



*Martinsville*  
A CITY WITHOUT LIMITS



*FY 2013 -2014*  
*Proposed Budget*

***APRIL 11, 2013***

# Introduction

Preparation of the FY2014 budget again presented many of the same challenges experienced in budget preparations of the last several years with the same underlying question – how to continue balancing the need to provide a level of services citizens deserve and expect with revenue that doesn't match the cost of providing those services.

Fairly and equitably balancing available resources with demands for those resources continues to be the most difficult task of the City's budget development process.

Many of the factors that have shaped budgets of recent years are still in existence – issues related to the local economy, relatively flat revenue coupled with increasing costs for fuel, insurance, materials, equipment, and supplies.

The proposed FY2014 budget maintains the same level of services currently offered to the citizens and businesses of the City of Martinsville. The budget document does include several changes you will notice during the review process including the establishment of a Fiber/MiNet budget as a separate fund to begin the process of tracking expenditures and revenues of the City's fiber optic and telecom program as a true enterprise fund. Additionally, due to changes in management of the Mustangs baseball team, both the revenue and expense line items related to team operations have changed significantly. These and other budget changes will be outlined later in more detail.

Developing the City's annual financial plan creates a unique opportunity for Council, City staff, and citizens to review the direction City government is headed.

Although the challenges of developing the FY2014 budget will be discussed over the coming weeks, it should also be noted that with those challenges comes opportunities to make changes and shape the future course.

Due to the continued efforts of our dedicated and committed City employees, citizens who continue to be interested in their local government, and an engaged and proactive City Council, the City continues to move forward, positioning itself for a bright and exciting future.

*Leon Towarnicki*  
*City Manager*  
*April 11, 2013*

# FY2014 Proposed Budget



## **GENERAL DISCUSSION**

# FY2014 Budget Objectives

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As development of the FY2014 budget began, several main objectives were identified that helped provide the framework for the process:

1. Continue to maintain services at current levels;
2. Address critical capital needs
3. Address personnel issues (VRS, cost of living, health insurance)
4. Continue to explore opportunities to consolidate services, improve efficiency, and develop new revenue sources.

# Budget Challenges

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- 911 Staffing
- Effect of reassessment
- Personnel Issues
  - ❖ *Increased Health Insurance Costs*
  - ❖ *Year 2 of the VRS implementation schedule*
  - ❖ *3% COLA for all City employees to match mandated increase for Constitutional employees*
- School Funding
- Additional staff needs
- Capital Needs
- Revenue/Transfers/Outside Agency Funding

# 911 Staffing

- **A request for funding the City's share of additional 911 staffing** – as a result of increasing call volumes, an additional 2 employees are requested in FY2014. Based on the existing shared funding arrangement of 70% Henry County/30% City, the City's cost share of 2 additional full time employees is \$26,088. Henry County has included funding for their share of the cost in their FY14 budget, contingent on the City doing likewise.



# Reassessment

- **Real estate reassessments for FY2014 have been completed** resulting in an average decrease in property values of 4.14%, and the resulting potential loss of approximately \$260,000 in tax revenue. In order to remain revenue neutral, the real estate tax rate would need to be adjusted from \$1.01816 per \$100 of assessed value, to \$1.0621 per \$100 of assessed value.

# Personnel Issues

- **Implementing the second year of a 1% Virginia Retirement System employee contribution increase.** Employees are given a 1% salary increase effective July 1 and likewise, employees have to contribute 1% to VRS. The City is able to reduce by 1% its contribution to VRS. Unfortunately considering the City's overall payroll, the increase in benefit costs incurred by the City are substantial. The cumulative cost to the City (for employees under jurisdiction of the City Mgr and Constitutionals for FY13 and FY14) is estimated to be \$126,710.

# Continued

- **Cost of living adjustment** for employees to match the 3% increase for Constitutional employees effective August 1, 2013. City employees have not had a general salary increase since 2008.
- **Health insurance** - overall plan cost increase is expected to be 12.7% in FY2014.

