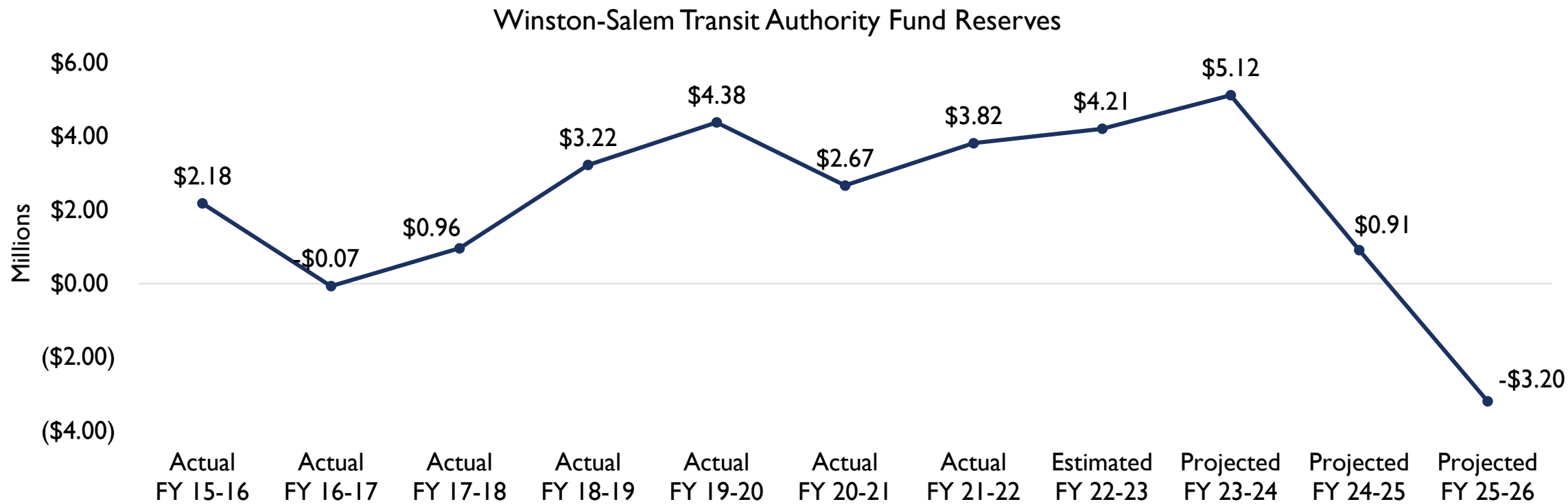
CITY TAXES AND FEES COMPARISON



SELECTED ENTERPRISE FUNDS LONG-RANGE FINANCIAL PROJECTIONS



WINSTON-SALEM TRANSIT AUTHORITY

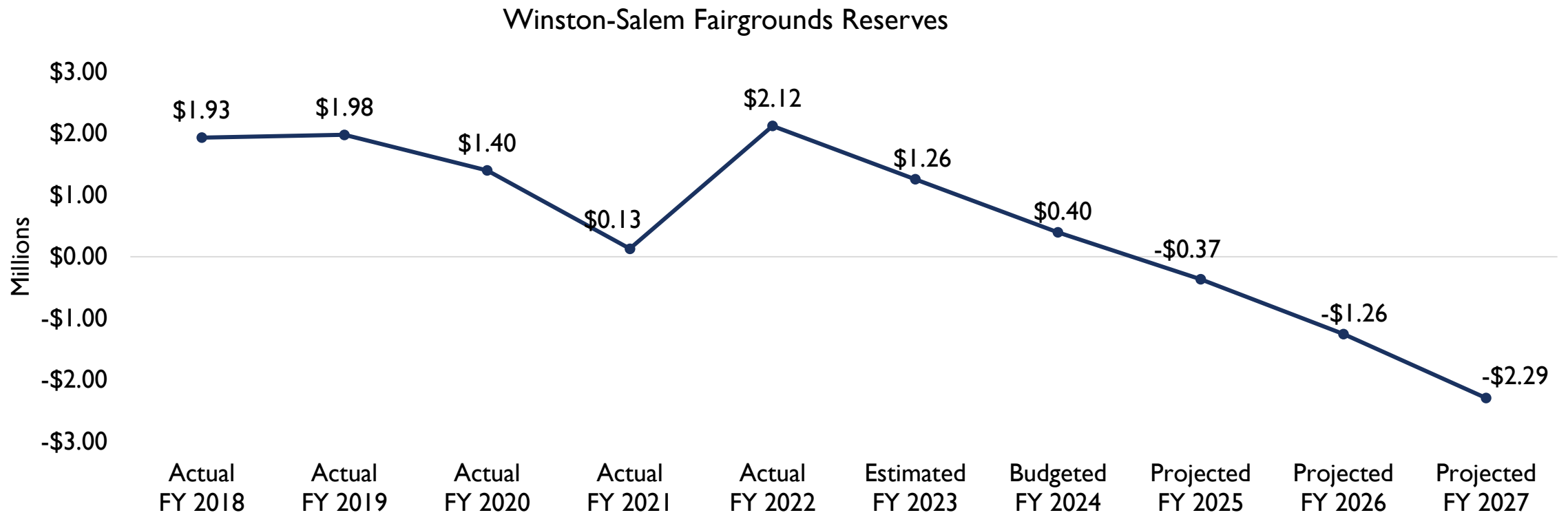


WINSTON-SALEM TRANSIT AUTHORITY

- Assumptions and Notes:
 - Continued lower level of farebox revenues
 - Exhaustion of COVID-19 funding
 - Higher operating expenditures compared to prior years
 - Significant expenditure of capital grants (and match)

- Report with full review of revenues and expenditures to committees later in 2023

