



# *City of Martinsville*

## **FY 2011-2012 PROPOSED BUDGET**

# City Council's VISION

Martinsville-Henry County is a nationally recognized success story. Once a thriving industrial center, the region has been renewed as a diverse community, but one that has never lost its small town appeal. With a vibrant "destination uptown", numerous entrepreneurial, career, cultural and recreational opportunities, a comprehensive education system, and a varied, technologically advanced economy, Martinsville, an All American City, has consistently ranked for over a decade among the top cities under 25,000 in which to live in the Southeast.

# City Council's VISION

Near both the Blue Ridge Mountains and the metropolitan areas of Virginia's Roanoke Valley and North Carolina's Piedmont Triad, Martinsville-Henry County offers the best of tightly knit, highly affordable, neighborly life with easy access to the amenities of the urban cities.

# Community Economics

Detailed pre-budget information outlining diminishing financial resources was presented to City Council March 22, 2011.

## ■ GENERAL FUND EXPENDITURES

- 32%=Public Safety
- 14%=pass-through highway maintenance \$\$
- 21%=our local portion of K-12 education
- 7%=judicial services

# TRENDS

- Local unemployment rate=higher than state and national rates
- Population down by 14.5% since 1990=lower tax base
- Increased fuel costs=higher cost of supplies
- Police and Fire calls for service spiraling upward
- State funding for Constitutional offices reduced
- Citizens expect and deserve reliable electric, water, sewer, garbage collection and general government services=need for high caliber public servants to manage city and provide vital services.

# PROVIDING SERVICES \$\$\$

- Tax rates have held constant since 2006-2007
- Increases in fees in Water, Sewer, Electric and Refuse have held the line until absolutely necessary causing insufficient revenue to pay for critical services such as law enforcement, paramedic responses, and senior services without being supplemented by other sources such as use of Fund Balance
- Audited Fund Balance end of FY10=\$13.1M

# THE BOTTOM LINE

**“THE CITY HAS LIMITED  
FINANCIAL RESOURCES  
AND TOUGH DECISIONS  
HAVE TO BE MADE”**

# Efforts to Reduce Expenditures

- **Employee furloughs** for city-only positions
- **Landfill Methane Project**-reduce purchased power costs, saving \$500,000 per year; obtained \$1M federal funding for construction of system
- **Increasing ambulance fees** paid by private insurance, Medicaid and Medicare; using a soft billing approach

# Efforts to Reduce Expenditures

- Reorganization of city departments to improve customer service and save money including:
  - Utility Billing
  - Combining all city utilities into one department with one department director to share resources
  - Fire Department and Building Inspections
  - Development of risk management practices that saved the city 10% on its casualty and workers' comp insurance

# Efforts to Reduce Expenditures

- **Reduction of City Workforce**—24.1% over past 13 years
- **Converting jobs** from full-time to part-time when fewer hours are sufficient
- **Minimizing expenses in the Enterprise funds** by reducing personnel and operating hours, streamlining operations, reorganizing departments, and improving operational efficiency

# Efforts to Reduce Expenditures

- **Eliminating, reducing and/or delaying** much needed capital purchases
- **Outsourcing services**-receipt of after hour utility calls instead of in-house dispatching
- **Sludge Processing Equipment** changes in Waste Water Plant
- **Refinancing debt** including general obligation bonds to take advantage of lower interest rates

# Efforts to Reduce Expenditures

- Obtaining grant funds to automate city's hydroelectric dam and rebuild turbines to make operation more energy efficient
- Obtaining grant funds to retrofit city government buildings for energy efficiency
- Establishing a Green Committee to assess the city recycling program and recommend future recycling opportunities
- Many, many more measures in various departments

# PUBLIC INPUT

- General theme from our citizens has been “we want the same level of service without tax or fee increases.”
- Not a realistic philosophy with diminishing revenues and inflationary factors.

# PUBLIC POLICY

- Public policy has been:
  - Continue reducing expenditures
  - No tax increases
  - Maintain consistent level of services

This policy has been in concert with expressed wishes of the public while at the same time adversely affecting productivity, quality of work, timeliness of response, and forward thinking in many instances.

