



July 1, 2014

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

I am pleased to present to you the FY 2014-15 Annual Budget for the City of Wilmington as adopted by City Council on June 17, 2014. This document represents the City's comprehensive budget plans and policies for the upcoming fiscal year based on the *FY 2014-15 Recommended Budget* and consistent with City Council's budget work sessions.

The *FY 2014-15 Recommended Budget* was presented to City Council on May 6, 2014 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 the *Recommended Budget* on May 20, 2014. City Council also held a budget work session June 3, 2014.

A tax rate of \$0.4600 per \$100 valuation of taxable property as listed for taxes as of January 1, 2014 was levied in the Adopted Budget. Of this rate, \$0.4100 per \$100 valuation was adopted for General Fund operations and \$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.

During the budget deliberations with City Council, several changes were made to the *Recommended Budget* in the General Fund, the Fleet Maintenance/Replacement Fund and the Convention Center Operating Fund. The General Fund Recommended budget of \$90,858,734 increased \$274,486 to \$91,133,220.

Listed below are the changes between the Recommended and Adopted budgets. The increases are included in the appropriate sections of this document:

**GENERAL FUND – INCREASE OF \$274,486**

- Additional funding for Wilmington Downtown, Inc. to assess the concept of Municipal Service Districts for the downtown area - \$30,000
- Additional contingency discretionary funding of economic development initiatives that will be determined by City Council - \$50,000
- Additional \$100,000 for housing assistance programs (programs are to be reviewed by City Council)
- Additional funding for one position and equipment in Parks, Landscaping and Tree Maintenance to maintain City entryways and other general landscape maintenance - \$89,486
- Increase in funding to the Arts Council by \$5,000 for total funding of \$25,000 for FY 2015.

The increase to the General Fund revenues was due to higher current collections for vehicle taxes than expected for the current year projected forward to the next year based upon updated estimates from New Hanover County.

**FLEET MAINTENANCE/REPLACEMENT FUND FINANCIAL PLAN – INCREASE OF \$3,103,450**

- The financial plan has been amended to include financing proceeds of \$3,040,000 for the replacement of 18 sanitation packers and \$63,450 of appropriated fund balance for associated accessories and City logos on the trucks. This is a scheduled replacement of the packers.

**CONVENTION CENTER PARKING – NO NET INCREASE**

- Parking revenue estimates have been increased based upon further review and experience to date (\$66,000) resulting in reduced transfers to the Convention Center operating fund.

**CAPITAL IMPROVEMENT PLAN FISCAL YEAR 2015 – NO NET INCREASE**

- The Fiscal Year 2015 funding of \$284,872 for the Multi-modal Center was transferred to Fiscal Year 2018. The \$284,872 in Fiscal Year 2015 is reallocated as a local grant match to WAVE Transit for two (2) natural gas buses, bus shelters, benches and bus stop signage.

The first reading of the FY 2014-15 Adopted Budget was held on June 3, 2014 and the second reading was held on June 17, 2014. 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 written in a cursive style with a long horizontal flourish at the end.

Sterling B. Cheatham  
City Manager



May 6, 2014

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, 2014 and ending June 30, 2015.

The total net budget for FY 2014-15 is \$144,745,996 and represents a 2.4% increase over the current adopted budget of \$141,314,914. The General Fund is the largest component of this total with expenditures of \$90,858,734, an increase of 3.4% or \$2,984,342 over the current adopted amount of \$87,874,392. The approval of this budget will require a 1 cent tax increase to the ad valorem rate creating a total tax rate of 46 cents. On a \$150,000 home this amounts to an increase of \$1.25 per month and \$15.00 per year. This rate will support General Fund expenditures and 5 cents for the continued funding of projects in the Capital Improvements Plan. Fund balance in the General Fund is recommended to be appropriated in the amount of \$610,000. This is approximately \$300,000 more than the amount appropriated in the adopted budget for FY 13-14. The unassigned General Fund balance at June 30, 2015 is expected to be \$22,187,878 or 24.45% of FY 2015 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, and the recommended spending is in accordance with the Policy. The City's General Fund balance is healthy and remains above the target of 15-20 percent with this recommended budget. This additional use of fund balance anticipates a continued recovery from the recent recession.

## **The Economy**

In response to the economic downturn of 2008, the City held the line on expenditures by freezing vacant positions, delaying the purchase of vehicles and equipment, and cutting non-essential services where possible, all without employee layoffs. The employer contribution to the City's deferred compensation plan was reduced by one-half (2%) and no increases in employee wages were budgeted. The economy has begun a slow turnaround and the City Council responded in FY 2014 by approving a budget that reinstated the City's 401(k) deferred compensation contribution, provided for a general wage increase and merit funding. The City also began a multi-year plan to improve employee compensation to defined market levels. 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 is reflecting the steadily increasing revenues over the past three years. Although the local economy is improving, the economic impact on government lags behind the private sector as evidenced by the minimal property tax growth of .8% for FY 2015. There is planned private expansion activity already approved for construction that provides additional evidence of a rebounding local economy.

## **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 absorbing increases required for workers compensation, insurance, fuel, fleet and computer replacement charges. Due to the strict budget restraint, several departments made additional funding requests for programs, equipment or personnel that were considered as enhancements. These requests were evaluated and ranked, but resulted in the approval of very few of the requests due to lack of available funding.

Examples of the approved requests are listed below:

- Tools, supplies, consumables, ammunition - WPD Gang Investigative Unit
- Purchase of two vehicles – Fire Department
- Part-time employees for extended community center hours - Recreation

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.

Positive budget projections include a decrease in costs due to energy reduction efforts. Some further savings are expected from the following initiatives:

- Using technology to track, benchmark and identify energy opportunities
- Installation of indoor LEDs
- Expanded use of vehicle locator technology

We have been able to hold our health insurance premiums flat for the first time in several years. By the end of FY 2015 we will have sufficient data from our clinic regarding health management that will assist us in evaluating the effectiveness of our wellness efforts.

## **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.

The focus areas are:

***Diverse and Thriving Economy***

***Welcoming Neighborhoods and Public Spaces***

***Efficient Transportation Systems***

***Safe Community***

***Civic Partnerships***

***Sustainability and Adaptability***

### ***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 program for 2015 will be step two in our long term plan to improve employee pay overall and make our pay ranges competitive with the market. This year we propose to adjust the salary ranges to meet market requirements which will allow us to become more attractive to candidates applying for our jobs. For those currently employed, the program will have three main focuses; moving new employees to the minimum of the range, moving longer service employees who are below the mid-point of the range to a market 'step' based on a longevity measure and merit program for those at or above the market value of the position; the mid-point of the range. All three components will have a minimum increase of 1.5% for all eligible employees, the proposed budget for this portion of the pay plan is 4%.

### ***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 October of the current fiscal year. The mid-year appropriation approved ten additional over-hire positions, uniforms, equipment and the hiring of a computer support specialist position. This budget includes funding this specialized unit as well as the Mobile Field Force unit which was another mid-year addition absorbed into the current FY 2014 budget. The continued funding of these crime reduction initiatives will consume a significant portion of the forecasted increase in revenue for FY 2015.

