



July 1, 2015

The Honorable City Council
and the Citizens of the City of Wilmington:

I am pleased to present to you the FY 2015-16 Annual Budget for the City of Wilmington as adopted by City Council on June 16, 2014. This document represents the City's comprehensive budget plans and policies for the upcoming fiscal year based on the *FY 2015-16 Recommended Budget* and is consistent with City Council's budget work sessions.

The *FY 2015-16 Recommended Budget* was presented to City Council on May 19, 2015 and included the Budget Message, which follows this letter. The *Recommended Budget* was made available for public inspection on the City's website, in the City Manager's office, the City Clerk's office, the New Hanover County Library (main branch), and the Budget Office at 305 Chestnut Street. In accordance with the North Carolina Local Government Budget and Fiscal Control Act, a notice of public hearing was published in two local newspapers to encourage public input into the budget process. A public hearing was held on June 2, 2015 for the *Recommended Budget*. City Council also held a budget work session June 8, 2015.

During the budget deliberations with City Council, a number of changes were made to the *Recommended Budget* resulting in a total reduction of \$66,766 in the City's overall budget changing it from the FY16 Recommended total of 144,109,427 to the FY16 Adopted total of \$144,042,661. As the largest fund, it should be noted the General Fund decreased by \$15,000 from \$94,708,342 to \$94,693,342.

A tax rate of \$0.4850 per \$100 valuation of taxable property as listed for taxes as of January 1, 2015 was levied in the Adopted Budget. Of this rate, \$0.4150 per \$100 valuation was adopted for General Fund operations, \$0.0500 per \$100 valuation was earmarked for the 80/20 Capital Debt Plan as outlined in the five-year Capital Improvement Plan and is restricted in the Debt Service Fund and \$0.0200 for the Debt Service for the recently approved Streets and Sidewalks bonds.

Listed below are the changes between the recommended and adopted budgets and are included in the appropriate sections of this document:

GENERAL FUND (NET BUDGET IMPACT = -\$15,000)

Public Services (Budget Impact = -\$30,000)

Allocated Costs: -\$508,280 to -\$538,280

- Corrected the amount of program costs shared by Stormwater and Solid Waste for their portion of Public Services' Risk Control, Sustainability and Code Compliance programs totaling a net reduction of \$30,000 to the General Fund

Sundry Appropriations (Budget Impact = \$15,000)

Children's Museum of Wilmington: \$0 to \$10,000

- Allocated \$10,000 of General Fund monies to provide \$10,000 to the Children's Museum

Arts Council: \$20,000 to \$25,000

- Allocated \$5,000 of General Fund monies to increase the Arts Council funding by \$5,000

Sundry Miscellaneous: \$300,000 to \$30,000

- Reallocated \$220,000 from Sundry Miscellaneous to Office Space Lease/Lease Hold Improvements
- Reallocated \$50,000 from Sundry Miscellaneous to Kids Making It Summer Jobs Programs

Cape Fear Council of Government: \$70,044 to \$20,044

- Reallocated \$50,000 from Cape Fear Council of Government to Council of Government explicitly for Continuum of Care Program

Wilmington Downtown Inc.: \$96,325 to \$66,325

- Reallocated \$30,000 from Wilmington Downtown Inc. to Municipal Service District explicitly for Municipal Service District Assessment

Special Purpose Fund Transfer: \$724,855 to \$717,855

- Reallocated \$7,000 from the Special Purpose Fund Transfer for Annual Affordable Housing Summit

SPECIAL PURPOSE FUND (NET BUDGET IMPACT = -\$30,000)

Metropolitan Planning Administration: \$1,223,369 to \$1,193,369

- Reduced the revenue and expenditure by \$30,000 which represents the correct cost-share with Pender County for Coastal Pender Collector Street Plan Study

SOLID WASTE FUND (NET BUDGET IMPACT = \$22,700)

Indirect Cost (\$695,436 to \$718,136)

- Increased indirect cost by \$22,700 for several Public Services program's Solid Waste shares in the funding (Risk Control Program, Sustainability, Code Compliance) that was not fully realized in the recommended budget thus elevating general fund monies

Fee Impact

- Solid Waste implemented a \$25 activation fee for all new accounts

STORMWATER FUND (NET BUDGET IMPACT = \$7,300)

Indirect Cost (\$873,838 to \$881,138)

- Increased indirect cost by \$7,300 for several Public Services program's Solid Waste shares in the funding (Risk Control Program and Code Compliance) that was not fully realized in the recommended budget thus elevating general fund monies

Fee Impact

- Approved a Stormwater's equivalent residential unit (ERU) increase of 5.9% from \$6.83 to \$7.23 per month

GOLF COURSE FUND (NET BUDGET IMPACT = -\$51,766)

Reserve / Budget Reserve (\$150,975 to \$99,209)

- Council deferred discussions of golf course rate increases resulting in a decrease of revenue and expenditure in the amount of \$51,766

It should be noted that by separate action, Council approved one-time funding for WAVE Transit with regard to capital equipment, including a grant match in the amount of \$389,112.

The first reading of the FY 2015-16 Adopted Budget was held on June 2, 2015 and the second reading was held on June 16, 2015. There were no further changes to the *Recommended Budget*.

Sincerely,

A handwritten signature in black ink, appearing to read "Sterling B. Cheatham". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Sterling B. Cheatham
City Manager



May 19, 2015

The Honorable City Council
And the Citizens of the City of Wilmington:

In accordance with §159-11 of the North Carolina General Statutes, I am pleased to present the *Recommended Budget* for the City of Wilmington for the fiscal year beginning July 1, 2015 and ending June 30, 2016.

The total net budget for FY 2015-16 is \$144,109,427 and represents a 2.8% decrease from the current adopted budget of \$148,123,932, partly due to containment of operational costs and reduced capital appropriations. The current FY 2015 appropriations for capital projects represent two years' of costs, as planned to complete projects as quickly as possible. Therefore, no appropriations other than Storm Water are requested, thus lowering our total city-wide budget for FY 2015-16. The General Fund is the largest component of this total with expenditures of \$94,708,342, an increase of 3.9% or \$3,575,122 over the current adopted amount of \$91,133,220. The approval of this budget will require a 2.5 cent tax increase to the ad valorem rate creating a total tax rate of 48.5 cents. This rate will support General Fund expenditures for funding core services and the transportation projects approved by the voters this past November which requires a tax increase of 2 cents by itself.

It is recommended that the "rainy day fund", General Fund Balance be tapped for certain one-time expenses that total \$1,150,446 to balance this budget. This amount is approximately \$540,466 more than the amount appropriated in the adopted budget for FY 2014-15. The unassigned General Fund balance at June 30, 2016 is expected to be \$28,245,399 or 29.82% of FY 2016 projected expenditures. Our Financial Policies state that fund balance is a rainy day fund only to be used for unanticipated, one-time activities or purchases. The City's General Fund balance remains healthy and well above the target of 15-20 percent with this recommended budget.

The Economy

Our local economy is improving. However, we are struggling to make up for the \$2.3 million in revenue from the NC General Assembly's tax reduction to businesses through the elimination of the local business privilege license fees, effective in FY 2016. As of this printing, this budget is without the new revenue stream to local governments promised by the state to replace the loss of local business license tax receipts of prior years. We are having to address this revenue loss while at the same time address additional infrastructure and programmatic needs our citizens have told us are top priority. Our biennial Citizen Survey, soon to be released, reveals that increased street maintenance and improved traffic flow remain the major concern for our citizens along with public safety. This budget reflects those priorities. Growth has provided an increase in our tax base and that increase is largely offset by the loss of privilege license fees of \$2.3 million. If not for that loss in recurring revenues, this budget would only require the 2 cents for the Transportation bond that citizens approved overwhelmingly this past November.

A new City Budget for Fiscal 2016 will need to be adopted by the City Council by July 1, 2015. This recommendation and the likely Council action may be further stymied by pending State action that would divert more local Wilmington sales tax revenues away from our community to other areas across the State. We have expressed our alarm to our delegation and others and we are hopeful of retaining local sales tax receipts, collected in our City, to help offset our infrastructure and service costs, e.g., roads, traffic management, police and fire services to facilitate commerce. Other urban areas across the state are similarly impacted and we are hoping any potential adverse action will not occur. If it does, we would have no recourse but to either propose a greater tax increase or a reduction in services.

According to Joe Brusuelas, Chief Economist at McGladrey LLP, improvement in fundamentals will result in "broad-based economic activity driven by the expansion of the small and middle market firms that make up the real economy." This is good news for the City of Wilmington. NerdWallet, a financial analytics internet firm, recently analyzed 183 metropolitan areas and Wilmington came in 2nd place, behind Boulder, Colorado, as the best place to start a business. "A growing population, strong tourism industry and proximity to the beach makes this port city ideal for businesses," is a direct quote from their website.

Approximately 900 of those businesses are downtown, and with 15 businesses for every 100 people, Wilmington has the highest volume of businesses in the top 10 metropolitan areas. Our City remains steadfast in its commitment to assist in the survival of start-up and new businesses as they pursue prosperity.

The construction of the highly anticipated hotel associated with the Convention Center will soon add to the work zone created on the Northern Waterfront as condominiums, retail space and a marina are also privately developed. The City has also benefited from the economic expansions of three local businesses. Vertex will bring over 1300 jobs to the area and Live Oak Bank and Castle Branch continue to thrive and grow with the assistance of our incentive program. Other planned and in progress private construction activity provides additional evidence of a rebounding local economy.

This recommended budget continues to recognize certain signs of improvement in our economy such as the continued increase in job gains, the resurgence in local tourism and the steady demand for housing, all contributing to a slow, but steady economic recovery. Our forecasted increase in sales tax collection of 3% reflects the steadily increasing revenues over the past four years. Our property tax growth of 2% for FY 2016 is a significant indication of the positive trend in the real estate market as multi-family, hotel and office construction continue to expand our tax base.

Budget Preparation

Every department in the City contributed to the overall goal of recommending a budget that incorporates a fiscally responsible plan for the continuation of basic quality services by our employees.

Departments were charged with submitting an operating budget not to exceed the current funding level for FY 2015. Every department in the City complied with the budget directive and requested essentially flat budgets. However, mid-year approvals of personnel, vehicles and equipment for the Police Department necessitated significant increases to their budget. The implementation of the construction projects in the Transportation bond required additional personnel such as construction managers, a survey project manager, and a contract specialist in Purchasing as well as computers, phones, vehicle and other equipment.

Additional staff will help get work done within 5-7 years to address the priorities of our citizens.

Due to employee wellness initiatives and improved health claims experience, we are able to hold our health insurance premiums flat as well as decrease dental premiums and improve coverage. By the end of FY 2016 we will have sufficient data from our health care provider and clinic regarding health management that will assist us in evaluating the effectiveness of our wellness efforts.

I appreciate the extensive feedback and direction you, as members of City Council, have provided in shaping the recommended budget through a series of budget work sessions leading up to this time.

Budget Highlights

Retain core services (services and programs aligned with the City's Strategic Plan)

This recommended budget continues funding for current services and programs that support the City's Strategic Plan and specifically those initiatives that will advance the six areas identified as the primary focus areas of Council's vision for the City. While we await completion of the Comprehensive Plan of Development, Council will have the opportunity to refresh the Strategic Plan and affirm the overall direction.

In response to succession planning challenges, and the expanded commitment to upgrading streets and other capital projects, this recommended budget includes the restructuring of the organization which impacts the City Manager's office, Community Services, Public Services and Capital Project administration. The new organizational structure will provide both challenges and opportunities for employees. The City will need to immediately rent downtown office space in order to provide for the space needs associated with the restructuring and related operational needs, while we pursue a permanent, expanded facility adequate for the long term office space needs of the City.

The recommended budget anticipates continued collaborations with New Hanover County on the implementation of priority Garner Report recommendations, the feasibility of a joint public safety pistol range and the potential re-institution of a New Hanover County Human Relations Commission for more proactive community outreach.

Today, 108 of our almost 1,000 employees are eligible to retire within the next five years with over 17 of those being at higher level management in the City. We must now make an extra effort to recruit, retain and develop new talent in order to continue the services provided to the community. Some ten years ago, we were faced with a similar challenge and used succession planning strategies to get through that difficult time. We need to re-double our efforts beginning now. Succession planning initiatives contained in this budget include expanded employee development and training (internal and external), job shadowing and a program of expanded use of the UNCW talent pipeline into the organization through a newly created fellowship program. These actions, coupled with over-hires and back filling positions, when possible, will be tools used to develop new institutional knowledge from the top to the bottom of our organization.

Achieve market employee compensation in order to attract, retain, and motivate qualified employees

As a priority, this recommended budget reflects the priority of continuing a multi-year compensation strategy that pays market wages to employees doing similar jobs in the current labor market. Four percent of wages is included in this budget to be distributed to employees according to a plan that will be sustainable for the future.

The pay proposal for 2016 will be the next step in our long term commitment to improve employee pay overall and make our pay ranges competitive with the market. Continuing on last years' progress we will move the ranges slightly to remain competitive, have an across the board increase, a 'step' increase for those below the market rate and have a merit pool available to all employees whose performance exceeds expectations. All three components will have a minimum increase of 1.5% for all eligible employees. The recommended budget for this portion of the pay plan is 4% of actual wages plus associated benefits, adjusted downward for normal employee turnover.

