



CITIZENS' BUDGET ADVISORY COUNCIL
Annual Work Plan Report – Fiscal Year 2024-25
May 2025

Staffed by: Budget and Performance Management Department

CITIZENS' BUDGET ADVISORY COUNCIL REPORT ON FY 2024-25 WORK PLAN

Introduction and Work Plan

The Citizens' Budget Advisory Council (CBAC) met monthly between December of 2024 and May of 2025 to review information and formulate recommendations for review by the Mayor and City Council related to their FY 2024-25 work plan. That work plan included familiarizing members with the budget process and annual operating budget.

FY 2025-2026 Operating Budget Process Review – CBAC's work plan focused on reviewing the City of Winston-Salem's annual budget process in addition to reviewing the City Manager's operating budget recommendations as provided to the Mayor and City Council. Budget Staff provided analysis of the following areas:

- City Revenue Sources
- City Expenditure Sources
- Multi-Year Revenue and Expenditure Forecasting
- City's Base Budget Requirements
- Debt Usage and Leasing Program

FY 2025-2026 Property Tax Revaluation Process – The upcoming budget year will see impacts from the county-wide property tax revaluation. The CBAC's work plan included a review of the revaluation process and the property tax implications on resident and commercial businesses in the City.

Meetings and Information Review Summary

The CBAC met a total of five times to review specific areas of the annual budget process and property tax revaluation process. Brief summaries of the meetings are outlined below. Minutes from the meetings can be found in the appendix to this report.

December 18, 2024 – CBAC members were welcomed by City Manager Pat Pate who gave an overview of the work plan for CBAC for FY 2024-25. Budget Director Scott Tesh then provided a more detailed overview of the goals for CBAC and provided a high-level overview of the budget office.

February 19, 2025 – Forsyth County Tax Director, John Burgiss, joined CBAC to present on the current reappraisal process. Mr. Burgiss shared that the purpose of a reappraisal is to achieve fairness and equity in what residents pay for property owned. He provided an overview of the four different types of property that are taxed – personal property, registered motor vehicles, public services, and real estate. Of these, real estate is the only that must go through a revaluation process every four years to bring values in line with the current real estate market, so everyone is paying their fair share. Mr. Burgiss shared the requirement from the General Assembly for all municipalities to share the revenue neutral tax rate and estimated that the tax rate to provide the same level of revenues in Winston-Salem could potentially drop more than 20 cents. The Budget Director, Scott Tesh, shared that the revenue neutral tax rate is required by state law. The current tax rate is 72.5 cents with most of this rate going to support general fund departments. Scott talked through a revenue neutral tax rate calculation that assumes a total of 42% total base growth for an estimated revenue neutral rate of 52.2 cents. If the rate was left at its current position, it would effectively increase the tax rate paid by residents by 20 cents. Per State law the tax rate must

universally be applied to the whole City, with the only caveat being that any municipal service districts (i.e., the Downtown Winston-Salem Business Improvement District) pay the standard tax rate plus the service district rate.

March 19, 2025 – Budget Director, Scott Tesh, shared a brief update regarding questions over the Winston-Salem Fire Department being featured in the news recently; specifically related to overtime and the need to place restrictions on minimum staffing due to the department being projected to spend their Overtime budget by several hundred thousand dollars. Mr. Tesh confirmed the city is not cutting positions nor are firefighters being asked not to work. He then provided an overview of the City's Fund Structure. The presentation shared with CBAC focused on the general fund, which is a single year budget and accounts for more than 40% of net spending. To forecast revenues, the city relies on the NC League of Municipalities, multiple sales tax tools, and networking with other cities and counties. After providing an overview of revenues, Mr. Tesh provided an overview of expenditures in the general fund. Two-thirds of city costs are personnel costs (salaries and benefits). Non-personnel operating costs make up 24% of general fund expenditures. Equipment costs make up 6% of general fund expenditures. Once revenues and expenditure projections are done, they are married into a multi-year general fund projection assumption. Assumptions are made on compensation growth, supplies and services, vehicle acquisition costs, and property tax growth. The current total average annual organic growth is 1.75% for revenues and 4.17% for expenditures. That means there is an ongoing deficit to address every year. The city has previously engaged in budget cutting exercises, which has resulted in very few remaining areas to "trim the fat" to make up any deficit. Mr. Tesh ended the presentation by touching on the city's debt structure and debt financing.