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

- full funding at the ½ of 1% financial target to various nonprofits and specifically those that serve the children and youth population;
- support to compile and update a directory of human support service providers;
- the allocation of funding to nonprofits based on their demonstrated performance;
- expanded programming of City recreation centers through partnerships with nonprofits;

- support for local jobs, particularly for the re-entry of ex-felons into the community.

***Nonprofit Agencies***

Fiscal year 2015 is the first year of the new biennial funding commitment to programs and services provided by local nonprofit agencies. The 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 (non-human services) were also competitively reviewed resulting in a recommendation to fund five organizations as well as continue our contractual obligations with Wilmington Business Development, Wilmington Downtown, Inc. and the Wilmington Regional Film Commission.

***Continuation of 5-year infrastructure improvement plan for third year***

Streets and sidewalk projects, facilities infrastructure maintenance and parks 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. The appropriation for FY 2015 is primarily funded 20% from the Debt Service Fund and 80% from installment financing:

Streets & Sidewalks	\$15,001,651
Parks & Recreation	\$ 1,005,220
Public Facilities	\$ 2,055,000

Several Information Technology projects are proposed for funding in the Public Facilities capital budget. Within the next year, completion of telephone installation and the implementation of an enterprise agreement will benefit all departments city-wide.

Enterprise fund capital appropriations are:

Storm Water/Drainage	\$ 3,676,705
Parking Facilities	\$ 650,700

The implementation of this plan helps maintain the City’s strong AA+ bond rating and create flexibility and capacity for the General Fund. Sufficient fund balance must be maintained for unanticipated events such as the winter ice storms of early 2014, which required over

\$1,800,000 from the General Fund for debris removal. In order to maintain the current 80/20 Plan, the debt service recommended allocation is \$9.3 million or 10% of the total General Fund budget. It includes the payment of principal and interest costs for already approved and recommended capital projects.

### ***Economic Development Incentives***

As the City invests in capital projects such as the North Third Street improvements and the Northern Downtown Riverfront development, we are realizing the dividends from those investments. Increased economic development efforts have resulted in improving our local economy through job creation, rising property value and more consumer spending. Contractually negotiated incentive payments to businesses totaling \$275,000 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 SABLE 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 venues, and other cooperative efforts with New Hanover County is recommended. This includes an evaluation of City and County fire services for opportunities to reduce costs and improve the delivery of fire services.

### **Budget Details**

The recommended budget does not anticipate any major shifts in State financial support or diversion of local revenues collected at the State level and remitted to balance our budget. As you know, to date there has been much discussion on the matter of tax reform. However, we are hopeful that the early feedback that “cities and counties will be held harmless” prevails. 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 \$53,272,396, 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. On a positive note, sales tax receipts have been trending so well that a 7.1% increase of \$1,294,312 is projected. The sales tax projection of \$19,548,312 represents almost 22% of the total General Fund revenues. For FY 2014, Powell Bill revenue receipts were 3% above budget. However, in anticipation of changes to the method of allocation, the revenue projection for Powell Bill receipts for FY 2015 is approximately 1% below the FY 2014 actual. Revenue projections for telecommunications services taxes, privilege licenses, utility franchise taxes, beer and wine taxes and video programming are essentially maintained at the FY 2014 level. These revenues are conservative in light of the uncertainty regarding the continuation of intergovernmental revenues from the State.

### **Unassigned General Fund Balance**

The first of two annual payments to establish a fund balance for WAVE Transit, the economic development incentive payments and a donation for the renovation of the Schwartz Center at Cape Fear Community College are recommended to be funded from unassigned General Fund balance. Payouts for retiring employees and required grant match funds are also recommended to be funded from fund balance. Assuming the recommended use of \$610,000, the unassigned General Fund fund balance as of June 30, 2015 is anticipated to be approximately \$22,187,878 or 24.45% of FY 2014-15 budgeted expenditures.

### **Recommended Budget Includes:**

- Recommended tax increase of one cent for at total tax rate of 46 cents
- Funding of 2<sup>nd</sup> year of the multi-year employee compensation to market strategy
- Full year's funding of WPD Gang Investigative Unit
- Program initiatives for reducing teen violence via expanded operation of facilities and partnerships with area nonprofits
- Full year's funding of additional position in City Clerk's office
- Two new positions in Information Technology in response to the assessment of technology challenges facing the City via UNC Institute of Government
- Continuation of \$50,000 funding to United Way for the Ten-Year Plan to End Chronic Homelessness
- \$7,000 for the 2<sup>nd</sup> Annual Affordable Housing Summit
- Affordable Care Act required contribution of \$134,400
- City storm water fee increase of \$161,000
- Economic incentive agreement payments totaling \$275,000

- First year of competitive funding for general agencies in the amount of \$523,894 from the General Fund, an increase of \$151,171 over the current year adopted funding
- CPI-based increases in funding for economic development agencies
- Competitively based contributions to civic partnerships in the amount of \$112,000 from the General Fund
- WAVE transit subsidy recommended is \$1,289,000, with first of two payments of additional \$157,822 to establish a fund balance

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 transfer of Transportation Planning to a special projects fund will enhance the coordination of area transportation projects and grants management activities. This new special project will provide for the accounting and administration of funds as well as the allocation of expenditures among multiple funding sources. The funding for this project is \$916,750.

**Recommended Budget Does Not Include:**

- Funding for any administrative office expansion or relocation
- Assumption of lead agency role for Continuum of Care
- Expanded Community Policing
- Additional detectives and investigators as requested by the District Attorney

This recommended budget does not address the upcoming Transportation Initiative that will create new capacity for streets, sidewalks and greenway projects for the benefit of the entire City.

The recommended budget does not include funds to begin the physical development of the park site on the northern downtown corridor. Funding is planned in the Capital Improvement Plan beginning in FY 2018-19.

**Enterprise Funds**

Solid Waste currently has a rate study in progress to evaluate services. The study is not complete, but has produced information sufficient to recommend an across the board 6% increase in solid waste fees. The cart fee for a single family residential maxi-cart will increase from \$10.55 to \$11.20 per month and the monthly pick-up fee will increase from

\$14.25 to \$15.10. FY 2015 operations will require the use of \$500,000 from the unassigned fund balance to produce a balanced budget. The unassigned fund balance is anticipated to be \$2,189,739 or 23.24% of FY 2015 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 \$500,000 for annual storm drain rehabilitation. The unassigned fund balance in the Storm Water Fund as of June 30, 2015 is expected to be \$3,021,209 or 34.98% of FY 2015 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 revenues are forecasted to increase due to rate increases effective July 1, 2014. The proposed rate increases are:

Convention Center deck: first hour would go from \$2 to \$3

Market Street/Second Street decks: monthly unreserved rate from \$45 to \$55

Second Street parking lot: monthly unreserved single space from \$50 to \$60 and a new monthly reserved single space of \$90 is proposed

Hannah Block lot: monthly unreserved single space from \$45 to \$50

Water Street deck: monthly unreserved rate from \$60 to \$70, and hourly rate for the first hour would cost \$2, each additional hour would cost \$1

The budget also includes capital expenses of \$650,700 for replacement of the elevator and various repairs in the Second Street parking deck, of which \$329,308 will be transferred from the unassigned fund balance. The anticipated unassigned fund balance as of June 30, 2015 is \$1,709,361 or 46.76% of FY 2015 projected expenditures.

