

**Municipal Finance: Fayetteville, West Virginia**

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*FY 2019 - FY 2022*

Chad Efaw

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Department of Public Administration, West Virginia University

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### **Introduction:**

Fayetteville, West Virginia is a town of around 2,800 residents located in the southeastern part of the state (U.S. Census Bureau, n.d.-a). Originally Vandalia, Fayetteville was renamed in honor of Revolutionary War hero Marquis de Lafayette (VisitFayetteville.com, n.d.). Over a century later, the town was held by both Confederate and Union armies due to its “position at the head of Fayette County,” and where the New River and Gauley River merge (WV Culture, 1953). This position of “decided military importance” is a stand-in for economic importance as the navigable water routes of these rivers portend Fayetteville’s importance as a hub of coal and timber in the mid-1900s.

Revolution and capture; standing armies and transport hubs; push, pull, rise and fall; the story of Fayetteville is the story of West Virginia. And much like the rest of the state, Fayetteville has endured the transition from a resource extraction economy to a more service-oriented economy. How does that transition change the structure of municipal finance of the town? Are there winners and losers? On whom does the burden of taxation fall? And is that just? The purpose of this essay is to provide an overview of the structure of Fayetteville’s municipal finance for a small period of time, specifically from FY 2019 to FY 2022.

As such, this essay is organized as follows: the first section provides a case study of Fayetteville, West Virginia; the second section analyzes the town’s budget trends for FY2019 through FY 2022; the third section compares Fayetteville to West Virginia as a whole, to other Class III towns, and to other Class III municipality in Fayette, County; the final section discusses possible trends and issues that administrators in Fayetteville, specifically, and in West Virginia more generally, must consider in the next 10 years; all references, charts, and tables are included in the appendices.

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### **Fayetteville, West Virginia: Background**

Fayetteville – population: 2,887 – sits at the heart of Fayette County as the county seat (U.S. Census, n.d.-a). To the south, Oak Hill, Fayette County’s largest city – population: 8179 – and fellow Class III municipality in the state; and, Thurmond, West Virginia’s least-populous municipality – population: 5 – is just 10 miles southeast (U.S. Census, n.d.-b; U.S. Census, n.d.-c). The New River Gorge National Park and Preserve is the town’s biggest attraction and, consequently, represents the transition from a predominantly resource-based economy to a predominantly service, tourism, and outdoor recreation-based economy.

#### *Local Governance:*

Fayetteville has a Council-Manager form of government which “combines the strong political leadership of elected officials with the strong professional experience of an appointed local government manager or administrator” (Fayetteville, Directory, n.d.-b; ICMA, n.d.). The town manager is responsible for, according to the Codified Ordinances of Fayetteville, West Virginia, being the “general administrative officer of the Town.” (Fayetteville, Codified Ordinances, n.d.-c).

Like other towns in West Virginia, Fayetteville provides some services directly to residents but contracts out others. For example, the town provides police and public safety services to residents but contracts out trash and recycling services. In fact, over 12% of the town’s budget goes to contractual services (Fayetteville, WV, n.d.-c). Also like other towns, Fayetteville relies heavily on B&O taxes to fund municipal services. The next sections compare Fayetteville to other Class III municipalities in the state.

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### **Fayetteville Budgetary Trend Analysis: FY2019-FY2022**

This section analyzes Fayetteville's revenue and expenditure data provided by the town to the Local Government Services Division of the West Virginia State Auditor's Office (WVSAO, n.d.). Each fiscal year – July 1st through June 30th – has been extracted from the PDF files and tabulated. Table 1 provides the trend in Fayetteville's revised general fund budget over time. As table 1 shows, there has been positive growth in revenues and expenditures from 2019 to 2022. While there was a 4.2% decrease from 2019 to 2020, the town increased their budget 18.3% from 2020 to 2021 and 10.1% from 2021 to 2022. Globally, this represents an increase of 24.9% from 2019 to 2022.

Table 2 provides an overview of where the growth in the budget occurred. Public safety is the largest portion of the budget – on average 34.8% – and experienced an increase of 24.8% in the examined time period. Culture & Recreation, while a small percentage of the budget as a whole, increased by 143.8% from FY2019 to FY2022. Social Services too, a small percentage of the budget, had an increase of 57%. Chart 1 provides the relative change in each expenditure category over the examined time period. Public Safety and Capital Projects are the largest percentage of total expenditures.