April 16, 2025 – This meeting the CBAC received a more detailed overview of the city's debt usage. Budget Director, Scott Tesh, first discussed the capital financing options available via state law and then quickly moved on to discuss the city's internal leasing program. The city issues limited obligation bonds (debt) to fund various purchases for equipment and vehicles. Previously this was done via a nonprofit called the North Carolina Municipal Leasing Corporation (NCMLC) that would issue the debt, and the City issued payments back to the NCMLC. It was then brought onto the city books as a city fund, which reduced opportunities to create net interest earnings to subsidize the principal and interest payments the departments were making. The City Manager recommendation is to end the leasing program for vehicles, equipment, and small projects. The rationale is to save money on interest payments, reduce the accounting burden, and improve general government debt metrics. Mr. Tesh then discussed the use of 2/3 Bonds for capital maintenance and how we use longer term debt issuances for certain project types. The city issues 2/3 bond debt every other year and these bonds are issued for 20 years. Recent city uses of 2/3 bonds include facility maintenance, repairs, equipment, street and bridge maintenance. The city has been using funding resources available to artificially keep the tax rate lower in the short term. The city manager recommendation would be to no longer use bond funding for general maintenance projects and instead use cash funding.

May 14, 2025 – The CBAC met and discussed the CBAC draft report and discussed several changes including adding language to recommendation number four to provide context on departmental spending, adding language to recommendation number five to evaluate the advantages of leasing versus cash purchasing certain vehicle types, expanding the bond types in recommendation number six, and adding language to recommendation number seven on providing preventative maintenance to facilities long-term.

May 28, 2025 – The CBAC met to review the proposed FY 2025-26 budget and adopt the final report for presentation to the Mayor and City Council.

CBAC 2024-25 Recommendations

The CBAC, after reviewing research performed by staff, having conversations with City staff during their regular meetings, and having robust conversations about the topics between the members, provide the following recommendations related to the City's annual budget process:

City Revenue Recommendations

As stated in City Fiscal Policies in the budget document, the City should look at diversifying its revenue structure as additional reliance on property and sales taxes puts pressure on those revenue sources. This creates potential issues when those sources experience shortfalls or declining growth rates. Appropriately charging specific users for services also mitigates additional tax burden to non-users.

1. Conduct a detailed review of all current city user fees and recommend fee schedule increase based on benchmarking data with peer jurisdictions. Create a schedule for annual (or some other regular interval) updates to meet user fee cost recovery and revenue generation goals.
2. Review additional opportunities for user fees, where appropriate, to charge program users for services. Options include, but are not limited to reviewing:
 - i. Fire Operations medical call service fees
 - ii. Sanitation and recycling collections services fees

City Expenditure Recommendations

3. Create public and management-specific dashboards for expenditure review to ensure spending is in-line with budget and to review multi-year expenditure growth, including contextual explanations for departmental variances that deviate from prior year trends.
4. Review the potential for stated [controllable] expenditure growth policies/practices with respect to certain spending categories (e.g., transit, IT costs, etc.)

City Debt Recommendations

5. Eliminate the internal leasing program and move to cash financing by using existing cash balances in the debt service fund to pay off existing debt. This would create more than a million dollars annually in interest savings for the City's general fund.
6. Evaluate the cost-effectiveness of leasing specific vehicle types from external vendors compared to purchasing and maintaining them in-house.
7. Eliminate the use of general obligation bonds for short-term capital projects and switch to cash financing by allocating a 1.3 cent increase in property tax rate for infrastructure maintenance.

8. Conduct a facility needs assessments and determine space planning needs to align debt modeling with future planning documents, while incorporating long-term preventative maintenance strategies to ensure sustainability and operational efficiency.

Budget-Related Recommendations

9. Provide resources for residents regarding property tax bill affordability and opportunities for exemptions, exclusions, and deferments. Collaborate with Forsyth County Government to make sure those resources are prominently displayed in an accessible format.
10. As part of the CBAC work-plan for FY 2025-26, review enterprise fund subsidies (e.g., public assembly facility and transit funds) to review revenue generation methods and mitigate future increases in property tax subsidies.

Conclusion

The CBAC concluded its work by adopting the recommendations in the report. The CBAC thanks staff from the City's Budget Department for providing professional presentations and opinions on the budget process. The CBAC hopes that these recommendations present sound advice in furthering discussions about the city's debt financing, diversifying revenue streams, and controlling expenditure controls. The Chair of the CBAC, Tony Piacenza, will be available to present the recommendations noted above at the June 9, 2025, budget workshop of the City Council's Finance Committee.