Youth Violence/Crime Reduction Efforts

In an effort to reduce youth violence in the community, Council approved the funding of a Gang Investigative Unit in the Police Department in FY 2014 as well as the Mobile Field Force unit. In FY 2015 Council approved 8 additional detectives with equipment and vehicles for more timely case management. This recommended budget also includes funding

for these public safety efforts as well as community outreach programs and continued community engagement efforts by the Police Department. The continued funding of these crime reduction initiatives will consume a significant portion of the forecasted increase in revenue for FY 2016.

Also included in the recommended budget are funds that will be used to reduce youth violence through financial support for prevention, intervention and rehabilitation programs.

The proposed budget includes:

- 2nd year commitment of full funding at the ½ of 1% financial target to various nonprofits and specifically those that serve the children and youth population;
- collaboration with Kids Making It to provide a limited summer jobs program, with details being developed
- the allocation of funding to nonprofits based on their demonstrated performance;
- continuation of youth centered programming at City recreation centers through partnerships with nonprofits;
- continued support for local jobs, particularly for the re-entry of ex-felons into the community.

Nonprofit Agencies

Fiscal year 2016 is the second year of the biennial funding commitment to programs and services provided by local nonprofit agencies. Last year's competitive funding process identified seventeen public service agencies to be funded \$523,894 from the General Fund. Community Development Block Grant funds in the amount of \$178,390 will also fund these agencies. Funding for these agencies complies with Council's directive to fund up to .5% of the General Fund expenditure budget.

Civic development partner agency appropriations were also competitively reviewed resulting in a recommendation to fund four local organizations:

Wilmington Arts Council - \$20,000

Cape Fear Future - \$20,000

Cucalorus Film Festival - \$20,000

Wilmington Jewish Film Festival - \$2,000

Funding is also provided for the UNCW Center for Innovation and Entrepreneurship as well as a continuation of our contractual obligations with Wilmington Business Development, Wilmington Downtown, Inc. and the Wilmington Regional Film Commission.

Continuation of 5-year infrastructure improvement plan for fourth year

Streets and sidewalk projects, facilities, infrastructure maintenance and park improvements and maintenance continue to be funded through the implementation of the 5-year capital improvement plan. This budget continues the allocation of 5 cents on the tax rate to support this plan. As originally planned, no appropriations are required in Fiscal Year 2015-16. The funding of the Capital Improvement Plan was accelerated to provide two years of funding in fiscal years 2013 and 2015 with the remaining funds to be appropriated in 2017. The only appropriation for capital projects requested in this budget is \$6,100,000 for annual storm drain rehabilitation, for the Clear Run Branch project and Old McCumbers drainage improvements in the Storm Water Enterprise Fund.

In order to maintain the current 5-year infrastructure improvement plan, the debt service recommended allocation is \$9.3 million or 9.8% of the total General Fund budget. It includes the payment of principal and interest costs for already approved and recommended capital projects.

Continuation of the implementation of the SOG Strategic Plan recommendations for Information Technology:

The current budget continues funding several Information Technology projects such as the city-wide software upgrade to standardize equipment and applications. Several departments requested additional licenses to operate our GIS (Geographic Information System) software and in an effort to utilize resources wisely, an enterprise application is funded that will cost less than the individual licenses. Funding is also provided for the development of a disaster recovery process and the continued re-design of the city's website.

Economic Development Incentives

As the City invests in capital projects such as the Water Street Deck re-development and the Northern Downtown Riverfront development, we are realizing the dividends from those investments. Increased economic development efforts have resulted in improvements to our local economy through job creation, rising property values and more consumer spending.

Contractually negotiated incentive payments to businesses, approved by City Council, totaling \$225,000 are funded in this budget.

Partnerships

The City has entered into several mutual aid agreements and partnerships with New Hanover County and will continue to investigate ways to improve service delivery to both City and County residents. The S.A.B.L.E. helicopter program, the Emergency Operations Center and the 911 call center are examples of cooperative efforts to provide services. Continuation of City support for programs such as Safelight, school resource officers, recreation programs, and other cooperative efforts with New Hanover County is recommended.

The City is also exploring the maintenance of select New Hanover County fire vehicles by the City's fire fleet maintenance staff and incorporating the existing City fire fleet maintenance into central City fleet maintenance operations.

Budget Details

The recommended budget benefits from the rebounding local economy, specifically the increase in property values and sales tax growth to the point that were it not for the loss of over \$2.3 million in privilege license taxes, the budget would have been balanced.

The recommended budget does not anticipate any other major shifts in State financial support or diversion of local revenues collected at the State level and remitted to balance our budget, though specific bills have been introduced that would achieve this. As you know, to date there continues much discussion on the matter of tax reform. However, we are hopeful that "cities and counties will be held harmless". Otherwise, our whole financial plan will have to be re-constructed.

Revenues

The projected revenues from ad valorem taxes, including previous year payments, interest and penalties total \$55,440,267, representing 59% of the total General Fund budget. We continue to be very conservative in our projections of local revenue generated by fees, permits and fines. The sales tax projection of \$22,036,474 represents approximately 23% of the total General Fund revenues. The projected sales tax is 3% over the current year's growth

of 10% and is based upon a strengthening economy, but is tempered by the uncertainty of a redistribution of sales tax revenue by proposed legislation.

Revenue projections for telecommunications services taxes, utility franchise taxes, beer and wine taxes and video programming are essentially maintained at the FY 2015 level. These revenues are conservative in light of the uncertainty regarding the continuation of intergovernmental revenues from the State.

Unassigned General Fund Balance

Included in this recommended budget is the use of unassigned General Fund for capital purchases of equipment, furniture, a vehicle, and the leasehold improvements of office space related to the staffing support of the projects approved in the Streets and Sidewalks bond. The use of fund balance also includes the purchase of a wheel loader and knuckle boom truck, Police and Fire vehicles and the hiring of a consulting firm for the new Land Development Code. Sufficient fund balance must be maintained for unanticipated events such as the winter ice storms of early 2014, which required over \$1,700,000 from the General Fund for debris removal.

Recommended Budget Includes:

- Recommended tax increase of 2 cents for the hard costs of construction for the 2014 Transportation Bond
- Funding of 3rd year of the multi-year employee compensation to market strategy
- Full year's funding of WPD 8 detective positions with vehicles and equipment
- Public Services, Finance and City Manager's Office: additional staffing in support of Transportation bond projects to help get the projects done more quickly and efficiently with the goal of completing almost 40 projects within 5-7 years
- Program initiatives for reducing teen violence via expanded operation of facilities and partnerships with area nonprofits
- One new position in Information Technology in response to the assessment of technology challenges facing the City via UNC Institute of Government
- Funding for the elimination of the tree pruning and removal backlog
- Installation of GPS units in the City's vehicle fleet, the cost of which is expected to be recovered in one year

- \$50,000 funding to the Cape Fear Council of Governments as lead agency of the Continuum of Care program to end homelessness
- City storm water fee increase of \$174,162 for the additional costs for storm water maintenance on City properties
- Economic incentive agreement payments totaling \$225,000
- Second year of competitive funding for general agencies in the amount of \$523,894 from the General Fund, an increase of \$151,171 over the Fiscal Year 2014 adopted funding
- Competitively based contributions to civic partnerships for economic development in the amount of \$132,000 from the General Fund
- A retention of \$100,000 appropriated in FY 2015 for future affordable housing and rehab efforts
- WAVE transit subsidy recommended is \$1,289,000, with the final payment of additional \$157,822 to establish a fund balance
- Fire Department: 3 vehicles, thermal imaging camera, turn-out gear totaling \$131,200
- Police Department: 4 vehicles, community initiatives, training, maintenance agreements, printers for patrol cars, equipment for the Forensic Laboratory totaling \$368,505

The City of Wilmington serves as the Lead Planning Agency for the Metropolitan Planning Organization. The Wilmington Urban Area has exceeded 200,000 in population which designates the MPO as a Transportation Management Area (TMA). The Fiscal Year 2016 City match portion of \$113,235 combined with the unallocated costs transfer totals \$395,654, an increase in the funding of over \$100,000.

Recommended Budget Does Not Include:

A number of worthwhile service expansions and new requests were requested and reviewed as part of our efforts to propose a frugal and focused spending plan for next year. We have attempted to balance Council's priorities with resources available, minimizing the impact on our citizens and taxpayers. I hope you will find this proposal that has been developed with your guidance achieves that. For example, additional requests from various City departments that are not included total over \$1.1 million.

Enterprise Funds

Solid Waste has requested the establishment of an activation fee of \$25 for all new customer accounts. Also requested is the replacement of 88 cigarette receptacles in the CBD to improve the appearance of the downtown area as well as greatly improve the efficiency of the daily cleaning workload, freeing crews to spend more time pressure washing sidewalks and cleaning restrooms. Included in the budget is a curbside electronic collection program to address the escalating problem of old televisions, electronics and computers being left in City right of ways, creating illegal dump sites. FY 2016 operations will require the use of \$309,574 from the unassigned fund balance to produce a balanced budget. The unassigned fund balance is anticipated to be \$1,671,195 or 17.97% of FY 2016 projected expenditures.

The Storm Water Fund rate model requires a 6% rate increase to fund expenditures, which includes a transfer to the Capital Improvement Plan of \$1,000,000 for annual storm drain rehabilitation. The unassigned fund balance in the Storm Water Fund as of June 30, 2016 is expected to be \$7,556,040 or 78.42% of FY 2016 projected expenditures. However, due to the capital intensive nature of the Storm Water Management Program, a higher balance than normal is a good financial indicator.

Parking in the City of Wilmington is a high priority for residents, tourists, and businesses especially in the downtown area. Key factors in the success of the parking program are an improving economy, moderate weather and no natural or man-made disasters.

The Park Wilmington office space has reached full capacity with expanded services in the parking decks and new technology systems over the past few years. Additional space is needed for parking personnel and expansion can be accomplished by altering the WPD gang task force office space within the Market Street parking deck. Parking management will work with the Police Department to balance their need to remain in the Central Business District and the need of our customers to feel safe downtown and in our parking decks.

The Parking Fund's unassigned fund balance is projected to be approximately \$3,303,851 or 94.74% of FY 2016 budgeted expenditures. There is no anticipated use of fund balance for the FY 2016. A slight fee adjustment at the Convention Center Deck is proposed to offset the cost to support its unique operations.

Municipal Golf Course rates are recommended to increase in FY 2016. The Muni restoration project is complete and the revenues continue to increase since the reopening of the course. In order to fund the improvements, rates increased on average by 35% in 2015 and are scheduled to increase an average of 10% in FY 2016, however no use of unassigned fund balance is anticipated. The unassigned fund balance in the Golf Fund as of June 30, 2016 is expected to be \$300,981 or 22.70% of FY 2016 projected expenditures. If rates are not adjusted this next year, the fund will dip below minimum standards established to absorb unforeseen events and require a higher rate increase in future years.

COMMITMENT

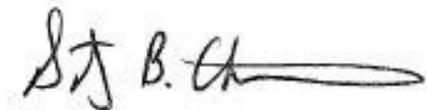
The City is committed to creating financial resiliency in preparation for the opportunities we will face in the years to come. As the General Assembly convenes and deliberates the future of our intergovernmental revenues and our ability to preserve our revenue sources, we will remain flexible and proactive in our efforts to maintain quality services. We will continue to challenge each other and our systems, policies and methods of operation. We will continue to engage all employees in our efforts to make sure the way we provide services to citizens and conduct our internal business is the best that we can do.

In closing, I would like to commend the efforts of the City Council for their guidance in the preparation of this budget and for their commitment to quality services for our community.

I would also like to commend City departments who worked tirelessly and shared in the burden of preparation of this very challenging budget. I would like to especially thank the Budget staff for their extra effort in putting this recommended budget together.

We look forward to working with City Council as you consider this recommended budget.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "S.B. Cheatham", with a long horizontal flourish extending to the right.

Sterling B. Cheatham
City Manager

INTRODUCTION

Welcome to the City of Wilmington’s Annual Budget. 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 2016, beginning on July 1, 2015 and ending on June 30, 2016.

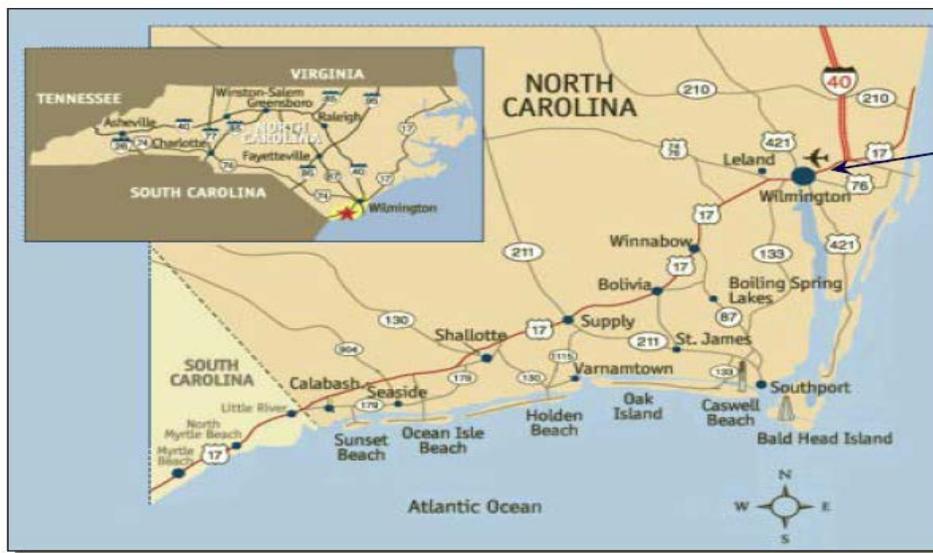
City staff embraces five Core Values as a guideline for personal conduct when fulfilling the City mission “to provide quality services which enhance the safety, livability, and prosperity of our community.” Those Core Values are Respect, Professionalism, Service, Integrity, and Safety. The Strategic Plan focus areas of Create a Safe Place, Foster a Prosperous, Thriving Economy, Promote Culture, Arts and Public Spaces, Support Efficient Transportation Systems, Engage in Civic Partnerships and Provide Sustainability and Adaptability 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.



