

## 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 2012-13.

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 457,000 persons 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 on the Cape Fear River approximately 30 miles from the Atlantic Ocean, the County seat of New Hanover County and home to the State's largest port. The City has a population of 106,882 making it the ninth 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.

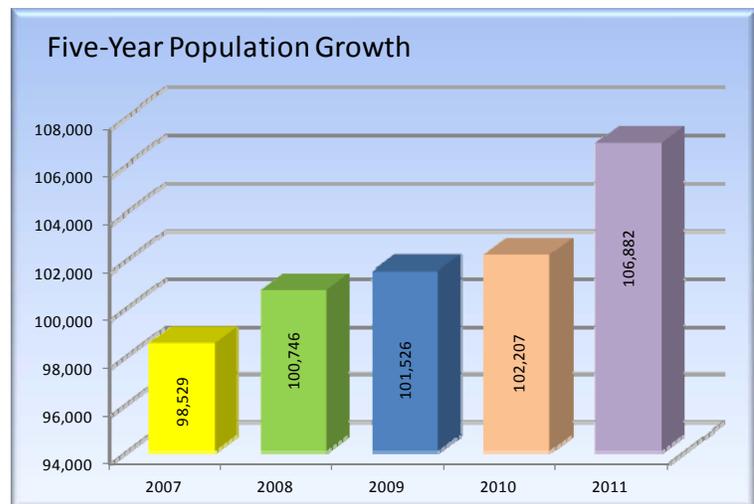
The City provides the full range of services contemplated by statute. This includes police, fire, sanitation, streets, public improvements, planning and zoning and general administrative services. The City also operates parking facilities, a golf course, and provides solid waste and storm water management 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.

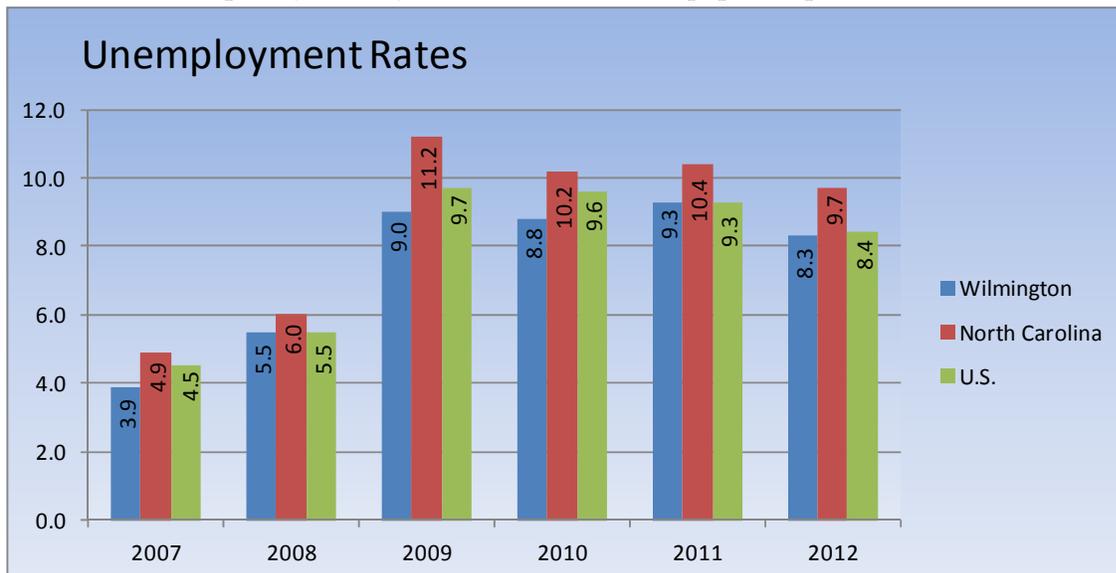
## ECONOMIC CONDITIONS AND OUTLOOK

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 2011 ranks the Wilmington MSA 76th in the nation in the largest metropolitan areas category for its ability to create and sustain jobs. Forbes magazine’s 12<sup>th</sup> annual ranking of Best Places for Business and Careers ranked Wilmington 52<sup>nd</sup> out of the 200 largest metropolitan areas in the US. The Builder Market Health Report, produced by *Hanley Wood’s Builders* magazine, ranked Wilmington 16<sup>th</sup> of “The 20 Healthiest Housing Markets for 2011.” Relocate America lists Wilmington in the “Top 100 Places to Live.”

The City’s population has increased over 40% since 2000. According to New Hanover County, total development exceeded \$369 million in fiscal year 2010-2011. 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 2.2% in 2012, slightly ahead of the forecast for the state of North Carolina, 1.7% and the nation, 1.6%.



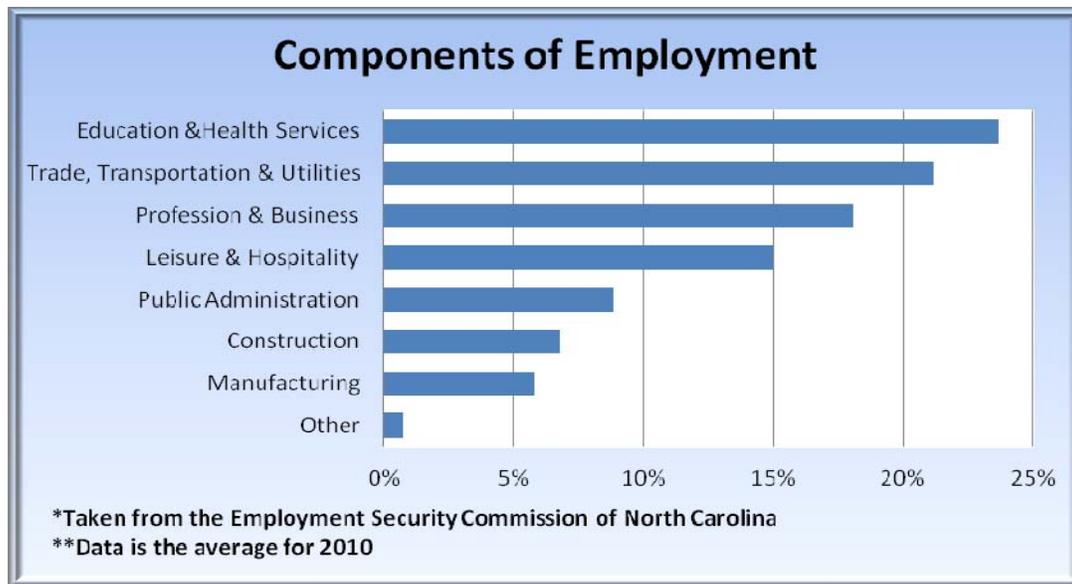
Wilmington’s unemployment rate has consistently been less than state and federal levels. This is in part due to the diversity of the local economy with professional services, trade, health care, the hospitality industry, telecommunications equipment, pharmaceuticals and construction.