Meeting Minutes

CITIZENS' BUDGET ADVISORY COUNCIL

Wednesday, December 18, 2024; 9:30 A.M.; Held Virtually via Zoom

Members Present: Ross Griffith, Anthony Piacenza, Freddie Salsbury, Jamesina Woodyard, Paul Costello, Emily Cornella

Members Absent: Haysetta Shuler, Maraim Rivera

Staff Present: Pat Pate, Scott Tesh, Janice Hillanbrand, Sarah Coffey, Jean Libunao, Rene Williams

The meeting began at 9:33 AM.

1. Welcome/City Manager Remarks (Pat Pate)

The City Manager, Pat Pate, provided a self-introduction, as well as an overview of the committee and project plan for the upcoming year. The City Manager shared that the CBAC is a long standing tradition of the city, with the committee advising the manager's office and city council on items of importance related to the budget process since 1979. In recent years, CBAC has provided recommendations on items related to the Fire Service and City-County Cooperation. For this upcoming year, the CBAC will look expenditure and revenue forecasting. The City Manager shared that he is interested in seeing forecasts that span 5 to 10 years in the future to help the City with long-range financial planning. The City Manager also shared that CBAC will be discussing how the City is currently using debt and shared his concern that the City has a current over-reliance on debt for maintenance and ongoing equipment purchases, such as vehicles. This was a practice that was popular with lower interest rates, but it may not make as much financial sense for the City now that interest rates have increased. The City Manager also shared that this was a big year for the City in that it is a revaluation year. Revaluation is a process that sets an even playing field across the community by ensuring that everyone is paying on a tax basis the same amount based on the tax rate set by City Council. The City Manager ended by thanking everyone for volunteering their time and efforts and that he was looking forward to the results of future discussions. There was one question from council-member Jamesina Woodyard on opportunities for schools to receive funds for programming and the City Manager responded that school funding is the primary responsibility of the State and County governments, but there could be third party support for programming offered via non-profit agencies in the community.

2. CBAC and Staff Introductions

The Budget Director, Scott Tesh, then provided an overview of CBAC and shared the typical timeline for CBAC meetings, which is typically late autumn into early summer. Mr. Tesh also shared that these meetings typically operate by staff providing the CBAC information and research on certain discussion items, with members asking questions and making suggestions for further research. This information is then compiled with both the City management team and City Council looking at CBAC recommendations annually as part of the budget process. Mr. Tesh then facilitated introductions of CBAC and staff members present.

3. Overview of Proposed FY 2024-25 Work Plan:

The Budget Director, Scott Tesh, began by sharing the mission of CBAC as laid out in the City Code - to review and make recommendations related to the budget process and other special assignments like special projects. Mr. Tesh then began to share and elaborate on the three goals for CBAC for FY 2024-25, which are understanding the City's base budget requirements, debt use for maintenance and equipment and general property revaluation. To understand the City's base budget requirements the CBAC will look at revenues and expenditure growth and the difference between them. Discussions will be had based on that difference, specifically how to plan for strategic priorities in future years and how to structure revenue to meet those goals. In addition, the CBAC will review departmental enhancements submitted. These conversations will center mostly around the general and debt service fund. To understand the City's current debt usage for maintenance and equipment the CBAC will look at the use of debt for equipment acquisition and bonds for capital maintenance. Mr. Tesh shared that the City has historically used internal financing to fund equipment purchasing and then charge them to departments over time and that rising interest rates and recent law changes have made it necessary to investigate other debt financing options. Additional context shared was that the City has historically issued bonds for capital maintenance needs. While there are several types of bonds the City can issue, the CBAC will focus on 2/3 bonds. The final piece the CBAC will look at is general property revaluation. Revaluation must be done once every eight years, as required by state law. Forsyth county is on a 4-year revaluation schedule. What is significant about this revaluation cycle is the significant changes in the housing market in the last four years. Mr. Tesh shared that the Tax Director of Forsyth County, John Burgiss, will come to a future meeting to present what the revaluation cycle looks like, information on the Machine Act, and data and maps on commercial and residential revaluations. There have been historical revaluations where property values have dropped, such as in 2012 after the recession.

4. Election of Chair and Vice Chair

Scott Tesh shared the responsibilities of chair and vice chair. The chair is responsible for working through the agenda and hosting meeting, as well as presenting a 5-10 minute overview of the CBAC work plan and recommendations to City Council during the upcoming budget process. Tony Piacenza was nominated for chair and accepted the nomination. Ross Griffith motioned to approve, with Fred Salsbury providing a second. This was passed unanimously. The vice chair steps in and assumes the role of chair if the chair is absent. Jamesina Woodyard was nominated as vice chair and accepted the nomination. Tony Piacenza motioned to approve, with Emily Cornella providing a second. This was passed unanimously.

