



# BUDGET MESSAGE

## FISCAL YEAR 2018-2019

February 13, 2018

Honorable Mayor and Members of the City Council, City of Fairmont, WV

Pursuant to City of Fairmont Charter, Article V, Financial Procedures, Sections 5.02 and 5.03, and with the assistance and cooperation of our Department Heads and Finance Director Eileen Layman, I am pleased to present to the Mayor and members of City Council the proposed Fiscal Year 2018-2019 (FY 19) budget for the General Fund, totaling **\$18,660,788**, a \$2,804,706 increase, 17.69%, over the FY 2018 budget of \$15,856,082. The majority of the \$2,804,706 increase, \$2,682,000, represents our carryover from FY 18 that the State of WV now requires us to show in our General Fund operating budget. The \$2,682,000 amount comprises: \$1,475,000 Pension Cost; \$1,107,000 Street Maintenance Fee; and \$100,000 General Fund Operating Cash. In prior years, we applied this carryover at our Budget Revision # 1, normally approved at the 2<sup>nd</sup> Council Meeting in June. Excluding the \$2,682,000 carryover, the FY 19 budget totals **\$15,978,788**, a \$122,706, 0.66% increase over the prior year, FY 18 budget. Increases are mainly attributable to personnel, electricity, and liability insurance costs. The Capital Improvement Plan for Fiscal Years 2019 through 2023 is similarly enclosed, totaling **\$897,129**, a (\$42,631) decrease, (4.5%) over the FY 18 budget of \$939,760.

As Fairmont City Manager, one of my duties is to present a balanced budget to the Council. The FY 19 balanced budget reflects continued attention to fiscal responsibility with a strong emphasis on ongoing efficiency and effectiveness measures while maintaining and slightly enhancing existing service levels. The FY 19 General Fund budget incorporates no increases in any taxes and only a contractually agreed 3% increase with our third-party trash/garbage/recycling contract fees; no other fee increases are proposed. We will continue to properly manage our rather modest revenue gains/losses and increased costs such as personnel, health care, infrastructure, and pensions to ensure ongoing and future financial viability and responsibility. Consequently, we will continue to carefully allocate resources for

the benefit of the entire Fairmont community. Additionally, we will continue to develop an effective budget document and plan that provides City departments with the resources necessary to ensure the ongoing provision of high quality City services to all residents, businesses, and visitors. Our over-all priorities will continue to focus on: fostering the development of our local and regional economy; providing cost effective City services and infrastructure; and ensuring our public safety.

We continue to see positive economic indicators throughout various areas including our main corridors and entryways with various private investments that occurred in 2017 with others planned for 2018 into early 2019 (FY 19), including: small to mid-size retail/restaurants (Sheetz, Colasessano's, Westside Market, Backwoods Grill, Work Day Café, Little Red Hen, Treasure Finds); corporate relocation and expansion (Fairmont Federal Credit Union, Speedway Business Park, High Tech Park), new and redeveloped housing (Miller School Apartments, proposed Turnberry market rate housing Development, former Cook Hospital building apartments); and new construction that will house larger service-related industries and housing (WVU Medicine, Oil & Gas, and a new State Police Barracks). These and other commercial and residential investments including demolitions and renovations continue to add to our economic and revenue base through job creation, relocation, and growth as well as continued collections of taxes (property, B&O, excise) and fees (building permits, franchise fees, rental registrations) to help fund our municipal services. Our City investments in our infrastructure along with Federal and State projects and programs (new 3<sup>rd</sup> Street and Coal Run Bridge, I-79 enhancements and expansions) further add to our economic base. As we continue to experience some modest economic growth, we continue facilitating those investments by providing all necessary information, guidance, and approvals to fairly and professionally allow for the ease of all business expansion, investment, relocation, and growth. Our friendly, professional staff is motivated and committed to ensure all business has an opportunity to succeed and to ensure all residents enjoy everything the City offers.