Chart 2 provides an overview of the revenue categories and each category's relative importance to the budget. As chart 2 shows, taxes – a category of multiple revenue streams grouped together: Business & Occupation, property taxes, etc – are the largest source of revenues for Fayetteville. Unassigned and Assigned fund balances – dollars carried over from the previous year – are the second largest revenue mechanism for the town. Note: According to the Municipal Government Guideline to the Budget Process provided by the WV State Auditor's Office, these fund balances, while not technically revenue in the strictest sense, ought to be tabulated

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### **Municipal Budget Comparisons:**

This section examines the budgets of Class III municipalities in West Virginia in comparison to Fayetteville. Data for this analysis was tabulated as follows: PDF files from the State Auditor’s Office were downloaded for each Class III municipality. An R script read in page 7 from each PDF, scraped the “SUMMARY” table for each expenditure category total, and created a new dataset with every municipality’s expenditures for each fiscal year. All averages in this section come from that process.

#### *Class III Municipalities:*

Class III municipalities in West Virginia are towns and cities with populations between 2,000 and 10,000 people. (WV Department of Revenue, n.d.) According to the 2020 Decennial Census, there were 45 municipalities that fit this definition with the largest Class III city being Bluefield with a population of 9,658 and the smallest being Spencer with a population of 2,063. Fayetteville, one of the smaller Class III municipalities, ranks 32 out of 45.

However, when compared as a sum of total expenditures, Fayetteville is consistently in the top-20 Class III municipalities. Table 3 provides the top 20 Class III municipalities ranked by average budget from FY2019-FY2022. As table 3 shows, Bridgeport has the highest expenditures in the examined time period – roughly \$23.5M per year – while Fayetteville is ranked 18th with an average budget of \$4.9M per year that is steadily increasing!

Table 4 provides a comparison of expenditure categories as a percentage of total expenditures for Fayetteville as compared to an average of West Virginia’s Class III municipalities expenditures. Note: Fayetteville’s numbers are included in the Class III average. As table 4 shows, Fayetteville has different priorities than the average Class III municipality. Fayetteville spends, as a percent of its total budget, 36.7% on public safety while the average

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Class III municipality spends 31.5% in FY22. As mentioned prior, Culture & Recreation saw an increase in funding in FY22 – 13.2% of the town’s budget in FY22 as compared to 9.07% of the Class III average. One thing of note is the general *lack* of General Government Expenditures for Fayetteville. The town is consistently 8%-12% lower than the average Class III municipality in that category. One possible explanation is the fact that Fayetteville spends 12% of its budget on contractual services (Fayetteville, WV, n.d.-b). General Governments Expenditures are low because the town decided to contract those services out.

### *Fayette County, West Virginia*

While Fayetteville is the county seat of Fayette County, it is not the largest municipality in the county. Oak Hill has a population of 8,179 – which makes it the 3rd largest Class III municipality – and has, on average from FY19-FY22, a budget of \$5.7M. So while Oak Hill has nearly 2.8 times the population of Fayetteville, it is only slightly larger in terms of budget. Table 5 provides Oak Hill’s expenditure categories as percentages of total expenditures. As table 5 shows, even Class III municipalities in the same county have different priorities in terms of their expenditures. Oak Hill spends more on general government while Fayetteville spends more on Culture & Recreation and Capital Projects.

## **Fayetteville, West Virginia’s Future: Opportunities and Pitfalls**

The future looks bright for Fayetteville. The population has increased dramatically since the early 1900s even with the transition away from a resource extractive economy. In fact, Fayetteville’s population has stayed relatively stable since 2000 (US. Census, n.d-a). Looking forward, with the New River Gorge Park and Preserve and the increase in remote telework, there is good evidence that Fayetteville’s population will increase.