WINSTON-SALEM FAIRGROUNDS

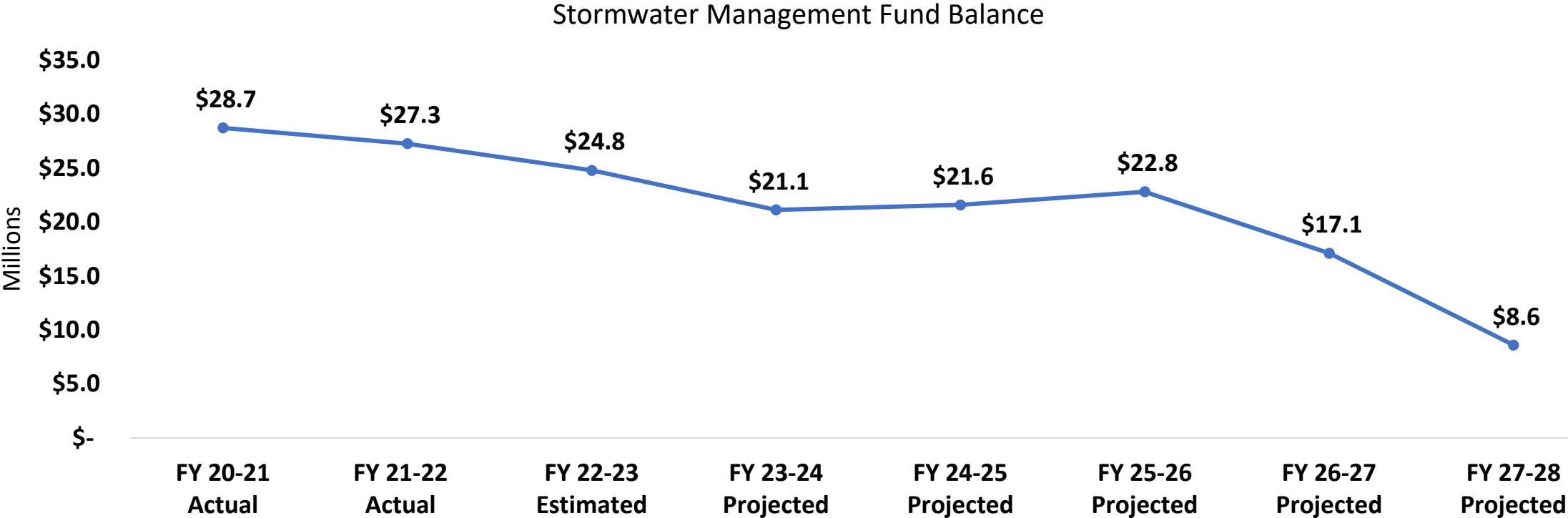


**The FY 2021-22 increase in reserves is related to transfers for revenue replacement per the City's American Rescue Plan Act framework (\$2,570,110).*

WINSTON-SALEM FAIRGROUNDS

- Assumptions and Notes:
 - Operating losses for combined fairgrounds operations
 - Subsidy for operating losses at Bowman Gray Stadium
 - No significant increases in operating revenues
- Will require general fund subsidy in FY 2024-25 and beyond
 - Operating revenue increases to be reviewed