**Top Employers (May, 2012)**

Company	Employee Count	Product/Service
New Hanover Regional Medical Center/Cape Fear Hospital/Physician Groups	5,213	Hospitals
New Hanover County Schools	3,904	Education
GE Hitachi Nuclear Americas	2,195	Global Nuclear Fuel/Energy, Aircraft
University of NC Wilmington	1,843	Higher Education
PPD, Inc.	1,600	Pharmaceutical & Biotech Discovery/Development
New Hanover County	1,574	County Government
Verizon Wireless	1,229	Communications
Cape Fear Community College	1,141	Education
Corning, Inc.	1,100	Design & Manufacture Specialty Glass & Ceramic Components
City of Wilmington	985	City Government

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



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. In July 2007, Corning announced the invention of a fiber capable of twisting and turning without losing its signal. Verizon Communications, which helped Corning develop the new fiber (known as ClearCurve®), is spending \$23 billion to lay 80,000 miles of

fiber to serve 18 million customers. Corning's goal for the new fiber is to facilitate connections to the estimated 680 million apartment homes worldwide, 25 million of them in the United States. ClearCurve fiber is significantly more bendable than standard single-mode fiber and can be pulled through wall studs and stapled to wood. Verizon Communications announced in February 2008 that it had chosen the ClearCurve® fiber manufactured at the City's Corning plant to install fiber-optic service.

On January 13, 2009, Corning announced a new ClearCurve® ultra-bendable multimode optical fiber for use in data centers and enterprise networks. Corning ClearCurve® multimode fiber is the world's first laser-optimized multimode fiber that meets high bandwidth and also delivers significantly improved bend performance at bend radii below 10 mm.

On May 11, 2010, Corning announced it will manufacture a new optical fiber at its Wilmington plant that is aimed at underwater use. The product, called Vascade EX2000 optical fiber, can also be used in links that use repeaters along coastlines or around a chain of islands. Vascade EX2000 optical fiber is fully qualified and is being sampled and tested by submarine-system vendors around the world.

In October 2003, General Electric announced the relocation of its global headquarters for nuclear fuel to its New Hanover County campus. Although not located in the City, the move has resulted in the creation of 200 new jobs in the Wilmington area. The average salary of the jobs relocating to the Wilmington area is more than \$100,000 a year.

In April 2008, GE Hitachi Nuclear Energy (GEH) announced plans to embark on a major expansion of its already sizable presence in the greater Wilmington area as it pioneers new uranium enrichment technologies that have important ramifications for the nation's commercial energy producers. GEH intends to build new manufacturing capacity, training centers, simulation buildings and testing facilities at its 1,600-acre campus in New Hanover County. In the summer of 2009, a "test loop" for the commercial use of the laser enrichment process started with plans for construction of the new facility to start in 2012. This will bring the region more than \$1 billion in new investment and 900 technical, operational and support jobs averaging \$85,000 in annual pay. Some 22 North American locations were under contention for the facility.

In May 2011, Global Nuclear Fuel-Americas, a joint venture between General Electric, Toshiba Corp. and Hitachi, received a \$300 million contract from a Baltimore-based nuclear energy utility company. It will supply nuclear fuel and licensing services for Constellation Energy Nuclear Group's (CENG) Nine Mile Point Nuclear Station in central New York. CENG owns and operates five nuclear reactors at three sites in New York and Maryland.

In February 2005, the City and the County approved and authorized the execution and delivery of a business investment grant agreement with Pharmaceutical Product Development, Inc. ("PPD") in connection with the construction of a new world headquarters facility 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. PPD was named one of North Carolina's Best



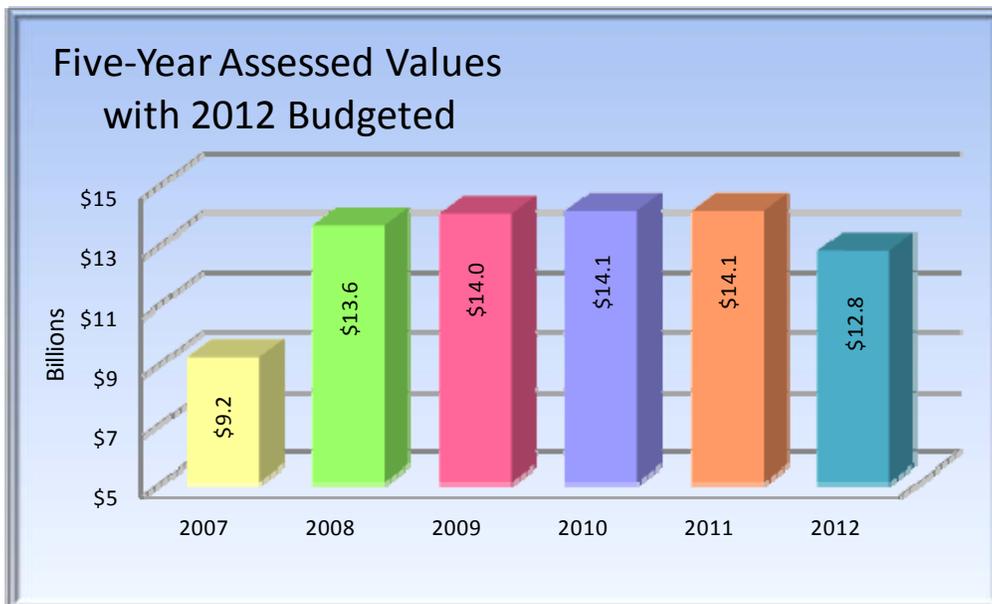
Employers for 2009 and was featured in the July/August issue of NC Magazine. PPD ranked number seven among all companies and was the only contract research organization to receive the award. In November 2011, PPD was named the best contract research organization by *Scrip Intelligence*. *Scrip* also