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However, the balance of tax burden must be reweighted on a more frequent basis to account for shifts in the greater macroeconomic environment. What does that mean? Referring back to Chart 2, while the relative importance of taxes compared to fees is undeniable, there are cracks showing in where money is being raised. Chart 2 shows that taxes (all told) are decreasing as a percentage of total revenue mechanisms while fees are increasing. How do these marginal shifts in importance affect taxpayers? The Rethinking Revenue Report lists six criteria to judge local government revenue: fairness to taxpayers; accountability; adequacy of revenue production; impacts on taxpayer behavior; cost of administration; and promotion of intergovernmental dynamics (GFOA, n.d. p.3). Let's look at just one: adequacy of revenue production. If the population of the town increases, are the revenue mechanisms structured in such a way that they produce enough revenue? If B&O taxes account for over  $\frac{1}{3}$  of the town's revenue and we receive another shock similar to COVID-19, how will that impede municipal revenue?

A second criteria that the Rethinking Revenue report lists is "promotion of Intergovernmental dynamics." This criteria views Fayetteville more favorably than the others given that there is a National Park Service designated National Park in the area.

Intergovernmental grants are a decent percentage of total revenue for the town (Chart 2).

As a downside, there may be less appetite for state-to-municipality intergovernmental transfers in the next decade. This may have a few knock-on effects. We know that resource extraction causes excess flooding and mudslides (Rojas, 2022). So in addition to a transition away from resource extraction – and a transition away from the tax revenue those activities brought in – these towns will have to pay current and future taxes to clean up the mess.

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### Conclusion:

These dynamics are similar to other areas throughout the state as they transition away from one economy to another. Thomas and Davis, for example, are dealing with the same issues as Fayetteville in their own unique ways. The extractive economy the West Virginia once knew is gone; a new economy is coming into view and in some cases is already here. Cities and towns like Fayetteville are where municipal services most personally felt are delivered. For the good of the State of West Virginia, they must be as efficiently, effectively, and economically run as possible.

### Appendix:

**Table 1**

*Fayetteville, West Virginia; Revised General Fund; FY2019-FY2022*

<b>FY</b>	<b>Amount</b>	<b>% Change</b>	<b>FY22 - FY19</b>
2019	\$4,594,843	-%	-%
2020	\$4,403,441	-4.17%	-%
2021	\$5,210,994	18.34%	-%
2022	\$5,740,627	10.16%	<b>24.94%</b>
Total	\$19,949,905	-	-

Source: Fayetteville, WV; Municipal Budgets Data; WVSAO.gov; FY2019-FY2022

**Table 2**

*Fayetteville, West Virginia Expenditures by Category; FY2019-FY2022*

<b>Expenditure Type</b>	<b>% of FY 19 Total</b>	<b>% of FY 20 Total</b>	<b>% of FY 21 Total</b>	<b>% of FY 22 Total</b>	<b>Average</b>	<b>FY19 - FY22 % Change</b>
Public Safety	29.4%	35.9%	37.1%	36.7%	<b>34.8%</b>	24.8%
Capital Projects	27.1%	18.0%	23.5%	17.1%	21.4%	-37.1%
Street and Transportation	17.7%	21.0%	16.1%	16.4%	17.8%	-7.2%
General Government	18.2%	16.9%	15.4%	14.3%	16.2%	-21.3%
Culture & Recreation	5.4%	5.9%	5.8%	13.2%	7.6%	<b>143.8%</b>
Health & Sanitation	1.8%	1.9%	1.7%	1.8%	1.8%	-2.7%
Social Services	0.3%	0.4%	0.4%	0.5%	0.4%	57.0%