PROFILE OF THE CITY OF WILMINGTON



Wilmington, incorporated in 1739, is located approximately at the midpoint of the eastern seaboard of the United States, in the southeastern coastal section of North Carolina. The City is an active business, service and industrial center for the surrounding five-county area with a population of more than 478,000 county-wide. Numerous State and Federal agencies have regional offices in the area and the City serves as the financial, medical, legal, communications and transportation center for the southeastern part of the State. With a land area of approximately 52.9 square miles, the City is approximately 30 miles from the Atlantic Ocean via the Cape Fear River; is the County seat of New Hanover County (the “County”); and is home to the State’s largest port. As of July 1, 2014, the City has a population of 113,910 making it the eighth largest city in North Carolina.



*City of
Wilmington*

The City has a Council-Manager form of government. The Council is comprised of the Mayor and six Council members. The Mayor is elected at large every two years and the Council members are elected at large every four years with staggered terms. The Council is the legislative body of city government with the Mayor as a voting member and the presiding officer. The city manager is appointed by the Council and administers the daily operations of the City through appointed department heads. City Council meetings are typically held the 1st and 3rd Tuesday of each month in City Hall.

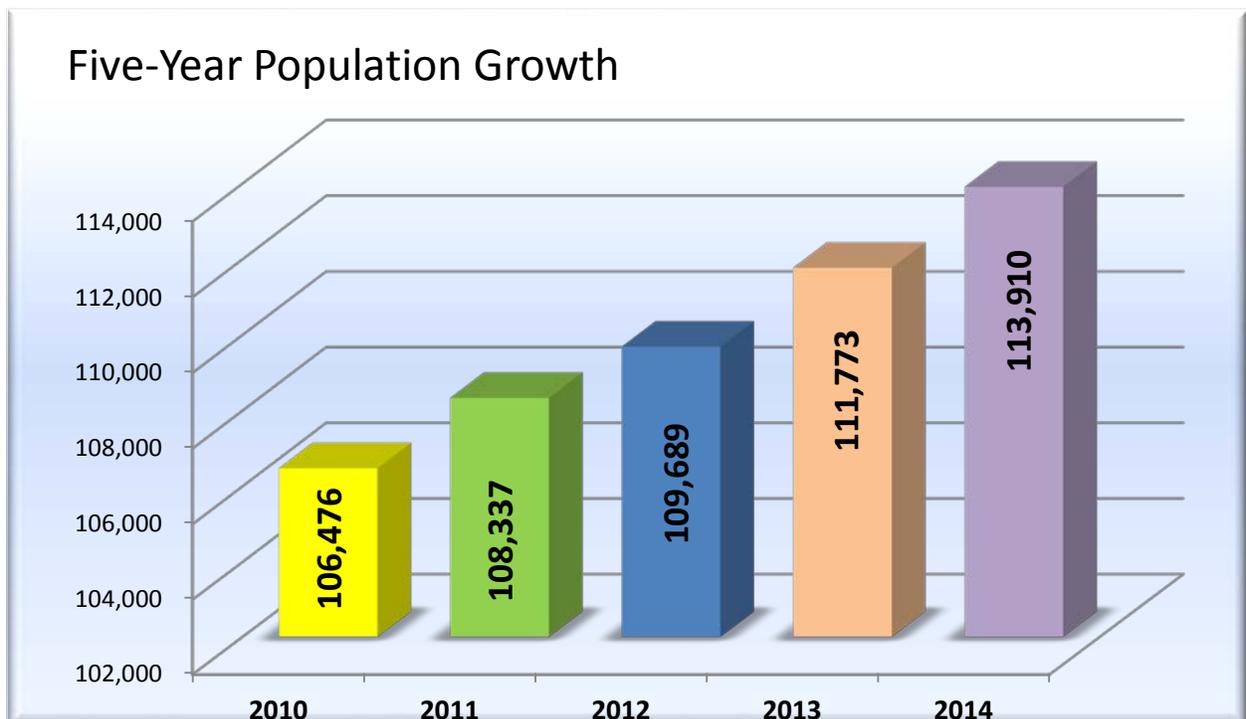
The City provides the full range of services contemplated by statute. This includes police, fire, sanitation, streets, public improvements, planning and zoning and general administrative services. The City also operates parking facilities, a golf course, and provides solid waste and storm water management services. In addition, the Cape Fear Public Transportation Authority, a component unit, provides bus transit services within the City.

The City is empowered to levy a property tax on both real and personal properties located within its boundaries and New Hanover County is the only other unit that levies taxes within the City’s corporate limits.

ECONOMIC CONDITIONS AND OUTLOOK

The City serves as the economic, cultural, and service hub for southeastern North Carolina. The historic attractions, mild climate, water related activities, and business opportunities have made the region one of the fastest growing areas of the nation. The Milken Institute/Greenstreet Real Estate Partners Best Performing Cities Index for 2013 ranks the Wilmington MSA 77th in the nation and 4th in North Carolina in the largest metropolitan areas category for its ability to create and sustain jobs. Forbes magazine’s 16th annual ranking of Best Places for Business and Careers ranked Wilmington 60th out of the 200 largest metropolitan areas in the US. Additionally, in April 2015, Nerdwallet listed Wilmington as the Best Place to Start a Business. Wilmington earned the title of “Best American Riverfront” in USA TODAY’s “10 Best” contest for the nation’s best riverwalk in 2014 and in 2015, the City was voted to be the Best Al Fresco Dining Neighborhood in USA TODAY’s “10 Best” contest as well. Moviemaker’s 2014 Edition of the Best Places to Live and Work ranked Wilmington 2nd of the top small cities. WalletHub’s 2014 most Educated Cities list ranked the Wilmington MSA 37th out of the top 150 MSA’s, “where the most educated Americans are choosing to settle”.

The City’s population has increased over 50% since 2000 with the current population estimated to be 113,910. USA.com, owned and operated by the World Media Group, indicates that the population growth rate is much higher than the state average rate of 18.46% and is much higher than the national average rate of 9.71%.

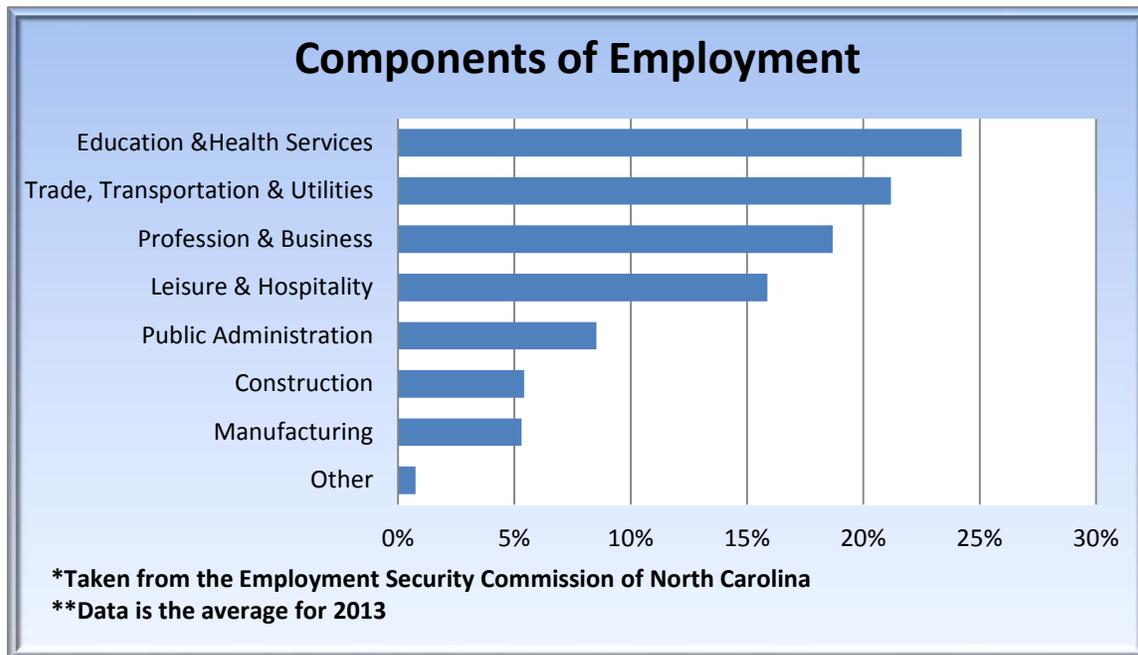


Source: United States Department of Commerce, Bureau of the Census. 2014 estimates are taken from Office of State Budget and Management’s certified municipal estimates.

Top Employers (2014)

| Company | Employee Count | Product/Service |
|-----------------------------|----------------|---|
| New Hanover Health Network | 5,991 | Health Care |
| New Hanover County Schools | 3,645 | Education |
| GE Hitachi Nuclear Americas | 2,195 | Global Nuclear Fuel/Energy, Aircraft |
| University of NC Wilmington | 1,844 | Higher Education |
| New Hanover County | 1,640 | County Government |
| PPD, Inc. | 1,464 | Pharmaceutical & Biotech Discovery/Development |
| Cape Fear Community College | 1,216 | Education |
| Verizon Wireless | 1,176 | Communications |
| Corning, Inc. | 1,000 | Design & Manufacture Specialty Glass & Ceramic Components |
| City of Wilmington | 995 | City Government |

No single industry or employer dominates the local economy. Major employers in the City with over 1,000 employees include New Hanover Health Network, New Hanover County Schools, General Electric, UNCW, New Hanover County, Pharmaceutical Product Development Inc., and Verizon Wireless.



Local industries are involved in a range of operations from simple assembly to manufacturing processes producing synthetic fibers, fiber optics, nuclear fuel and jet engine components. Wilmington is home to the Global Headquarters of Pharmaceutical Product Development, Inc., General Electric Nuclear Fuel and Guilford Mills, Inc., Live Oak Bank and Next Glass.

Corning Inc. operates an optical fiber plant in the City where ClearCurve® fiber cable and ClearCurve® multimode fiber are produced. In 2010, Corning announced the manufacture of Vascade EX2000 optical fiber, aimed for underwater use with links that use repeaters along coastlines or around island chains. Between March and May of 2013, Corning Inc. introduced a new SMF-28 Ultra Optical Fiber, a new Lotus XT Glass and announced the expansion of their Clean-Air Products Facilities. In June 2013, Corning's Pretium EDGE® Solutions was named the Datacentre Facility Product of the Year. In September 2013, Corning celebrated 40 Years of Clean-Air Technologies and also received the Intel Certification for its Thunderbolt Optical Cables.

General Electric's (GE) global headquarters for nuclear fuel is located in the County, outside of the City. GE Hitachi Nuclear Energy (GEH) is a global nuclear alliance created by GE and Hitachi to serve the global nuclear industry by offering the highest level of quality services related to nuclear power plant construction and maintenance. GEH specializes in uranium enrichment technology and is a world-leading provider of advanced reactors and nuclear services. In September and October 2014, GE Hitachi landed two contracts worth nearly \$800 million from nuclear power company Exelon. A \$500 million order was obtained for gas turbines in September and one month later a \$300 million contract was awarded to provide maintenance and fuel services for Exelon's boiling water reactor (BWR) nuclear energy facilities.

GE Aviation is a global leader in jet engine and aircraft system production. Recently, in 2014, in a joint venture with French engine maker Snecma, GE has received a record breaking number of orders for jet engines for the second year in a row. Orders for 2,723 engines worth more than \$31 billion was received while attending the Farnborough Air Show outside of London. This new onsite of orders comes after having received orders for 2,071 engines totaling \$25 billion in the first half of 2014. The local plant located in Castle Hayne, NC, is planning for a \$63 million, five-year plan of equipment upgrades to reach their production goals as well as creating 35 new jobs at the plant. GE Aviation has more than 1,300 employees in North Carolina at sites in Asheville, Durham, West Jefferson and Wilmington.

The world headquarters of **Pharmaceutical Product Development, Inc. (PPD)** is located in the City's downtown area. PPD is a leading global contract research organization providing discovery, development and post-approval services as well as compound partnering programs for pharmaceutical, biotechnology, medical device, academic, and government organizations. In August 2013, PPD announced that it had acquired Acurian, a leading full-service provider of clinical trial patient enrollment and retention solutions for the life sciences industry. PPD was named for the third consecutive year in 2013 to the *Information Week 500 List of Top Technology Innovators*. In 2013, PPD was ranked by clinical research sites globally as the number one company for reputation among all contract research organizations (CROs) in Center Watch's 2013 Global Investigative Site Relationship Survey. In addition, PPD and ePharmaSolutions won the 2014 Microsoft *Life Sciences Innovation Award* for their strategic alliance delivering integrated, portal-based collaboration tools to streamline clinical trial management and study start-up for biopharmaceutical clients. The virtual collaborative environment improves the cost-effectiveness, speed and quality of training for clinical research associates.