recognized PPD's innovative technology solution that improves the efficiency of managing *Risk Evaluation and Mitigation Strategy (REMS)* programs, designed to help ensure the safe distribution and administration of certain marketed drugs. PPD also earned the number one spot among contract research organizations in the 2011 *CenterWatch* global site survey and was named for the second consecutive year to the *Information Week 500 List of Top Technology Innovators*. In addition, PPD and ProtonMedia won a Microsoft 2011 *Life Sciences Innovation Award* for PPD<sup>R</sup> 3D, a virtual, collaborative environment improving the cost-effectiveness, speed and quality of training for clinical research associates.

In 2010, PPD spun-off Furiex Pharmaceuticals, a drug development collaboration company, using innovative clinical development design to accelerate and increase value of partnered drug programs by advancing them in a cost-effective, efficient manner. Development programs are designed and driven by a core team with extensive drug development experience. The company partners with pharmaceutical and biotechnology companies and has a strong, diversified product portfolio and pipeline with multiple therapeutic candidates including late-stage assets and one product on the market.

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 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.

On October 3, 2011, Carlyle Group and Hellman & Friedman agreed to buy PPD for \$3.9 billion in cash, in one of the largest leveraged buyouts of the year. Carlyle and Hellman & Friedman got around financing problems by structuring a deal that spreads out the risk between them as well as the four banks providing debt financing: Credit Suisse, JP Morgan Chase & Co, Goldman Sachs Group Inc. and UBS AG.



Construction began in 2004 on a mixed use development known as Mayfaire. This development includes more than 400 acres and, upon completion, will have a wide range of residential, retail and office development with 140 acres of open space. The total development is estimated at \$400 million. As of

October 2011, approximately 85% of the overall Mayfaire project was complete. In May 2004, the Town Center portion of the project was opened with more than 386,000 square feet of restaurant and retail space.

In September of 2007, Phase II, portions of Phase III and an 80,000 square-foot grocery-anchored retail center were opened, bringing the total to more than 650,000 square feet of retail and restaurant space. Phase II tenants include Pottery Barn, Victoria's Secret, Eddie Bauer and other retailers. The developer at Mayfaire is currently working with several tenants to occupy the second phase of the Mayfaire Community Center which will consist of approximately 100,000 square feet of new retail. Construction is expected to commence on this portion of the project in mid 2012. A 120-room Hilton Garden Inn opened in 2007 and a 118-room Homewood Suites opened in 2010. A 90,000 square-foot professional office building opened in 2006 and has been programmed for future expansion. Construction of more office buildings containing both traditional and medical office uses are expected to begin construction in late 2011. 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 provided 72 acres of common/open space. Approximately 94 single family home sites and approximately 131,000 square feet of office and commercial use, including Novant, a 40,000 square-foot medical office facility have been constructed. Although other sections of Phase I are currently under construction, master plan amendments with accompanying site plans have been submitted to include a 2009 site plan review of a 6.71 acre site containing a 3,331 square-foot clubhouse site containing a pool, tennis courts and entertainment facility. Also included is a 2011 site plan review of a 14-acre site containing seven, 3-story multifamily buildings with a total of 282 residential units, pool, and open space. The revised plan eliminates the proposed 33 townhomes and approximately 75,800 square feet of retail space.

A voluntary 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 of Wilmington Fire Department to extend fire protection services and also will dedicate land for public parks and funds for the New Hanover County school system.

### *Tourism*

Tourism is the area's largest economic component in terms of employment and revenues. Nearby beaches, the historic river front 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 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 re-creation 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 40,000 artifacts.



The **Cucalorus Film Festival** (Cucalorus) is considered one of the region's premier cultural events drawing more than 10,000 visitors and screens over 150 films. 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".

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.



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 the room occupancy tax discussed herein, 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 2010, travel and tourism generated \$400.9 million. This number represents a 6.9% increase from 2009 revenues. New Hanover County ranks number nine among North Carolina's 100 counties in tourism expenditures.

State and local tax revenues from travel to New Hanover County in 2010 amounted to \$37.31 million. Travel generated \$91.62 million in payroll in 2010 and provided 5,040 jobs.

### *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 clear-span 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, "movies of the week," eight television series along 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 investment in Stage 10 as well as "the large local crew with experience handling five simultaneous productions" was a major factor. Additional filming in Wilmington includes "Arthur Newman, Golf Pro" and features Colin Firth and Emily Blunt, the Nicholas Sparks feature film "Safe Haven" will begin filming in the area in June 2012, the feature film "We're the Millers" starring Jennifer Aniston and Jason Sudeikis will begin filming in late July 2012, and a new NBC television series entitled "Revolution" will also begin filming in July.

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, prop and 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 Wilmington, NC as well as in Atlanta, GA and Charleston, SC.

