

CITY OF NEWPORT NEWS

OFFICE OF THE CITY MANAGER

May 4, 2011

TO: The Honorable City Council
FROM: City Manager
SUBJECT: Final Adjustments to the FY 2012 Recommended Budget

I am presenting to you a final FY 2012 Operating Budget that reflects the adjustments to my original recommendation that have been made over the past seven weeks since its submission, and including changes from your work sessions. The total final budget before you for consideration is \$748,659,617, which is an increase from my recommended amount of \$746,008,958. The General Fund will increase by \$847,000 from the Recommended amount of \$413,733,000 to \$414,580,000 for FY 2012.

As a result of the April 26, 2011 work session, one expenditure increase was made to the General Fund. There were other expenditure changes incorporated into the final budget that were obligatory in nature. These expenditure increases were possible from net additional revenue, as part of the final budget calculations. Due to changes in the 2011 General Assembly's adopted FY 2011 - FY 2012 biennial budget, there was an additional loss of State revenue for the combined amount of \$46,859. Additional reductions for reimbursement were made for services provided by the Constitutional Officers' operations, and some HB 599 support funding. At the same time final collections of the current fiscal year Business, Professional, Occupational License taxes (BPOL) were occurring, resulting in \$750,000 in additional revenue that could be anticipated for next fiscal year over the first estimate. Stronger collections in both the Telecommunications Tax (of \$100,000) and Electric/Gas Utility Tax (of \$40,000) are also anticipated for next fiscal year. When taken together, the net additional revenue above my initial recommended amount resulted in an overall increase of \$847,000 to the General Fund.

Based on this additional revenue, City Council stated the preference to use these funds to restore to a reduced level the Bookmobile services. The current operating cost of the Bookmobile is \$120,000, with two full-time

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staff members and 43 site visits in a two-week cycle. City Council's direction was to fund the Bookmobile at a reduced level of \$100,000, and I committed to work with the Director of Libraries to review the Bookmobile operation for improved efficiency and the goal of extending the vehicle's useful life.

To balance the budget, the other revenue and expenditure changes are shown below:

FY 2012 Recommended Budget Final Budget Adjustments

<u>GENERAL FUND</u>	<i>Amount</i>
	<i><u>Increase/Decrease</u></i>
<i>Revenues</i>	
Increased BPOL Revenue	\$750,000
Increased Telecommunications Tax	\$100,000
Increased Electric/Gas Utility Tax	\$40,000
Reduced HB599 Revenue/Other State Revenue	(\$46,859)
Miscellaneous Revenue Adjustments	<u>\$3,859</u>
General Fund Total Revenue:	\$847,000
<i>Expenses</i>	
Vehicle Fuel Increase (increase rate from \$3.05 to \$3.50/gallon)	\$367,518
Health Department - Local Share Adjustment	\$74,813
Worker's Comp - Contractual Services	\$125,514
City Council Tables	\$14,000
SPCA Contract Increase	\$22,571
Adult Drug Court Funding - restore	\$5,600
Bookmobile Services - restore	\$100,000
Reclassifications and Miscellaneous Adjustments	<u>\$136,984</u>
General Fund Total Expenses:	\$847,000

Other Revenue Changes

At the beginning of this budget process, it was my direction that the Real Estate Tax rate would not be increased, even with a second consecutive year of falling property assessments. In light of the fact that many localities are proposing a real estate tax, a personal property tax, or both tax increases, the fact that Newport News is retaining its current property tax structure is significant. The only General Fund tax increase that is included is a ten-cent-per-package increase in the Cigarette Tax. This rate

increase is anticipated to generate \$500,000 in new revenue in the upcoming fiscal year. Other rate or fee changes that require City Council action are the 27-cent-per-week increase on the Residential Solid Waste Fee (for a standard 90-gallon container), and for Waterworks, the new block rate structure for Water, and Meter fees. In this area, another important change is the elimination of the Summer Conservation Rate (SCR) that has been applied to water users since FY 1989.

Other Budgetary Issues

The City's contribution to Newport News Public Schools of \$112,200,000 contained in the final budget ordinance remains at my originally recommended level of \$3 million more than the current fiscal year. The School Board adopted a budget of \$279,026,498 on April 1, 2011. This budget is \$1,755,630 more than the School Superintendent's recommended budget of \$277,270,868 and represents a 0.6% increase from the initially proposed amount. This is due to restoration of State revenue by the General Assembly for support for school operating costs.

Equally important is the ability in this final budget to fund a 2% general wage adjustment for all full-time and part-time employees that were hired prior to January 31, 2011. This will be the first salary increase that employees have experienced in 36 months.

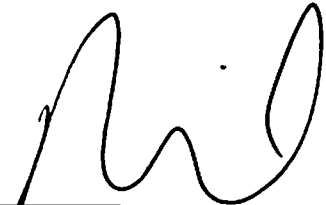
There was one change to the proposed Community Support funding for FY 2012. The amount of \$5,600 was restored to the Adult Drug Court for routine operations. I will, based on City Council discussion, provide more information regarding pre-school partners and the Monet Adult Learning Center prior to next year's budget process.

As part of a series of ordinances you will consider in order to adopt the budget, I am also recommending the elimination of the Real Estate Tax Abatement program for Elderly and Disabled citizens effective July 1, 2012. The option of tax deferral with all existing program rules will remain. This important policy change will reverse the long-term erosion of our residential tax base. Additionally, the Real Estate Tax Abatement for Disabled Veterans is enacted as required by the recently approved State-wide referendum.

Conclusion

The FY 2012 Operating Budget that is before you for adoption represents a responsible financial plan for the upcoming fiscal year and stays within the reduced revenue stream that we have experienced over the past two fiscal years. It continues to support City core services, uses no one-time revenues or reserves to balance the budget and is sustainable for the year. It is my hope that the economic recovery will improve our budget environment in the coming years.

I recommend the adoption of the series of ordinances that define and appropriate funds for the entire City, including the Schools Division, for FY 2012.



Neil A. Morgan

NAM: LJC