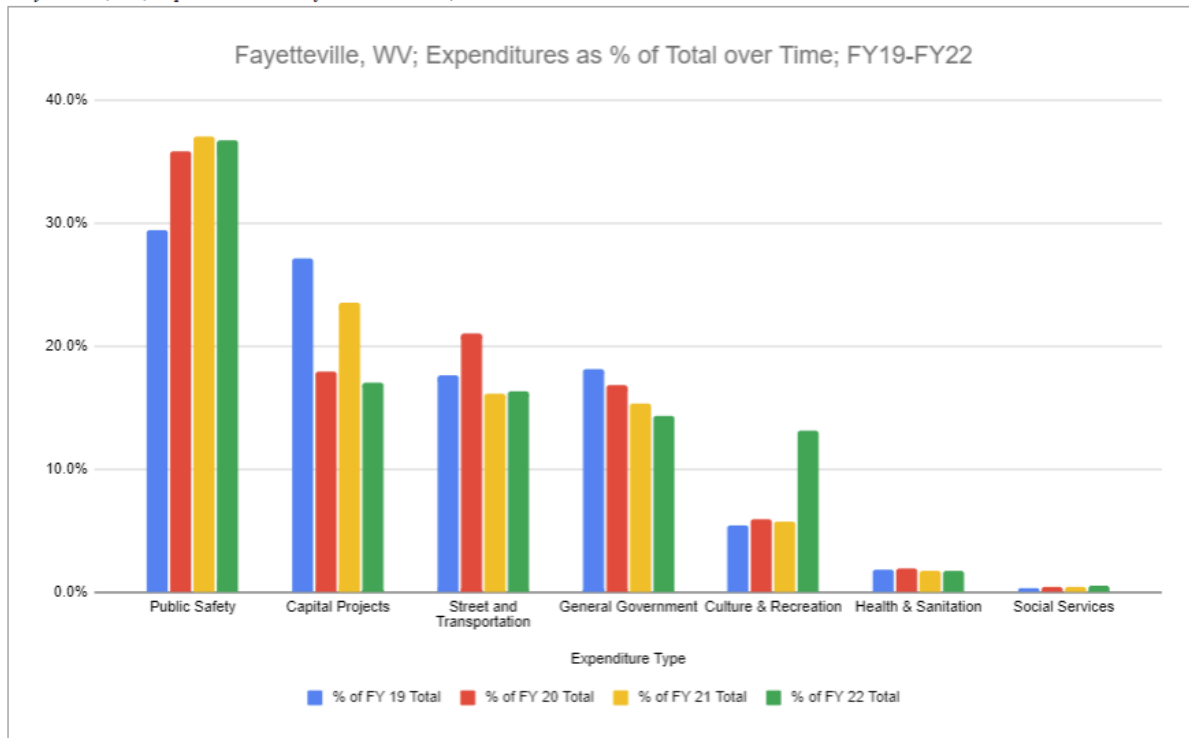
Source: West Virginia State Auditor's Office, Local Government Services Division, Municipal Budgets: FY2019-FY22



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**Chart 1**

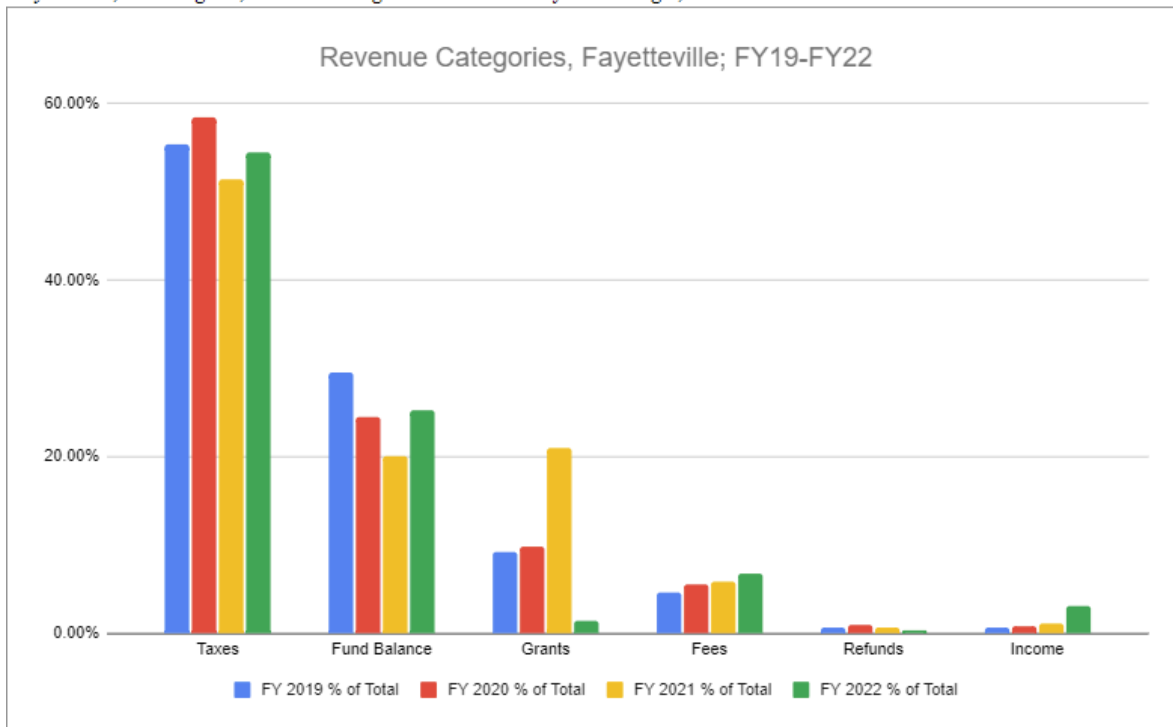
*Fayetteville, WV; Expenditures as % of Total over Time; FY19-FY22*