***Top Ten Tax Payers (FY 2011)***

<b>Taxpayer</b>	<b>Rank</b>	<b>Taxable Assessed Value (\$)</b>	<b>% of Total Value</b>
<b>Corning</b>	1	208,791,834	1.6
<b>Progress Energy (CP&amp;L)</b>	2	57,516,442	0.4
<b>Centro Independence LLC-Mall</b>	3	50,436,737	0.4
<b>River Ventures LLC (PPD)</b>	4	45,889,678	0.3
<b>BellSouth Tel Co.</b>	5	41,533,602	0.3
<b>Mayfaire Retail LLC</b>	6	34,739,297	0.3
<b>GS II University Centre LLC</b>	7	34,689,178	0.3
<b>NNP IV Cape Fear River LLC</b>	8	33,672,953	0.3
<b>Wal Mart Property Tax Dept</b>	9	31,138,194	0.2
<b>Mayfaire Spe B LLC</b>	10	30,257,828	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 4,800 employees. NHRMC’s Zimmer Cancer Center has 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.



## 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 Wilmington City Council, five members appointed by the County and one member jointly appointed by the City and the County. A private management firm operates a system of ten routes, UNCW Shuttle service, and historic downtown trolley. The City's subsidy to the system was \$1,427,915 for fiscal year ending June 30, 2011. This amount represented \$1,227,474 for operations and \$200,441 for capital. The City's operating subsidy for operations was approximately 17% of the transit budget. 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, located in the City on the east bank of the Cape Fear River, is one of two deep water harbors in the State. The Port handled 3,524,473 tons of cargo for the fiscal year ended June 30, 2011, an increase of 2.78% over 2010. 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 under way. 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 fast-growing Southeast U.S. market. Recent and ongoing improvements to regional and national highway networks make surface transportation supporting the Port of Wilmington superior to neighboring ports. CSX Transportation provides daily service for boxcar, tanker and general cargo services.



### *Wilmington International Airport*

The Wilmington International Airport, a component unit of New Hanover County (the “Airport”) is operated by the New Hanover County Airport Authority. The Airport is the 4<sup>th</sup> largest in the State. In calendar year 2010, the Airport served 821,940 passengers, an increase of 14,814 or 1.84% over 2009. Four commercial airlines, US Airways, Delta, American Airlines/American Eagle and Allegiant, provide regular jet and commuter service with 25 daily flights, offering direct (non-stop) service to seven major cities: Atlanta, Charlotte, New York, Philadelphia, Washington DC, Chicago and Orlando-Sanford and one-stop connections to 100’s of destinations both domestically and internationally. The Airport has 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, for the 14<sup>th</sup> consecutive year, was rated among the top 10 public master’s universities in the south by *U.S. News and World Report* and 3<sup>rd</sup> on its list of “up-and-coming” master’s universities in the South. UNCW has been awarded the “Best in the Southeast” designation for the 8<sup>th</sup> year in a row from the *Princeton Review*. For the third year, UNCW is part of an exclusive group of higher education institutions included in the prestigious *Fiske Guide to Colleges* and was named for the 3<sup>rd</sup> year in row as a Military Friendly School by *G.I. Jobs*. The Master of Fine Arts in creative writing is one of the most respected on the East Coast, cited as one of “Five Top Innovative/Unique Programs in Creative Writing” in 2007 by *Atlantic Monthly*. UNCW is ranked 17<sup>th</sup> for “America’s Best College Buys” by Forbes.

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, 31 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 2011 enrollment of 13,145 full-time-equivalent undergraduate and graduate students.

**Cape Fear Community College (CFCC)** is the 5th largest school in the 58 North Carolina Department of Community Colleges System. CFCC offers 60 technical and vocational programs along with 21 college transfer programs and serves over 26,500 students every year. CFCC's enrollment in credit programs is 7,611 part-time and full-time equivalent students. Funding for CFCC is provided through the County, State and Federal governments.

CFCC's new Union Station project will be a major new addition to the landscape of downtown Wilmington. The project is the first building funded by the \$164 million bond referendum passed by New Hanover County voters in November 2008. The local bond funds are being spent locally to provide more job training opportunities for the local community. Located at the corner of Front and Red Cross streets, the building will enable CFCC to better serve local citizens by providing more classrooms for general college classes, expanded health care training labs, a new parking deck and a student services center.



Union Station Project

## LONG-TERM FINANCIAL PLANNING

The City seeks to consistently maintain a strong financial position as evidenced by its AA+/AA+/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.

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 was selected to manage the Center and during the eight (8) months of operation in fiscal year 2011, SMG successfully hosted over 80 events, including six convention groups. 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.

The initial budget and anticipated cost of the facility was \$56.6 million, which included the parking deck and reimbursement for the cost of land. The estimated final cost of the facility is expected to be approximately \$51.8 million.

### *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*

**Westfall Medical offices** is a three-story, 52,500 square-foot office building located on 3.36 acres at 1817 Sir Tyler Drive. Project release is delayed pending off-site roadway improvement agreements. Construction has not yet begun.

**The Sidbury**, located at 7205, 7215 & 7225 Wrightsville Avenue, was approved for construction in June of 2011. The project consists of three 4-story buildings that include 102 residential units, 15,750 sq ft of retail space and 13,200 square feet of office space. The applicant is proposing to use low impact development techniques and to utilize underneath building parking areas to minimize impervious surfaces. A request for a special use permit was submitted in October of 2011 to increase the height of one of the buildings from 45 feet to 60 feet.

**Courtyard by Marriott**, a 124-room hotel, is under construction at the corner of 2<sup>nd</sup> and Grace Streets, with a construction cost of \$14 million. The hotel will feature meeting spaces as well as a street-level Starbucks and an internal bistro. Once built, 30 permanent positions at the hotel are expected for normal hotel operations.

**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.

**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.

**Tiburon Parc** is a 32-acre commercial subdivision consisting of 5 parcels located on the east side of Independence Boulevard. The developer is currently constructing the utility, street and storm water infrastructure and installing the other improvements that will be required to serve the development.

