



*Martinsville*

A CITY WITHOUT LIMITS

***FY 2012 -2013  
Proposed Budget***

*April 26, 2012*

# Introduction

As was the case with the development of recent budgets, preparation of the FY2013 budget presented unique challenges and some difficult decisions had to be made. Again this year, budget requests submitted for consideration exceeded available funding and throughout development of the budget, City staff spent countless hours discussing how to efficiently and fairly allocate available resources. As Council is aware, a vast array of important issues must be considered – school funding; outside agencies; utility rates and services; employee issues and concerns; tax rates and fees; and public safety, to name a few. Developing the annual budget is arguably one of the most important things we do since the decisions made during the budget development, review, and approval process establishes the direction this “company” will follow for the next 12 to 15 months.

Many of the factors that have shaped recent budgets are still in existence – high local unemployment, relatively flat revenue streams coupled with increasing costs for fuel, insurance, materials and supplies, and what seems to be an unending creativity of state government in developing ways to pass along costs to localities. In one of the many VML updates staff received during previous months as the state budget process unfolded, was the following quote: *“When state legislators and officials brag that they did not raise taxes, local officials will need to point out that local taxes will have to be raised, or local services reduced, as a result of actions taken in the General Assembly to impose or expand state mandates and to underfund state mandates and other state programs.”*

# Introduction, continued

As will be noted later in this presentation, the proposed budget maintains the same level of services currently offered to the citizens and businesses of the City of Martinsville. The FY2013 budget as proposed addresses the accumulation of delayed capital purchases and funding of the City's obligation for the development of Commonwealth Crossing Business Centre (FY14) through a bond issuance, coupled with recommended rate increases in both water and sewer service. Additionally, to cover existing capital fund debt service a recommended 1% increase from 6% to 7% in the City's Meals Tax is being proposed.

For the 5<sup>th</sup> consecutive year, the budget does not include salary adjustments for employees although some costs are included to help cope with the ever-increasing expense of health insurance and to bring non-school employees closer in line to what is currently provided for school employees. All of our employees, however, continue to perform their jobs in the most efficient and professional manner possible with a demonstrated willingness to meet challenges head-on.

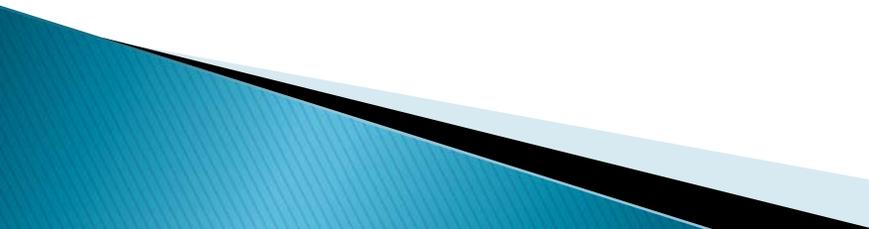
*Leon Towarnicki*  
*Interim City Manager*  
*April 26, 2012*

# Budget Objectives

As preparation for development of the FY13 budget occurred, 4 objectives were considered:

1. Continue to provide core services at current levels;
  2. Address capital needs;
  3. Address employee concerns regarding pay and health care costs; and
  4. While dealing with current issues, do not lose sight of future needs and opportunities.
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# Budget Challenges

- ▶ Overall, relatively flat revenue projections with a decrease in projected FY13 water & sewer revenue
  - ▶ State costs passed along to localities. For FY13, Virginia Retirement System/state life insurance costs, and a reduction in revenue from fines.
  - ▶ Increased costs for insurance, supplies, fuel, etc.
  - ▶ State's inability to adopt a final budget until late.
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# Core Services

- ▶ The FY13 budget maintains the same level of services as provided in FY12. In spite of increasing costs and the year to year challenges of simply maintaining the status quo with limited resources, the FY13 recommended budget does not reflect a change in the core services offered to citizens and businesses of the City of Martinsville.

# Capital Needs

- ▶ As the FY13 budget was being developed, City departments submitted capital requests – typically equipment/vehicles, machinery, major building repairs (roofing, HVAC, etc.). The list is then reviewed by a capital committee and the requests are prioritized. The accumulated capital needs assigned a Priority 1 for the FY13 budget totals almost \$2 million, and includes essential equipment and vehicles delayed from previous budget years as well as current needs.

