

City Manager's Message





CITY OF SUFFOLK

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CITY MANAGER

June 4, 2012

The Honorable Council
City of Suffolk, Virginia

Dear Council Members:

I am pleased to provide City Council with the adopted Fiscal Year 2012-2013 Operating & Capital Budget. The FY 13' budget addresses the operational and capital needs of the 17 funds required for the operation of City services in the amount of **\$508,797,156**. The General Operating Fund Budget is approved for funding of **\$173,573,360**, an **\$4,214,266** or **2% increase** over the current fiscal year. The FY 13' budget provides **75%** of all new General Fund revenues for support of our **public school division**. In addition, the City Council elected to provide a **\$2M** "one time" contribution from FY12' funds to augment the FY 13' allocation to schools. The increase in school funding will afford the school system with the flexibility to prioritize their division needs.

Although the economy is showing signs of a slow recovery from the worst economic recession since the Great Depression, a number of challenges continue to confront our great and growing City including declining real estate revenues, the City's largest revenue source, and diminishing State and Federal aid despite the imposition of new costly mandates which have greatly impacted the City and Suffolk Public Schools. Additionally, our hard working and dedicated City employees and Council appointees have not had a salary increase in over four years. The results of the City's Employee Compensation Study also revealed that Suffolk's City workers are paid on average 9% less than other localities in the Hampton Roads region as well as significant salary compression issues. This must be addressed in order for the City to attract and retain a skilled City workforce and to ensure the continued delivery of high quality services to the citizens of Suffolk. Per City Council action, this budget provides for a 2% cost of living allocation for all full-time and part-time non-probationary employees and one-third of the funding required for implementation of the revised Employee Compensation Plan effective January 1, 2013, excluding City Council appointees, whose compensation will be evaluated at the time of their annual performance evaluations.

Notwithstanding these challenges, I understand that the City and our citizens do not have unlimited resources. We must be responsible stewards of taxpayer dollars and work within the limited resources available to us to achieve our

strategic goals and priorities, meet the growing needs of our community, and continue moving the City forward. As such, the real estate tax rate will remain unchanged at \$.97 per \$100 of assessed value in FY 13'. This equates to a **\$.02 tax decrease** to the average homeowner in our City due to the reassessment and decline in property values.

Strategic Priorities

The primary goals of the FY 13' budget are to:

- **Balance Competing Service Demands with No Tax Increase to Citizens** – The FY 13' budget maintains the citywide real estate tax rate at \$.97 per \$100 of assessed value. As previously discussed, although the tax rate is unchanged, this equates to a **tax decrease of \$.02** due to the reassessment and 2.23% decline in residential real estate values.
- **Protect Financial Compliance Progress and “Best Management Practices”** – The FY 13' budget achieves compliance with the City's adopted financial policies and continues the “Best Management Practices” adopted by City Council that have led to five rating agency upgrades since 2007.
- **Fund Increased Costs of State Mandated Expenses** – The FY 13' budget provides funding to address increased costs of State mandated expenses including higher retirement rates for City and School employees and costs associated with a new State mandate requiring local governments to provide a 5% salary increase to local employees with the transfer of the 5% local employee retirement contribution to employees. The transfer will be phased in at 1% per year over a five year period as allowed by the General Assembly. This mandate will ultimately cost the City approximately **\$1.6M** and employees will pay increased payroll taxes.
- **Maintain Critical Personnel Resources to Serve Citizens** – The FY 13' budget does not propose any layoffs, furloughs, or pay reductions. The City maintains one of the lowest per capita staffing levels in Hampton Roads. Without the hard work and dedication of our employees and Council appointees, the City would not be able to meet the increasing demand for services in our fast growing community. The FY 13' budget freezes 11 non-essential vacant positions and provides for a 90 day freeze on all vacated positions in an effort to provide “internal savings” to support the implementation costs of the updated Employee Compensation Plan.
- **Provide New Revenue to Support Education Priorities** – The FY 13' budget provides an additional **\$3M** or **7% increase** in local operating funding for schools to provide for increases to the retirement rate and additional local financial support. The \$3M represents **75%** of the \$4.2M increase in all new General Fund revenues realized in FY 13'. In addition, City Council provides