Municipal Golf Course rates are recommended to increase to offset the cost of the golf course renovation project. The project includes restoration and replacement of the greens as well as improvements to the fairway bunkers and the practice putting green. Completion of the project is expected in October 2014. In order to fund the improvements, rate increases of 35% in 2015 and 10% in 2016 will be required as well as the use of \$321,687 of fund balance. The unassigned fund balance in the Golf Fund as of June 30, 2015 is expected to be \$300,981 or 22.70% of FY 2015 projected expenditures.

## COMMITMENT

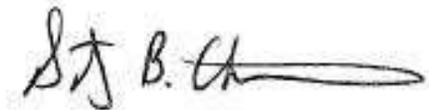
The City is committed to creating financial resiliency in preparation for the opportunities we will face in the years to come. As the General Assembly convenes and deliberates the future of our intergovernmental revenues and our ability to preserve our revenue sources, we will remain flexible and proactive 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 and Finance staff for the extra effort in putting this difficult 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 2014-15 (FY 2014-15), beginning on July 1, 2014 and ending on June 30, 2015.

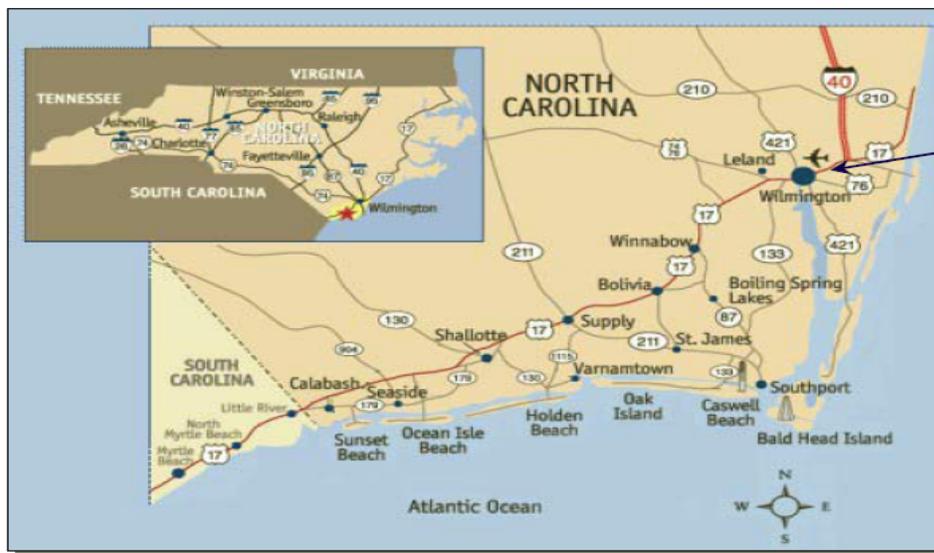
City staff embraces five Core Values as a guideline for personal conduct when fulfilling the City mission “to provide quality services which enhance the safety, livability, and prosperity of our community.” Those Core Values are Respect, Professionalism, Service, Integrity, and Safety. The Strategic Plan focus areas of Diverse and Thriving Economy, Welcoming Neighborhoods and Public Spaces, Efficient Transportation Systems, Safe Community, Civic Partnerships, and 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 470,000 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 52.76 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. The City has a population of 109,689 making it the eighth largest city in North Carolina.



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 1<sup>st</sup> and 3<sup>rd</sup> Tuesday of each month in City Hall.

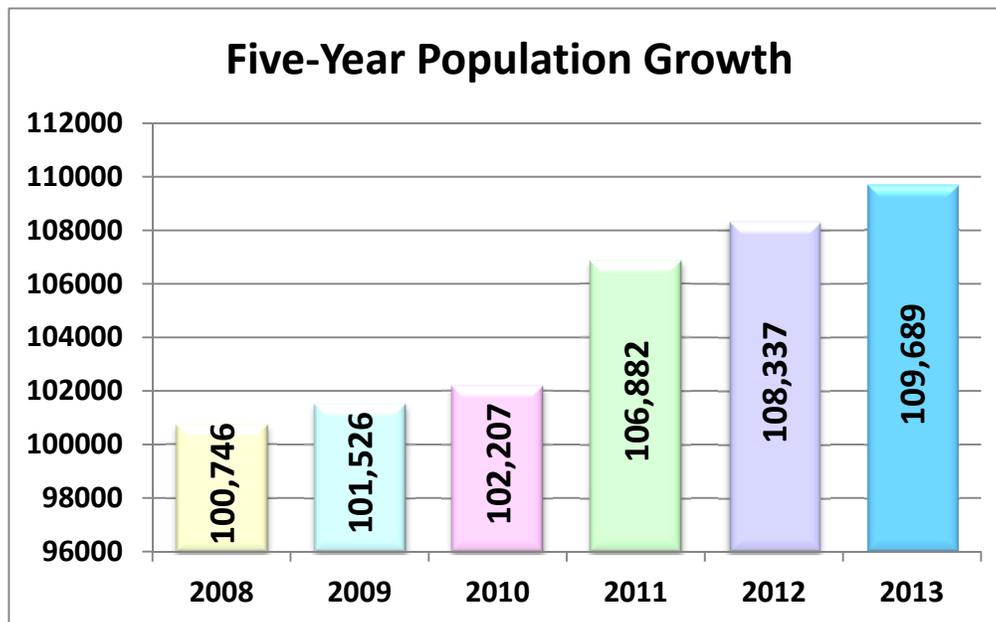
The City provides the full range of services contemplated by statute. This includes police, fire, sanitation, streets, public improvements, planning and zoning and general administrative services. The City also operates parking facilities, a golf course, and provides solid waste and storm water management 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 services 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 in the largest metropolitan areas category for its ability to create and sustain jobs. In 2011 Fortune Small Business ranked the Wilmington MSA 14<sup>th</sup> among mid-size metro areas for “Best Places to Launch Small Business”. Forbes magazine’s 14<sup>th</sup> annual ranking of Best Places for Business and Careers ranked Wilmington 67<sup>th</sup> out of the 200 largest metropolitan areas in the US; and Forbes “Best Cities for Technology Jobs” ranked Wilmington 18<sup>th</sup>. The Builder Market Health Report, produced by *Hanley Wood’s Builders* magazine, ranked Wilmington 16<sup>th</sup> of the “The 20 Healthiest Housing Markets for 2011.” Relocate America lists Wilmington 9<sup>th</sup> in the “Top 10 Recreation Cities” and also in the “Top 100 Places to Live.”