5. Approval of Prior Meeting Minutes (June 5, 2024)

There were no edits to the meeting minutes. Chair Tony Piacenza called for a vote with Emily Cornella motioning to approve and Freddie Salsbury providing a second. This passed unanimously.

6. Setting of Dates/Times for Future Meetings (Open for Discussion)

Meetings will be held the third Wednesday of the month at 9:30 am. There were no conflicts to this time.

7. Adjournment

Chair Tony Piacenza called to adjourn the meeting with Emily Cornella motioning to approve and Jamesina Woodyard providing a second. This passed unanimously. The meeting adjourned at 9:17 am.

Meeting Minutes

CITIZENS' BUDGET ADVISORY COUNCIL

Wednesday, February 19, 2025; 9:30 A.M.; Held Virtually via Zoom

Present: Ross Griffith, Fred Salisbury, Maraim Rivera, Emily Cornella, Paul Costello, Jamesina Woodward, Anthony Piacenza

Members Absent: Haysetta Shuler

Staff: Sarah Coffey, Jean Libunao, Scott Tesh, Janice Hillanbrand, Larry Bell, Rene Williams, John Burgiss

The meeting began at 9:32 AM.

1. Welcome

CBAC Members introduced with the welcome of new member Maraim Rivera.

2. Overview of General Property Revaluation and Community Impacts (Forsyth County Tax Director John Burgiss)

Forsyth County Tax Director, John Burgiss, presented on the current reappraisal process. Mr. Burgiss has been the tax assessor of Forsyth County for 13 years and this is his 8th reappraisal process. Mr. Burgiss shared that the purpose of a reappraisal is to achieve fairness and equity in what residents pay for property owned. He provided an overview of the four different types of property that are taxed – personal property, registered motor vehicles, public services, and real estate. Of these, real estate is the only that must go through a revaluation process every four years to bring values in line with the current real estate market, so everyone is paying their fair share. 2021 was the last County-wide appraisal. The mandate to revalue all property comes from N.C.G.S. 105-283 – which states to revalue properties at their true value. Forsyth County has a total of 165,000 properties and about 30,600 sales from the last year to consider. Of those, properties bought and sold at auction, between family members, financial institutions, and government institutions are not used by the tax office to determine market value. Mr. Burgiss shared the objective of appraisers is to provide an accurate value to each property that meets statistical standards. The statistical standard that legally must be met is 10%, the internal policy at the tax office is 2-3%. The Forsyth County Tax Office uses a sales ratio which is calculated by dividing tax value by sales price. The median sales ratio for a market level is the assessment level used. Mr. Burgiss shared that the growth seen in Forsyth County in real estate has never been seen before. This will have an impact of residential property owners bearing more of the tax burden, as the commercial market did not grow at the same level as residential. Mr. Burgiss shared controls that the tax office uses to verify assessments including an equity review, as well as quality controls such as running reappraisal processes two or three times for difficult property types. Mr. Burgiss shared market area examples through five reappraisals for a neighborhood in Winston-Salem, heat maps of property value changes, and market areas. Mr. Burgiss shared the requirement from the General Assembly for all municipalities to share the revenue neutral tax rate and estimated that the tax rate to provide the same level of revenues in Winston-Salem could potentially drop more than 20 cents. Mr. Burgiss shared where the maps and presentations were available on the Forsyth County Tax Website: <https://forsyth.cc/Tax/revaluation.aspx>

3. Revaluation Impacts to the City Budget (Budget Director Scott Tesh)

The Budget Director, Scott Tesh, shared that the revenue neutral tax rate is required by state law. Property tax is 31% of the overall revenue structure of the City (including the Water and Sewer Funds) and 54.9% of the general fund. The property tax rate also supports the transit fund and debt service fund. The current tax rate is 72.5 cents with most of this rate going to support general fund departments. Scott talked through a revenue neutral tax rate calculation that assumes a total of 42% total base growth for an estimated revenue neutral rate of 52.2 cents. If the rate was left at its current levy, it would effectively increase the tax rate paid by residents by 13 cents. The tax rate must universally be applied to the whole City. The tax rate is determined in a two told process – first the tax office conducts the reappraisal process to determine market values and then City Council sets the rate paid.

