

City Manager's Message





CITY OF SUFFOLK

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CITY MANAGER

June 26, 2014

The Honorable Council
City of Suffolk, Virginia

Dear Council Members:

I am pleased to provide City Council with the Adopted Fiscal Year (FY) 2014-2015 Operating & Capital Budget. The FY15 budget addresses the operational and capital needs of the 17 funds required for the operation of City services in the amount of **\$538,716,817**. The General Operating Fund Budget is approved for funding of **\$180,198,458**, an **\$862,083** or **.5% increase** over the current fiscal year.

This was the sixth consecutive year of significant budget challenges for the City of Suffolk. While we are no longer in a recession, the budget for FY15 is the first in many years in which there is a modest increase in real estate assessments due to new construction. As reported by the Assessor at your February 19th Council meeting, real estate values have increased modestly citywide resulting in a **\$1.7M** increase in revenue. The City received a total increase of **\$6.8M** in funding requests from Schools and other local organizations. Such requests are not realistic and cannot be funded as our resources are limited.

The budget maintains the same high quality of life to our citizens, while enhancing the efficiency and effectiveness of programs and services. In keeping with our goal to maintain a well-trained and engaged workforce now and in the future, the budget provides for a restructuring of the Finance Department to include the timekeeping functions currently held in the Fire and Police Departments. We are a lean organization with one of the lowest employee per capita ratios in the region at 15 employees per 1,000 citizens.

CNN Money Magazine recognizes Suffolk as one of the **Top 100 Best Small Cities to Live In America** and the **9th Best Place to Live for Jobs**. Suffolk is **AA+** bond rated ... on the road to **AAA**, and a fast growing community with 87,831 residents.

The adopted FY15 budget supports the requests from our citizens that have been communicated through our City Council. This budget provides responsible reductions to spending, invests continuously in our schools for strategic performance improvement, delays capital projects, 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 FY15 budget continues the

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 Information Technology funding for routine equipment needs and replacements.

Strategic Priorities

The primary goals of the FY15 budget are to:

- **Balance Competing Service Demands with Minimal Tax Impact to Citizens** – The adopted FY15 budget does not recommend a real estate tax rate increase. The real estate tax rate remains at \$1.03 per \$100 of assessed value while allowing the City to sustain a healthy quality of life for our citizens. This rate allows the City to preserve the quality of life in our community through accountable, responsive, and innovative municipal services and provides \$50.2M 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.
- **Protect Financial Compliance Progress and “Best Management Practices”** – The adopted FY15 budget achieves compliance with the adopted financial policies and continues the “Best Management Practices” adopted by City Council that have led to five rating agency upgrades since 2007. Compliance with our Financial Policies is critical to ensuring a strong financial position and helps the City save millions of dollars in interest payments on long-term debt required for capital improvements that sustain the quality of life for our citizens.
- **Maximize Business Retention and Expansion Opportunities** – The adopted FY15 budget provides the funding necessary to continue aggressively pursuing business retention and expansion opportunities that increase and further diversify the City's tax base. The adopted Route 17 tax rate is reduced from \$.25 to \$.24 per \$100 of assessed value to neutralize the impact of reassessment on taxpayers and promote economic development competitiveness and business attraction in the business district.
- **Maintain Critical Personnel Resources to Serve Citizens** – The adopted FY15 budget centralizes payroll functions into the Finance department to ensure increased accuracy and accountability. The FY15 budget continues to freeze 8 non-essential positions and transfers an additional 1% of retirement contribution to employees (3rd year of 5 year phase-in) with an offsetting 1% pay increase per State mandate. The City continues to maintain 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.

- **Protect Public Safety, Health and Human Services, and Senior and Youth Programming** - The adopted FY15 budget provides funding to protect the City's investments in public safety, health and human services, and senior and youth programming which are critical to sustaining the City's quality of life.

Capital Projects Fund

The adopted FY15' Capital Budget is approved at **\$56,380,000** and reflects the projects included in the first year of the recently adopted Capital Improvements Plan (CIP) including the purchase of an Aerial Ladder Truck, Lake Kilby Station Fire Station Addition, Bennett's Creek Recreation Center, Parks and Recreation Maintenance Storage, Schools Multiple Campus Land, New Middle School, Schools Hazardous Materials Management, Local Urban Roadway Construction and Intersection Improvements per the Comprehensive Plan. The adopted FY15 Capital Budget excludes **\$500K** for the Neighborhood & Village Improvements, which were approved in the CIP and will be cash funded as part of our Pay Go Policy compliance. The FY15 Capital Budget also provides for the issuance of **\$13.7M** in public utility revenue bonds for water and sanitary sewer needs and State compliance mandates as recommended by the adopted CIP.

Utility Fund

The City's Public Utility Fund is approved at **\$46,716,280** in FY15 which represents a 3% increase over the previous year. The Utility Fund continues to experience challenges with the cost of providing safe drinking water and sewage treatment solutions to citizens as a result of increased State and Federal mandates requiring costly capital improvements to our utility systems. We have successfully mitigated anticipated water and sewer rate increases for the coming fiscal year with the recent restructuring of existing utility debt. The approved budget does, however, require rate adjustments of **\$.45** and **\$.65** monthly per 100 cubic feet to water and sewer rates, respectively. These increases address the above noted challenges and the effects of the continued housing market downturn driving higher service delivery costs.

Schools Funding

Local funding for Schools is approved at **\$50,193,952** in FY15. The School Operating Budget is **\$148,125,620** or **4% increase** in total funding for the school division. The adopted FY15 budget also provides an additional **\$2.5M** for the Multiple Campus Land acquisition and Master Planning and **\$75,000** for hazardous materials abatement in the Capital Budget. In addition, the City is providing funding to support a one-time 1.5% bonus to all School's full-time employees.

Route 17 Special Taxing District

Because of increased property values resulting from the reassessment, a reduction of \$.01 is necessary in the Route 17 taxing district to neutralize the impact on taxpayers and promote economic development competitiveness and business attraction in the business district. The adopted tax rate in the Route 17 is \$.24 per \$100 of assessed value in FY15.

Closing Remarks

The adopted FY 2014-2015 Operating & Capital Budget is designed to maintain the progress made by the City and is based on responsible choices, prudent investments, and a balanced approach to budgeting. The strategic priorities of the adopted FY15 budget are to 1) provide revenue to support public education, 2) protect the financial compliance progress and "Best Management Practices" that have been made by the City, 3) maximize business retention and expansion opportunities, 4) maintain critical personnel resources to serve our citizens, and 5) protect public safety, health and welfare, and senior and youth programming.

I look forward to working with City Council, City staff, and our local service partners in FY15 to continue providing outstanding services to Suffolk's citizens and moving our City forward on the road to excellence.

Respectfully,



Selena Cuffee-Glenn
City Manager

Attachment