

INTRODUCTION

Welcome to the City of Wilmington’s Annual Budget. Wilmington is located in southeastern North Carolina, between the Cape Fear River and the Intracoastal Waterway, and is rich in beauty, history, and culture. Through this document we, as proud citizens and employees, wish to convey what City government is doing to maintain the quality of life in Wilmington and the improvements we are making to preserve and enhance Wilmington’s safe, clean, and prosperous environment.

This budget serves four basic functions for City Council, staff, the citizens of Wilmington, and others. First, it is a policy document that articulates the City Council’s priorities and issues for the upcoming year. Secondly, it serves as an operations guide for staff in developing goals and objectives for the new year and in monitoring and evaluating progress toward those goals. Thirdly, the budget is a financial device for the projection of revenues and expenditures; it authorizes expenditures and the means for financing them; and, is a control mechanism for spending

limits. Finally, it is a way to communicate to citizens how public money is being spent and what is being accomplished with those expenditures. We hope all readers of this document come away with a better understanding of City services in general and specifically what will be done in Wilmington during the fiscal year 2009-10.

City staff embraces five Core Values as a guideline for personal conduct when fulfilling the City mission “to provide quality services which enhance the safety, livability, and prosperity of our community.” Those Core Values are Respect, Professionalism, Service, Integrity, and Safety. The Strategic Plan focus areas of Vibrant Economy, Efficient Transportation Systems, Safe Community, Thriving Neighborhoods, Collaborative Communications, and Engaged Legislative Efforts were designed by City Council and staff to fulfill that same City mission. It is the hope of City staff that, by using this guide and working with City residents, City government can better meet the needs of every citizen.



READER'S GUIDE

The budget begins with the City Manager's budget message that contains key features of the budget as recommended by the City Manager, including a recommended property tax rate. Highlights of the proposed work plan and information about the financial condition of the City are also included. In the adopted budget document, a letter of transmittal precedes the budget message and outlines any changes from the recommended to the adopted budget through Council's budget deliberations.

In accordance with the North Carolina General Statutes, the City prepares and adopts the budget on the modified accrual basis of accounting, in which revenues are recorded when the amount becomes measurable and available, and expenditures are recorded when the liability is actually incurred. Only revenues and expenditures anticipated during the fiscal year are included in the budget. Unexpended operating budget funds revert to fund balance at the close of the

fiscal year. Unexpended capital project reserve funds are carried forward life-to-date until the project is officially closed.

Throughout the fiscal year the City's financial accounting system maintains a modified accrual method as the adopted budget. At year-end, the City's Comprehensive Annual Financial Report (CAFR) is prepared on a basis consistent with "generally accepted accounting principles" or GAAP. This basis of accounting conforms to the way the City prepares its budget with some exceptions. The most notable exception is that the City's Enterprise funds are converted from the modified accrual basis of accounting to the full accrual basis for financial statement presentation purposes. In the accrual basis, revenues are recognized when they are earned and expenses are recognized when they are incurred.

The following chart summarizes when accrual and modified accrual are used for the basis of reporting and the basis of budgeting:

<u>Fund</u>	<u>Basis of Budgeting</u>	<u>Basis of Reporting</u>
General	Modified Accrual	Modified Accrual
Special Revenue	Modified Accrual	Modified Accrual
Enterprise	Modified Accrual	Accrual

The first section in the document, the Budget Summary, summarizes the total City budgeted revenues and expenditures as well as the total General Fund budget. The General Fund is the general purpose fund of the City, which provides many basic services, such as police, fire, and transportation, and is supported by property taxes, sales taxes, fees, revenues from state and federal governments and other sources. The Budget Summary section also includes a listing of appropriations by funds, an accounting term which simply means a balanced set of revenues and expenses. Each fund is categorized by operating, program, debt service, and capital project funds and reflects a gross amount as well as the net budget which is less appropriations to other funds and debt funding. A separate summary shows the capital debt service projects.

The addition of the Convention Center Operating Fund, which was adopted by Council in April 2008, will capture the costs of managing the project, as well as marketing and pre-opening expenditures.