4. Approval of Prior Meeting Minutes (June 5, 2024)

There were no edits to the meeting minutes. Chair Tony Piacenza called for a vote with Jamesina Woodward motioning to approve and Fred Salsbury providing a second. This passed unanimously.

1. Review Updated Schedule for Future Meetings

Provided an updated meeting calendar. The January meeting was skipped due to the Cyber Event. The next meeting will be March 19, 2025 at 9:30 a.m.

2. Adjournment

Chair Tony Piacenza called to adjourn the meeting with Fred Salsbury motioning to approve and Jamesina Woodyard providing a second. This passed unanimously. The meeting adjourned at 11:05 am.

AGENDA

CITIZENS' BUDGET ADVISORY COUNCIL

Wednesday, March 19, 2025; 9:30 A.M.; Held Virtually via Zoom

Link to Join Zoom Meeting:

<https://cityofws-org.zoom.us/j/84419814094>

Present: Ross Griffith, Haysetta Shuler, Fred Salsbury, Jamesina Woodyard, Maraim Rivera

Members Absent: Emily Cornella, Anthony Piacenza, Paul Costello

Staff: Sarah Coffey, Scott Tesh, Janice Hillanbrand, Rene Williams

The meeting began at 9:32 AM.

1. Welcome

2. Update on the Winston-Salem Fire Department (Budget Director Scott Tesh)

Budget Director, Scott Tesh, shared that there have been questions over the Winston-Salem Fire Department being featured in the news recently. Specifically related to Overtime and the need to place restrictions on minimum staffing due to the department being projected to spend their Overtime budget by several hundred thousand dollars. Mr., Tesh confirmed the city is not cutting positions nor are firefighters being asked not to work. The Fire Department has made the decision to not call back positions when total staffing per shift falls below 79 firefighters. This number was previously 89. There are about 25 Engine and Ladder Companies – this change effectively means that a little less than half will be carrying one less person. This measure is temporary. Historically when the Fire Department has overrun their personnel budget, the city has pulled from the Police budget to supplement however, the Police Department has hired back more staff this year.

Mr. Tesh shared data on operations staffing comparing Winston-Salem Fire Department to other jurisdictions. One of the jurisdictions that Winston-Salem is most frequently compared to is the City of Greensboro. The City of Greensboro is the most well-staffed fire department in the state which makes it a difficult comparison for Winston-Salem. For example, Greensboro has the same number of apparatuses as Raleigh, which is both larger in population and square miles. Winston-Salem has the same number of apparatuses as Durham, which has a larger population but is smaller in terms of square miles. Compared to Greensboro and High Point, Winston-Salem has the highest staffing ratio of authorized positions per minimum positions. Anecdotally, callback overtime usage has increased substantially in all three departments in recent years.

Overtime is affected by many inputs including meeting minimum staffing, training schedules (backfilling for positions to get training), recruitment for the fire academy, and PTO accruals and use. Mr. Tesh shared that the City of Winston-Salem has very high PTO accruals in the Fire Department. An operations staff member works 2,912 hours per year receives 288 hours of sick time. Regular city staff work 2,080 hours per year receives 96 hours of sick time. This means that WSFD work 40% more hours but receive 200% more sick time annually. Mr. Tesh then shared a calculation of leave for an operations staff member with 20 years of experience that showed between holiday, sick leave and vacation, 41% of their workable hours are being accrued over time.

This does not include paid parental leave. There were questions asked on if these higher levels of vacation and sick leave accrual in the Fire Department are leading to higher levels of vacation buy-back and increased sick leave accruals due to a cap on vacation (if you are over the vacation cap that additional leave rolls over into sick leave).

3. Overview of the City's Revenue Sources, Expenditures, and Debt Usage (Budget Director Scott Tesh)

Budget Director, Scott Tesh, provided an overview of the City's Fund Structure. There are three major fund types – governmental funds, proprietary funds, and fiduciary funds. Governmental funds include the general fund, capital projects, special revenue, and debt service. Proprietary funds run more like a business and includes enterprise and internal service funds. Fiduciary funds do not have to be budgeted report assets held in a trustee capacity for others and include retirement and pension funds. The city has about 50 funds individually.