The City’s population has increased over 45% since 2000 with the current population estimated to be 109,689. 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%. An annual forecast prepared by the University of North Carolina at Wilmington’s Cameron School of Business estimates the area’s economy will grow at a rate of 1.7% in 2013, slightly ahead of the forecast for the state of North Carolina, 1.5% and below that of the nation, 2.1%.



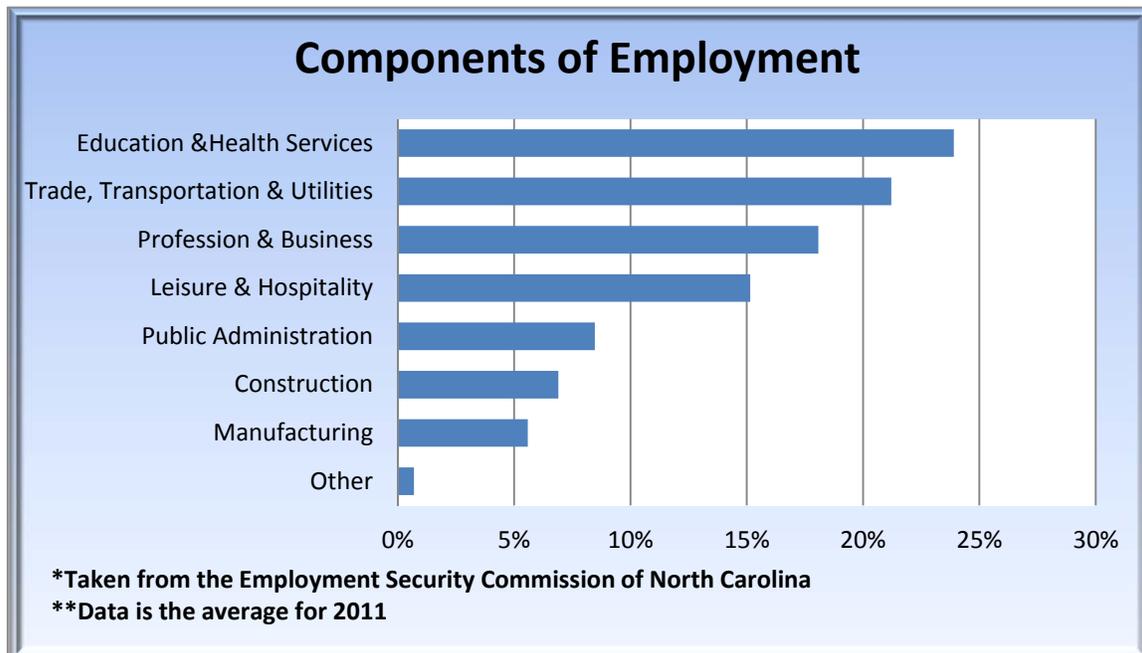
Source: Office of State Budget and Management’s certified municipal estimates

**Top Employers (2013)**

Company	Employee Count	Product/Service
New Hanover Health Network	5,991	Health Care
New Hanover County Schools	4,226	Education
GE Hitachi Nuclear Americas	2,175	Global Nuclear Fuel/Energy, Aircraft
University of NC Wilmington	1,844	Higher Education
New Hanover County	1,654	County Government
PPD, Inc.	1,500	Pharmaceutical & Biotech Discovery/Development
Verizon Wireless	1,216	Communications
Cape Fear Community College	1,176	Education
Corning, Inc.	1,100	Design & Manufacture Specialty Glass & Ceramic Components
City of Wilmington	998	City Government

Source: NC Department of Commerce, Employment Security Division

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., Verizon Wireless, Cape Fear Community College, and Corning, Inc.



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.

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 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. Global Nuclear Fuel Americas (GNF) operates a plant in the City where GNF manufactures light-water nuclear reactor fuel. GNF is powered by three giants: GE Energy, Toshiba and Hitachi. In May 2011, GNF received a \$300 million contract from a Baltimore-based nuclear energy utility company to supply nuclear fuel and licensing services for a nuclear station in central New York. GNF's North Carolina and Japanese facilities coordinated the development of fuel for GEH's ABWR reactor model which is the world's first and only Generation III reactor to enter commercial service. GNF is developing an innovative new fuel design that could easily be one of the most reliable in the world. GNF is celebrating its 10<sup>th</sup> anniversary and beginning its second decade as a world-leading supplier of high quality fabricated nuclear fuel and services.

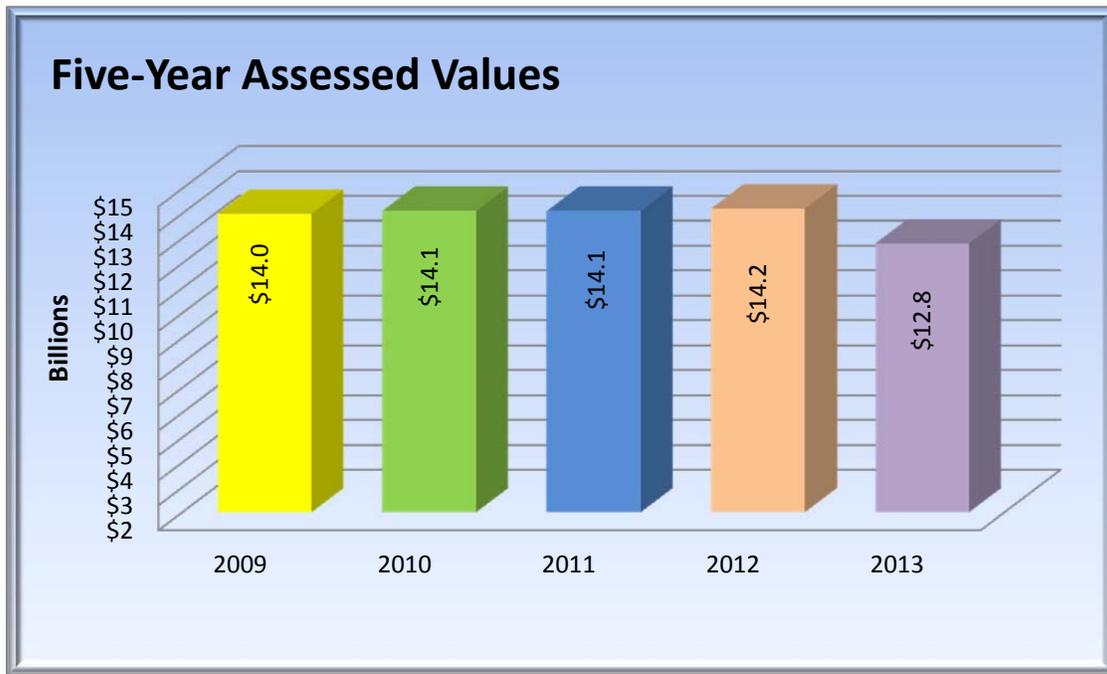
GE Aviation is a global leader in jet engine and aircraft system production. In April 2012, GE Aviation was awarded a \$380 million contract to build GENx engines for nine Boeing 787s being purchased by Kenya Airways. Also in April 2012, GE Aviation received an order from Qantas for over \$2 billion to develop the rotating parts for the engines that will power 78 Airbus aircrafts to be delivered in 2016. In July 2013, GE Aviation announced that it will invest \$195 million across its North Carolina operations through 2017. This investment across GE's North Carolina sites would create an additional 242 GE jobs by 2017. 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 2013 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 July of 2013, Castle Branch, Inc., already a major employer in the City, announced that it will triple its 200-person global corporate headquarters in the City under a nearly \$10 million expansion plan. 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.”