**Live Oak Bank**, proposed for approximately 7 acres of property within the Tiburon Parc commercial subdivision, is expected to be completed by summer 2012. The Live Oak Bank buildings will be 34,100 square feet and LEED certification is being pursued.

**New Hanover Health and Rehabilitation Center** is a 175,200 square-foot skilled nursing and rehabilitation facility located at the northeast corner of Independence Boulevard and Carolina Beach Road. Construction has not yet begun.

## **AWARDS AND ACKNOWLEDGMENTS**

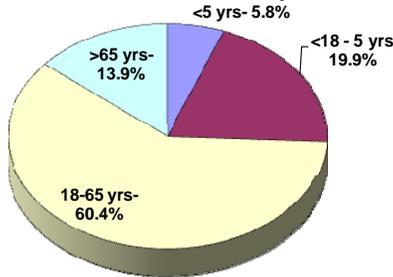
The preparation of this budget could not have been accomplished without the hard work and cooperation of all City of Wilmington departments.

## ADDITIONAL DEMOGRAPHIC INFORMATION

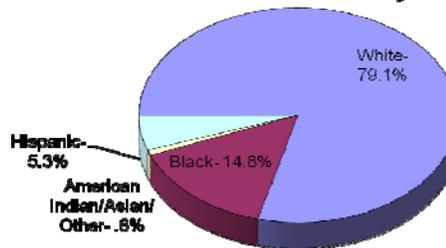
### CITIZEN DEMOGRAPHIC

City of Wilmington Median Household Income, 2010.....	\$35,634
New Hanover County Median Household Size, 2010.....	2.30
Median Age, Wilmington, 2010.....	33
Gender Composition, New Hanover County, 2010.....	Female 51.5/ Male 48.5
Racial Composition, New Hanover County, 2010	
.....	79.1% White
.....	14.8% Black
.....	8% American Indian/Asian/Other
.....	5.3% Hispanic
Median Value of Owner-occupied Homes, New Hanover Co, 2010.....	\$227,800
Per capita money income in past 12 months (2010 dollars) 2006-2010.....	\$29,363

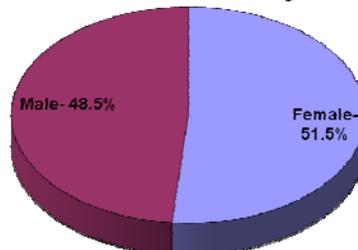
**Population Age Demographic  
New Hanover County**



**Racial Composition Demographic  
New Hanover County**



**Gender Composition Demographic  
New Hanover County**



Source: U.S. Census Bureau – New Hanover County Quick Facts

**AREA EDUCATIONAL INFORMATION**

New Hanover County Schools, Spring 2012.....	44 total
.....Pre-K – 2	
.....Elementary School – 25	
.....Middle School – 10	
.....High School – 7	
New Hanover County High School(s) Cohort Completion Rate, 2011.....	73.9%
University of North Carolina at Wilmington Enrollment, est. Spring 2012:	
.....661 acre campus	
.....12,136 total students (excluding extension)	
Cape Fear Community College Enrollment, est. Spring 2012:	
.....9,123 total students	
Miller- Motte Technical College Enrollment, est. Spring 2012.....	975 total students
Mt. Olive College Enrollment, est. Spring 2012.....	475 total students

**POLICE PROTECTION**

Number of Sworn Officers, Auth FY 2012-13 .....	266 (251 City funded/15 grant funded)
Number of Approx. Calls for Service Annually FY 2010-11 (actual).....	182,124
Number of Stations.....	1 headquarters, 1 substation

**FIRE PROTECTION**

Number of Full-time Firefighters, Authorized FY 2012-13.....	194
Number of Fire Stations.....	11
ISO Rating.....	2
Number of Fire Responses, est. FY 2011-12.....	10,600

**SOLID WASTE COLLECTION**

Number of Customers – Total Serviced by City Crews.....	31,083
Tons Collected, est. FY 2011-12.....	22,631
Bulky Trash, est. FY 2011-12.....	1,808 tons
Vegetative, est. FY 2011-12.....	11,704 tons

**STREET SYSTEM**

Miles of City Streets, 2011 Powell Bill/D.O.T.:	
.....8.05 – soil, stone or gravel surface	
.....375.38 – hard surface	
Number of Street Lights:	
.....8,393 leased from Progress Energy Co.	
.....548 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.....	6,564 yards
# of Rounds played annually, est. FY 2011-12.....	41,702 (18) hole rounds
.....	17,289 (9) hole rounds

**PARKS AND RECREATION**

City-wide Parks & Total Acreage.....	34 (531 acres)
Number of Athletic & Recreational Facilities.....	8 (184 acres)
Number of Landscaped Areas & Greenways.....	21 (60 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 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.