The presentation shared with CBAC focused on the general fund, which is a single year budget and accounts for more than 40% of net spending. In comparison, city enterprise funds are almost 27% of net spending. Property and sales tax make up 85% of general fund revenues. Property tax is what is paid on personal property – real estate and cars. There is a 39% estimated growth in property tax base for Winston-Salem in FY 2026. Property tax supports debt service and the transit fund as well. Sales tax has two different options – utility sales tax and consumer sales tax when you buy goods at the store. There are several different types of sales tax – Article 39 (point of delivery 1 cent), Article 40 (per capital ½ cent), Article 42 (point of delivery ½ cent), Article 44 (city hold harmless repealed), and Ad Valorem. To forecast revenues, the city relies on the NC League of Municipalities, Durham County Power BI statewide sales tax tool, and networking with other cities and counties. Sales tax revenues grew by 5% in FY 23, 0.2% in FY 24, and the city is currently projecting 2.1% in FY 25. Yearend projections are done at varying levels that come together in massive spreadsheets. All projections are done manually for every revenue source. The city budget office also reviews the city fee structure and analyzes if there need to be new fees added or current fees adjusted every budget cycle. The budget office must make sure that any new fees are legal, that they recover a portion or all of costs and that there is benchmarking done with other municipalities. Other decision points that come along with this process that must be considered are fee regressivity, users versus general benefit, and collectability.

After providing an overview of revenues, Mr. Tesh provided an overview of expenditures in the general fund. Two-thirds of city costs are personnel costs (salaries and benefits). Non-personnel operating costs make up 24% of general fund expenditures. Equipment costs make up 6% of general fund expenditures. There are 155 different expense codes across 178 different cost centers. In the general fund public safety is 52.8% of expenditures and their expenditures are even more personnel heavy than other departments. The budget process for the expense side begins by looking at the base budget requirements (looking at providing same level of service as previous year), enhancements, vehicle/equipment funding, and one time/other purchases. Personnel forecasting is done by position. Benefits rate assumptions based on percentage of salary that is paid to each employee. This includes health care, dental, vision, workers compensation, and retirements. Budget enhancements include new positions, new and expanded services, and council priorities. Fleet oversees vehicle replacement and manages over 1,800 pieces of rolling

stock city-wide. The exception is the Fire Department who manages their own replacement specs. The city is currently behind on vehicle replacement while also having to manage a lot of new and expanded vehicle requests. These requests are prioritized based on safety, compliance, and if it has a positive return of investment. Like revenues, projections are done on varying levels and expenses are reviewed by type, department, service area, and fund.

Once revenues and expenditure projections are done, they are married into a multi-year general fund projection assumption. Assumptions are made on compensation growth, supplies and services, vehicle acquisition costs, and property tax growth. The current total average annual organic growth is 1.75% for revenues and 4.17% for expenditures. That means there is an ongoing deficit to address every year with not a lot of fat to trim from the current budget to make up that deficit. Mr. Tesh then shared that you must weigh the question of do you raise taxes to cover that deficit or do you make different policy decisions, for example lowering the employee merit increase.

Mr. Tesh ended the presentation by touching on the city's debt structure and debt financing. The city currently uses debt financing for vehicles, equipment, maintenance projects, and capital projects. The city is looking at changing equipment and vehicle purchasing to cash purchasing in FY 26 to reduce interest expenses. The city is currently AAA rated by two rating agencies. Mr. Tesh also touched on the tax base per capita or the ability of a tax base per person to service debt. The City of Winston-Salem has a higher tax base per capital currently than our peers due to a low cost of living. However, the current revaluation cycle may put us in a different position.

4. Approval of Prior Meeting Minutes (February 19, 2025)

Co-Chair Jamesina Woodyard called for a motion to either amend or approve the previous meeting minutes. Haysetta Schuler moved to approve and Maraim Rivera provided a second. This passed unanimously.

5. Adjournment

There was a motion to adjourn by Fred Salsbury with Ross Griffith providing a second. This passed unanimously and the meeting adjourned at 11:15am.

AGENDA

CITIZENS' BUDGET ADVISORY COUNCIL

Wednesday, April 16, 2025; 9:30 A.M.; Held Virtually via Zoom

Link to Join Zoom Meeting:

<https://cityofws-org.zoom.us/j/89217429100>

Members Present: Ross Griffith, Emily Cornella, Jamesina Woodyard, Anthony Piacenza, Haysetta Shuler

Staff Present: Scott Tesh, Sarah Coffey, Janice Hillanbrand, Jean Libunao

1. Welcome

Meeting Started at 9:33 AM

2. Follow-up on Budget Structure (Budget Director Scott Tesh)

Budget Director, Scott Tesh, provided an opportunity for questions on the previous presentation on the city's budget structure.