In June 2011, PPD was awarded a five-year contract worth up to \$45.5 million to provide global regulatory and bio-statistical services for United States Army-funded clinical development programs. PPD will ensure the Army complies with regulations in its clinical programs and will provide statistical consulting, study

design and statistical analysis support. The Wilmington-based contract research organization also will support the Army's biodefense, biopreparedness and vaccine development initiatives aimed at protecting military personnel.

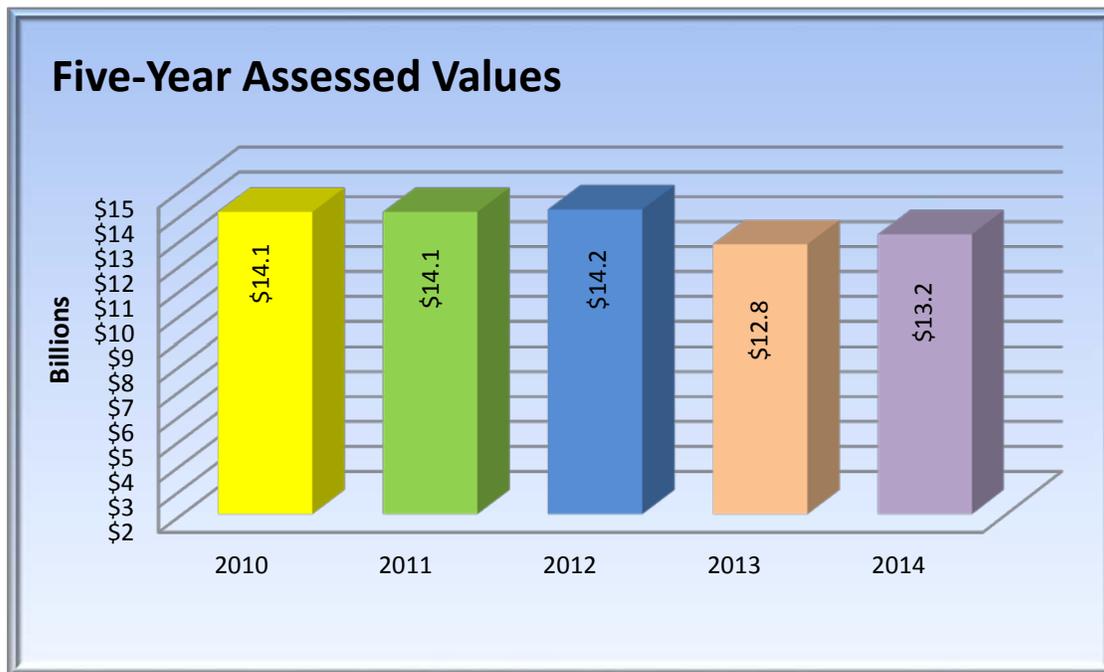
In March 2014, PPD was one of five U.S. companies tapped to design and conduct clinical studies with a goal of protecting the U.S. population against bioterrorism, pandemic influenza and other potential health emergencies by the U. S. Department of Health and Human Services. The contract includes a minimum guarantee of \$400,000 over the initial two years which can be extended for up to a total of five years and a maximum of \$100 million.

The City is rapidly growing as a clinical research hub. According to the N.C. Biotechnology Center, the Wilmington area is home to a total of 68 companies such as AAIPharma, Inclinux-PMG and PPD in the clinical research cluster. North Carolina is first in the nation in the number of Contract Research Organizations (CROs) and the City has more than 2,700 clinical research professionals, more than 20 CROs of which 5 are headquartered in Wilmington. These businesses employ more than 2,470 people, more than 100 active clinical studies and nearly 40 supporting companies, including biostatisticians and medical device companies.

In June 2014, **Castle Branch, Inc.**, already a major employer in Wilmington, had its grand opening following a \$12 million expansion of its global corporate headquarters in Wilmington. The new 60,000 square-foot facility adds to the existing 36,000 square-foot location making Castle Branch one of the largest corporate headquarters in New Hanover County. Castle Branch, founded in 1997 and originally based in Chapel Hill, NC, provides background screening, drug testing, employment verification, vendor credentialing and other services to its growing global client base. The company's current expansion plans aim to create 400 new jobs in the City by the end of 2017. Brett Martin, CEO and founder of Castle Branch, said that "support from WBD (Wilmington Business Development), the supportive government officials and the proximity to UNC Wilmington are all central factors in the company's selection of the City over other national locations it had considered."

In November 2014, **Vertex Rail Technologies, LLC** announced that it will invest \$60 million to refit the former Terex Crane facility in Wilmington to manufacture technically advanced railroad tank cars. Vortex plans to refit the building with the goal of making 1,400 cars in the first year of operation and ramping up to 4,500-5,000 cars a year. In the coming years, the facility is expected to help replace 70,000 obsolete rail cars as new federal specifications are required. The plant will employ 1,300 workers at an average salary of \$40,000.

Next Glass, headquartered in Wilmington, was named a top global startup by the Wall Street Journal before an international audience of successful entrepreneurs and venture capitalists in October 2014 at the WSJDLive Conference "where the digital world connects". Next Glass is preparing to launch an app that will allow users to create personalized wine and beer preference profiles. Next Glass has analyzed thousands of wines and beers in lab space at UNCW's MARBIONC facility for the basis of the preference profiles.



Located on 400 landscaped acres near the intersection of Eastwood Road and Military Cutoff Road, Mayfaire Town Center is celebrating 10 plus years of operation. The development consists of over 610,000 square feet of retail and restaurant space. The latest construction phase is Mayfaire Community Center Phase II which consists of an additional 210,000 square feet of retail space that will be anchored by Dick’s Sporting Goods, Marshalls and Harris Teeter grocery store. The Business Park, having over 300,000 square feet of space, containing both traditional and medical office uses, is a part of the Center as well. The project also boasts a wide range of residential units, with 84 condominiums in mixed use buildings, 208 free-standing condominiums, 108 single family detached housing units in a neo-traditional setting and a for-rent apartment component.



Construction began in 2007 on a mixed use development known as Autumn Hall. The total development is estimated to have a value of \$420 million. The anticipated date of completion for the development is 2018. The original master plan included more than 200 acres and will have a wide range of residential, retail and office development. Residential construction included approximately 274 single family residential lots, 33 town homes, and 110 residential condominiums. Commercial space included 403,000 square feet of retail space, 355,000 square feet of office space, and a 135-room hotel. The development also provides 72 acres of common/open space. Approximately 94 single family home sites and approximately 131,000 square feet of office and commercial use, including a 40,000 square-foot medical office facility occupied by Novant Health, have been constructed to date. In 2011, a multifamily development consisting of a total of 286 residential units, pool, and open space went under construction

and was completed in the Spring of 2013. Carolina Bay @ Autumn Hall, which consists of 51 condominium units, was completed in 2013. Phase II of Carolina Bay @ Autumn Hall, a continuing care retirement community with 122 multi-family units and a 100 bed assisted living facility is currently under construction.

A voluntarily annexation was approved in 2009 that brought approximately 1,358 acres into the City limits. The majority of the project, known as "River Lights," is zoned R-7(CD), Residential (Conditional District), and will contain a blend of single-family and multi-family residential units. The remaining land, which is zoned MX (Mixed Use) and concentrated along the Cape Fear River, will contain office and retail uses, as well as a marina. The project will provide connectivity to adjacent existing neighborhoods and includes a re-alignment of River Road. The applicant submitted a development agreement in conjunction with the re-zoning request. The agreement limits the development to a maximum of 2,290 residential dwelling units and also allows flexibility for the developer to transfer density within phases up to 25%. The developer will provide funding or property to the City's Fire Department to extend fire protection services and also will dedicate land for public parks and funds for the County's school system. On March 5, 2013, City Council approved amendments to the development agreement and approved a site plan. The approved modifications allow the developer to construct a total of 2,790 residential units if the nonresidential portion of the development is reduced by a proportionate amount to mitigate potential traffic generated by the additional 500 residential units. The revised development agreement also clarified the timing of when certain infrastructure improvements would be required, and modified when the developer would be required to pay the City, in lieu of transportation improvements, a sum of \$2,750,000 in three equal installments following certain road improvements.

On February 6, 2014, City staff reviewed a site plan for a 69,908 square-foot professional office building located at 101 North 3rd Street, which is currently occupied by PNC Bank. The site is zoned CBD, Central Business District. The proposal is to demolish the existing building and construct a five-story office building with retail/restaurant tenant space available on the ground floor. Along Princess Street, the building would be constructed above the existing surface parking lot. Construction is currently under way and is expected to be completed by calendar year end 2015.

On February 6, 2014, City staff reviewed a site plan for a 278-unit residential development located at 1015 Nutt Street, adjacent to and south of the Isabel Holmes Bridge. The site is approximately 11.13 acres in size, is currently vacant, and is zoned CBD, Central Business District. The four-story complex would total approximately 330,000 square feet. The developer also proposes a parking structure with 335 parking spaces that would be hidden by the proposed building on all three sides. Amenities proposed for the development include a swimming pool and access to the existing boat slips constructed by a previous property owner. The developer also plans to provide pedestrian linkage to the Riverwalk and the new City park immediately to the south. The project is currently under construction.

The Forks Subdivision, 133-units with 51 single-family detached lots and 82 attached single-family lots, is a planned residential subdivision approved by City Council on March 5, 2014 and is currently under construction. The subject property is located on the east side of 17th Street between Museum Drive and George Anderson Drive. The site is zoned R-15, Residential.

Barclay West, located on both sides of Independence Boulevard between Carolina Beach Road and South 17th Street and George Anderson Drive and Hanover Heights subdivision, is a mixed use development approved by City Council on August 20, 2013. Barclay West proposes 1,375 multifamily residential units, 1,500,000 square feet of commercial/retail, 1,500,000 square feet of office (professional and medical), and 40,000 square feet of restaurant use. The developer will be responsible for extending water and sewer into

the development, as well as constructing the necessary road improvements necessary to mitigate the traffic generated by the development. A 15-20 year build out is anticipated by the developer.

Tourism

Tourism is the area's largest economic component in terms of employment and revenues. Nearby beaches, the historic riverfront area, and the USS North Carolina Battleship Memorial are attractions for tourism business. A variety of special events held year-round, such as the Azalea Festival and Riverfest, add to the area's appeal to tourists.

The New Hanover County Tourism Development Authority (TDA) was established to expand the tourism industry and to maintain the health of the local economy. Funded in large part by room occupancy tax, the TDA serves as an umbrella organization representing all of the services available to a visitor within the area. The North Carolina Division of Travel and Tourism has estimated that in 2014, travel and tourism generated an economic impact of \$507.9 million in the County, an increase of 6.33 percent over 2013. The County is ranked eighth among North Carolina's 100 counties in tourism expenditures. State and local tax revenues from travel to the County amounted to \$43.93 million. Travel generated \$113.27 million in payroll in 2014 and provided 5,680 jobs in the area.

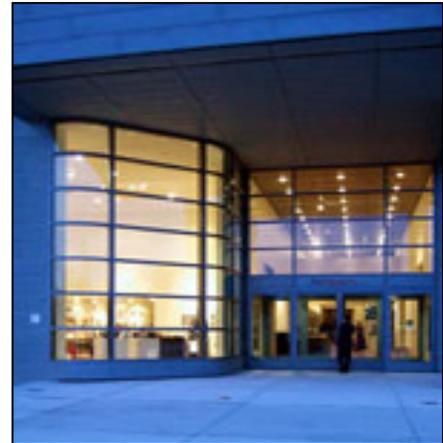
The Wilmington Railroad Museum has a great collection of displays and areas for children, which include, Thomas the Tank Train play area, more than 20 operating scale model trains, spectacular model layouts, and a real life-size caboose, boxcar, and 100-year-old steam locomotive.



The Children's Museum occupies a 17,000 square-foot facility, featuring twelve dynamic exhibits, an outdoor courtyard, a secret garden and a gift store and has over 51,000 visitors a year. The museum received a \$5,000 grant in 2014 from The Promising Practice Award Reimagined program. The award is in association with the Met Life Foundation and the Association of Children's Museums. The award will assist in retrofitting the outdoor space for technological needs that will allow children and parents to download nature-centric apps and to scan QR codes to learn about plants as well as other items.

This hands-on, learning-through-play museum offers something for children of all ages with all interests. Sail the seas as a pirate in Ahoy Wilmington!, climb on the new School Bus, examine your teeth in the ToothaSaurus Pediatric Dental Exhibit, perform examinations as a physician in the Teddy Bear Hospital, experiment in the Science Lab, sing and act in the Star Maker Sound Stage and make a masterpiece in the Art Studio.