Following the Budget Summary is the City's Strategic Plan, which includes the goals and objectives identified within the City Council focus areas; Vibrant Economy, Efficient Transportation Systems, Safe Community, Thriving Neighborhoods, Collaborative Communications, and Engaged Legislative Efforts.

A summary of total revenues for all funds is reflected in the next section and shows the prior year adopted budget levels as compared to current budget.

Details follow this summary and are again identified by fund within category.

The Policy and Management Services section provides expenditure summaries for the General Fund General Government and Administrative and Support Services departments. Each department is shown separately and includes an authorized position total, organizational structure, performance measures, a summary of expenditures and explanatory budget notes as well as a dedicated page for any divisions associated with the department. This section also shows the General Fund Sundry appropriations, all nonprofit agency appropriations, and the City's Debt Management.

The next section summarizes the budgets of the City's Community Development departments, which include Community Services, Development Services, Public Services, the Community Development Block Grant Fund (CDBG), CDBG/HOME Grant and Loan Administration Fund, and HOME Investment Partnership Fund. The CDBG and HOME grant funds includes the City's annual entitlement from the federal Department of Housing and Urban Development (HUD) for activities designed to improve low and moderate income neighborhoods. Expenditures include housing loan programs, capital improvements, and contributions to public service agencies. The CDBG/HOME Grant and Loan Fund was established to account for the community development and accounting activities associated with the federal entitlement for the Community Development Block Grant and HOME

Investment Partnership funds.

The Public Safety section follows and includes the General Fund expenditure budgets for Police and Fire. These are also shown with authorized positions, organizational structure, performance measures, expenditure summaries for both departments and any associated divisions as well as explanatory budget information.

The next section summarizes the budgets of the City's Enterprise Funds. An enterprise fund is a fund established to account for operations that are financed and operated in a manner similar to private business enterprises. Expenditures in these funds are financed primarily through user fees. The Enterprise Funds section contains information on the following:

Public Utilities Fund - Historical expenditures for the delivery of water and sewer services are reflected. Effective July 1, 2008 the consolidation of the City and County water and sewer services began providing utility services as the Cape Fear Public Utility Authority.

Facility Fee Fund - Historical expenditures for the fees paid by developers for expansions and improvements to the water and sewer system are included. Effective July 1, 2008 the consolidation of the City and County water and sewer services began providing utility services as the Cape Fear Public Utility Authority.

Groundwater Utility Fund – Historical expenditures for the Groundwater Utility Fund are reflected. Effective July 1, 2008 the consolidation of the City and County water and sewer services began providing utility services as the Cape Fear Public Utility Authority.

Solid Waste Management Fund - This fund includes expenditures for the collection and disposal of garbage, yard waste, recyclable materials and other trash. Expenditures are financed primarily through solid waste fees collected from customers.

Storm Water Management Fund - Expenditures associated with the City's storm water planning, maintenance, and public information efforts are included in the Storm Water Management Fund. Transfers to the Capital Projects Fund for drainage capital improvements are included in this fund. The storm water utility fee, based on the amount of impervious surface present on each parcel of property, is the primary revenue source for these expenditures.

Golf Course Fund - This fund contains the income received at the City's Municipal Golf Course and the associated costs with running that operation.

Parking Facilities Fund - This fund contains the income received at the City's two downtown parking facilities and two lots, along with the operating and debt service expenditures for those facilities and lots.

The **Other Funds** section of the budget contains the following smaller funds:

Equipment Maintenance/Replacement (Fleet) Fund - This internal service fund centralizes the expenditures for maintenance and replacement of vehicles for all participating departments. Each City department makes annual payments according to the types of vehicles leased.

Personal Computer Replacement Fund - This internal service fund streamlines the budget process by eliminating budget requests and budget reviews for replacement computers and helps reduce the technology gap between programs that are better funded and those that are not. Revenues for this fund consist primarily of internal charges to City departments for replacement of desktop computers.

Debt Service Fund – This reserve fund was established to set aside resources to meet current and future debt service requirements on general long-term debt.

Convention Center Operations Fund - This fund provides for the management oversight and operating support and expenditures associated with the Convention Center facility.