3. Overview of the City's Debt Usage and Leasing Program (Budget Director Scott Tesh)

Scott Tesh began a presentation on the city's debt. He first discussed the capital financing options available via state law which are cash (current revenues or fund balance), external funding (grants, donations, partnerships), and borrowing (bonds, TIFS, installment financings). There is a fourth category under state law which is special assessments and tax districts, which is rarely used.

Mr. Tesh shared that the city has an internal leasing program. The city issues limited obligation bonds (debt) to fund various purchases for equipment and vehicles. Previously this was done via a nonprofit called the North Carolina Municipal Leasing Corporation (NCMLC) that would issue the debt, and the City issued payments back to the NCMLC. The City of Winston-Salem was the only city in North Carolina who was using a non-profit entity to fund debt. With the NCMLC operating as a separate non-profit entity, it allowed interest to be gained. It was then brought onto the city books as a city fund, which means all the interest earnings have now gone away and no longer subsidize the principal and interest payments the departments were making. Due to the high-interest rate environment, the city is now spending millions of dollars more on payments for vehicles and equipment. The purpose of the leasing program was to have a lower cost "bulk" financing rate, interest earnings on idle cash, and spread-out cost of the vehicle useful life. The first few years of the program, the interest payments were completely subsidized in the general fund. The general fund is now paying 5.5% interest on debt. In FY 2025, departments were paying over \$2.0 million in interest payments (\$1.1 million of those interest payments were scheduled in Police, Fire and Sanitation). Mr. Tesh then showed a chart that showed a breakdown of the City debt by type – over half of the City's debt is enterprise fund debt. If you look at debt service as a percentage of total city expenditures it was right under 14% in 2023 and at 14.4% in 2025. The City is higher on the scale than our peers which threatens the City getting downgraded from a AAA rating by rating agencies which affects how much money we can issue for debt. Due to this the City Manager recommendation is to end the leasing program for vehicles, equipment, and small projects. The rationale is to save money on interest payments, reduce the accounting burden, and improve

general government debt metrics. In the future, if there is a point where interest rates begin to fall, there would be a re-evaluation to see if debt-financing would make sense in a different environment.

Mr. Tesh then discussed the use of 2/3 Bonds for Capital Maintenance and changing how we use longer term debt issuance for certain project types. 2/3 bonds are bonds that a city can use to issue new general obligation debt equal to 2/3 of the principal they paid off the previous year, net of additional debt. 2/3 bonds can be issued without voter approval. Other general obligation bonds do have to go out for a referendum. This requires a debt model that provides funding for additional debt payments. 2/3 bonds can be used for almost any capital expenditure, but may not be used on auditoriums, coliseums, stadiums, convention centers, art galleries, museums, historic properties, urban redevelopment, public transportation, or tv systems. 2/3 bonds are typically used on streets and maintaining city facilities. The city issues 2/3 bond debt every other year and these bonds are issued for 20 years. Recent city uses of 2/3 bonds include facility maintenance, repairs, equipment, street and bridge maintenance. The useful life of an asset should be at least the length of the term of the debt instrument. For example, streets that are heavily used may be repaved every 15 years. If a 20-year bond was issued to fund the street repaving, that means the city would be making principal and interest payments on an asset that no longer exists. The city has been using funding resources available to artificially keep the tax rate lower in the short term. While issuing 2/3 debt for roofs and HVAC units is not a best practice it is standard across other municipalities. The city manager recommendation would be to no longer use bond funding for general maintenance projects and instead use cash funding. There is a need in the city to create better mechanisms and planning for operational maintenance, capital maintenance, and rehab/renovation needs. 2/3 bonds would be used instead for complete renovations and to replace city facilities that are beyond their useful life. 2/3 projects currently equal \$5.0 million annually or 1.3 cents. The city needs to have a long-term capital plan and long-term debt model to meet anticipated renovation, replacement, and expansion needs.

At a high level, Scott Tesh shared that the goal will be to have a draft CBAC report by the next meeting and potential recommendations could be to eliminate the internal leasing program and move to cash financing by using debt service to pay off existing debt, stop using 2/3 bonds for shorter-term maintenance needs and switch to cash financing via a 1.3 cent increase in property tax rate, and complete a facilities assessment.

4. Approval of Prior Meeting Minutes (February 19, 2025)

There were no edits to the meeting minutes. Ross Griffith made a motion with Chair, Tony Piacenza providing a second. This passed unanimously.

5. Adjournment

Jamesina Woodyard called to adjourn the meeting with Chair Tony Piacenza providing a second. This passed unanimously. The meeting adjourned at 10:45 am.