The Cameron Art Museum occupies a 40,000 square-foot facility on a 9.3 acre woodland park known as Pyramid Park, featuring long-leaf pine woodlands, outdoor sculptures, nature trails, a historic Civil War site and The Clay Studio housed in the Pancoe Art Education Center. The main museum building includes three exhibition areas, the Weyerhaeuser lecture and reception hall, a full service museum café and catering kitchen, museum gift shop and free parking. The Cameron Art Museum is committed to arts education, and presents exhibitions and public programs of both historical and contemporary significance, with 6 to 8 changing exhibitions annually, in addition to outdoor, site-specific projects on its park property.



Cape Fear Museum established in 1898, is the oldest continuously operating museum of history in North Carolina. The skeleton of a 20-foot-tall Giant Ground Sloth greets visitors to the museum. A miniature recreation of the second battle of Fort Fisher, a scale model of Civil War Wilmington’s waterfront and the Michael Jordan Discovery Gallery — an interactive science exhibit for the

entire family. Children's activities, concerts, special events and acclaimed touring exhibits help make the Museum one of the primary repositories of local lore with an extensive permanent collection of over 52,000 artifacts.

The **Cucalorus Film Festival** (Cucalorus) is considered one of the region’s premier cultural events drawing more than 15,800 visitors and screens over 200 films. The 21ST annual festival to be held in November 2015 will showcase more than 200 films with more than 300 exhibiting artists. The festival attracts thousands of cultural travelers, creative leaders and filmmakers from 17 countries and from more than 70 cities across the US. The Brooks Institute named the Cucalorus as one of the “Top 10 Film Festivals in the United States” and Movie Maker Magazine included it in a list of the “Top 25 Coolest Film Festivals in the world, 2013”.

One of the venues for the screening of films is held at **Thalian Hall**, owned by the City and part of the City Hall since 1856. The City, along with private donors, funded a renovation that was completed in May 2010. Last year there were over 250 shows, plus events and films for a total of 495 performances. These programs attracted audiences totaling more than 85,000 people. The events ranged from music to ballet and theatre, from pop, jazz, folk and country music to the finest in domestic, independent and foreign films. The Thalian Hall complex is the site of recitals, awards ceremonies, film festivals, lectures and charity events, and is "home" to a large number of theatre and performing companies, including By Chance Productions, Opera House Theatre, Thalian Association, Willis Richardson Players, Theatre Exchange, and Stageworks Youth Theatre. Thalian Hall is an education center, with unique performances and programs attracting more than 10,000 school children each season. Thalian Hall is one of the most heavily-utilized facilities of its kind in the nation and is an economic generator stimulating the local economy by more than \$2 million dollars annually.



U.S.S. North Carolina (Battleship) is the centerpiece of the Wilmington Riverfront. A majestic symbol of this country's hard-earned naval victories in World War II and is the Memorial to the 10,000 North Carolinians of all the armed services who gave their lives during World War II. Commissioned in 1941, the 45,000-ton warship wields nine 16-inch turreted guns and carries nickel-steel hull armor 16 to 18 inches thick. The Battleship came to its present home in 1961. The public has access to more than nine decks including the crew's quarters, galley, sick bay, gun turrets, engine room, plotting rooms, radio central, the Admiral's Cabin, the bridge and combat central.



Film Industry

EUE/Screen Gems Studios completed Stage 10 in 2009, one of the largest sound stages in the world, with a 37,500 square-foot movie studio and 3,600 square-foot special effects water tank at an estimated value of \$15 million. It is the latest expansion to the largest film and television lot east of California. The filmmaking industry has been an important economic force in the City and the County since the construction of production facilities in 1983 by DEG Inc. Now owned by EUE/Screen Gems Studios, the 50-acre complex has a total of 150,000 square feet of clearspan production space located in ten existing stages ranging in size from 7,200 square feet to 37,500 square feet. The County continues to be one of the most productive and cost effective filmmaking destinations. From 1984 to present, the County has hosted more than 350 feature films, mini-series and "movies of the week," eight television series, as well as with numerous

commercials and music videos. Producers continue to utilize the available resources for filmmaking and it is expected that the studio will remain a popular facility in the State.

On October 27, 2011, EUE/Screen Gems Studios in Wilmington was selected as the host for the production of “Iron Man 3”. The Motion Picture Association of America’s CEO Chris Dodd and Executive Producer Charles Newirth praised the Wilmington-based men and women who had worked on the film. Mr. Newirth added that more than 700 vendors in 84 communities were tapped by the production while filming in North Carolina.

The investment in Stage 10 as well as “the large local crew with experience handling five simultaneous productions” was a major factor in landing the “Iron Man 3” production. In a May 1, 2013 press release, EUE/Screen Gems Studios indicated that it had used all ten stages of the Wilmington, NC film and television complex in filming “Iron Man 3.” A new digital infrastructure designed for the complex needs of the production is now one of the best in the world and benefits current clients such as Stephen King and Steven Spielberg’s “Under the Dome”. On October 16, 2013, the *Star News* reported that according to a local production company, Post 1200, a pilot titled “Do Not Resuscitate” is prepping to film in the Wilmington area. The pilot is from one of the writers of “Seinfeld”. On March 26, 2014, the *Star News* also reported that a film based on Nicholas Sparks’ latest book, “The Longest Ride,” was set to begin pre-production in the City.

In addition to 150,000 square feet of column-free space, EUE/Screen Gems also offers production offices with modern communications, construction shops, wardrobe facilities and prop/set decoration warehouses. Film-related tenants on the lot include a law firm specializing in entertainment law, a film bonding company, editors, a sound recording studio and a casting company. EUE/Screen Gems is also one of the largest suppliers of lighting, electric and grip rentals in the Southeast with locations onsite in the City as well as in Atlanta, GA and Charleston, SC.

Top Ten Tax Payers (FY 2014)

| Taxpayer | Rank | Taxable Assessed Value (\$) | % of Total Value |
|---|-------------|------------------------------------|-------------------------|
| Corning, Inc | 1 | 236,420,029 | 1.9 |
| River Ventures LLC (PPD) | 2 | 77,920,600 | 0.6 |
| Duke Energy Progress, Inc (CP&L) | 3 | 54,827,928 | 0.4 |
| Centro Independence LLC- Mall | 4 | 54,078,800 | 0.4 |
| GS II University Centre LLC | 5 | 36,458,500 | 0.3 |
| BellSouth Tel Co. | 6 | 33,326,060 | 0.3 |
| Mayfaire Retail LLC | 7 | 32,362,300 | 0.3 |
| Wal Mart Property Tax Dept | 8 | 31,228,325 | 0.3 |
| AAI Pharma Services Corp | 9 | 29,515,498 | 0.2 |
| Cameron Properties | 10 | 27,391,600 | 0.2 |

Source: New Hanover County Tax Office

HOSPITAL AND MEDICAL FACILITIES

New Hanover Regional Medical Center (NHRMC) is a teaching hospital and regional referral center and the tertiary care center for a seven-county area. NHRMC is one of 10 trauma centers in the state certified at Level II or above and is one of only two cardiac centers of excellence east of Interstate 40. NHRMC is home to the region's first Level III, Neonatal Intensive Care Unit (NICU), and has a *da Vinci*® Surgical System, which is a state-of-the-art robotic platform for surgeons. NHRMC continues to expand its services and is Southeastern North Carolina's leading health-care provider with over 5,200 employees. NHRMC also creates another 6,000 jobs indirectly. NHRMC's Zimmer Cancer Center has a distinction attained by just 25% of the nation's hospitals: certification as a teaching cancer hospital by the Commission on Cancer of the American College of Surgeons. The nine floor inpatient tower was completely renovated and converted to almost all private rooms as of December 2010. A new 186,500 square-foot surgical pavilion on the main campus began taking patients in June 2008 and features 26 operating rooms and 76 recovery rooms. In May 2013, the Port City Daily news reported that NHRMC has become North Carolina's first hospital to earn all three "gold" awards offered by a group focused on the health of hospital employees. NC Prevention Partners recognized NHRMC as having achieved the "highest standard of excellence for comprehensive wellness programs offered to their employees in the areas of physical activity, nutrition and tobacco-free environments". In June 2013, NHRMC proposed a project to open a satellite emergency department and to move one of its existing outpatient offices. Pending approval, the project estimated at \$15 million is expected to be completed by October 2015. According to an NHRMC spokesperson, the plans include construction of a 30,000 square-foot medical facility in northern New Hanover County. The facility would house 10 treatment rooms and one critical care room.



In a September 2013 news release, it was announced that NHRMC, Wilmington Health and Blue Cross Blue Shield North Carolina (BCBSNC) are launching the first Accountable Care Alliance to enhance care and provide greater value for health care consumers in Southeastern North Carolina. The first of its kind in North Carolina, this unique collaboration brings together a leading hospital system, independent multi-specialty clinics and an insurer to better meet the health care needs of patients.

Wilmington Health is the largest private, fully integrated, multi-specialty medical group practice in the area with over 20 locations (including Convenient Care and Urgent Care). Wilmington Health has provided premier healthcare to the residents of Southeastern North Carolina for over 40 years.

BCBSNC is a leader in delivering innovative health care products, services and information to more than 3.74 million members, including approximately 1 million served on behalf of other Blue Plans. BCBSNC was recognized as one of the World's Most Ethical Companies by Ethisphere Institute in 2012 and 2013.

TRANSPORTATION

The Road System

The City is served by Interstate 40, U.S. highways 17, 117, 74, 76 and 421 and by North Carolina Highways 132 and 133. These highways connect the area to the major cities in North Carolina, South Carolina and Virginia.

Ground Based Freight and Mass Transit

Other transportation resources in the City include the CSX Rail Transport Group which provides rail freight service in the area with one scheduled train daily. Local bus service is provided by the Cape Fear Public Transportation Authority, which is governed by an eleven-member board with five members appointed by the City Council, five members appointed by the County and one member appointed by the other members of the board. A private management firm operates a system of ten routes, UNCW shuttle service and the historic downtown trolley. The City's subsidy to the system is budgeted at \$1,442,822 for fiscal year 2014-15, which represents 17% of the system's total operating budget for such fiscal year. There are also approximately 55 trucking companies serving the greater Wilmington area.

The State Port

In March 2010, the Journal of Commerce ranked the **Port of Wilmington** 25th Top Overall Container Port in North America. The City's location affords industries equal accessibility to major markets to the north and south. The Port of Wilmington is strategically located on the U.S. East Coast, on the bank of the Cape Fear River approximately 22 miles from the sea buoy at the mouth of the river. In the fiscal year ended June 30, 2014, the State-owned port terminal in the City handled 4,212,365 tons of cargo, which reflects a 21.0% increase over the 2013 tonnage. The Port of Wilmington has ample capacity to support today's cargo volumes and continues to invest in expanding the facility to meet projected growth in international trade, with a major expansion project currently underway. An aggressive capital program has positioned the Port of Wilmington in a new class of service to the maritime transportation industry.

A 42-foot navigational channel offers customers additional vessel capacity. Readily available modern transit and warehouse facilities, new state-of-the-art Panamax container cranes and support equipment, and the latest in cargo management technology provide a broad platform for supporting international trade to the Southeast U.S. market. Recent and ongoing improvement to regional and national highway networks provide supporting surface transportation to the Port of Wilmington. CSX Transportation provides daily service for boxcar, tanker and general cargo services. The Port is a C-TRAT Certified location and is designated as Foreign Trade Zone 66.



Wilmington International Airport

The Wilmington International Airport (the “Airport”) is a County-owned facility operated by the New Hanover County Airport Authority. The Airport is the fourth largest in the State. In calendar year 2014, the Airport served 776,102 passengers, a decrease of 4.0% over calendar year 2012. Two commercial airlines, American Airlines/US Airways and Delta, provide regular jet and commuter flights, offering daily direct (non-stop) service to Atlanta, Charlotte, New York, Philadelphia and Washington, DC, and one-stop connections to hundreds of destinations both domestic and international. The Airport is a U.S. Customs and Border Protection General Aviation International Clearance Facility. This 13,500 square-foot facility processes commercial and general aviation public passengers entering and exiting the United States.

EDUCATION

The University of North Carolina at Wilmington (UNCW), also located within the city, was founded as Wilmington College in 1947 and designated as the 6th university in the University of North Carolina System (UNC) in 1969. UNCW is the only public university in southeastern North Carolina. Expanding from three buildings in 1961 to more than ninety today, the campus still reflects the Georgian style of architecture that has made the institution one of the most attractive in the State of North Carolina. UNCW manages the nation’s only underwater ocean laboratory, Aquarius, owned by NOAA and located in the Florida Keys National Marine Sanctuary.



UNCW is a comprehensive level I university in the 16-campus University of North Carolina System. It is accredited by the Southern Association of Colleges and Schools and offers bachelor’s degrees in 53 majors, 45 master’s degrees, and 2 Doctoral programs. UNCW is funded with State appropriations and receives federal funds for research and financial aid programs. UNCW had a Fall 2014 enrollment of 14,611 full-time-equivalent undergraduate and graduate students.

UNCW has maintained its top 15 ranking as one of the best overall universities in the South, as well as its top 10 ranking as one of the best “public” institutions in the South according to *U.S. News and World Report*. UNCW has been named one of the “Best in Southeast” on Princeton Review’s “2015 Best Colleges Region by Region” list and also made the list for “Best 297 Business Schools”.

