

City Manager's Message





CITY OF SUFFOLK

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CITY MANAGER

June 20, 2011

The Honorable Council
City of Suffolk, Virginia

Dear Council Members:

I am pleased to present a copy of the Fiscal Year (FY) 2011-2012 Operating and Capital Budget as adopted by City Council at the May 4, 2011, Council meeting. As you are aware, for the fourth consecutive year, the City faces significant economic challenges which threaten our ability to provide critical government services to the citizens of Suffolk. A combination of factors made the development of the FY 12' budget even more challenging than previous years to include the continued decline in real estate values and personal property, reductions in State revenue and added mandates and requirements from the Commonwealth of Virginia. Compounding these pressures is the increased demand for services driven by the 32.8% growth in the City's population over the last 10 years and the fact that very few balancing options are available to the City as our loyal and dedicated city staff has significantly reduced operating costs by **\$17.3M (11%)** since FY 07' while keeping services whole to an expanding customer base with diminishing revenue support.

As a growing community serving a large land mass with increasing service demands in the Hampton Roads region, the City of Suffolk is at a financial crossroads and must take bold steps to address its economic challenges, maintain core services, and continue to move forward providing the quality of life for our citizens that has led Suffolk to be named **One of America's 100 Best Small Cities**. With the strong guidance, leadership, and vision of City Council and the hard work and dedication of our city employees, we have and will continue to maintain quality services for our citizens at the lowest possible cost. Together we can make Suffolk an even better place to live, work, and play in the years to come.

Attached is the adopted FY 2011-2012 Operating & Capital Budget. The City faced an **\$11.9M** shortfall in FY 12' to address new service requirements and State revenue cuts and mandates associated with critical capital facility needs, new public safety service commitments, technology and software contracts, and critical financial policy requirements. As noted in the series of budget work sessions that were held, very few balancing solutions are available to the City in FY 12' as we have already implemented numerous cost cutting strategies over the past four years. These include:

- The consolidation of departments and duties
- Elimination of 35 full-time positions
- Implementation of a mandatory hiring freeze for non-essential positions
- Outsourcing of operations
- Elimination of costly leases
- Conversions to service schedules
- Adjustments to staff scheduling to reduce costs
- Reductions to fleet and related supply costs
- Limited lighting of facilities
- Reduced equipment supplies, training, and support costs to “critical only” levels

Such measures have been implemented while our residential customer base increased by approximately 4% or 1,400 new homes in just this four year period.

In addition to these cost saving measures that have already been employed, the following reduction strategies have been included in the adopted FY 12’ budget:

- Elimination of funding for the Hampton Roads Transit (HRT) public transit service effective December 31, 2011 with replacement service via an outsourced vendor
- Elimination of 20 frozen/vacant positions
- The transfer of the City Airport from the General Fund to a separate special revenue fund under the direction of the Department of Economic Development
- The transfer of refuse services to a fee-based enterprise fund
- The reduction of local funding for schools consistent with cost saving and efficiency recommendations by the Superintendent of Schools

Even with the continued implementation of previous and new cost saving strategies detailed above, the City will need an additional **\$5M** to continue core services and fulfill critical needs including compliance with the City’s adopted financial policy requirements, replacement of the Municipal/E-911 Call Center as well as other essential capital needs, information technology infrastructure contract obligations, and public safety service commitments. As a result, the adopted FY 12’ budget provides for a **\$.06** increase in the real estate tax rate to **\$.97 per \$100** of assessed value restoring the equivalent of tax revenue losses due to real estate value declines over the past two years to FY 10’ levels.

The adopted FY 2011-2012 Operating & Capital Budget addresses the operational and capital needs of the 16 various funds required for the operation of City services in the amount of **\$532,890,311**. The adopted General Operating Budget includes funding of **\$169,359,094**, a **\$5,907,302** or **4% increase** over the current fiscal year to partially restore revenue losses and achieve compliance commitments and obligations.

Strategic Budget Priorities

The adopted FY 12' budget strives to:

- **Balance Competing Demands for Services with Minimal Tax Impact to Citizens** – The FY 12' budget adjusts the citywide real estate tax rate to \$.97 per \$100 of assessed value. Although the tax rate adjustment is \$.06, this equates to a tax increase of \$.03 restoring tax reductions provided by the 5.5% decline in real estate values to FY 10' levels.
- **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 good stewardship of taxpayer dollars. The FY 12' budget achieves the five year compliance requirement imposed by these financial policies and continues the “Best Management Practices” adopted by City Council.
- **Provide for Future Refuse Service Needs** – The urgent need to explore options to address the imminent threat of the dissolution of the structure of what is today called SPSA or the Southeastern Public Service Authority is now. It is imperative that the City of Suffolk adopt a municipal waste disposal and recycling plan to address critical needs and requirements. Therefore, the FY 12' budget provides for the establishment of a Refuse Enterprise Fund to cover residential and bulk refuse collection, the Hosier Road Landfill monitoring requirement, and citywide curbside recycling. In exchange for serving as the host city for the regional landfill over the past 25 years, the City of Suffolk has avoided paying millions of dollars in fees and used SPSA as its conduit for complying with the State landfill waste reduction mandate of 25%, the minimum recycling requirement. However, those days are coming to end and the City must choose a new course for the future. It must be noted that any course selected; or to do nothing at all, will have budgetary and compliance consequences. I believe that there is no time like now to implement the first step in self-sustainability. The creation of the Refuse Enterprise Fund with the adoption of the FY12 Budget will allow the City to move in a strategic direction to address its current and future municipal waste disposal and recycling requirements.