Located on 400 landscaped acres near the intersection of Eastwood Road and Military Cutoff Road, Mayfaire Town Center is celebrating 10 years of operation. The development consists of over 650,000 square feet of retail and restaurant space. The latest construction phase is Mayfaire Community Center Phase II which consists of an additional 77,000 square feet of retail space that will be anchored by Dick's Sporting Goods. Construction of additional office buildings containing both traditional and medical office uses began construction in the Spring of 2012. A 36,300 square-foot office recently opened in 2014, and another, consisting of 34,300 square feet that is currently under construction. The project also boasts a wide range of residential units, with 84 condominiums in mixed use buildings, 212 free-standing condominiums, more than 100 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 developer will provide off-site traffic improvements including upgrades to Independence Boulevard and 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 3<sup>rd</sup> 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. The developer has obtained all permits, and demolition of the existing building is scheduled to begin in July. Building construction will commence following demolition.

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 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. The subject property is located on the east side of 17<sup>th</sup> 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 17<sup>th</sup> 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.

Progress 910 apartments, located off of Randall Parkway is a 168-unit multifamily development with 48, two-bedroom units; 48, three-bedroom units; and 72 four-bedroom units. City Council rezoned the 16-acre subject property from IND, Industrial to MF-M (CD), Multifamily, Medium Density in September 2013. The development is currently under construction, and it is anticipated it will be open by August 2014.

## *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 2012, travel and tourism generated an economic impact of \$460.05 million in the County, an increase of 8.03 percent over 2011. The County is ranked ninth among North Carolina's 100 counties in tourism expenditures. State and local tax revenues from travel to the County amounted to \$40.43 million. Travel generated \$100.77 million in payroll in 2012 and provided 5,360 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. 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 14,000 visitors and screens over 200 films. The 20<sup>th</sup> annual festival to be held in November 2014 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 2013)***

<b>Taxpayer</b>	<b>Rank</b>	<b>Taxable Assessed Value (\$)</b>	<b>% of Total Value</b>
<b>Corning, Inc</b>	1	220,252,069	1.7
<b>River Ventures LLC (PPD)</b>	2	77,920,600	0.6
<b>Progress Energy (CP&amp;L)</b>	3	57,510,780	0.5
<b>Centro Independence LLC- Mall</b>	4	54,078,800	0.4
<b>GS II University Centre LLC</b>	5	36,458,500	0.3
<b>BellSouth Tel Co.</b>	6	34,174,091	0.3
<b>Wal Mart Property Tax Dept</b>	7	33,015,922	0.3
<b>Mayfaire Retail LLC</b>	8	32,632,300	0.3
<b>NNP IV Cape Fear River LLC</b>	9	30,010,200	0.2
<b>AAI Pharma Services Corp</b>	10	28,454,322	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 16% 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** 25<sup>th</sup> 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, 2013, the State-owned port terminal in the City handled 5,317,104 tons of cargo, which reflects a 21.3% increase over the 2012 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 2013, the Airport served 802,744 passengers, an increase of .9% 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 6<sup>th</sup> 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 52 majors, 38 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 2013 enrollment of 14,096 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 "2014 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 are also underway. When completed, the facility will provide 40,000 square feet of instructional space and a 1,500 seat performance auditorium. Expected to open in 2015, the Humanities and Fine Arts Center will provide a major new venue for the performing arts in downtown Wilmington.



## 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.

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 360 events. 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 City Council of the City 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*

**Amberleigh Shores**, a 282-unit multi-family development, was approved by the City in July 2012. In January 2012, the City of Wilmington annexed the subject property into the City limits.

**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.

**Cape Fear Community College** has two buildings under construction with various infrastructure improvements in downtown. On the corner of Front and Red Cross streets, CFCC is constructing a 210,000 square-foot student center and classroom building. Along North 3<sup>rd</sup> and Hanover Streets, construction is underway for a 1,000+ space parking deck. Under plan review is a 153,000 square-foot fine arts center, which is proposed to include a 1,500-seat auditorium. The total investment cost for all three projects is over \$100 million.

**Courtyard by Marriott**, a 124-room hotel, opened in Spring 2014, at the corner of 2<sup>nd</sup> 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.

**Embassy Suites**, a 186-room full service hotel, adjacent to the Wilmington Convention Center, located at 9 Estell Lee Place is currently being reviewed by City staff. The hotel will feature meeting spaces as well as a full service restaurant and a roof-top bar /outdoor space.

**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.

On October 9, 2013, City staff reviewed a site plan for a 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.

**Hotel Indigo**, a 10-story, 125-room hotel has been approved by City staff and construction is anticipated to begin in 2014. This hotel is located in the City's central business district and is bounded by Hanover Street, Nutt Street, and North Front Street.

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. Approval is anticipated for Summer of 2014 with a construction start towards the end of 2014.

**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. It is anticipated the development will be completed by Spring 2015.



## FY 2014-15 Adopted Budget INTRODUCTION

**Springhill Suites**, a 120-room hotel totaling 66,738 square feet on 1.98 acres is under review, located at 1011 Military Cutoff Road. Approval is anticipated for Spring 2014, with a construction start date of Summer 2014.

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

## AWARDS AND ACKNOWLEDGMENTS

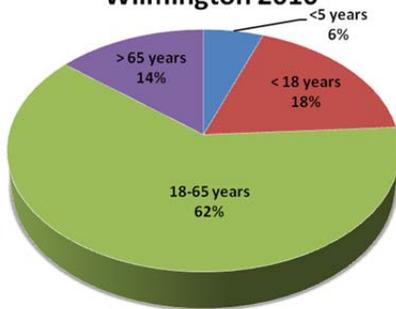
The preparation of this budget could not have been accomplished without the hard work and cooperation of all City of Wilmington departments.