Cape Fear Community College (CFCC), founded in 1958, is the sixth largest community college out of 58 in the North Carolina Department of Community Colleges System and serves an average of 30,000 students every year. CFCC’s main campus is located in historic downtown Wilmington on the banks of the Cape Fear River. There is also a north campus in the northern part of the County. CFCC offers 60 technical and vocational programs along with 21 college transfer programs and is currently expanding its campus to provide additional resources to the community.

Opened in August 2013, CFCC's new Union Station classroom building has become a major new addition to the City's downtown landscape. The 250,000 square-foot facility offers 50 additional classrooms and labs for students and the top floor features conference facilities available for a wide variety of events. Other bond funded projects in the City's downtown include a 1,186-space parking deck, which became operational in the spring of 2012 and includes the 2,500 square-foot Wilma W. Daniels Gallery.

Construction of a new facility for Humanities and Fine Arts is due to be completed in September 2015 with the first event featuring the NC Symphony with Liza Minnelli scheduled in early October. The center's inaugural season also will include visits by Boz Scaggs, Lily Tomlin and Jackson Browne as well as Broadway productions of *Disney's Beauty and the Beast* - scheduled for Oct. 5 and 6 during opening week - *Joseph and the Amazing Technicolor Dreamcoat* and *Mama Mia*.

While the three-story Humanities and Fine Arts Center will house a 1,500-seat auditorium with state-of-the-art technology, officials said that the center's top focus will be student growth and academics. Besides the performance theater, the 160,000-square-foot facility will include classrooms, art and music studios and more, for obtaining related degrees at CFCC.



LONG-TERM FINANCIAL PLANNING

The City seeks to consistently maintain a strong financial position as evidenced by its AA+/AAA/Aa1 by Fitch, Standard and Poor's and Moody's respectively. This objective requires regular long-term planning of operating and capital requirements for its major general government and enterprise programs. In doing so, the City relies on key financial policies and procedures for dealing with future events in financially responsible ways.

Annually the City adopts a 5-year Capital Improvement Program (CIP) that looks ahead to project and plan for capital needs addressing both project needs and financial strategy. Major areas covered by the CIP are transportation, parks, storm water utility, downtown infrastructure improvements and general public improvements. The budget for Fiscal Year 2013 established a dedicated 5 cents of property tax to fund 80% debt service and 20% pay-go for the \$41.1 million of new tax-supported projects in the CIP.

In November 2014, the voters of Wilmington approved the sale of General Obligation bonds to fund a list of projects located throughout the City. The total cost is projected to be \$55 million, with \$44 million in revenue from the sale of bonds and \$11 million from a dedication of an additional 2 cents on the tax rate.

Funding for all approved bond projects has been appropriated and a complete list of can be found on the City's website.

A key financial goal of the City for many years has been the maintenance of an unassigned General Fund balance of at least equal to or greater than 15% to 20% of the total annual operating budget of the General Fund. In addition, the City has desired to appropriate a consistent level of fund balance each year resulting from positive budget variances. A number of financial models are also used in the budget process and provide a means of projecting long-term resource requirements. These include a debt model, a parking fund model, a cash flow model, rate sensitivity analyses and financing pro formas. Other practices followed are designed to avoid the meeting of recurring expense needs with one-time revenue resources and to ensure an ongoing mix of pay-as-you-go funding of capital needs with long-term debt.

MAJOR INITIATIVES

Public Facilities

The Wilmington Convention Center Complex offers a prime new coastal choice to conventions in North Carolina with a view of the Cape Fear River and north end of Wilmington's historic downtown district. On November 11, 2010, construction was completed by J M Thompson Company and the first event took place on November 13, 2010.

SMG Management was selected to manage the Center and since opening in 2010, has hosted over 447 events through fiscal years 2011-2014. The staff as well as the facility, have received awards for culinary expertise and superior customer service from meeting planners all over the southeastern region. Convention South's 2011 Readers' Choice Award for "New and Renovated Meeting Site" was awarded to the Center. In 2012 the staff received the "Excellence in Customer Service" award from Convention South.

The Center's operation includes over 107,000 square feet of function space, an adjacent Event Lawn and an attached 578 space Parking Deck. The Center's main service feature is the food & beverage operation; SAVOR...Catering by SMG, which has set the new standard for quality in catering and service in this region.



Significant features are the Center's dramatic interior design with red cedar walls and ceilings, reminiscent of its historic regional use in boat building. The Center also features enhanced specialty lighting as well as a maritime-themed photo and art display which reflects the historical local imagery and industry from our

past that shaped Wilmington's future. The Center's fine business reputation is on the rise in the association industry as a premium choice for conventions and meetings.

Water and Sewer Consolidation

In September, 2005 a resolution was concurrently approved by the Wilmington City Council and the New Hanover County Commissioners declaring the intention of the two bodies to form a separate authority to consolidate water and sewer operations. In June of 2006, the two bodies created a Water Sewer Advisory Committee to guide the consolidation effort. In May 2007, the Wilmington City Council and the New Hanover County Board of Commissioners each adopted resolutions creating a water and sewer authority to consolidate the water and sewer systems of the City, the County and the New Hanover Water and Sewer District (the "District"). The articles of incorporation for the Cape Fear Public Utility Authority (the "Authority") were approved by the State of North Carolina on July 2, 2007. An interlocal transition and operating agreement was approved by the City, the County and the Authority in January, 2008. This agreement provided for the transfer of the water and sewer assets and liabilities of the City, the County and the District to the Authority. This transfer took place on July 1, 2008.

Private Facilities

Cambridge Village, located at 1511 Eastwood Road, consists of a 4-story multi-family building that includes 250 aged-restricted residential units, clubhouse & pool and a 20,000 square-foot wellness center. The applicant is proposing to use low impact development techniques.

Courtyard by Marriott, a 124-room hotel, opened in Spring 2014, at the corner of 2nd Street and Grace Street, with a construction cost of \$14 million. The hotel features meeting spaces as well as a street-level Starbucks and an internal bistro. Overall, 30 permanent positions at the hotel are expected for normal hotel operations.

Fairfield Meridian Multifamily development, located off of Carolina Beach Road in the Fairfield Park Mixed Use development, is a 240-unit multifamily development comprised of two, three-story buildings and a 4,900 square-foot club house, with a swimming pool and other amenities. A total of 136 one-bedroom units, 97 two-bedroom units, and eight three-bedroom units are proposed. Additional phases of the development would include up to 40,000 square feet of commercial/retail use in neighboring buildings. The project is currently being reviewed by City staff for compliance with City development regulations. The project was approved by the City in February 2015 and is currently under construction.

In June 2015, employees began moving in to the newly completed 55,140 square-foot professional office and banking development located at 1757 Tiburon Drive. The site is approximately 10.66 acres and is adjacent to the corporate headquarters of **Live Oak Bank**, a 34,000 square-foot office building completed in April 2013. Live Oak Bank ranks second in the nation in Small Business Administration 7(a) loans and fifth-highest SBA lender in North Carolina in the first seven months of 2013. Since August 2013, Live Oak Bank has approved 28 loans in the State for a total of nearly \$23.7 million. Live Oak Bank plans to add 120 jobs with an average annual wage of \$80,000 to its workforce within the next five years.

On November 20, 2013, City staff reviewed a site plan for a 92-room **Holiday Inn Express and Suites** hotel located at 225 Grace Street. The site is approximately 0.41 of an acre and is located in the City's central business district. This hotel was approved by the City in September 2014 and construction has not yet begun.



FY 2015-16 Adopted Budget INTRODUCTION

The Sidbury, located at 7205, 7215 & 7225 Wrightsville Avenue, is under construction. The project consists of three four-story buildings that include 110 residential units and 15,750 square feet of commercial space. The applicant is proposing to use low impact development techniques and to utilize underneath building parking areas to minimize impervious surfaces. Construction continues with an unknown completion date.

Springhill Suites, a 120-room hotel totaling 66,738 square feet on 1.98 acres recently opened in August 2015.

Trader Joes, a 13,500 square foot specialty grocery store was recently constructed at the intersection of S. College Road and Oleander Drive.

On June 30, 2014, a 12.64 acre area, known as the Galleria, was de-annexed from the Town of Wrightsville Beach and annexed into the City by the North Carolina General Assembly, through Session Law 2014-45. It is anticipated that a mixed use development consisting of residential, commercial, and office uses will be developed on the site.

ACKNOWLEDGMENTS

The preparation of this budget could not have been accomplished without the hard work and cooperation of all City of Wilmington departments.

ADDITIONAL DEMOGRAPHIC INFORMATION

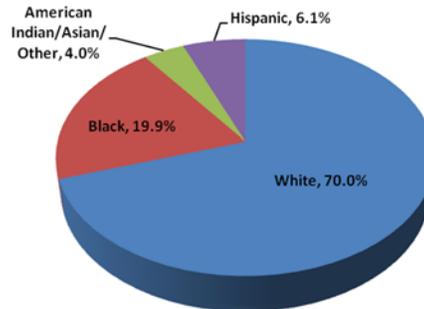
CITIZEN DEMOGRAPHIC

| | |
|---|--------------------------------|
| City of Wilmington Median Household Income, 2009-2013..... | \$41,573 |
| City of Wilmington Persons per Household, 2009-2013..... | 2.21 |
| Population, Wilmington, 2014..... | 113,910 |
| Median Age, New Hanover County (Including Wilmington), 2013..... | 37.8 |
| Gender Composition, Wilmington, 2010..... | Female 52.2/ Male 47.8 |
| Racial Composition, Wilmington, 2010 | |
| ..... | 70.0% White |
| ..... | 19.9% Black |
| ..... | 4% American Indian/Asian/Other |
| ..... | 6.1% Hispanic |
| Median Value of Owner-occupied Homes, Wilmington, 2009-2013..... | \$226,200 |
| Per capita money income in past 12 months (2012 dollars) 2009-2013..... | \$29,017 |

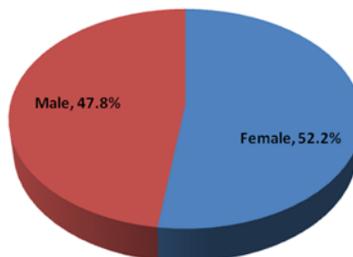
**Population Age Demographic
Wilmington 2010**



**Racial Composition Demographic
Wilmington 2010**



**Gender Composition Demographic
Wilmington 2010**





FY 2015-16 Adopted Budget
INTRODUCTION

AREA EDUCATIONAL INFORMATION

| | |
|--|---|
| New Hanover County Schools, Spring 2014..... | 44 total |
| ..... | Pre-K – 2 |
| ..... | Elementary School – 26 |
| ..... | Middle School – 9 |
| ..... | High School – 7 |
| New Hanover County High School(s) Cohort Completion Rate, 2014..... | 81.4% |
| University of North Carolina at Wilmington Enrollment, est. Fall 2014: | |
| ..... | 661 acre campus |
| ..... | 14,611 total students (regular term plus extension) |
| Cape Fear Community College Enrollment, est. Fall 2014: | |
| ..... | 9262 total students |
| Miller- Motte Technical College Enrollment, est. Spring 2014..... | 680 total students |
| Mt. Olive College Enrollment, est. Spring 2014..... | 350 total students |

POLICE PROTECTION

| | |
|--|------------------------------|
| Number Sworn Officers, Authorized FY 2015..... | 275 |
| Number of Calls for Service Annually FY 2015 (actual)..... | 178,865 |
| Number of Stations..... | 1 headquarters, 1 substation |

FIRE PROTECTION

| | |
|---|--------|
| Number of Full-time Firefighters, Authorized FY 2015..... | 193 |
| Number of Fire Stations..... | 11 |
| ISO Rating..... | 2 |
| Number of Fire Responses, est. FY 2015..... | 12,545 |

SOLID WASTE COLLECTION

| | |
|---|-------------|
| Number of Customers – Total Serviced by City Crews..... | 31,253 |
| Refuse Tons Collected, est. FY 2015..... | 22,661 |
| Bulky Trash, est. FY 2015..... | 2,164 tons |
| Vegetative, est. FY 2015..... | 11,589 tons |
| Recycling, est. FY 2015..... | 6,096 tons |

STREET SYSTEM

| | |
|--|--|
| Miles of City Streets, 2013 Powell Bill/D.O.T.: | |
| ..... | 7.72 – soil, stone or gravel surface |
| ..... | 377.45 – hard surface |
| Number of Street Lights: | |
| ..... | 8,197 leased from Duke Energy Progress |
| ..... | 690 City-owned |
| ..... | 329 reimbursed to HOA’s |
| Number of Traffic Signals – Total City Maintained..... | 216 |

MUNICIPAL GOLF COURSE

| | |
|--|-------------------------|
| Number of Holes (par 71)..... | 18 |
| Total Distance..... | 4,723 to 6,794 yards |
| # of Rounds played annually, est. FY 2015..... | 21,719 (18) hole rounds |
| ..... | 8,421 (9) hole rounds |



FY 2015-16 Adopted Budget
INTRODUCTION

PARKS AND RECREATION

| | |
|---|----------------|
| City Wide/Public Parks..... | 53 (778 acres) |
| Athletic Fields..... | 16 (129 acres) |
| Trails..... | 28 Miles |
| Recreational Facilities and City Buildings..... | 14 (228 acres) |

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. 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 Budget Summary section also includes a listing of appropriations by funds, an accounting term which simply means a balanced set of revenues and expenses. The City of Wilmington has established separate funds for the purpose of reporting and accounting for all financial transactions. Each fund represents a separate financial and accounting entity established for the purpose of carrying out a specific set of activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations that pertain to the operations or resources of the fund.