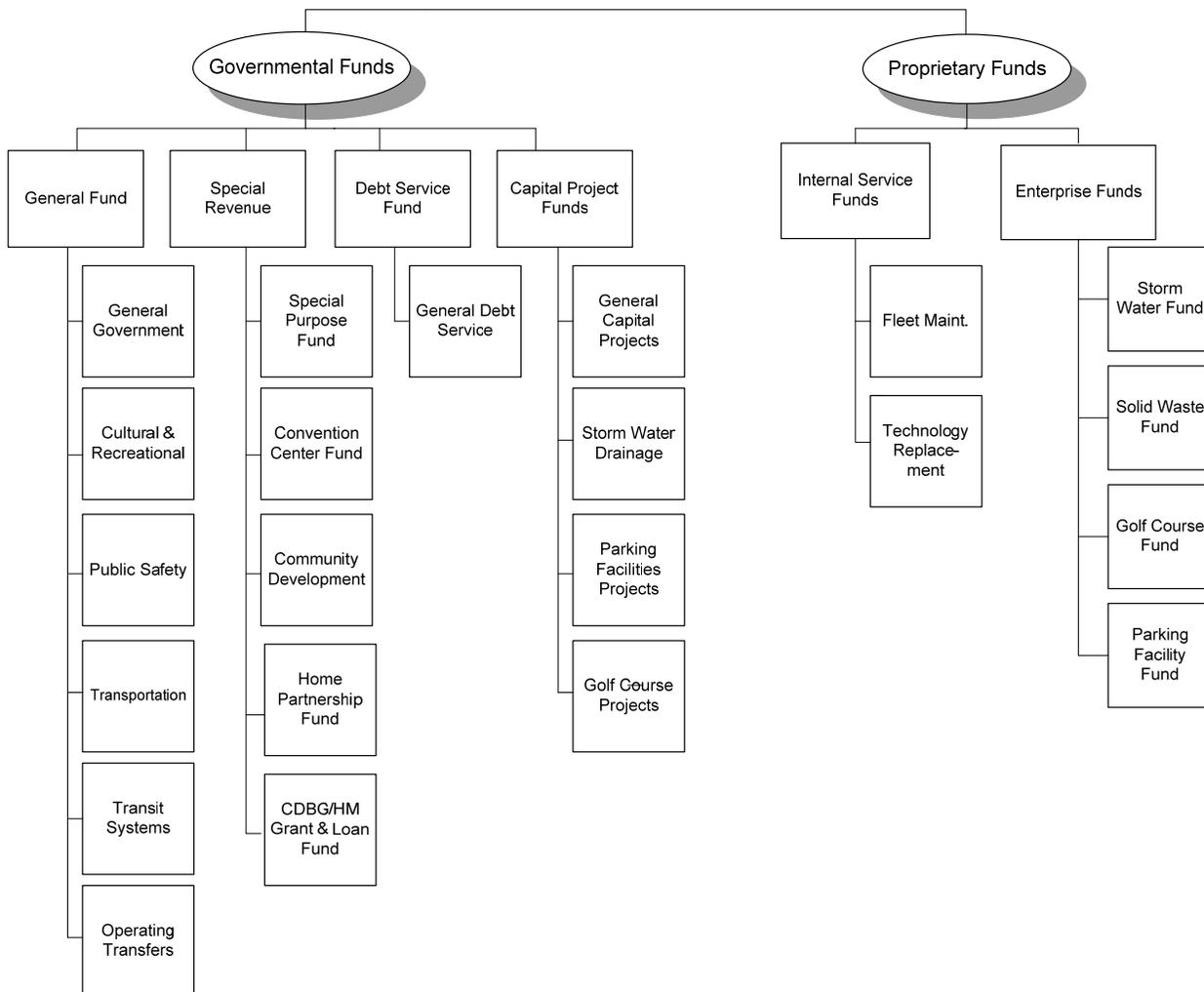
The Capital Improvement Program section contains the City's plan for major capital projects to be funded over the next five years (FY 2013-2017). These are new construction and/or renovation projects which improve the City's infrastructure. The projects are grouped according to general type: Streets 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

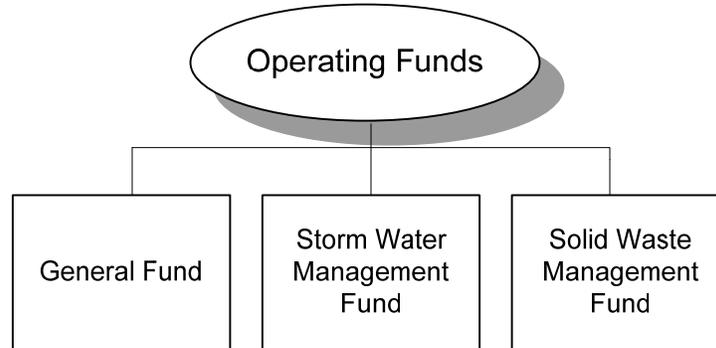
The City of Wilmington budget consists of two overarching fund types. They are **Governmental Funds** and **Proprietary Funds**.

**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

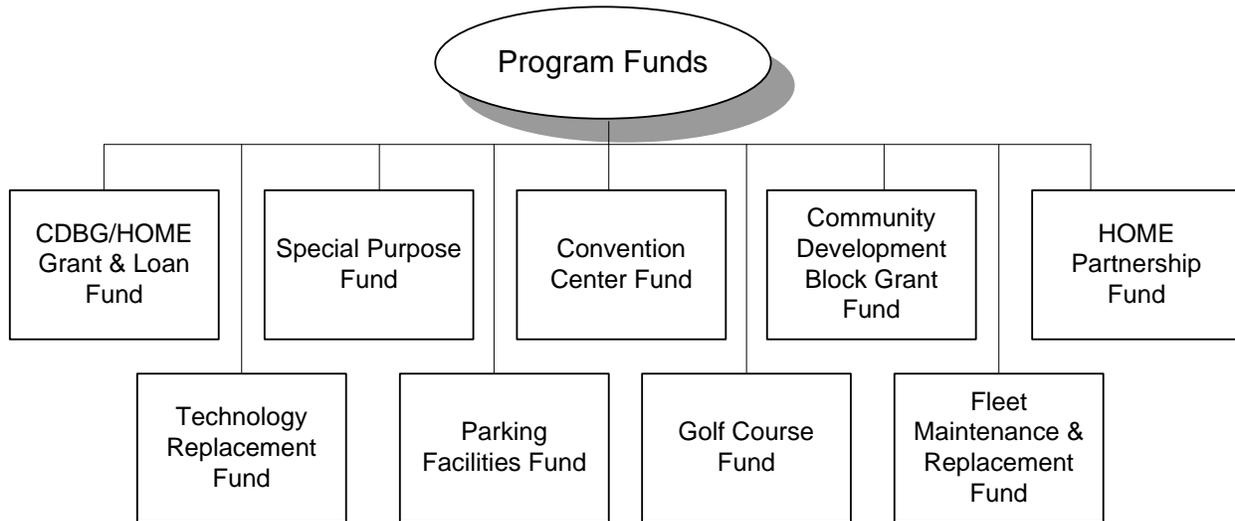


*These funds provide for all of the basic operations of the City government.*

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.