# School Funding

- In the FY2013 Budget, the approved contribution from the City's General Fund to the School budget was \$5,700,000, a reduction of \$126,394 from the approved \$5,826,394 from FY2012 and from the same amount requested in FY2013.
- For FY2014, Schools have requested a local appropriation of \$6,360,531, an 11.59% increase over approved FY2013 funding.

# Additional Staff Needs

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- 3 additional staff needs have been identified:
- A full-time, Assistant City Mgr. position
- Budget Analyst/Assistant Finance Director
- Automotive Mechanic at the City's Garage

# Capital Needs

- At the City Council work session on March 20th, the capital needs of City departments, Schools, and Constitutional offices were reviewed.
- Delaying critical capital purchases affects the City's ability to provide services efficiently and may ultimately cost more due to expensive repairs needed to extend life while recognizing increasing costs of future purchases.

# Revenue, Transfers, Outside Agency Funding

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- As part of the budget development process, revenue projections from all sources are closely reviewed and options for transfer of funds between various inter-governmental operations are considered in an effort to fully utilize available resources.
- Funding requests for outside agencies are considered with a recommendation made through the budget process for Council's consideration.

# FY2014 Proposed Budget



**WHAT IS  
RECOMMENDED?**



# FY2014 Proposed Budget

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- The FY2014 proposed budget continues to maintain the same level of services as provided in FY2013. In spite of increasing costs and the year to year challenges of simply maintaining the status quo with limited resources, the FY2014 proposed budget does not reflect a change in the core services provided to citizens and businesses of the City of Martinsville.

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- **An increase in funding for 911** of \$26,088 to cover the City's 30% cost share of 2 additional employees.
- **Recommended level funding** for currently funded outside agencies, with the exception of 911 and Piedmont Community Services. PCS funding includes a recommended \$1000 increase to cover costs related to administration of a grant for Crisis Intervention Training (CIT) for police personnel.

# FY2014 Proposed Budget

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- **An increase (“equalization”) in the real estate tax rate** from the current \$1.01816 per \$100 in assessed value, to \$1.0621 per \$100 in assessed value.
- The revenue the proposed adjustment is expected to generate is approximately equal to the projected loss in revenue at the current rate coupled with reduction in property values.

# FY2014 Proposed Budget

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- **A 1% pay increase** effective July 1, 2013 to cover the 2<sup>nd</sup> year of the 5% required VRS contribution.
- **A 3% cost of living adjustment** effective August 1, 2013 for employees under the jurisdiction of the City Manager, matching the State's increase for Constitution employees.
- City picks up the percent increase in the employer contribution to health insurance, and the employee picks up same percent on employee contributions.

# FY2014 Proposed Budget

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- **A School appropriation** of \$6,013,985, an increase of \$313,985 (5.5%) from FY2013 funding. The recommended increase includes \$126,394 cut from the FY2013 request, plus an additional \$187,591 to cover the General Fund's prorated contribution to the School budget for cost increases in health insurance, VRS (additional 1%), 3% COLA, and the 0.4% local match of the State's optional 2% increase for SOQ instructional personnel.

# FY2014 Proposed Budget

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- **Includes an allocation of \$710,809 to the capital reserve fund.** Of this amount, \$360,809 is required for debt service and the balance of \$350,000 will be assigned to capital purchases on a prioritized basis by the capital review committee.

# FY2014 Proposed Budget

- **A recommended increase in refuse collection fees** from \$16.25/month to \$18.50/month for residential service, and an increase from \$24.50 to \$26.00 per empty for dumpster-type containers serviced by the City. Businesses without dumpster containers and serviced by the City would pay twice the residential rate for twice-weekly service. Refuse fees have not been adjusted since 2009 and the increase helps cover increasing costs associated with disposal, equipment replacement, and maintenance of the closed landfill facility.

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- **The Refuse Collection budget** includes \$115,000 in capital which is approximately half the cost to replace a 1994 front loader garbage truck. The bid/purchase process will take into account payment with half from FY2014 and the balance from FY2015.