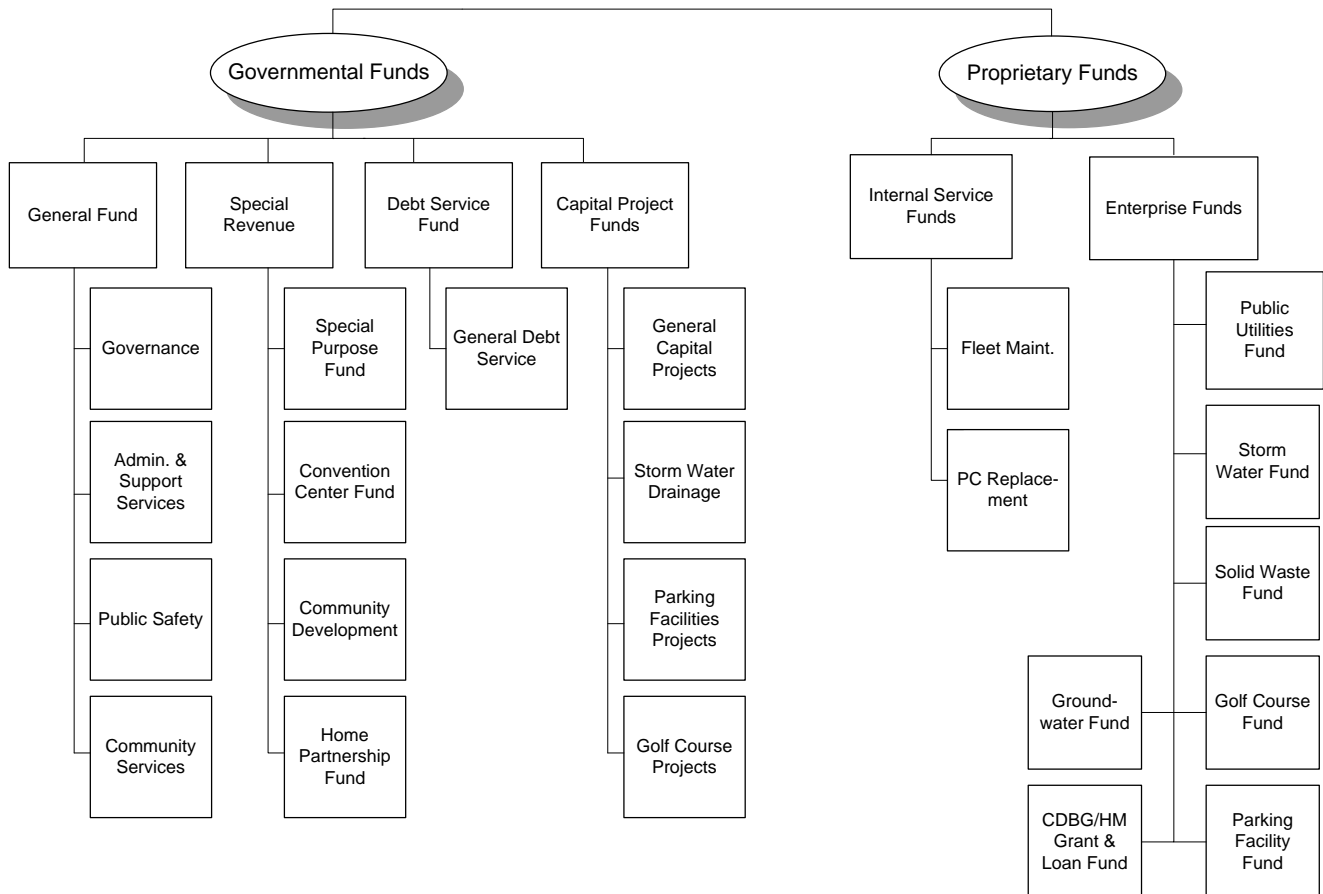
The **Capital Budget** section contains the City's plan for major capital projects to be funded over the next five years (2010-2014). These are new construction and/or renovation projects which improve the City's infrastructure. The projects are grouped according to general type: Streets and Sidewalks, Parks and Recreation, Public Buildings and Facilities, and Storm Water. Funds for these improvements come from transfers from the General Fund and Storm Water Management Fund, as well as from bonds and other sources.

BUDGETARY FUND STRUCTURE

The City of Wilmington budget consists of two overarching fund types. They are **Governmental Funds** and **Proprietary Funds**.