AGENDA

CITIZENS' BUDGET ADVISORY COUNCIL

Wednesday, May 14, 2025; 9:30 A.M.; Held Virtually via Zoom

Link to Join Zoom Meeting:

<https://cityofws-org.zoom.us/j/87427560445>

Present: Ross Griffith, Haysetta Shuler, Emily Cornella, Fred Salisbury, Jamesina Woodyard

Staff Present: Scott Tesh, Janice Hillanbrand, Sarah Coffey, Jean Libunao,

1. Welcome

The meeting began at 9:33 a.m. with a question on the school system budget strife currently being discussed locally. The Budget Director, Scott Tesh, provided the context that he was able to share – that the issues currently being faced are due to both overspending budget and spending down a significant portion of fund balance. He shared that this is not a lone issue but one being experienced by other school districts and jurisdictions. Forsyth County is also projected to spend down more fund balance this fiscal year-end than initially projected and made some mid-year adjustments to spending to reduce that impact.

2. Review and Discussion of CBAC Draft Report (Budget Director Scott Tesh)

Budget Director, Scott Tesh, led a discussion on the CBAC draft report shared with members before the meeting. There were several changes recommended including:

- *Number 4 – provide context to departmental spending and highlight specifics as to why certain expenditures went up or down if it is not in line with prior year spending.*
- *Number 5 – add language to evaluate the advantages vs the disadvantages for leasing versus cash purchases – is there any consideration of now that we own them where they are in their useful life – will we come out better if we own them versus leasing over the long term (are there some things that should remain to lease)?*
- *Number 6 – expand recommendation on bond types*
- *Number 7 – add language on providing preventative maintenance for facilities long-term*

There was a question asked on a centralized list of user fees for citizens to look at and it was shared that can be provided at the next meeting on March 28th.

3. Approval of Prior Meeting Minutes (April 16, 2025)

The minutes from the April 16, 2025, meeting will be approved at the May 28, 2025, meeting.

4. Adjournment

The motion for adjournment was moved by Jamesina Woodyard, seconded by Ross Griffith, and passed unanimously. The meeting adjourned at 10:30 a.m.

AGENDA

CITIZENS' BUDGET ADVISORY COUNCIL

Wednesday, May 28, 2025; 9:30 A.M.; Held Virtually via Zoom

Link to Join Zoom Meeting:

<https://cityofws-org.zoom.us/j/89596065359>

Attendance: Anthony Piacenza, Fred Salsbury, Haysetta Shuler, Jamesina Woodyard, Paul Costello

Staff: Scott Tesh, Janice Hillanbrand, Sarah Coffey, Jean Libunao

1. Welcome
2. Presentation of the City Manager's FY 2025-26 Proposed Budget (Budget Director Scott Tesh)

Budget Director, Scott Tesh, shared the FY 2025-26 manager's proposed budget. He shared the major revenue assumptions and focused on the proposed increases in the proposed tax rate due to revaluation, water and sewer rates, solid waste fees, and stormwater rates. He showed the impact of revaluation to the property tax base, including a burden shift away from commercial and industrial owners to residential property owners. He shared the major drivers for the increase in the budget, which included employee compensation, reducing reliance on debt for operations, and completing already funded projects. Debt reliance is being reduced by eliminating the internal leasing program and eliminating the recurring use of debt for certain maintenance activities. The proposed property tax rate is 4.8 cents above revenue neutral with 1.3 cents being for general operations, 1.3 cents for maintenance, and 2.2 cents for the transit system. He then showed an overview of the city's major funds including the general fund, transit fund, water and sewer fund, and parking fund.

3. Review and Discussion of CBAC Report (Budget Director Scott Tesh)

Scott Tesh and Janice Hillanbrand asked for recommendations based on the proposed budget presentation. Suggestions from the CBAC included providing resources to residents regarding property tax bill affordability and suggesting reviewing enterprise subsidies as part of the FY 25-26 work plan. The CBAC draft was approved subject to the changes proposed. Motion to approve the report was moved by Anthony Piacenza with Haysetta Shuler providing a second and it passed unanimously.

4. Approval of Prior Meeting Minutes (May 14, 2025)

Meeting minutes for April 16 and May 14, 2025 were motioned to be approved by Jamesina Woodyard and seconded by Haysetta Shuler and passed unanimously.

5. Adjournment at 10:37 am

The motion to adjourn was moved by Anthony Piacenza with Fred Salsbury providing a second.