

City Manager's Message





CITY OF SUFFOLK

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CITY MANAGER

June 4, 2010

The Honorable Council
City of Suffolk, Virginia

Dear Council Members:

I am pleased to present a copy of the FY 2010-2011 Operating and Capital Budget as adopted by City Council at the May 5, 2010, Council meeting. As you are well aware, this was an extremely challenging budget year. The economic pressures confronting our Nation, State, and City are presenting significant challenges for the provision of critical government services. The City continues to experience declines in real estate values and State aid as the Commonwealth of Virginia addresses \$4 billion in budget reductions in the next biennium. Nevertheless, we remain optimistic about the future and the City has once again stepped up with operational changes and solutions to meet our funding requirements despite an atmosphere of austerity at the Federal and State level and competing interests at the local level. I would like to thank this Council for allowing us to focus on the big picture and make such bold adjustments for the greater good of the City of Suffolk and its citizens. Attached for your review is the adopted Fiscal Year (FY) 2010-2011 Operating and Capital Budget which addresses our operational needs.

The City faces a shortfall of **\$5M** in FY 11' including **\$4.1M** in increased service requirements associated with mandated additional support of the Western Tidewater Regional Jail, critical replacement and maintenance of our technology infrastructure, service reinstatement of free bulk refuse pick-up, the addition of a second Neighborhood Enforcement Team (NET), increased rate requirements to support City retirement costs, increased landfill post closure costs, new building and facility costs, and capital improvements contribution policy requirements. This is compounded by the \$9.3 million shortfall addressed by the City in FY 10', which brings the 2 year reduction strategy to **\$14.3M**, and the fact that there are fewer balancing options available in FY 11' as the City has already implemented numerous cost saving measures to keep services whole with diminishing revenue support.

In order to address our revenue shortfall and increasing service requirements in FY 11', we have adopted a strategy of sustainment and revenue neutrality in the adopted FY 11' budget. This approach prevents reductions to core services, provides for level funding of our school system which includes additional local contributions of \$1.6M to offset State revenue reductions, ensures that the new

Kings Fork Public Safety Center moves forward as scheduled, and upholds our commitment to “Best Financial Management Practices” without major layoffs or losses to employee compensation and benefits. **However, as with any budget, revenues are projected and, if they do not materialize, we will have to make adjustments to provide for a balanced budget.**

The adopted FY 2010-2011 Operating and Capital Budget addresses the operational and capital needs of the 14 various funds required for the operation of City services in the amount of **\$459,722,299**. The adopted General Operating Budget is **\$163,451,793**, an **\$823,137 decrease** or **1% reduction** over the current fiscal year.

Strategic Budget Priorities

The adopted FY 11’ budget strives to:

- **Balance Competing Demands for Services with No Tax Increase to Citizens** – The adopted FY 11’ budget maintains the citywide real estate tax rate at \$.091 per \$100 with limited reduction in services to citizens providing the equivalent of a \$.03 decrease in real estate tax revenues citywide.
- **Protect the Financial Progress Made Toward “Best Management Practices”** – In December 2007 and again in January 2010, Council adopted revised Financial Policies to ensure sound financial management practices and stewardship of taxpayer dollars. The adopted FY 11’ budget complies with these financial policies and continues the “Best Management Practices” adopted by Council.
- **Maintain Core Services and Critical Personnel Resources to Serve Citizens** – The continued provision of core services is paramount to maintaining a high quality of life for our citizens. As such, no reductions in core services have been programmed in the adopted FY 11’ budget. The City’s General Fund incorporates the elimination of twenty (20) non-essential and vacant positions with fourteen (14) replacement positions redirected to address critical service needs for a net reduction of six (6) full-time positions. Overall, the personnel resources required to deliver services to our citizens have been protected and the City organization will realize improved operational efficiency and effectiveness through streamlined management structures.
- **Provide Operating Funds for Planned Facilities and Transition from Costly Leased Space** – Several planned facilities have opened or are in the process of being constructed to provide enhanced services to the public and reduce the amount of leased office space for city operations including the new Kings Fork Public Safety Center, the new Visitors Center (Old Courthouse Building), and the Parks and Recreation Administration Building on the

campus of the East Suffolk Recreation Center. The cost of operating these facilities is programmed in the adopted FY 11' budget to ensure that service commitments made to the public are satisfied.

- **Safeguard Employee Compensation and Critical Employee Benefits** – Employee compensation and critical employee benefits are preserved in the adopted FY 11' budget. No decreases in employee salaries or reductions of core employee benefits have been incorporated to assist in balancing the budget. Once again, the City budget provides no salary increase for employees.

Cost Saving Measures and Budget Balancing Solutions

A strategic approach with an emphasis on revenue neutral solutions was devised to address the **\$5M** shortfall in FY 11'. Various balancing options and reduction strategies were also evaluated including 5% and 10% reduction scenarios submitted by city departments and employees for reducing operating costs. In addition to the continued implementation of cost saving measures adopted in FY 10', other balancing solutions to address the shortfall in FY 11' include reduced contributions to the Debt Service and Risk Funds accessing available one-time credits from previous excess contributions, implementation of a 4 day refuse pick-up cycle and partial conversion to automated service, deferral of non-essential equipment purchases, reductions to Health Department contributions proportionate to clientele served, elimination of costly leased space, and other miscellaneous support expense reductions.

Capital Projects Fund

The adopted FY 11' budget reduces the issuance of General Obligation debt for General Government projects recommended in the FY 2011-2020 Capital Improvements Plan (CIP) from **\$8.6M** to **\$3.5M** through the deferral of non-essential capital projects. A limited number of essential public safety equipment replacements and additions have been approved as part of the adopted FY 11 budget.

Utility Fund

The City continues to experience challenges with the cost of providing safe drinking water and sewage treatment solutions to our citizens as a result of the economic recession and increased State and Federal mandates requiring costly capital improvements to our utility systems. We have successfully mitigated water and sewer rate increases for the coming fiscal year but still must accommodate rate adjustments of \$.90 and \$.72 monthly per 100 cubic feet, respectively. These much lower than expected increases do address the above noted items driving service delivery costs.

Schools Funding

We have adopted level local funding with the prior year for Schools which provides **\$1.6M** in additional funds due to a reduction in the School VRS rate and related expenses in FY 2011. These funds have been provided to the School Division to supplant reduced State education funding. Additionally, the City used \$1M in bond refunding savings to assist in balancing the budget and provide level local funding to the Schools.

Closing Remarks

In closing, the adopted FY 2010-2011 Operating and Capital Budget is designed to address the core service needs of our community in support of Council's strategic priorities. In the wake of declining revenues and an uncertain economic environment, a budget approach based on sustainment and revenue neutrality has been employed to maintain essential services and meet increased service demands. As with the FY 10' budget, we continue to find ways to improve the efficiency and effectiveness of city government and provide our citizens with high quality services. However, in preparing for FY 2011-2012 and beyond, we must ask all of our service partners, including Schools, to develop future and detailed sustainability plans to address known shortfalls from the State and Federal government as opposed to turning to the locality for more.

Once again, I would like to thank Council, our department heads, and hard working employees for their commitment and submission of creative solutions for the City as we confront the many financial challenges facing us in these austere economic times. **We are pleased to present a budget decreasing the burden of our taxpayers while maintaining critical service needs.**

Respectfully,



Selena Cuffee-Glenn
City Manager