With our positive FY 18 and preliminary FY 19 economic outlook in our City and over-all in the North Central WV region, I am cognizant that we must continue to be cautious with our budgetary decisions, particularly with the financial realities facing our state and region. While we are experiencing some growth, it is still in its infancy and with retail and housing redevelopment leading the way, our positive financial and economic forecast has the propensity to be subject to temporary volatile financial/economic markets that could produce contracted consumer and social spending. The City of Fairmont continues to maintain a positive financial position and remains competitive with neighboring jurisdictions. We have so much to offer including a strong infrastructure, a very safe City, a lower cost of living, less congestion, a positive and welcoming business climate, a high quality of life offering abundant outdoor recreation and leisure opportunities, and substantial development opportunities comprising dynamic views, a fantastic riverfront, and several easy interstate access points. We have carefully analyzed and reviewed our budget decisions incorporating conservative financial revenue/expense estimates with the ultimate goal of positively managing our financial fiduciary responsibilities. Our General Fund reserves even including the FY 19 proposed \$2.862M carryover amount, represent 19% of the FY 19 Budget (22.3% of the FY 19 Budget less the carryover).

The City will similarly continue investing in our personnel, infrastructure, and public safety ensuring Fairmont retains and enhances its standing as a premiere City in North Central West Virginia providing a very high quality of life for its residents, businesses, and visitors.

In FY 19 we will continue funding all existing City services (personnel) with the proposed addition of two (2) Police federally grant-funded positions and the reduction of one (1) full-time equivalent in our School Crossing Guard program (function to be administered by the Board of Education/Marion County Police Reserves). In addition to a proposed 1% salary increase, this budget includes various pay adjustments in our Fire department, specifically the firefighter job classification, and 3 other job classifications (program manager, public works operations supervisor, and city clerk).

The FY 19 budget similarly continues existing infrastructure and right-of-way maintenance and improvements including street sweeping, street maintenance and paving, mowing, litter control, and additional projects managed by our Public Works Department. We will continue developing a few beautification programs to better manage litter control and beautify our City entryways and downtown streets/areas.

Our Public Safety departments include funding for additional capital items including a new East Side Fire Station, Police officer body cameras, various vehicles/apparatus, and enhanced technologies to further promote operational efficiencies (building permit scanner, laptops in Fire apparatus). We are also including in FY 19 funding for continued preventative maintenance of all vehicles and apparatus to ensure their long-term viability.

I would like to thank all Department Heads and City staff for their continued hard work and dedication in helping to compile the FY 19 budget and for continuing to make the City of Fairmont a wonderful place to live, learn, work, and play. I would also like to thank the Mayor and Council for their continued support of our City staff and for their guidance and input on the FY 19 budget.

**General Fund Budget**

**\$18,660,778**

**Revenues:** The proposed FY 19 General Fund Operating Budget of **\$18,660,778** is a \$2,804,706 increase, 17.69%, over the FY 2018 budget of **\$15,856,082**. Excluding the \$2,682,000 referenced carryover, the FY 19 budget totals **\$15,978,788**, a \$122,706, 0.66% increase over the prior year, FY 18 budget

The proposed slight revenue changes are attributable to a predominantly flat Tax growth and decline, i.e., reductions in B&O (3.0%) and ad valorem (2.7%) taxes and an increase in excise taxes by 0.5%, combined with an over 50% increase in the 1% Sales Tax budgeted at \$1,775,000 in FY 19 over the \$1,125,000 FY 18 budget. The forecasted potential 50% decline in Fines, Fees, and Court costs will be balanced by a growth in fees (some attributable to FY 18 increases) by a 5.1% increase and a 3% increase in charges for services. As previously indicated, the FY 19 proposed budget incorporates no new and/or increases to any taxes and only one 3.0% fee increase contractually obligated for trash/garbage/recycling collection.

Additional FY 19 tax revenue forecasts primarily show various reductions to some flat to modest growth. The B&O tax is estimated at \$5,110,000, a 3.5% decrease over FY 18. Ad

Valorem (property) tax collections are estimated at \$2,435,000, a 2.7% decrease, including the estimated \$350,000 in additional tax increment financing (this revenue amount restricted to public purpose projects within the established tax increment financing district). The \$1,079,200 Excise tax on Utilities collections (including state public utility tax, water, sewer, gas, electric, telephone) is estimated at a 0.5% increase in FY 19. Hotel/Motel Occupancy taxes forecasted at \$15,000, a decrease of 50%. Gas/Oil Severance at \$25,000 and Alcoholic Beverage taxes at \$180,000, show a decrease of 10%. We are also forecasting a 57% increase (from \$1.125 to \$1.775M) in the additional 1% sales tax in FY 19, due to significantly higher returns in FY 17 (1<sup>st</sup> full year) and the first half of FY 18. In total, forecasted FY 19 tax collections reflect a 3.6% increase from \$10,166,016 to \$10,533,200