# Capital Needs

- ▶ Continuing to delay capital purchases simply compounds the problem, affects the City's ability to provide efficient core services, and may ultimately cost the City more due to expensive repairs needed to extend life while recognizing increasing costs of future purchases. The projected capital needs are based on continuing to provide the same level of core services.
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# Capital Needs

## Major capital items include:

- ▶ Fire Engine 1 replacement – \$475,000
- ▶ Police vehicles (6) – \$142,800
- ▶ Sheriff vehicles (2) – \$52,000
- ▶ Public Works truck/equipment – \$82,000
- ▶ Computer/IT replacements – \$100,000
- ▶ Fiber Optic/garage doors/roof – \$236,800
- ▶ Electric bucket truck – \$175,000
- ▶ Sewer Jet Truck – \$98,000
- ▶ Garbage Trucks (2) – \$380,000

# Capital Needs

- ▶ In addition to the capital needs mentioned, looking beyond FY13 the City's obligation for costs related to the development of the Commonwealth Crossing Business Centre is \$1.67 million, and will be due early in FY14.
  - ▶ Total capital for FY13 and Commonwealth Crossing is approximately \$3.6 million.
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# Capital Needs

In addition to current capital needs, future capital costs and needs must be recognized as well, such as:

- ▶ Replacement/upgrade of water and electric meters
  - ▶ Replacement, maintenance, and upgrades needed for aging infrastructure
  - ▶ Beaver Creek Reservoir dam upgrades
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# Capital Needs

- ▶ Given current revenue/expense projections, there is insufficient capacity in the regular budget to address capital needs. To cover on-going and projected capital costs, an increase in the base rate of both water and sewer service of \$3.50 each per month is recommended. Additionally, a 1% increase in the local meals tax rate, from 6% to 7 % is recommended. This combination of rate and fee adjustments is expected to generate approximately \$750,000 per year to be used for capital expenses.

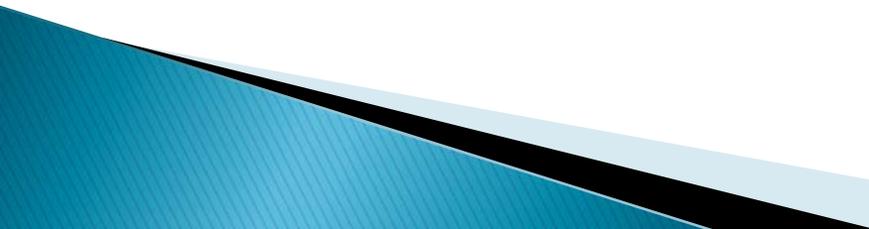
# Water/Sewer Rates

- ▶ Current sewer rate is \$20.87/month and the local average is \$29.81. A \$3.50 increase brings the rate to \$24.37, still considerably below the local average.
- ▶ Current water rate is \$23.00/month and the local average is \$25.46. A \$3.50 increase brings the rate to \$26.50, slightly above the local average.
- ▶ Even with the proposed rate increases, combined rates will be approximately 92% of the local average.

# Capital

- ▶ Additionally, it is recommended that funding the FY13 capital program including Commonwealth Crossing be handled through a short term (5 yr) bond issuance with the process beginning in October, 2012 and closing in early, 2013. Available transfers from the Meals Tax Fund and utilities will be used to cover debt service.

# Employee Issues

- ▶ City employees have not received a salary increase since FY08. Due to rising costs, employees are realizing less “take home” pay and have absorbed additional insurance costs, taken furlough days, and in many cases now perform job functions previously handled by multiple employees.
  - ▶ Due to market pressure, it is becoming necessary to consider adjustments to certain groups or “pockets” of employees in an effort to remain competitive and retain employees.
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# Employee Issues

- ▶ The City's HR office is developing a schedule and estimated cost to consider market adjustments for employees on a rotating 3 – 4 year schedule. Funding is not currently in the FY13 budget.
  - ▶ If FY12 revenue and expense actual amounts are better than projections, staff requests that a portion of the savings be allocated to making limited market adjustments with Council's approval (at a later date) once any such amounts are known.
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# Employee Issues

- ▶ FY13 budget includes funding for City (non-school) employees to partially close the gap in the difference in health insurance employer contributions between school and non-school employees. Currently school employees contribute \$60/month toward their health insurance premium and under the FY13 proposal, non-school employees will contribute \$90/month, with plans to completely close the gap in FY14 and to have all City (school and non-school) employees on the same schedule.

# Employee Issues

- ▶ Also included is funding to restore \$220/yr to the employee Health Savings Account that was eliminated in FY12 to reduce insurance premiums. The \$220 HSA contribution is contingent on employees having physical exam, the cost of which is covered under the current health insurance program.
- ▶ While not a true “raise”, with these adjustments an employee making \$35,000/year would realize approximately 2% more in take home pay.

# Employee Issues

- ▶ No employee pay increases or stipends other than what is necessary to meet VRS obligations are included.