## ADDITIONAL DEMOGRAPHIC INFORMATION

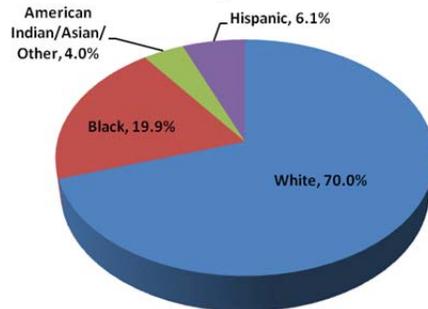
### CITIZEN DEMOGRAPHIC

City of Wilmington Median Household Income, 2008-2012.....	\$41,428
City of Wilmington Persons per Household, 2008-2012.....	2.23
Population, Wilmington, 2013.....	109,689
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, 2008-2012.....	\$230,700
Per capita money income in past 12 months (2012 dollars) 2008-2012.....	\$28,482

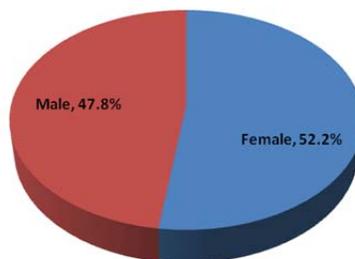
**Population Age Demographic  
Wilmington 2010**



**Racial Composition Demographic  
Wilmington 2010**



**Gender Composition Demographic  
Wilmington 2010**





FY 2014-15 Adopted Budget  
INTRODUCTION

**AREA EDUCATIONAL INFORMATION**

New Hanover County Schools, Spring 2013.....	44 total
.....	Pre-K – 2
.....	Elementary School – 26
.....	Middle School – 9
.....	High School – 7
New Hanover County High School(s) Cohort Completion Rate, 2013.....	82.4%
University of North Carolina at Wilmington Enrollment, est. Fall 2013:	
.....	.661 acre campus
.....	14,096 total students ( regular term plus extension)
Cape Fear Community College Enrollment, est. Fall 2013:	
.....	9100 total students
Miller- Motte Technical College Enrollment, est. Spring 2013.....	975 total students
Mt. Olive College Enrollment, est. Spring 2013.....	475 total students

**POLICE PROTECTION**

Number Sworn Officers, Auth FY 2013-14.....	265
Number of Calls for Service Annually FY 2012-13 (actual).....	173,980
Number of Stations.....	1 headquarters, 1 substation

**FIRE PROTECTION**

Number of Full-time Firefighters, Authorized FY 2013-14.....	192
Number of Fire Stations.....	11
ISO Rating.....	2
Number of Fire Responses, est. FY 2013-14.....	12,387

**SOLID WASTE COLLECTION**

Number of Customers – Total Serviced by City Crews.....	31,154
Refuse Tons Collected, est. FY 2013-14.....	22,120
Bulky Trash, est. FY 2013-14.....	2,006 tons
Vegetative, est. FY 2013-14.....	11,772 tons
Recycling, est. FY 2013-14.....	5,853 tons

**STREET SYSTEM**

Miles of City Streets, 2013 Powell Bill/D.O.T.:	
.....	7.77 – soil, stone or gravel surface
.....	377.16 – hard surface
Number of Street Lights:	
.....	8,173 leased from Duke Energy Progress
.....	688 City-owned
.....	315 reimbursed to HOA’s
Number of Traffic Signals – Total City Maintained.....	212

**MUNICIPAL GOLF COURSE**

Number of Holes (par 71).....	18
Total Distance.....	6,794 yards
# of Rounds played annually, est. FY 2013-14.....	42,118 (18) hole rounds
.....	18,738 (9) hole rounds



FY 2014-15 Adopted Budget  
INTRODUCTION

**PARKS AND RECREATION**

City Wide/Public Parks.....	50 (753 acres)
Athletic Fields.....	12 (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: Diverse and Thriving Economy, Welcoming Neighborhoods and Public Spaces, Efficient Transportation Systems, Safe Community, Civic Partnerships, and 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



## FY 2014-15 Adopted Budget INTRODUCTION

information.

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

The 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.

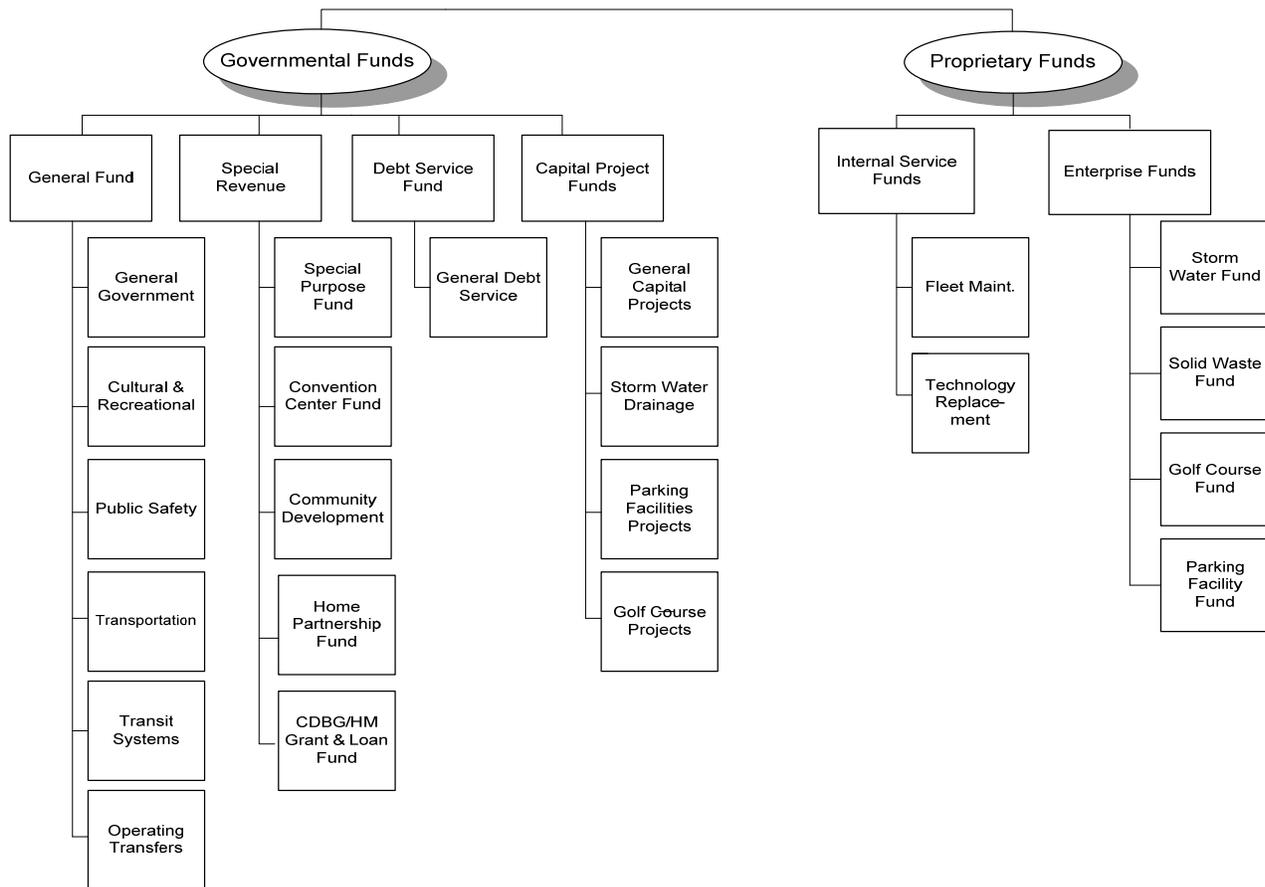
The Capital Improvement Program section contains the City's plan for major capital projects to be funded over five years (FY 2014-2018). These are new construction and/or renovation projects which improve the City's infrastructure. The projects are grouped according to general type: Streets and Sidewalks,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