# PRESENT CHALLENGES

- Community's inability to pay more taxes
- Insufficient revenue to meet public demand and expectations
- Government services must be provided; it takes a minimum number of personnel to provide services
- Demand for government services continues to increase, especially Fire, EMS and law enforcement calls for service

# PRESENT CHALLENGES

- **Workforce reductions** have been imposed on EVERY City department.
  - With no changes to the current services provided, quality and customer responsiveness is at risk.
  - Many years of knowledge have already left the organization since most positions are not filled following attrition.
  - If key personnel leave, this lack of continuity places the City in a vulnerable condition.

# PRESENT CHALLENGES

- Employees have not received a pay increase since the 2007-2008 budget year. City employee pay actually went down in FY11 due to mandatory furlough days.
  - City employees see neighboring jurisdictions giving bonuses, stipends, or general pay increases.
- Entry-level pay is not competitive for many positions. This non-competitive gap widens with supervisory and management positions.

# PRESENT CHALLENGES

- When trying to recruit employees, the City competes with neighboring jurisdictions and the private sector.
  - The same skill set required to work here is the same in these neighboring localities while our challenges are greater in certain cases.
- The gap between cost of employee health insurance and the city's share of the cost continues to widen.
  - The City presently funds 67%-70% of the employee's health insurance cost and preliminary discussions regarding FY12 are that rates will drastically increase. Exact cost will not be known until well into budget discussions as the insurance package is out for bid.

# PRESENT CHALLENGES

- Employee training and development have been reduced or eliminated to keep costs low.
  - Continuing education is important for our employees and by providing sufficient educational opportunities, our staff becomes more knowledgeable and able to perform more effectively.
- Operation costs continue to increase due to inflation, unpredictable fuel costs, and continued reductions in state aid.

# PRESENT CHALLENGES

- City's debt is relatively low and does not pose any negative consequences. However, by not increasing taxes and keeping our utility rates at low levels, the pattern has not been to fund many capital projects including purchases that are typically routine in nature.
- The FY11 budget was balanced using **\$639,552 in Fund Balance** meaning that the City is presently spending more than it is receiving in revenue.

# FY12 BUDGET OVERVIEW

- Requested expenditures exceeded projected revenue by \$2,916,503
  - Funding requests received from City departments, constitutional offices, school division, and outside agencies
- Staff's philosophy in budget preparation is conservatively proposing expenditures to maintain present level of service.
- City Council's role is establishment of policy and determining the level and extent of services offered in the City.

**Staff had to make some  
very tough choices to  
reduce the difference  
between requested  
expenditures  
and available revenue.**

# MAJOR DIFFERENCES between CURRENT BUDGET and PROPOSED FY12 budget

- **NO TAX INCREASE** being proposed
- Staff is proposing a 15% increase in sewer rates.
  - **THERE HAS NOT BEEN A CITYWIDE SEWER RATE INCREASE SINCE 2007.**

# REASONS FOR SEWER RATE INCREASE

- City's cost for treatment chemicals, electricity, and equipment continues to increase
- Without a rate increase, the transfer to City's General Fund would be down to \$792,040, the lowest since 2006. The depreciation expense for this enterprise is \$575,000 per year indicating the excess of revenue over expenses is near the annual equipment depletion cost.

# REASONS FOR SEWER RATE INCREASE

- Martinsville's sewer rates are 25% lower than benchmark localities.
- A 15% increase positions the City to maintain rates lower than those of most of our peers.
- **The proposed increase adds \$2.98 monthly for an average residential customer.**

# OUTSIDE AGENCY FUNDING

- No new outside agencies are funded.
  - Most agency funding reduced 5%-10%
  - Agencies that either save the city money or provide a direct service mirroring a City Goal/Initiative and/or demonstrating a hardship may see level funding.

# CAPITAL EXPENDITURES

- Expenditure reductions are made in EVERY City department.
- **Capital expenditures** are at extremely conservative levels with priority being given to imminent capital needs that are vital to the continued provision of City services.

# SCHOOLS EXPENDITURES

- Local contribution to K-12 education is reduced by 5%. WHY?
- It is not because of the lack of demonstrated success by our dedicated teachers, administrators, and support staff, but rather a necessity due to the unfortunate continued economic effects plaguing our community.