- **Maintain Critical Personnel Resources to Serve Citizens** – Without the hard work and dedication of our employees, the City would not have achieved the \$17.3M or 11% reduction of costs due to efficiency measures implemented over the past four years. The City staffing level is among the lowest per capita in Hampton Roads and the adopted budget does not require any layoffs or furloughs of existing personnel. However, 20 frozen/vacant positions held over from previous years are eliminated in the FY 12' budget.
- **Provide Safe Public Buildings for the Public and Employees** – The FY 12' budget provides for the Municipal/E-911 Call Center replacement in order to provide a safe, habitable, public building for our employees and citizens to conduct city business. In addition, it will provide a safe home for the critical replacement of E-911 Center obsolete equipment enhancing interoperability for our first responders and addressing the 2015 State/Federal deadline for new communications technology compliance. This facility will improve service delivery by providing citizens and businesses with a “One Stop” Shop to access city departments currently disbursed throughout the City in costly leased facilities.
- **Provide Funding to Operate Completed Facility Additions** – The FY 12' budget provides funding to fulfill critical public safety staffing commitments previously delayed that were made with the construction of the new King's Fork Public Safety Center, the Driver Fire Station expansion, and enhancements to the City's Animal Shelter. Fifteen (15) firefighters will be hired to fully staff the new King's Fork Public Safety Center, which opened in August 2010, and will improve critical fire and rescue coverage and response times pressured by growth and the presence of Sentara Obici and the new Hillpoint Elementary School in the Route 10 corridor. The Phase II staffing of this facility has been delayed for two years. Twelve (12) firefighters will be hired to provide 24/7 coverage at the expanded Driver Fire Station due to increased residential growth in the Nansemond and Sleepy Hole communities which are currently served by volunteers. Lastly, one animal caretaker position will be added to the police department's animal shelter division to maintain the current level of service for the increasing number of animals cared for and adopted from the City's animal shelter due to growth.
- **Maintain Level Employee Compensation** – The FY 12' budget does not include any pay or benefit reductions to existing personnel. This will be the fourth consecutive year that City employees have not received a pay raise despite the results of the recent consultant report noting Suffolk's pay lags in the region by 9%. It is my hope that the City will be able to provide a pay increase for our valued employees in the near future as economic conditions improve.

Capital Projects Fund

The FY 12' budget provides for the issuance of \$23.5M in General Obligation debt for General Government projects recommended in the adopted FY 2012-2021 Capital Improvements Plan (CIP). This budget includes critical public building maintenance, the Municipal/E-911 Call Center replacement project, public safety equipment, neighborhood and village initiatives, roadway improvements, and support of airport taxiway, security improvement, and runway extension projects. The Capital Projects Fund also includes \$7.5M in Qualified School Construction Bond (QSCB) funds from the Virginia Department of Education in support of the New Southern Elementary School project. Stormwater capital projects, including the Sadler Pond Improvements project, Chenango Court Reconstruction, and Pughsville Drainage Study, are also included in the FY 12' capital budget. The FY 12' budget also provides for the issuance of \$48,150,000 in public utility revenue bonds for water and sanitary sewer service needs and State compliance mandates.

Utility Fund

The City's Public Utility Fund continues to experience challenges with the cost of providing safe drinking water and sewage treatment solutions to our 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 proposed restructuring of existing utility debt. The adopted budget does require rate adjustments of \$.59 and \$.41 monthly per 100 cubic feet to water and sewer rates, respectively. These much lower than expected increases address the above noted challenges and the effects of the economic recession driving service delivery costs.

Schools Funding

Local funding for Schools is provided at **\$44,163,718** in FY 12' or **\$900,000** less than the previous year. The reduction of **\$900,000** supports the efficiency and cost saving recommendations made by the Superintendent of Schools in February 2011. Additionally, as previously discussed, the City's debt service fund budget includes funding to support the \$7.5M in QSCB debt for the New Southern Elementary School project. The total school operating budget to include anticipated Federal/State assistance is **\$140,358,588** or a **2% decrease** and continues to represent approximately 47% of the citywide service budget.

Closing Remarks

In closing, the adopted FY 2011-2012 Operating & Capital Budget balances competing service demands with the lowest possible tax impact to our citizens, protects the financial compliance progress and "Best Management Practices"

that has been made by the City, provides for future refuse service needs, maintains critical personnel resources to serve our citizens, provides for safe public buildings for citizens and employees, funds the operational needs of completed facility additions, and maintains level employee compensation.

The citizens of Suffolk are at a crossroads in the history of our great and growing City and must remain vigilant in moving Suffolk forward despite the myriad of challenges that confront us. I continue to remain optimistic about our future and would like to thank City Council for its unwavering leadership and vision which has enabled us to maintain critical services for our citizens, fulfill the commitments made in previous years and continue the strengthening of City finances.

Respectfully,

A handwritten signature in dark ink, reading "Selena Cuffee-Glenn". The signature is written in a cursive, flowing style.

Selena Cuffee-Glenn
City Manager