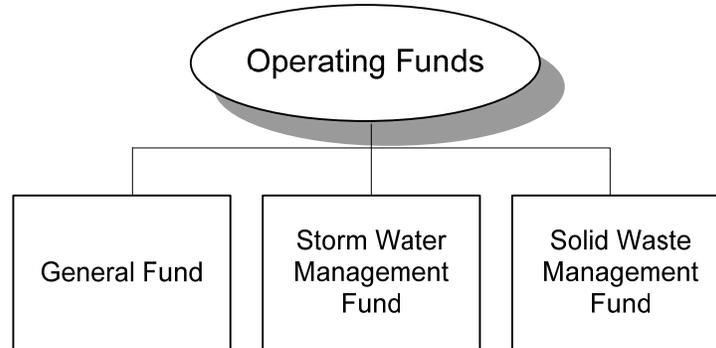
The City of Wilmington budget consists of two overarching fund types. They are **Governmental Funds** and **Proprietary Funds**.

**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

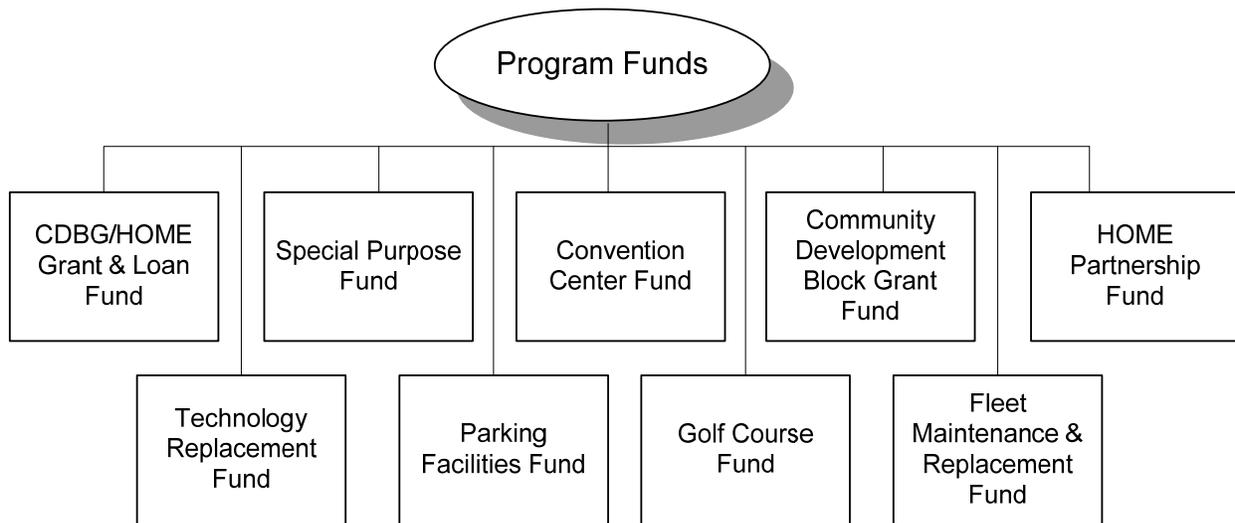


*These funds provide for all of the basic operations of the City government.*

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.



*Each of these funds is 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.

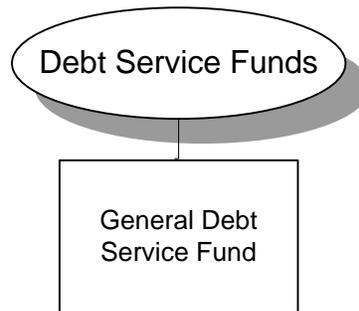
The *HOME Partnership Fund (025)* is supported primarily by federal grant funds allocated to the City for housing-related activities in low and moderate income neighborhoods.

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.

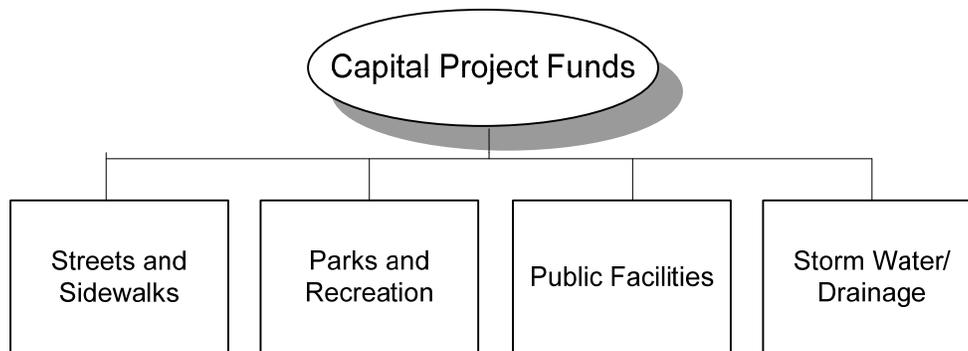
The *Golf Course Fund (057)* is supported by the income received at the City's municipal golf course and the associated costs with running that operation.

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.