Other FY 19 revenues are forecasted from declines to steady to nominal increases: Fines, \$130,000, a 37% decrease; Licenses & permits, \$591,400, a 5% increase due to various fee increases adopted last year for the current FY 18; Charges for Services, increasing by 2.9% mainly due to increased garbage fees.

**Expenditures:** FY 19 Expenditure budgets reflect personnel increases primarily from longevity pay increases, 2 new positions (Police Probationary Officers), a 1% salary increase, adjustments to 3 job classifications, and health care benefits. Total personnel costs are budgeted at \$11,699,794, an increase over FY 18 of \$1,854,770, of which \$1,434,727 are pension costs. Approximately 77.5% of the FY 19 personnel costs are allocated to Police at \$4,277,923, 36.6% and Fire at \$4,789,173, 40.9%. Public Works comprises the 3<sup>rd</sup> largest category at \$981,857, 8.4% of total personnel expenditures with remaining personnel costs encompassing: Administration, \$453,235, 3.9%; Finance/Data Processing, \$477,273, 4.1%; Planning & Code, \$521,948, 4.5%; and Legal/Court \$198,385, 1.7%.

We are proposing two (2) additional positions, two Police Probationary Officers, and a reduction of one (1) full-time equivalent in our School Crossing Guard program (function administered by Board of Education/Marion Police Reserves) in our Police Department, increasing our General Fund total personnel from 143.26 to 144.26. I am also proposing a 1.0% salary increase for all general fund positions at a cost of approximately \$59,737.

Other operating expenditures listed under Contracted Services and Commodities totaling \$3,931,894, represent approximately 21.1% of the total FY 19 budget. Included in these categories are some expense reductions such as: Telephone, Travel, Supplies & Materials, and Fuel, as well as increases for equipment maintenance and materials for various City beautification (i.e., parks receptacles and signage). Over-all, we continue analyzing and implementing operational efficiencies to lower costs, while maintaining high service levels, particularly through enhanced technology use (onsite webinars in lieu of paid travel), innovation, and simply determining whether staff needs a specific piece of equipment (cell phone), or if there is a lower cost alternative that will continue providing the same high quality service level (i.e., review of vehicle routes and miles driven).

Street paving expenditures in the preliminary FY 19 budget are \$2,516,000 (which includes the FY 18 carryover of \$1,168,000), representing 13.5% of total expenditures. The budget is nearly double the FY 17 as we are budgeting to utilize the entire fee instead of maintaining a reserve balance as the fee should be utilized to maximize its intended purpose of street/road

paving. The resident street maintenance charge collections of \$810,000, represent 58% of this budget, the same level as in FY 18. Non-resident collections budgeted at \$585,000, represent 42% of the Street paving budget.

Pursuant to the WV Code, contributions to the Marion County Health Department \$6,000, the Marion County Convention and Visitors Bureau \$7,500, and the Region VI Planning and Development Council \$12,158, are included in the FY 19 Budget, totaling \$25,658. Per a contractual obligation with the Marion County Commission, we are also budgeting \$40,000 to help fund Animal Control Services. The City received an additional \$49,500 in requests from Outside Agencies. The proposed FY 19 Budget recommends funding 80% of those requests totaling \$39,500. The total Outside Agency funding in FY 19 is \$105,158.

### **Parking Fund**

**\$316,113**

The FY 19 budgeted revenue of **\$237,113**, reflects a 5.4% increase over FY 18, \$224,982. Parking violation revenues are budgeted at approximately \$30,000, the same as FY 18. Violation revenues tend to fluctuate over the years as they are subject to variables such as weather, compliance with parking regulations, number of visitors, etc. Consequently, they can be a budget challenge. However, other revenues at metered spaces and/or off-street spaces and lots tend to occasionally correlate to decreased violations. In FY 17, we increased the amounts of the 2<sup>nd</sup> and 3<sup>rd</sup> violations from \$10 to \$20 and from \$20 to \$40. So far, the increased amounts have resulted in minimal violations issued.