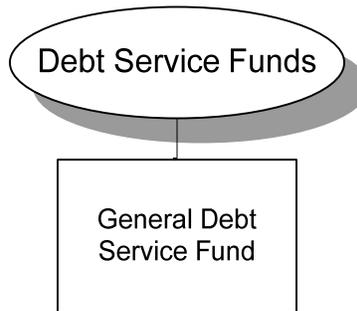
The *HOME Partnership Fund (025)* is supported primarily by federal grant funds allocated to the City for housing-related activities in low and moderate income neighborhoods.

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.

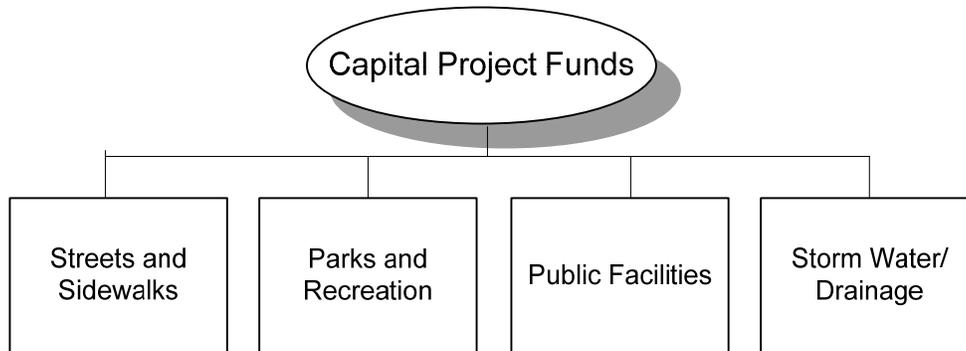
The *Golf Course Fund (057)* is supported by the income received at the City's municipal golf course and the associated costs with running that operation.

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:

<b><u>Fund</u></b>	<b><u>Basis of Budgeting</u></b>	<b><u>Basis of Reporting</u></b>
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.

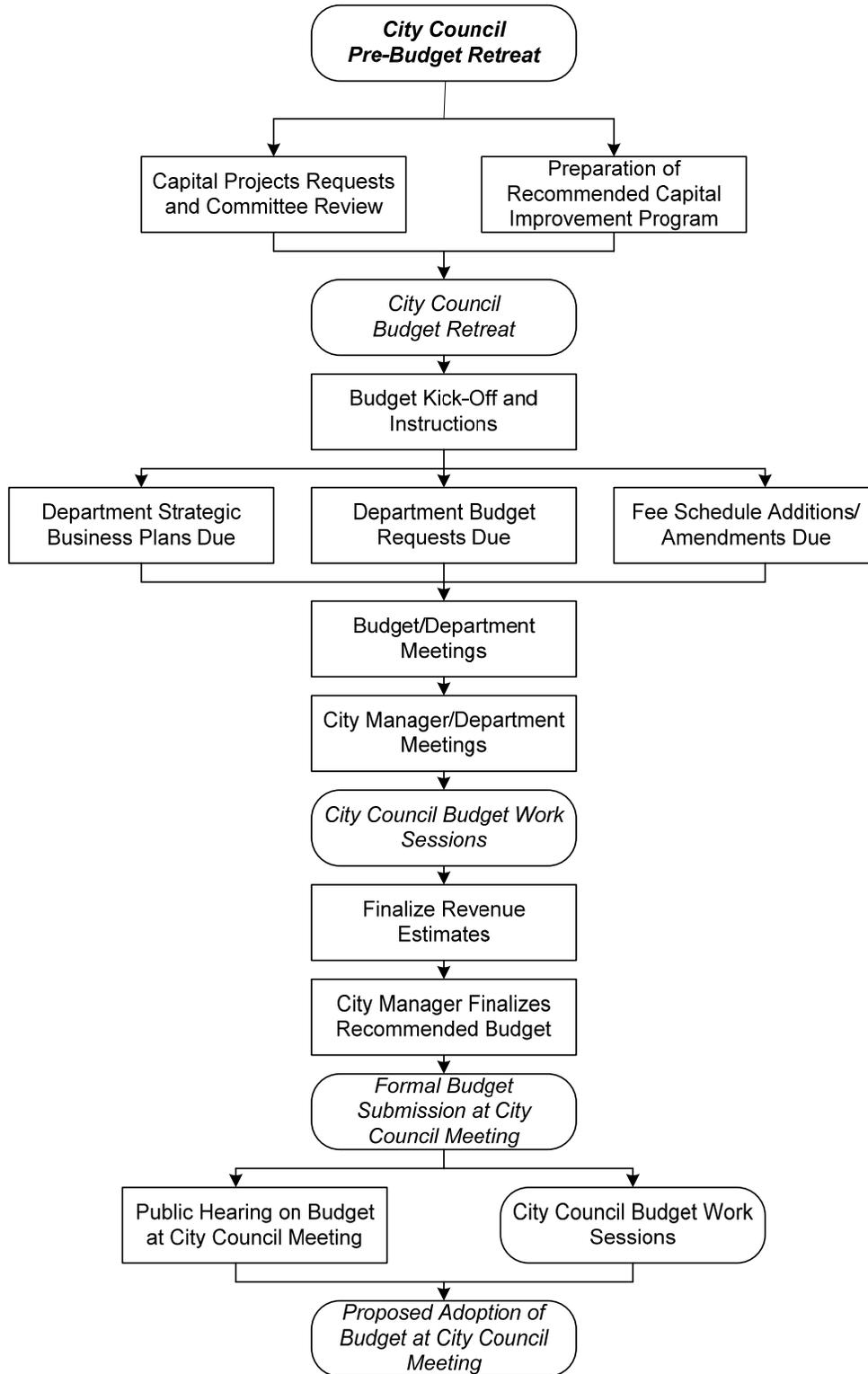
Proposed ordinance amendments are prepared by the administration and include a statement by the Finance Officer as to the availability of funds. A cover letter provides background information and the City Manager’s recommendation on the proposed amendment. Ordinances require two readings for adoption.