STORMWATER MANAGEMENT FUND

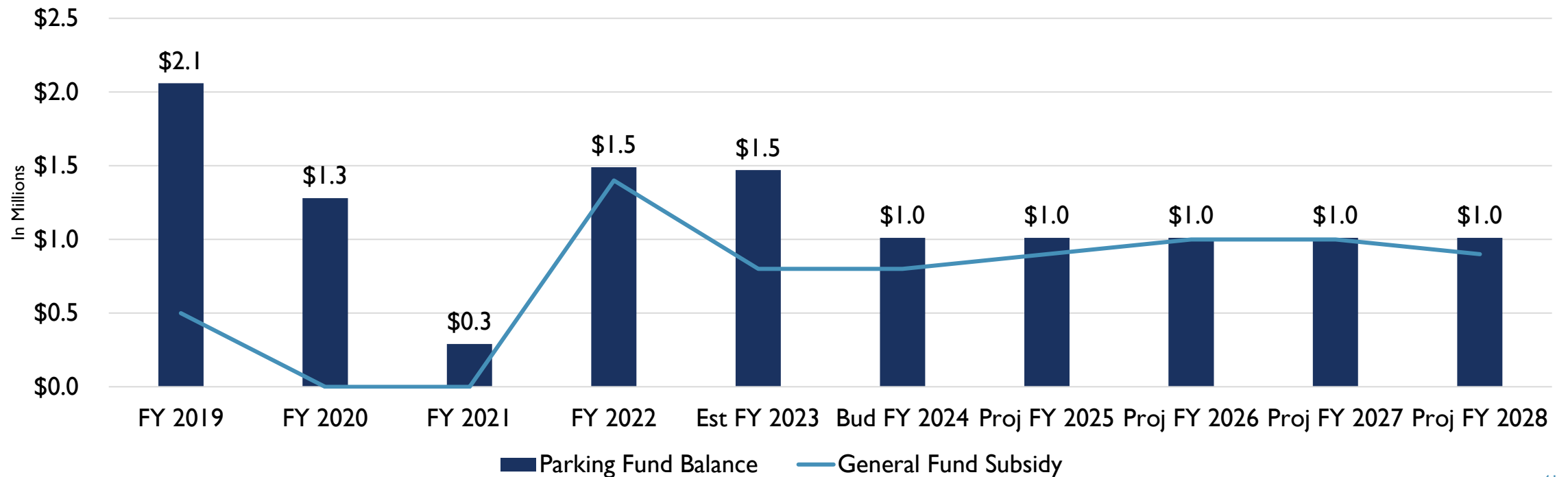


STORMWATER MANAGEMENT FUND

- Assumptions and Notes:
 - 8% rate increase effective 1/1/2024
 - No other rate increases in future years
 - Significant capital spending in future years
 - Significantly under-budget operating spending (due to vacancy levels)
 - No operating revenue increases other than FY 2023-24 increase
- Will require additional rate increases in future years
 - Will bring additional information to Public Works Committee in 2023

OFF-STREET PARKING FUND

Parking Fund Balance and
General Fund Subsidy



*The FY 2021-22 increase in reserves is related to transfers for revenue replacement per the City's American Rescue Plan Act framework (\$685,950).

OFF-STREET PARKING FUND

- Assumptions and Notes:
 - Continued general fund subsidy of \$750,000 - \$1,000,000 annually
 - Higher operating revenues and expenses post-pandemic
 - Issuance of general obligation debt (2/3 bonds) for maintenance/upgrades
- Will bring additional information to Public Works Committee on parking deck rates

FY 2023-24 REMAINING BUDGET REVIEW CALENDAR



| Date/Location | Event/Topic |
|---|---|
| Thursday, June 1 (4:00 p.m.) City Hall, Council Chambers | Finance Committee Budget Workshop Capital Improvements Plan |
| Thursday, June 1 (6:00 p.m.) City Hall, Council Chambers | Finance Committee Public Hearing |
| Thursday, June 8 (4:00 p.m.) City Hall, Council Chambers | Finance Committee Meeting/Workshop Consideration of a recommended budget and property tax rate |
| Tuesday, June 20 (6:00 p.m.) City Hall, Council Chambers | FY 2023-24 Budget Adoption 2 nd Public Hearing and Budget Adoption |

**Additional review can take place if needed at the regularly scheduled June Finance Committee Meeting on June 13th.*