Governmental Funds are used to account for those functions reported as governmental activities. Most of the City's basic services are accounted for in governmental funds.

The City of Wilmington has two types of **Proprietary Funds**. *Enterprise Funds* are used to report the same functions presented as business-type activities and *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the functions of the City of Wilmington. The City uses Internal Service Funds to account for two activities – fleet operations and personal computer replacement.



BUDGET PREPARATION AND ADOPTION

The City of Wilmington begins the budget process in December with the preparation for proposed new and revised capital improvements projects. The official budget kick-off is done in January with a transmittal to all staff involved in the budget process that includes budget instructions and key issues and changes. In January and/or February, retreats are held with the City Council to review the City's financial condition and the forecasts for the future. This is also an opportunity for the Council to develop goals and objectives for the upcoming year.

In accordance with State Statutes, departments must submit a budget request to the Budget Officer before April 30 of each fiscal year. After all departmental budgets are submitted, the Budget Office reviews the requests and meets with each department individually to review the needs and priorities in

detail. The Budget Office and the departments then meet with the City Manager to discuss programmatic issues and the objectives to be accomplished in the new budget year. Revisions are made as necessary in the operating budgets, the capital budgets, and the revenue estimates, until a final recommended budget document is produced in April.

A budget message and a balanced budget must be submitted to the Council no later than June 1, according to State Statutes. In the City of Wilmington, these are typically submitted to City Council in May. After a formal budget submission to Council, work sessions are conducted with the Council, and a public hearing is held to provide an opportunity for all citizens to have input in the budget. In accordance with State Statutes, final adoption of the budget takes place before July 1 of each year.

BUDGET AMENDMENT PROCESS

Proposed amendments to the budget may be submitted at any time by a member of the City Council or the City Manager. The City Manager is authorized to transfer budget amounts within departmental categories, however, changes between categories or that change total expenditures in any fund must be approved by City Council.

Proposed ordinance amendments are prepared by the administration and include a statement by the Finance Officer as to the availability of funds. A cover letter provides background

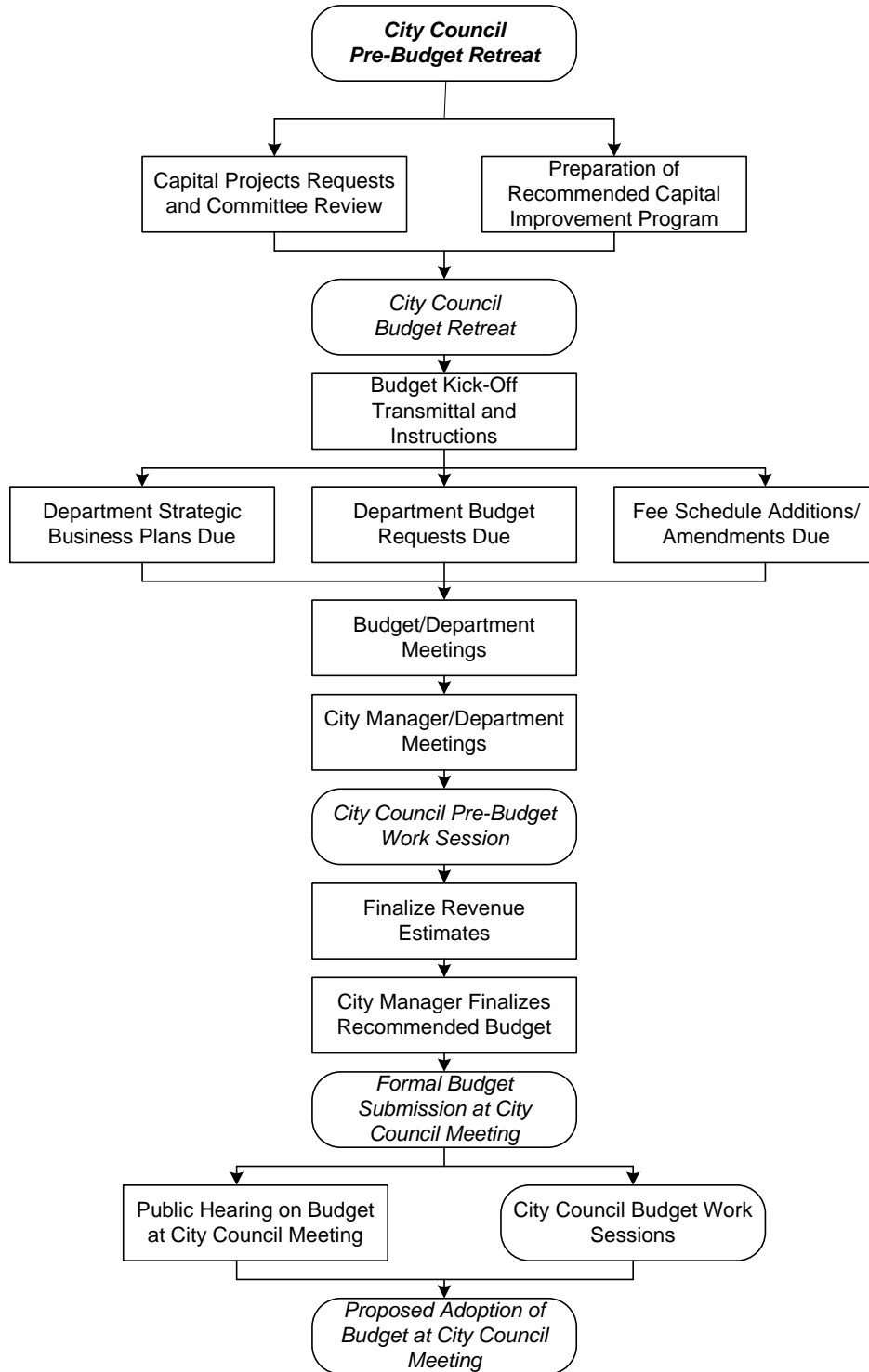
information and the City Manager's recommendation on the proposed amendment. Ordinances require two readings for adoption.