Source: West Virginia State Auditor's Office, Local Government Services Division; Municipal Budgets, FY2019-FY22

**Chart 2**

*Fayetteville, West Virginia; Revenue Categories as a Percent of Total Budget; FY2019-FY22*



Source: West Virginia State Auditor's Office, Local Government Services Division; Municipal Budgets, FY2019-FY2022

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**Table 3**

*Class III Municipalities Expenditures, FY19-FY22 and Average*

Rank	Town	FY2019	FY2020	FY2021	FY2022	Average, FY19-FY22
1	Bridgeport	\$22,699,758.00	\$21,429,133.00	\$24,932,182.00	\$24,987,652.00	\$ 23,512,181.25
2	Bluefield	\$21,474,705.00	\$17,279,367.00	\$20,152,133.00	\$16,977,899.00	\$ 18,971,026.00
3	Moundsville	\$11,493,815.00	\$12,970,460.00	\$15,521,471.00	\$16,163,596.00	\$ 14,037,335.50
4	Princeton	\$12,271,700.00	\$ 8,344,045.00	\$10,131,416.00	\$ 9,097,691.00	\$ 9,961,213.00
5	Lewisburg	\$ 6,630,493.00	\$ 7,633,201.00	\$ 9,934,756.00	\$ 9,842,165.00	\$ 8,510,153.75
6	Nitro	\$ 8,777,091.00	\$ 7,577,361.00	\$ 8,676,817.00	\$ 8,587,176.00	\$ 8,404,611.25
7	Ranson	\$ 7,357,788.00	\$ 7,811,721.00	\$ 7,576,332.00	\$ 9,238,352.00	\$ 7,996,048.25
8	Barboursville	\$ 6,460,347.00	\$ 7,041,342.00	\$ 8,053,571.00	\$ 9,947,779.00	\$ 7,875,759.75
9	Dunbar	\$ 7,577,881.00	\$ 7,420,540.00	\$ 8,197,053.00	\$ 8,156,944.00	\$ 7,838,104.50
10	Hurricane	\$ 7,030,846.00	\$ 6,218,296.00	\$ 8,579,216.00	\$ 9,372,957.00	\$ 7,800,328.75
11	Buckhannon	\$ 4,694,573.00	\$ 5,332,801.00	\$ 7,945,416.00	\$ 9,243,985.00	\$ 6,804,193.75
12	Elkins	\$ 5,219,117.00	\$ 6,718,657.00	\$ 7,219,196.00	\$ 7,426,156.00	\$ 6,645,781.50
13	Charles Town	\$ 5,405,530.00	\$ 5,743,919.00	\$ 5,855,812.00	\$ 7,705,407.00	\$ 6,177,667.00
14	Westover	\$ 5,480,698.00	\$ 5,487,601.00	\$ 6,460,677.00	\$ 7,225,750.00	\$ 6,163,681.50
15	Summersville	\$ 5,184,499.00	\$ 5,570,709.00	\$ 5,936,728.00	\$ 7,000,881.00	\$ 5,923,204.25
16	Oak Hill	\$ 5,616,909.00	\$ 5,272,833.00	\$ 6,276,351.00	\$ 5,876,679.00	\$ 5,760,693.00
17	New Martinsville	\$ 4,065,070.00	\$ 4,383,283.00	\$ 5,685,298.00	\$ 5,910,237.00	\$ 5,010,972.00
<b>18</b>	<b>Fayetteville</b>	<b>\$ 4,594,843.00</b>	<b>\$ 4,403,441.00</b>	<b>\$ 5,210,994.00</b>	<b>\$ 5,740,627.00</b>	<b>\$ 4,987,476.25</b>
19	Grafton	\$ 4,213,335.00	\$ 4,430,645.00	\$ 4,745,747.00	\$ 4,833,137.00	\$ 4,555,716.00
20	Welch	\$ 3,941,724.00	\$ 4,127,060.00	\$ 4,704,794.00	\$ 4,641,056.00	\$ 4,353,658.50