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- **No adjustments** are recommended for water, sewer, or electric rates.
- **The Water budget** includes \$326,000 for capital expenses; transfers to the General Fund, Capital Reserve, and MiNet Fund, and no projected net effect to the Water Net Asset Fund balance from FY2013 to FY2014.

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- **Sewer budget** includes \$157,073 in capital; \$138,438 for half of the estimated cost of engineering/inspection services for the main sewer interceptor; a transfer to the General Fund, and no net projected effect to the Sewer Net Asset Fund balance from FY2013 to FY2014.

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- **The Electric budget** includes \$13,569,898 in projected purchased power costs; \$270,000 in capital; continued substation, pole, and lighting maintenance; a transfer to the General Fund; and a projected FY2014 use of Electric Net Asset Fund balance of \$600,000.

# FY2014 Proposed Budget

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## **Other budget notes:**

- MiNet/Fiber/Telecom is established as a separate fund (11 Fund) to provide better accounting of revenues and expenses related to this operation. Capital costs for this operation are now included in this fund.
- There are changes in both revenue and expenses as shown in the budget due to the change to private management of the Mustangs baseball team.

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- Elimination of the Local Aid to the Commonwealth payment from the City to the State. In FY2013, the payment amount was \$170,902, and over \$200,000 in FY2012.
- The Federal Budget Control Act of 2011 (aka “sequestration”) may have an impact on interest for Qualified School Construction Bonds issued for the High School renovation project. The City currently pays interest on the Bonds (\$395,250 for FY14) which is reimbursed later.

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- Budget is balanced with a projected use of Fund Balance of \$906,080, transfer from Electric to the General Fund of \$600,000, transfer from Refuse fund balance of \$150,136 to Refuse operating budget, and a transfer of \$154,099 from the Thoroughfare Reserved account to the General Fund to cover the City's share of costs related to highway construction projects.

# Looking Ahead

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## **Opportunities for positive change and growth:**

- Development of Commonwealth Crossing BC and existing development in the Patriot Centre under revenue sharing with Henry County
- New College/Baldwin Block Development
- Possible establishment of a medical school
- Continued growth and expansion of the City's fiber optic/MiNet and telecom program.

# Looking Ahead

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- Continued enhancements to the Martinsville Uptown Area through various projects – Courthouse, Wayfinding, and CDBG.
- Henry Hotel Redevelopment
- Continued Increase in ridership on PART - the City/County public transit system



# Conclusion

The proposed FY2014 budget is being handed to Council with mixed thoughts – on one hand the proposed budget maintains current service levels, recommends a modest and reasonable adjustment in the tax rate and garbage collection fee, provides for the purchase of essential capital, recommends a modest increase in school funding, and provides a reasonable pay increase for employees who haven't seen an overall pay raise in years.

On the other hand, however, the proposed budget continues the trend of spending exceeding revenue – a trend that is simply unsustainable into the future.

In the FY2013 Budget, it was recommended that a detailed long-range financial analysis of the City be performed by a firm competent in such studies. In the next several weeks, staff expects to receive a draft as part of the reversion study process. A careful review of that information will be essential in helping to determine the course of action to be taken in the future to ensure the long-range financial health of the City and the ability to continue providing an excellent level of education, services, and opportunities for continued growth.

In conclusion I would like to acknowledge the efforts and input of City staff, Council, and School Administration in development of the budget. In particular, Ms. Linda Conover, Finance Director, and her staff; Ms. Ruth Easley, Commissioner of the Revenue, and our HR office.

# Next Steps

- Review the document, request additional information, ask questions, & talk to citizens.
- Consider setting 3 work sessions – for outside agencies; for Schools and Public Safety; and for City Departments and Constitutional Offices. Additional sessions may be scheduled if needed.
- Consider setting a public hearing for adoption of the budget on first reading for the May 28, 2013 Council meeting.