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.

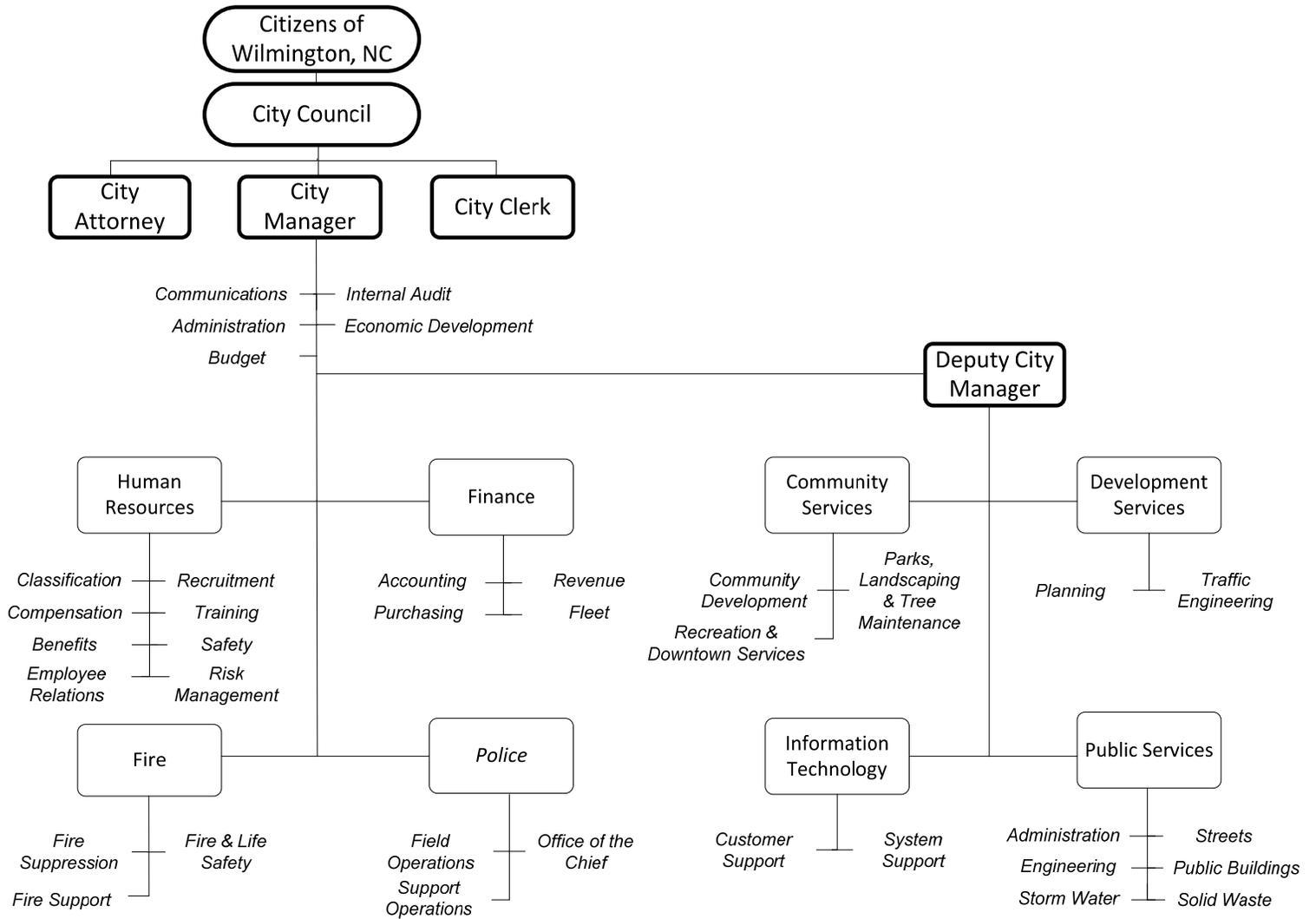
### SCHEDULE OF EVENTS FOR THE PREPARATION OF THE FY 2012-13 BUDGET

Capital Project Requests Due/Committee Review .....	November 30
Budget Kick-Off and Instructions.....	December 1
City Council Pre-Budget Retreat .....	December 16
Preparation of Recommended Capital Improvement Program.....	January 5-6
Department Budget Requests Due .....	January 31
Requests for Fee Schedule Adjustments Due .....	January 31
Budget Office/Department Budget Meetings .....	February 8-15
City Council Budget Work Session .....	February 20
City Manager/Budget Office/Department Budget Meetings .....	February 27 – Mar 16
City Council Budget Work Session .....	March 19
Finalize Revenue Estimates .....	April 11
City Manager Finalizes Recommended Budget .....	April 12- May 1
City Council Budget Work Session .....	May 2
Formal Budget Submission at City Council Meeting.....	May 15
City Council Budget Work Session .....	June 4
Public Hearing on Budget at City Council Meeting.....	June 5
City Council Budget Work Session .....	June 6
Budget Adoption at City Council Meeting .....	June 19

## BUDGET PREPARATION PROCESS



## ORGANIZATIONAL STRUCTURE



## FINANCIAL MANAGEMENT POLICIES

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

### *REVENUE POLICIES*

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

### ***EXPENDITURE POLICIES***

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

### ***RESERVES***

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

### ***DEBT MANAGEMENT***

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

### ***CAPITAL IMPROVEMENT PROJECT POLICIES***

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