# Future Opportunities

In spite of the budget challenges faced by the City, there are a number of opportunities for positive change and growth in our community, such as:

- ▶ Development of the Commonwealth Crossing BC
- ▶ New College/Baldwin Block Development
- ▶ Possible establishment of a medical school
- ▶ Growth/Expansion of the City's Fiber Optic/MiNet program
- ▶ Potential changes in WWTP operation/recycling
- ▶ Enhancements to the Martinsville Uptown Area through various projects – Courthouse, Depot Street Project, and CDBG.

# FY13 Budget – General Information

## *What does the proposed FY13 budget include?*

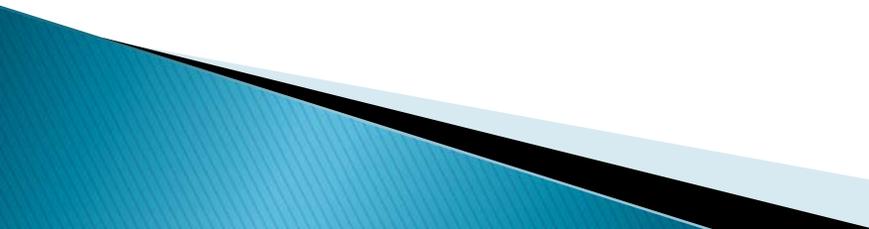
- ▶ Level funding for Schools
- ▶ Level funding for outside agencies with no new funding requests included
- ▶ Maintains current levels of service
- ▶ No general salary increases for staff
- ▶ Addition of 2 new employee positions:  
Telephone/fiber optic technician and a  
Landfill generator technician

# Budget – General Information

Telephone/fiber optic technician will enhance the ability to grow and expand the City's fiber optic/telephone system and possibly reduce outside contract maintenance costs.

Landfill generator technician is needed to provide daily technical/operational service for the landfill electric generation station.

Both positions are supported by increases in revenue and/or cost reductions.



# Budget – General Information

- ▶ An increase in state VRS contributions as mandated by the General Assembly. A phase-in of the VRS rate increase will occur at 1% per year over the next 5 years. In FY13, employees will be required to contribute 1% of pay to VRS, offset by a 1% salary increase, with a corresponding reduction in the City's VRS contribution rate.
  - ▶ Increased employer contribution to health insurance costs.
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# Budget – General Information

- ▶ Budget is balanced with a use of fund balance of \$738,750. Considering projected FY12 increase to fund balance of \$335,000, net fund balance use from FY12 to FY13 is projected to be \$403,750.
- ▶ Capital equipment/projects and the City's obligation for Commonwealth Crossing to be funded through a short-term bond issuance.
- ▶ Water/Sewer and Meal Tax rate increases designed to generate revenue to help sustain and maintain the City's aging infrastructure.

# Budget – General Information

- ▶ Continued funding for the local public transit system – PART
  - ▶ Other than meals tax, water/sewer, no recommended change in electric rates, general tax rates, or fees.
  - ▶ City to begin paying down a portion of the AMPGS project costs
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# Concluding Remarks

The City cannot continue to draw from fund balance to balance the annual budget, nor can it “cut” its way to prosperity. There are those in our community who advocate continued budget reductions and Council and staff have worked diligently in recent years to that end. The simple fact remains that the cost to provide the core level of services currently offered and expected of our citizens has continued to rise without a corresponding increase in revenues, hence the use of fund balance. The budget as presented this evening is, as the title sheet indicates, “proposed”, and is one method of implementing the City’s financial plan for FY13. There will be other ideas, thoughts, and suggestions as this process moves forward that will ultimately shape the FY13 budget document.

Prior to development of the FY14 budget, it is recommended that Council/Staff engage in meaningful strategic planning focused on the City’s financial health, ability to generate and sustain revenue, and the ability to continue to offer the level of services expected by citizens and businesses given the financial constraints within which the City operates.

In conclusion, I would to thank and acknowledge our City staff and Council for their work and valuable input during this budget process; in particular our Human Resources Office, Commissioner of the Revenue, School Administration , and especially Finance Director Mrs. Linda Conover and the Finance Department.

# Next Steps

- ▶ Study the budget, ask questions, request additional information, talk to citizens.
  - ▶ Budget work session #1 is set for Tuesday, May 1 at 4 pm (schools, outside agencies, possible capital, depending on time)
  - ▶ Budget work session #2 is set for Thursday, May 3 at 4 pm (capital, City departments)
  - ▶ Consider setting a public hearing for adoption of the budget on first reading for the May 22, 2012 Council meeting.
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