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.

Following the Budget Summary is the City's Strategic Plan. The plan includes the goals and objectives identified within the City Council focus areas: Create a Safe Place, Foster a Prosperous, Thriving Economy, Promote Culture, Arts and Public Spaces, Support Efficient Transportation Systems, Engage in Civic Partnerships and Provide Sustainability and Adaptability.

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 again, each fund is identified within the categories of operating, program, debt service, and capital projects.

The General Government section provides expenditure summaries for the General Fund governance 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, and all nonprofit agency appropriations.

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 include 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.



FY 2015-16 Adopted Budget INTRODUCTION

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 Other Funds section of the budget contains smaller funds and includes two internal service funds that centralize the expenditures and replacement of vehicles and technology.

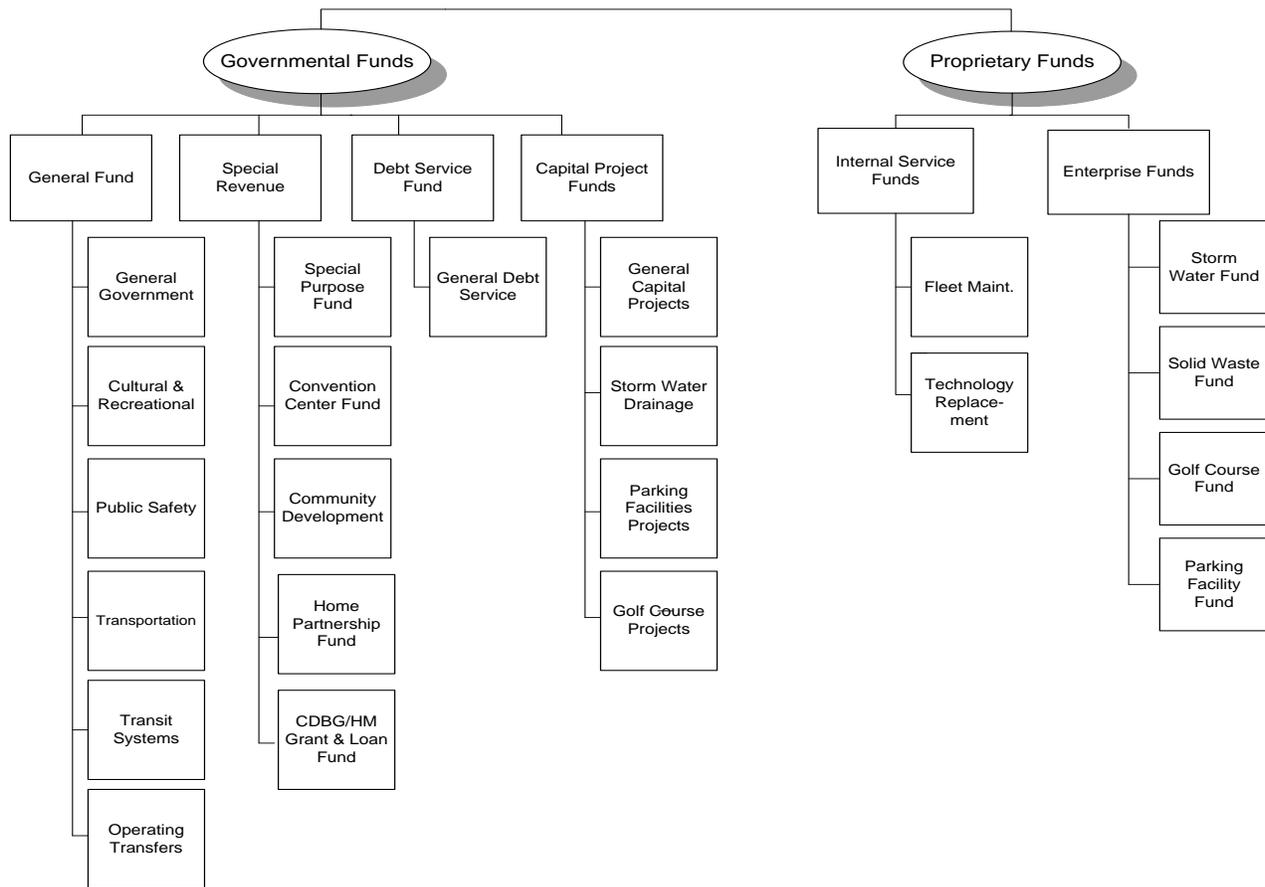
The Capital Improvement Program section contains the City's plan for major capital projects to be funded over five years (FY 2014-2018). These are new construction and/or renovation projects which improve the City's infrastructure. The projects are grouped according to general type: Streets and Sidewalks, 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. This section also includes the City's Debt Management information.

BUDGETARY FUND STRUCTURE

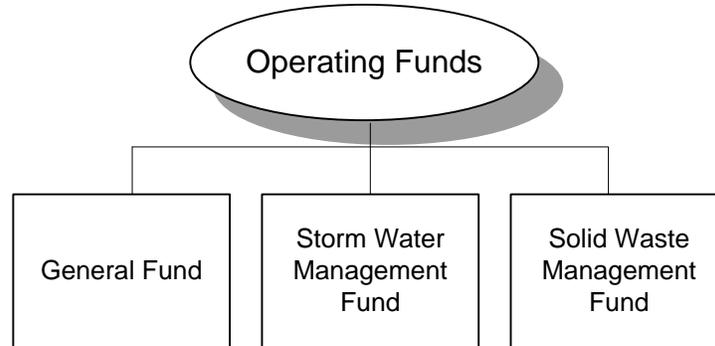
The City of Wilmington budget consists of two overarching fund types. They are **Governmental Funds** and **Proprietary Funds**.

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 technology replacement.



FUNDS SUBJECT TO APPROPRIATION BY CATEGORY

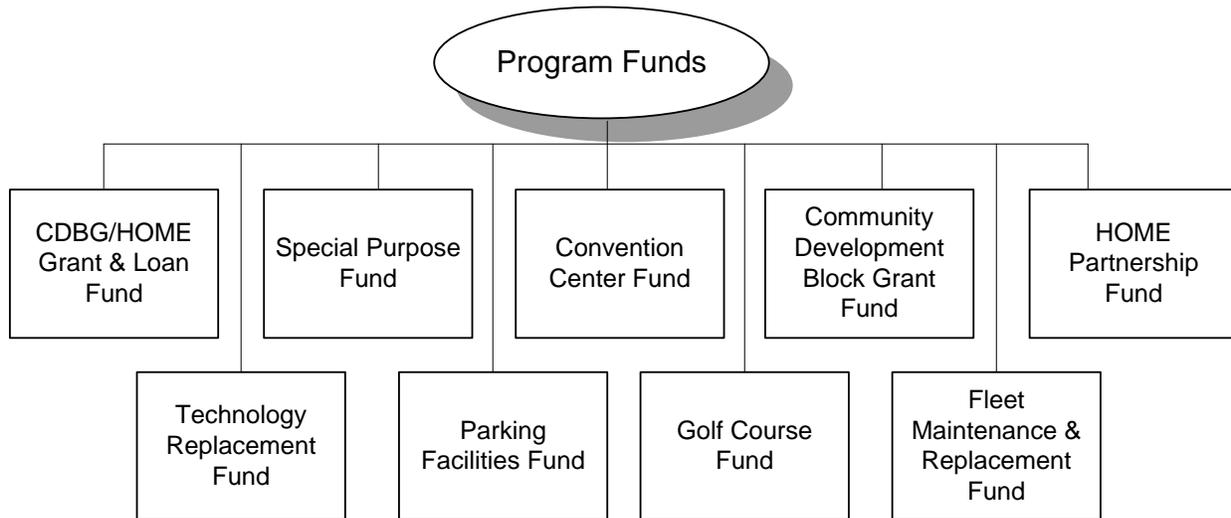


Operating funds provide for all of the basic operations of the City government.

The *General Fund (010)* is the general purpose fund of the City of Wilmington. It was established to account for all financial resources, except those required by State law, local ordinance, and generally accepted accounting principles, to be accounted for in another fund. General Fund revenues primarily include property taxes, sales taxes, revenues from state and federal governments, licenses, fees, and permits. The major operating activities include general government, public safety, community development, transportation, and other governmental service functions.

The *Storm Water Management Fund (050)* includes revenues and expenditures associated with the City's storm water planning, maintenance, public information efforts, and the City's drainage capital improvements. The storm water utility fee, which is based on the amount of impervious surface present on each parcel of property, is the primary revenue source for these expenditures.

The *Solid Waste Management Fund (056)* includes revenues and expenditures for the collection and disposal of garbage, yard waste, recyclable materials, and other refuse. Solid waste customer fees are the primary revenue source for this fund.



Program funds are set up to meet a specific purpose and function, but the services they provide are not mandated by law.

The *Special Purpose Fund (021)* is supported primarily by grant funds and donations to the City for special purposes.

The *Convention Center Operating Fund (022)*, established by City Council in April 2008, captures the costs of managing the project, as well as marketing and pre-opening expenditures. It is supported primarily by Room Occupancy Tax funds allocated to the City for the development of the Convention Center.

The *Community Development Block Grant Fund (023)* is supported primarily by federal grant funds allocated to the City for community development programs designed to improve low and moderate income neighborhoods.

The *CDBG/HOME Grant and Loan Fund (024)* is supported by CDBG and HOME Partnership administrative funds allocated under the entitlement to the City as well as General Fund revenues to support low and moderate income housing and community development activities.

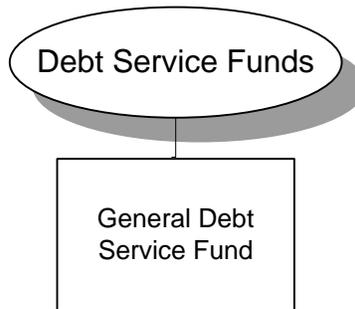
The *HOME Partnership Fund (025)* is supported primarily by federal grant funds allocated to the City for housing-related activities in low and moderate income neighborhoods.

The *Parking Facilities Fund (055)* provides for the general operational and maintenance costs for the Second and Market Street parking decks, the Second Street and Hannah Block parking lots, and on-street parking. The fund is supported by parking deck and meter user fees as well as interest earnings.

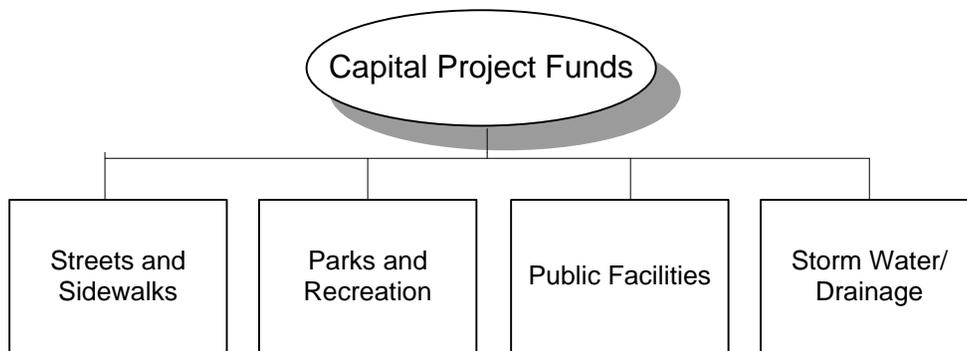
The *Golf Course Fund (057)* is supported by the income received at the City's municipal golf course and the associated costs with running that operation.

The *Fleet Maintenance and Replacement Fund (061)* is an internal service fund that centralizes the expenditures for the maintenance and replacement of vehicles for all participating departments. Each City department makes annual payments according to the types of vehicles leased.

The *Technology Replacement Fund (065)* is an internal service fund that provides for the replacement of technology to reduce the technology gap and off-site hosting of certain applications. Revenues for this fund consist of internal charges to City departments according to the type of device and a subsidy from the General Fund.



The *Debt Service Fund (015)* was established to set aside resources to meet current and future debt service requirements on general long-term debt.



The purpose of the Capital Project Funds is to account for the financial resources segregated for the acquisition or construction of major capital facilities. The budgets within these funds are adopted for the life of the project, with revenues and expenditures accumulating until the year in which the project is completed.

The Capital Project Funds provide for street and sidewalk improvement projects, park improvement projects, and various other physical improvement projects which typically cost over \$50,000, have a useful life greater than five years, and are approved by the City Council.

Funding for capital projects comes from several sources, including property and sales tax collections as well as fees.

BUDGET PREPARATION AND ADOPTION

The City of Wilmington begins the budget process in September with the preparation for proposed new and revised capital improvements projects. The official budget kick-off is done in December 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, work sessions 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.

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. This change between the budget and the financial report for the Enterprise funds provides for some significant differences. One is that depreciation is recorded as an expense in the CAFR and is not recognized at all in the budget. Another is that capital outlay and principal debt service payments are identified as expenditures in the budget but reported as adjustments to the balance sheet in the CAFR.

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 |

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 adopted functional 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.