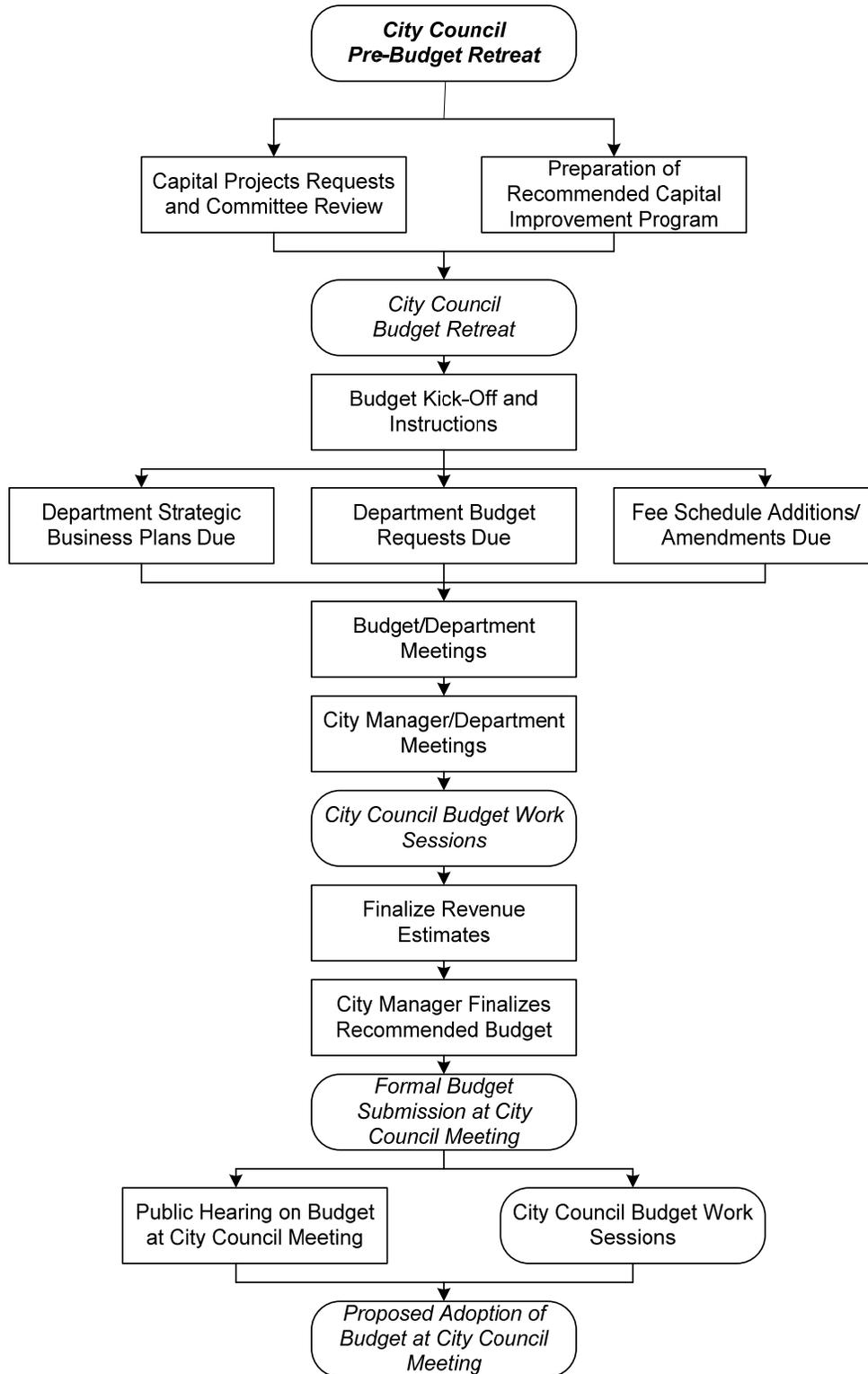
Proposed ordinance amendments are prepared by the administration and include a statement by the Finance Officer as to the availability of funds. A cover letter provides background information and the City Manager’s recommendation on the proposed amendment. Ordinances require two readings for adoption.

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.

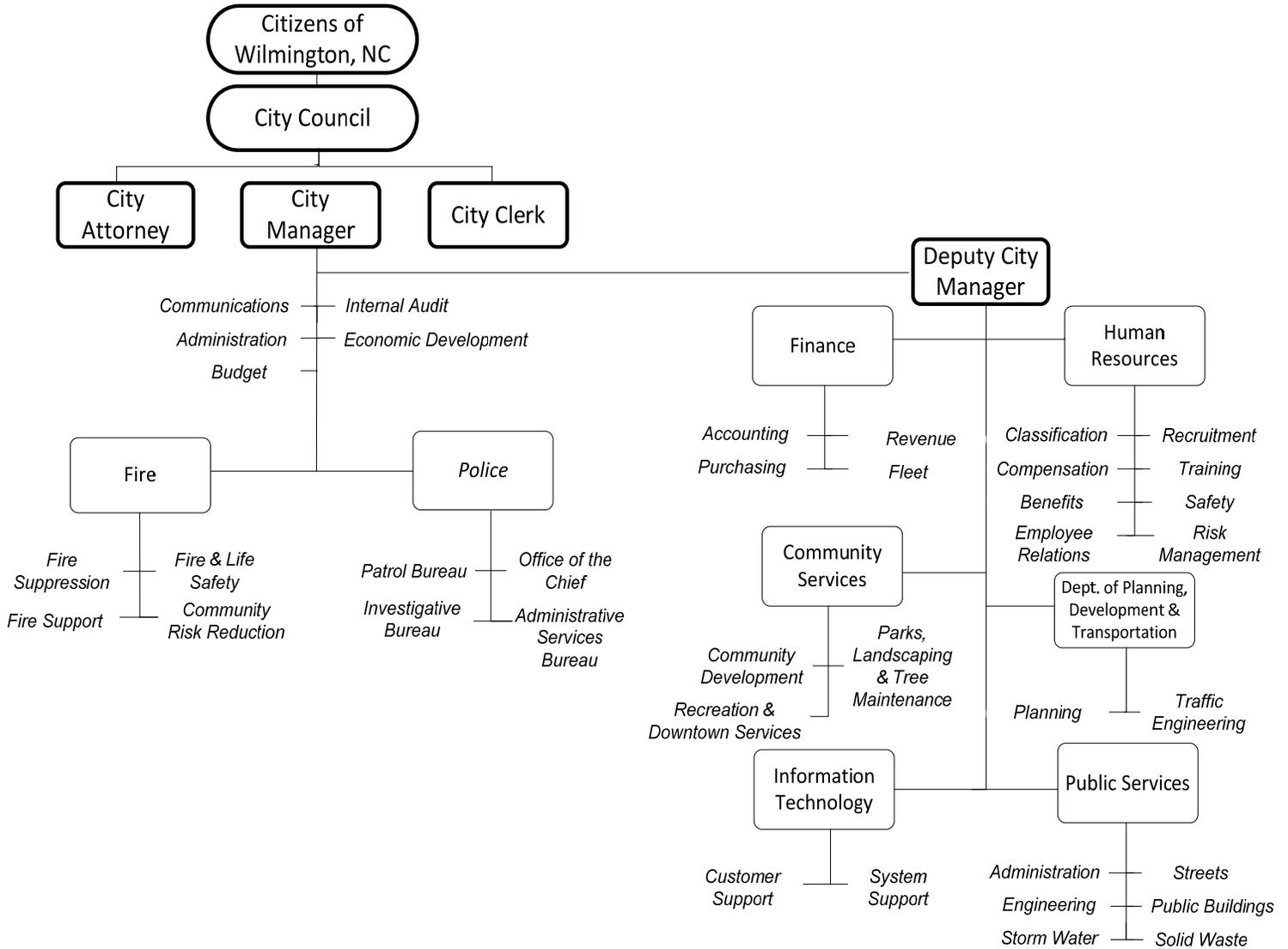
### SCHEDULE OF EVENTS FOR THE PREPARATION OF THE FY 2014-15 BUDGET

City Council Pre-Budget Retreat .....	November 22
Capital Project Requests Due/Committee Review .....	November 29
Budget Kick-Off and Instructions.....	December 17
Preparation of Recommended Capital Improvement Program.....	January 8
Department Budget Requests Due .....	January 31
Requests for Fee Schedule Adjustments Due .....	January 31
Budget Office/Department Budget Meetings .....	February 17-21
City Manager/Budget Office/Department Budget Meetings .....	March 10-14
City Council Budget Work Session .....	March 3, March 31, April 14
Finalize Revenue Estimates .....	April 11
City Manager Finalizes Recommended Budget .....	April 25
Formal Budget Submission at City Council Meeting .....	May 6
Public Hearing on Budget at City Council Meeting .....	May 20
City Council Budget Work Session .....	June 2
Budget Adoption at City Council Meeting .....	June 3, 17

## 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.



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