

City Manager's Message





CITY OF SUFFOLK

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CITY MANAGER

June 21, 2013

The Honorable Council
City of Suffolk, Virginia

Dear Council Members:

I am pleased to provide City Council with the adopted Fiscal Year (FY) 2013-2014 Operating & Capital Budget. The FY 14' budget addresses the operational and capital needs of the 17 funds required for the operation of City services in the amount of **\$513,737,119**. The General Operating Fund Budget is approved for funding of **\$179,336,375**, an **\$5,763,015** or **3% increase** over the current fiscal year.

This was the fifth consecutive year of significant budget challenges for the City of Suffolk. While we are no longer in a recession, the City continues to feel the effects of the housing market downturn and the cleanup of previous years' assessments. As reported by the Assessor at your March 20th City Council meeting, real estate values have declined another 3.22% citywide resulting in a **\$2.7M** loss in revenue. Additionally utility tax revenues received by the City are also projected to decrease **\$500,000** in FY 14'. The decline of these local revenue sources was compounded by additional requests for funding by the school division (**\$9M**) and local and regional nonprofit organizations (**\$4.7M**). Given our limited resources, the City could not realistically fund these requests and the options to address our funding challenges were not pleasant.

During the budget development process, some people suggested that the City should eliminate positions, make deep cuts to services and programs, and downsize its fleet and equipment. However, balancing the budget by not filling positions and cutting corners would have significantly impacted the City's quality of life and resulted in mediocre service levels and higher costs in future years. The demand for services is very high, and the City is continuing to grow at a fast pace. Our City employees are already doing more with less having cut operating costs by **\$17.3M** since 2007. The City also boasts one of the lowest employee per capita ratios in the region at 15.2 employees per 1,000 citizens.

In looking forward, we must ask ourselves what kind of City do we want? Today, Suffolk is one of the **Top 100 Best Small Cities to Live In America**, the 9th Best Place to Live for Jobs, AA+ bond rated ... on the road to AAA, and a fast growing community with 86,463 residents. To do nothing in FY 14' would have impeded our progress and required an additional \$5.4M reduction from the proposed plan.

City Council held a public input meeting in March to solicit comments from citizens on the FY 14' budget. Our citizens responded that they would like to see the City fully fund schools, delay capital projects, and cut spending. City Council also shared its support for education and noted the need for realistic expectations. The input provided by our citizens and City Council has been incorporated in the adopted FY 14' budget.

The adopted FY 14' budget supports the requests from our citizens and City Council; provides responsible reductions to spending (-\$2.4M); invests in our schools (+\$3M) for strategic performance improvement; delays capital projects including the Bennett's Creek Recreation Center (-\$1.5M) and Central Library/W. Washington Street Plan (-\$1.25M); complies with the City's financial policies to keep us financially healthy; and sustains our quality of life and protects health and welfare for our citizens, public safety, and programs and services for youth and seniors. The adopted FY 14' budget continues the \$17.3M in operational savings from previous years and implements the following new cost reduction strategies:

- Reduces \$1.2M in annual claims funding in the Risk Fund as adequate reserves are available to address requirements;
- Freezes 8 vacant non-essential positions;
- Provides no funding for routine equipment needs and replacements;
- Reduces part-time/overtime funding for Fire & Rescue;
- Eliminates the City's membership in the Hampton Roads Partnership;
- Eliminates funding for contracted legislative service needs; and
- Increases fees for before and after school care programs and facility rentals.

The adopted FY 14' budget provides for a **\$.03 real estate tax increase** to support a **\$3M increase** for the school division and **neutralizes the tax loss of reassessed real estate values** with a **\$.03 rate adjustment** to maintain current service levels. The City's real estate tax rate remains the **2nd lowest in the region at \$1.03 per \$100** of assessed value.

Strategic Priorities

The primary goals of the FY 14' budget are to:

- **Provide New Revenue to Support Education Priorities** – The adopted FY 14' budget includes an **additional \$3M** for strategic solutions to address student educational performance.
- **Balance Competing Service Demands with Minimal Tax Impact to Citizens** – The adopted FY 14' budget provides for a real estate tax rate of \$1.03 per \$100 of assessed value to neutralize the impact of the decrease in real estate values in order to sustain a healthy quality of life for our citizens and a **\$.03 increase** in the tax rate to provide **\$3M** in additional funding for public education. At \$1.03 per \$100 of assessed value, the City's real estate tax rate will continue to rank second lowest among the seven major cities in Hampton Roads.