**Table 4**

A Comparison of Expenditure Categories as a Percent of Total Expenditures; Fayetteville vs Class III Municipalities

Expenditure Category (Class III Only)	CIII F19	Fay 19	CIII F20	Fay 20	CIII F21	Fay 21	CIII F22	Fay 22
Public Safety Expenditures	<b>32.66%</b>	29.4%	33.10%	<b>35.9%</b>	32.63%	<b>37.1%</b>	31.53%	<b>36.7%</b>
General Government Expenditures	<b>26.97%</b>	18.2%	<b>27.00%</b>	16.9%	<b>27.97%</b>	15.4%	<b>27.18%</b>	14.3%
Street and Transportation	<b>19.11%</b>	17.7%	17.60%	<b>21.0%</b>	<b>17.80%</b>	16.1%	<b>18.84%</b>	16.4%
Culture & Recreation Expenditures	<b>7.88%</b>	5.4%	<b>9.80%</b>	5.9%	<b>7.74%</b>	5.8%	9.07%	<b>13.2%</b>
Capital Projects Expenditures	6.77%	<b>27.1%</b>	6.90%	<b>18.0%</b>	8.25%	<b>23.5%</b>	7.74%	<b>17.1%</b>
Health & Sanitation Expenditures	<b>6.08%</b>	1.8%	<b>5.20%</b>	1.9%	<b>5.60%</b>	1.7%	<b>5.47%</b>	1.8%
Social Services Expenditures	<b>0.53%</b>	0.3%	<b>0.50%</b>	0.4%	<b>0.57%</b>	0.4%	<b>0.51%</b>	0.5%

Source: West Virginia State Auditor's Office, Local Government Services Division; Municipal Budgets, FY2019-FY22

**Table 5**

Fayetteville vs Oak Hill (Fayette County, WV Class III Municipalities) Expenditure Categories; FY19-FY22

Expenditure Category	Oak F19	Fay F19	Oak F20	Fay F20	Oak F21	Fay F21	Oak F22	Fay F22
General Government Expenditures	<b>25.2%</b>	18.2%	<b>24.1%</b>	16.9%	<b>21.3%</b>	15.4%	<b>23.5%</b>	14.3%
Public Safety Expenditures	<b>32.2%</b>	29.4%	33.6%	<b>35.9%</b>	32.2%	<b>37.1%</b>	<b>38.0%</b>	36.7%
Street and Transportation	16.3%	<b>17.7%</b>	18.9%	<b>21.0%</b>	<b>18.8%</b>	16.1%	<b>21.8%</b>	16.4%
Health & Sanitation Expenditures	<b>2.6%</b>	1.8%	<b>2.4%</b>	1.9%	<b>2.9%</b>	1.7%	0.0%	<b>1.8%</b>
Culture & Recreation Expenditures	<b>11.7%</b>	5.4%	<b>6.8%</b>	5.9%	5.4%	<b>5.8%</b>	4.5%	<b>13.2%</b>
Social Services Expenditures	0.2%	<b>0.3%</b>	0.3%	<b>0.40%</b>	<b>0.5%</b>	0.4%	0.2%	<b>0.5%</b>
Capital Projects Expenditures	11.9%	<b>27.1%</b>	14.0%	<b>18.0%</b>	18.9%	<b>23.5%</b>	12.0%	<b>17.1%</b>

Source: West Virginia State Auditor's Office, Local Government Services Division; Municipal Budgets, FY2019-FY22

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