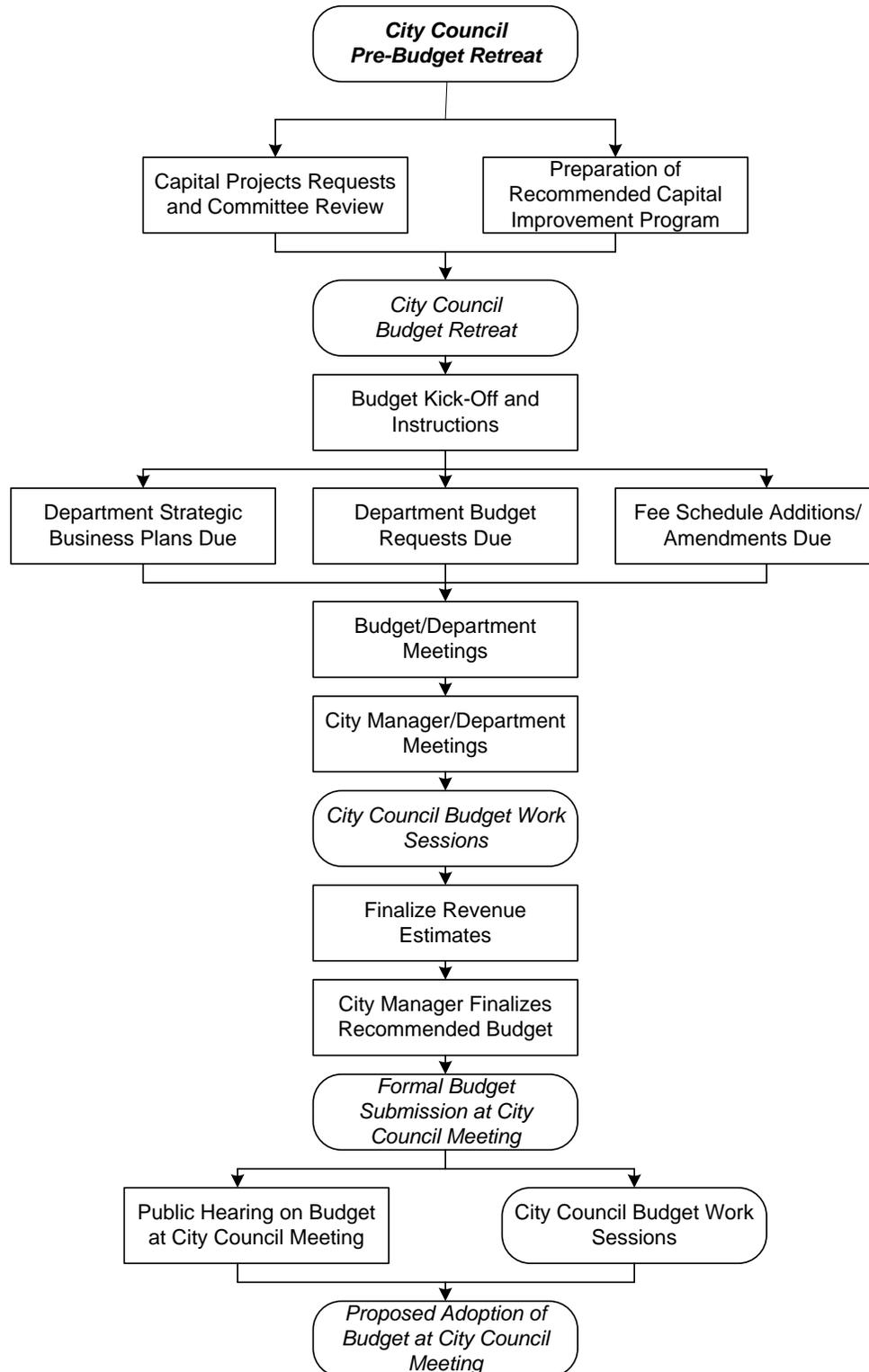
Minor budget changes that do not affect the ordinances are submitted to the Budget Office at any time with an explanation of and justification for the change. All changes must be approved by the Budget Office. Changes in salaries or benefits are not permitted, except in rare instances, with prior approval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



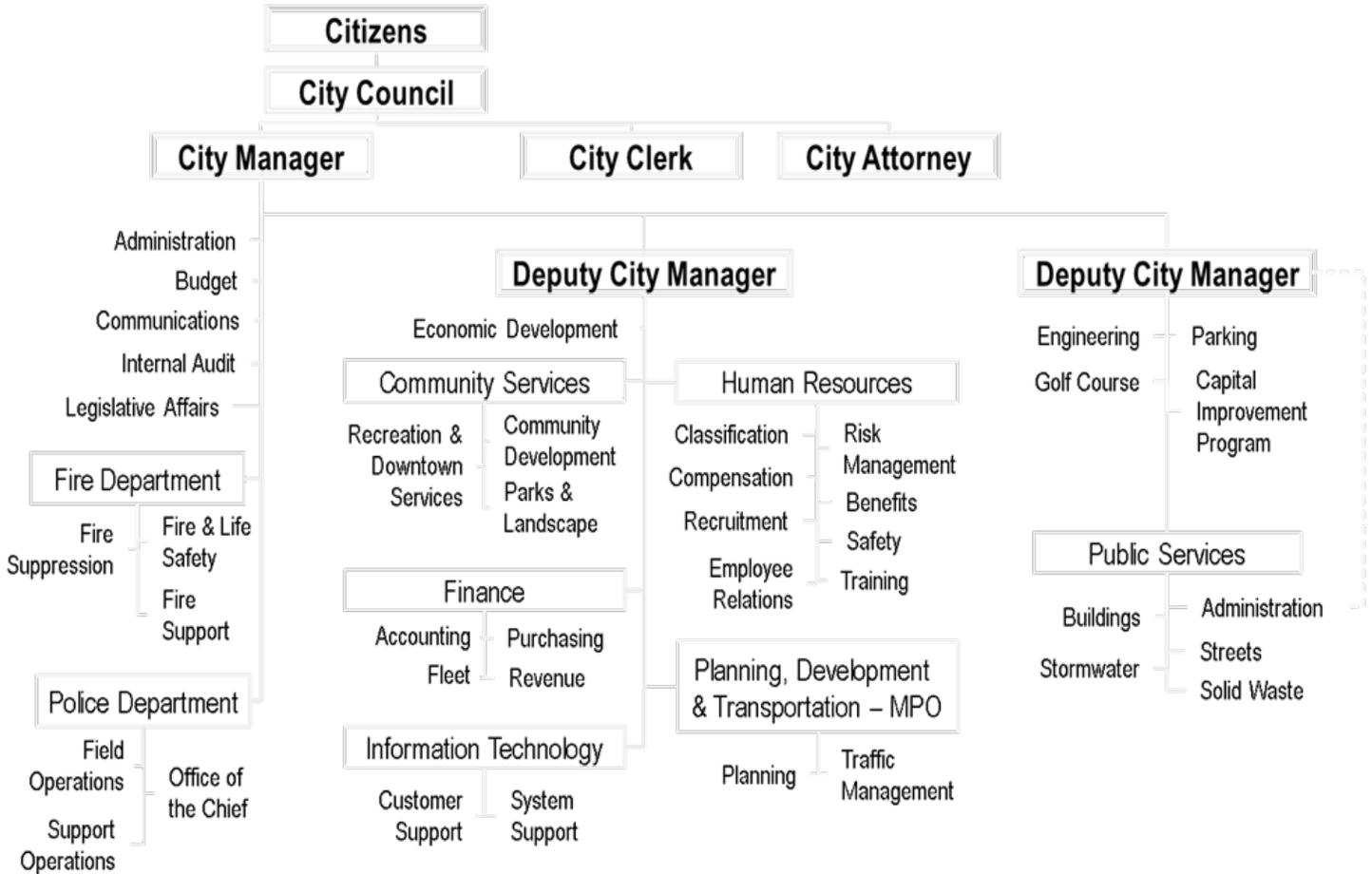
**SCHEDULE OF EVENTS FOR THE PREPARATION OF THE
FY 2015-16 BUDGET**

| | |
|--|-----------------------|
| City Council Pre-Budget Retreat | Nov 24 |
| Capital Project Requests Due/Committee Review..... | Nov 28 |
| Budget Kick-Off and Instructions..... | Dec 17 |
| Preparation of Recommended Capital Improvement Program | Jan 13 |
| Department Budget Requests Due | Jan 31 |
| Requests for Fee Schedule Adjustments Due | Jan 31 |
| Budget Office/Department Budget Meetings | Feb 16 - 27 |
| City Manager/Budget Office/Department Budget Meetings | Mar 2 - 13 |
| City Council Budget Work Sessions..... | Feb 2, Mar 16, Apr 27 |
| Finalize Revenue Estimates | Apr 17 |
| City Manager Finalizes Recommended Budget..... | May 1 |
| Formal Budget Submission at City Council Meeting | May 19 |
| Public Hearing on Budget at City Council Meeting | Jun 2 |
| City Council Budget Work Session | Jun 8 |
| Budget Adoption at City Council Meeting | Jun 2, 16 |

BUDGET PREPARATION PROCESS



ORGANIZATIONAL STRUCTURE



Financial Management Policies



June 4, 2013

FINANCIAL MANAGEMENT POLICIES

INTRODUCTION

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 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

Revenue Diversity

- 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.

Fees and Charges

- 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

- 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.

Property Tax Estimates

- The percentage collection of property taxes relative to the tax rate 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.
- A dedication of \$0.0500 of the property tax rate will be restricted in the Debt Service Fund by Ordinance and evaluated in every revaluation year. This revenue is committed to pay for 80% debt and 20% pay-as-you-go funding for capital maintenance and new infrastructure needs.

Unpredictable Revenue

- 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 in advance for consistency with Council goals and compatibility with City programs and objectives. All new 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 approved by the granting agency and City Council.

EXPENDITURE POLICIES

Balanced Budget

- The City shall 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.
- Actual funds expended and received against budget will be reported to the City Manager and department directors on a monthly basis and City Council on a quarterly basis.

Evaluation and Prioritization

- 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.

Nonprofit Agencies – Competitive Process

- Funding for nonprofit agencies shall be considered on a competitive basis 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 service agencies that complete the competitive process a total amount not to exceed ½ percent of the General Fund operating budget. No agencies will be considered for funding without an operational budget.

Nonprofit Agency – Non-Competitive Process

- Funding considerations for any nonprofit agency not considered through the competitive process in the recommended budget will require a formal budget request made to the City of Wilmington via the City Manager on or before March 31 annually.

RESERVES

Debt Service Fund

- The City shall maintain a Debt Service Fund and all accumulated revenues will be used towards debt service, debt administration and debt issuance.
- The City Council has adopted a levy of \$0.0500 cents of the General Fund property tax rate to be restricted in the Debt Service Fund for an 80% debt and 20% pay-as-you-go funding mechanism that will cover all projects within the five year Capital Improvement Plan. This rate will be adjusted as needed in future revaluation years.

Fund Balance

- The City shall maintain a minimum unassigned fund balance equal to 15-20% of the operating budget for each of the City's funds. Any portion of the unassigned fund balance in excess of 20% of budgeted expenditures may be appropriated for one-time "pay-as-you-go" expenditures. (Examples are, but not limited to: incentive agreements, capital improvements, computer systems and software). Unassigned fund balance is not a recurring revenue source of funds and should only be appropriated for non-recurring expenditures.

Contingency

- 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 Model

- Debt Service models will be maintained for all debt and will identify the impact of future debt and the adequacy of designated resources.

Debt Service

- The total annual debt service paid on tax-supported debt shall not exceed 15% of the operating expenditures in the General Fund including inter-fund transfers.

Direct Net Debt

- The outstanding direct 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%.

- Net General Fund debt per capita shall not exceed \$1,000.

Bonded Debt

- Capital projects financed through the issuance of bonds will be financed for a period not to exceed the expected useful life of the project.

Bond Rating

- The City will maintain its financial condition so as to maintain a minimum AA bond rating.

CAPITAL INVESTMENT POLICIES

- The City shall annually update and adopt a 5-year Capital Improvements Program (CIP) in conjunction with the Annual Operating Budget.
- A dedicated \$0.0500 of the property tax rate will be restricted to the Debt Service Fund for an 80% debt and 20% pay-as-you-go funding mechanism that will cover all projects within the five year plan. This rate will be adjusted as needed in future revaluation years.
- 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.
- The capitalization threshold minimum for fixed assets is set at \$5,000. The threshold will be applied to individual fixed assets and will only be capitalized if they have a useful life of at least two years from the date of acquisition.

ACCOUNTING, AUDITING, AND FINANCIAL REPORTING POLICIES

- The accounting systems for the City will be compliant with the North Carolina Local Government Budget and Fiscal Control act and will be maintained to enable the preparation of financial statements that conform with generally accepted accounting principles (GAAP).
- Reasonable access to the financial system will be made available to department directors and other staff for the continuous monitoring of revenues and expenditures. Emphasis will be placed on internal budgetary and financial controls with regard to the financial system for the purposes of maintaining proper checks and balances.
- The City will have an annual independent audit performed by a certified accounting firm that will issue an opinion of the annual financial statements that are required by the Local Government Budget and Fiscal Control Act.
- The City will prepare a Comprehensive Annual Financial Report (CAFR) that will be provided to City Council and is in compliance with established criteria to obtain the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting and will be submitted to that award program each year.
- Full disclosure will be provided in all regulatory reports, financial statements and debt offering statement.