Minor budget changes that do not affect the ordinances are submitted to the Budget Office at any time with an explanation of and justification for the change. All changes must be approved by the Budget Office. Changes in salaries or benefits are not permitted, except in rare instances, with prior approval by the Budget Office and by the City Manager.

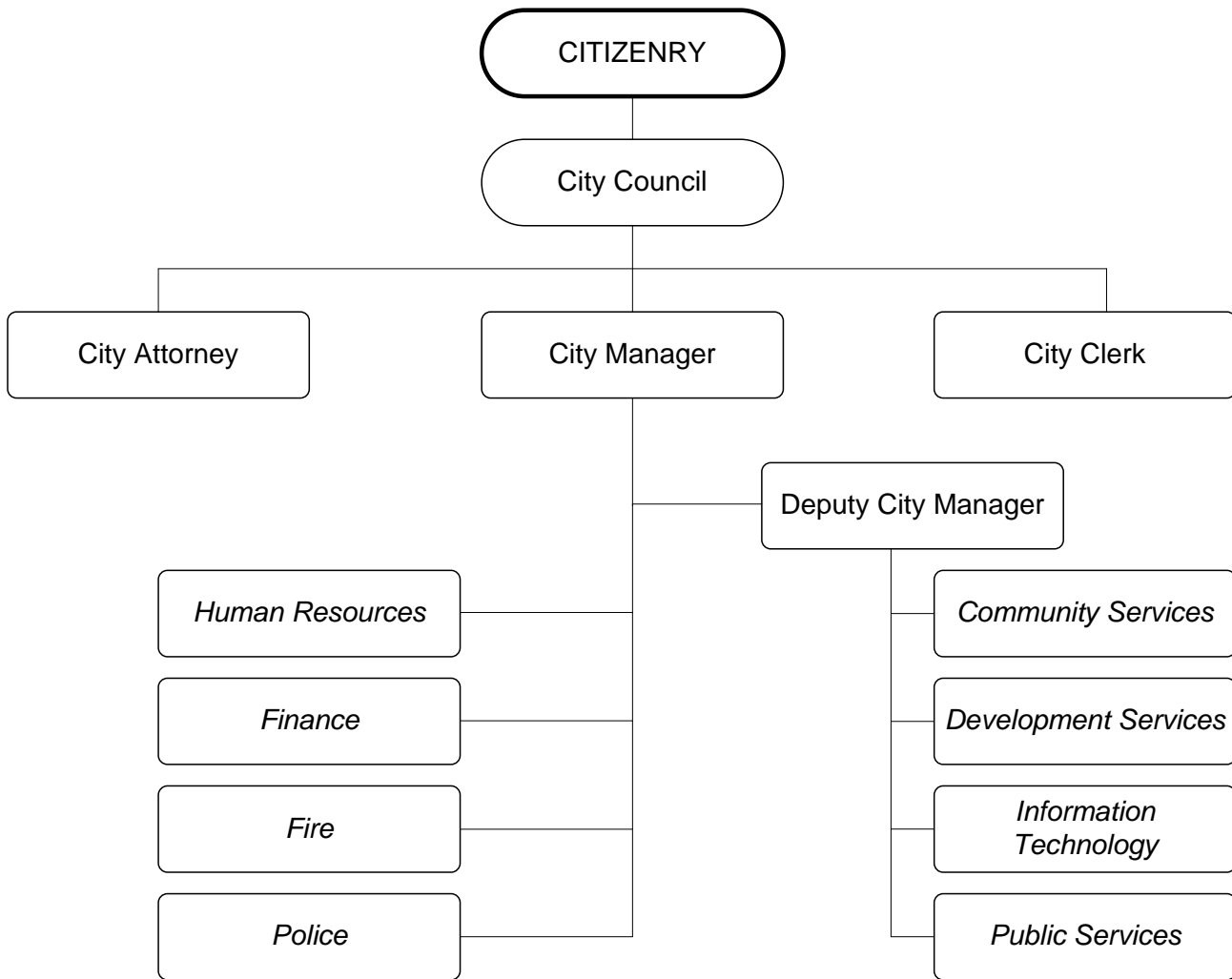
SCHEDULE OF EVENTS FOR THE PREPARATION OF THE FY 2009-10 BUDGET

Capital Project Requests Due/Committee Review	December 2
City Council Pre-Budget Retreat	December 5
Preparation of Recommended Capital Improvement Program.....	January 8-9
Budget Kick-Off Transmittal and Instructions	January 16
City Council Budget Retreat	February 16
Department Strategic Business Plans Due	February 27
Department Budget Requests Due	February 27
Requests for Fee Schedule Adjustments Due.....	February 27
Budget Office/Department Budget Meetings	March 2 - 13
City Manager/Budget Office/Department Budget Meetings.....	March 16-20
City Council Budget Work Session.....	April 6
Finalize Revenue Estimates.....	April 13
City Manager Finalizes Recommended Budget	April 17
Formal Budget Submission at City Council Meeting.....	May 5
Public Hearing on Budget at City Council Meeting.....	May 19
City Council Budget Work Sessions	May 21-22
Proposed Budget Adoption at City Council Meeting.....	June 2/June 16

BUDGET PREPARATION PROCESS



ORGANIZATIONAL STRUCTURE



FINANCIAL MANAGEMENT POLICIES

These Financial Management Policies serve as guidelines for the preparation and operation of the annual budget. They are designed to complement the North Carolina Local Government Budget and Fiscal Control Act, recommendations of the Local Government Commission (LGC), the Government Finance Officers Association and the National Advisory Council on State and Local Budgeting. These policies were developed by Budget staff and were formally adopted by the City Council effective July 1, 2002. These policies will be used to frame major policy initiatives and will be reviewed during each budget process to ensure continued relevance and to identify any gaps that should be addressed with new policies. These policies will assist in maintaining the City's stable financial position and will ensure that Council's intentions are implemented and followed.