FY 19 budgeted revenues reflect no increases in Meter and off-street parking revenues. The adopted hourly meter rate increases of \$0.25 that began in January 2017 has resulted in approximately a 3% increase in FY 18 revenue. Parking Meter revenues continue to comprise the largest Parking Fund revenue source, budgeted in FY 19 at \$66,000 or 28% of total revenue. The use of the City's Adams Street Parking Garage by the State of WV represents the second largest parking fund revenue source, budgeted in FY 19 at \$43,450, or 18% of total revenue. Remaining 54% of fund revenues comprise: Interfund Transfers, \$50,173, 21%; Citations \$30,000, 13%; Adams St Garage other parking, \$24,000, 11%; Rental Income \$20,880, 9% and other off-street parking, \$2,600, 1.0%.

The Parking Authority continues working with staff to further lessen dependence from the General Fund. We will continue to look to implement various efficiencies including reduced lighting expenses through the change out of existing garage lights to more energy efficient ones combined with methods to increase over-all downtown parking usage and usage of our mobile pay device, Passport.

FY 18 Parking fund expenditures for personnel, \$65,109, depreciation, \$79,000, contracted services, \$32,064, allocated general fund wages for meter collections \$25,000, utilities \$17,901, building/grounds/equipment \$15,800, and \$15,815 for supplies/other, totaling: \$250,689. Debt Service on the Adams St Parking Garage remains the same as in FY 18 at \$65,424.

**Coal Severance**

**\$40,000**

The entire Coal Severance Tax distribution will continue for snow removal in FY 18, as it has in prior years. The proposed budget allocates \$22,532 for supplies (salt & cinders) with the balance being appropriated for overtime, \$18,473, and maintenance of the snow removal equipment covered by Public Works staff at \$9,100. We hope the 2018-2019 winter will allow the Department to meet its expectations even with projected revenues from the Coal Severance Tax remaining stagnant in FY 18 and beyond.

**Capital Improvement Plan**

**\$897,129**

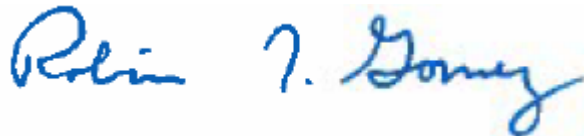
Our FY 19 Capital Improvement Budget provides \$457,929 for Debt Service, a 27% decrease from the FY 18 amount of \$629,215. An additional \$439,200, an increase of \$128,655 (41%) from the FY 18 total of \$310,545 is budgeted for the capital needs of Building Inspection, Public Works, the Police Department, the Fire Department, Parking, Data Processing and our Parks.

Two of the projects funded in the FY 19 Debt Service category include the development and eventual construction of a replacement Fire Station on the East Side, budgeted at \$129,300 (1<sup>st</sup> year of a 10 year finance totaling \$1,064,000). An additional new item in FY 19 will be the purchase of a pumper fire truck, budgeted at \$47,775 (1<sup>st</sup> year of a 4 year total finance of \$469,818, \$135,395 paid in FY 18). We will continue to review our revenues as FY 18 ends to make appropriate adjustments to continue funding various parks enhancement/improvement projects including resurfacing tennis and basketball courts.

Capital appropriations include: City Hall, \$5,000; Police, \$122,800; Parks \$135,000; Streets, \$58,500; Fire 38,350; Data Processing, \$36,600; and Parking at \$10,000. While not specifically listed in the FY 19 budget, it is anticipated that we will have a carryover of at least \$100,000 in FY 18 to utilize in FY 19 for building demolitions. Additionally, we will amend the FY 19 budget at either the second or third budget revision, to add funding to the building demolitions project based on demolitions progress. Details for the above are included in the enclosed FY 19 – 23 Capital Improvement Budget documents.

Again, I would like to thank our Finance Director and Departments Heads for their work in developing the proposed Budget. We look forward to discussing these items with the Council at our scheduled Budget work sessions on Tuesday, February 27, 2018.

RESPECTFULLY SUBMITTED,



Robin I. Gomez, Fairmont City Manager