# ECONOMIC DEVELOPMENT

- Funding to the Martinsville-Henry County Economic Development Corporation is restored to the original FY11 level for a total contribution of \$300,000.
- The City only has so many resources to put into any function. This matter comes down to affordability and how much the City is willing to spend for this function.

# WATER LINE REPLACEMENT AND INCREASED ARMORY FEES

- \$100,000 is included for the replacement of the Lanier Road water line.
- Rental fees at Armory increased:
  - Basic Rental - \$225 (currently \$175)
  - Kitchen Usage - \$75 (currently \$50)
  - Alcohol Use - \$50 (unchanged)
  - Additional Day - \$100 (currently \$75)
  - Key/Cleaning Deposit - \$50 (unchanged)

# DEMOLITION FUNDING

- **DEMOLITION** budget increased from \$25,500 to \$68,500, an increase of \$43,000 in order to eliminate blighted conditions and to allow the City to remove most dilapidated properties.

# PERSONNEL

- Our city employees are our most valuable resource
- Hiring freeze continues except for vital operational positions
- No raises proposed due only to locality's inability to afford raises not that it isn't deserved
- No furloughs recommended in this budget

# PERSONNEL

- No increase in funds for health insurance costs; it is known that there will be a substantial increase in rates charged for health insurance
- A custodian position in City Hall is eliminated.
- One Assistant Utilities Director is vacant and will not be immediately filled. This vital position will be re-advertised and filled during budget year to ensure continuity of our utility operations.

# PERSONNEL

- Two full-time positions in the Housing Office will be converted to part-time.
- Administrative Office Associate in Parks & Recreation not recommended for funding.
- Programmer position in Parks & Recreation not recommended for funding.
- Finance Director added to fill by mid-budget year.
- Community Development Specialist is added to focus on working to increase tax base through community re-development and expansion.

**There is \$631,025 in Fund Balance included to balance the budget without changes in service.**

**If Council opts to balance the budget without the use of this much Fund Balance, it will take:**

- a combination of the use of Fund Balance
- additional revenue increases
- and/or expenditure adjustments.

Now, I will remove my  
City Manager's hat, don  
my Finance Director's hat,  
and make some  
recommendations that I  
want Council to  
**STRONGLY** consider

- **Do not use this much of cash reserves** to balance budget. Instead, deal with this deficit by solving the problem and aligning spending with the community's ability to pay. We need to live within our means and stop spending more than we are taking in.
- If we do not **deal with this matter now**, next year not only will our needs exceed available resources, unfunded needs from the past, especially capital projects, will create a compounded effect.

- Need to adopt **priority-based budgeting practices** to determine the priorities of the City, works towards those priorities, and eliminate services and practices that do not parallel this model.
- Establish priorities and determine how many resources to allocate to each priority
- Consider a funding formula (such as a specific percentage of forecasted revenue) so that when revenue drops, so does the corresponding expenditure
- When revenue increases, a mechanism is in place to allocate additional resources towards that function.

# NEXT STEPS

- Study this budget in detail, ask questions and request additional information
- Encourage public comments. Talk to your constituents.
- Budget worksession #1 set for Mon., May 16, at 4:00pm
- Budget worksession #2 set for Thurs., May 19, at 4:00pm

# NEXT STEPS

- Conduct additional works sessions as necessary
- Set a Public Hearing for May 24, 2011
- 1<sup>st</sup> reading on May 24, 2011
- 2<sup>nd</sup> reading and final approval on June 14 with effective date of budget July 1.

# APPRECIATION TO THE BUDGET TEAM

❖ **Linda Conover**

Budget Analyst

❖ **Donna Odell**

Assistant Finance Director/HR Director

❖ **Leon Towarnicki**

Assistant City Manager

# APPRECIATION

## FINANCE STAFF:

Lisa Holiday

Mary Kay Washington

Wanda Jessup

## SUPPORT STAFF in City

Manager's & City

Attorney's office:

Brenda Prillaman

Karen Walker

*“I am proud to work with a very dedicated and enduring work force, our City employees, who are the frontlines of service, day in and day out, there for our citizens”*

**Clarence C. Monday, City Manager/Finance Director**



**We will  
continue  
turning the  
corners every  
day to a  
brighter  
tomorrow for  
our  
community**