REVENUE POLICIES

- The City shall continue to provide adequate funds for stable operation of desired service levels through diversification of revenue sources to avoid over-reliance on any one revenue source and to maintain stable rates and fees.
- The City shall maximize user fees where possible in order to distribute the costs of municipal services to those who use the services; include users who may have tax exempt property; to avoid subsidizing where the service is not used by the general public, except where appropriate; and maintain charges that are equitable and efficient by capturing the costs to provide the service.
- All revenue sources will be reviewed on an annual basis, the levels of cost recovery will be reviewed, and the reasons for the subsidy will be reviewed.
- Use of one-time revenues is limited to covering expenditures that temporarily exceed revenues, early debt retirement, or capital purchases that do not significantly increase ongoing operating expenses.
- The percentage collection of property taxes estimated in the budget must not be greater than the percentage of the levy realized in cash as of June 30 of the preceding fiscal year, in accordance with State law. This ensures a conservative estimate of property tax revenues.
- Estimated revenues shall include only those reasonably expected to be realized during the fiscal year.
- Grant funding will be pursued and used for a variety of purposes. Application to apply will be reviewed and evaluated for consistency with Council goals and compatibility with City programs and objectives. All grants must be presented to Council for consideration before application is made. Any awarded funds will be accepted only after Council review and approval. Any changes in the original intended use of grant funds must be reconsidered by Council.

EXPENDITURE POLICIES

- The City shall continue to prepare an annual balanced budget in accordance with the Local Government Budget and Fiscal Control Act, Generally Accepted Accounting Principles, and shall maintain excellence in finance and budgeting by meeting the standards necessary to achieve the Government Finance Officers Association's Distinguished Budget Award and the Certificate of Achievement for Excellence in Financial Reporting.
- Expenditures shall be reviewed by staff, the City Manager, and City Council prior to adoption, and continually monitored throughout the budget year. Priority will be given to expenditures consistent with the City's Strategic Plan, and those necessary to carry out the mandated and core services of the City.
- Funding for nonprofit agencies shall be consistent with Council's priorities or with a departmental or City-wide mission, and with the City's Consolidated Plan. Any agency receiving over \$5,000 in any one fiscal year is required to complete a financial review. Any agency receiving over \$10,000 in any one fiscal year is required to complete a financial single-audit. Community Development Block Grant Funds will be allocated to public service agencies at the maximum percentage allowable by HUD regulations. General Funds will be allocated to public services agencies in total amount not to exceed ½ percent of the general fund operating budget, not including the pass-through of room occupancy revenues. No agencies will be considered for funding without an operational budget.
- Funding for the Cape Fear Public Transit Authority (WAVE), beginning in FY 2008-09 shall be in accordance with the following City Council policy:
 - Increases in annual support contributions to WAVE shall be tied to the change in the Consumer Price Index (all consumers = 1984) for the previous 12 months and is calculated each December.
 - WAVE will provide assurances to the City that funding provided by the City of Wilmington is used in support of transit services for City of Wilmington citizens including trolley service in the downtown area.
 - A formal budget request is made to the City of Wilmington via the City's Budget Director on or before March 31 annually. This request should also include a summary of any service expansions or reductions as well as matching capital equipments requests for inclusion in the City's CIP.
 - Establish a City staff liaison to WAVE to assist in developing policy issues that impact the City of Wilmington in recognition of the City's vested interest in this vital service.

RESERVES

- The City shall maintain a minimum undesignated, unreserved fund balance equal to 15 – 20% of the operating budget for each of the City's funds.
- Unreserved fund balances shall not be used to subsidize operating deficits, but may be accumulated and used for non-recurring expenditures and "pay as you go" capital expenditures.
- Reserves may be appropriated in operating budgets to a contingency account in an amount not to exceed 5% of the fund in order to meet unexpected increases in service delivery costs.

DEBT MANAGEMENT

- Debt service shall not exceed 15% of the operating expenses in the General Fund.
- The outstanding net debt will not exceed the NC statutory limit of 8% of the appraised property subject to taxation with an optimal level of less than 4%.
- Capital projects financed through the issuance of bonds will be financed for a period not to exceed the expected useful life of the project.
- Net debt per capita shall not exceed \$1,000.

CAPITAL IMPROVEMENT PROJECT POLICIES

- The City shall annually develop a 3 to 5-year Capital Improvements Program (CIP) to be adopted in conjunction with the Annual Operating Budget.
- The City shall appropriate all funds for capital projects with an Ordinance in accordance with State statutes.
- Capital expenditures included in the CIP as a project will generally cost at least \$50,000 and have a useful life of at least 5 years.
- Capital projects financed through the issuance of bonds will be financed for a period not to exceed the expected useful life of the project.



This page is intentionally blank