



MEMORANDUM

TO: Members of the Finance Committee

FROM: Rich Olson, City Manager

DATE: June 7, 2016

REF: Discussion/Consideration – Fiscal Year 2016-2017 Budget Changes

BACKGROUND:

On April 8, 2016, City staff provided a copy of the manager's recommended City of Elizabeth City budget for fiscal year 2016-2017 to members of the City Council. On April 16, I presented this proposed balanced budget in the amount of \$65,913,940 during the Council's first Budget Work Session. Expenditures by fund were as follows:

General Fund	\$18,637,625
Electric Fund	\$35,765,702
Water and Sewer Fund	\$ 9,433,893
Storm Water Utility Fund	\$ 403,120
Solid Waste Utility Fund	\$ 1,673,600

Since April 16, the City Council has conducted four additional budget work sessions and has made a number of changes to the original document. During the Council meeting of May 23, 2016, the Council called for a public hearing to be held on June 13, 2016 to receive public comment on the proposed budget for next fiscal year. Adoption of the budget is scheduled during the Regular Session of June 27, 2016.

Major highlights of the budget included no debt financing, a 10% increase in health insurance, no Cost of Living Adjustment (COLA) for City employees and the discontinuation of the 1% employee holiday bonus. A 3% increase in water and sewer rates and an increase of 2.57% in electrical rates were also budgeted. The electric rate increase reflected the findings of the Booth and Associates Cost of Service Study.

Due to a variety of factors, next year's budget has had multiple major changes, which affect almost every page of the document. Due to the number of changes, I thought it would be appropriate to outline the changes that have been made to the original budget document.

ANALYSIS:

The General Fund has seen the lion's share of changes. The City will be issuing \$998,659 in debt, which will be used to purchase portable and mobile radios for the Police and Fire Departments. Also included in the debt payment is the financing for seven vehicles: five for the Police Department and one each for the Planning and Inspection Departments. In order to retire this proposed debt, an increase in property taxes of .015 cents per \$100 of valuation is proposed. This tax increase will generate \$174,000 in revenue annually.

Pasquotank County, through their Central Communication budget, will be making upgrades to their system to accommodate use of the state VIPER network. Since these assets will be County assets, the City will not be able to include them in the City's debt financing package. City staff has requested that Pasquotank County pay the City's share of the upgrades and enter into a separate agreement outside the normal Central Communications budget to allow the City to pay for the upgrades over a three-year period. A debt payment has been included in the budget for \$68,947.

The County requested that all County-only Parks and Recreation Department projects be removed from the recommended budget, along with all proposed joint City-County projects. The City will see a decrease in Pasquotank County's Parks and Recreation Department fees, which will result in a decrease in revenue of \$569,917. During the May 23, 2016 Budget Work Session, the Council voted to only fund one Parks and Recreation project, which is the Splash Pad. The amount now included in the budget for this project is \$132,750.

The Council voted to give all City employees a 2% COLA, which will have the following effect on each departmental budget:

General Fund	\$187,382
Electric Fund	\$ 36,813
Water and Sewer Fund	\$ 35,898
Storm Water Utility Fund	\$ 591
Solid Waste Utility Fund	\$ 13,192

As mentioned above, a 10% increase in health insurance premiums was included in my recommended budget. The City Council settled on offering City employees a split health insurance plan. With this change, the net effect is only a 5% increase, which will save each fund the following amounts:

General Fund	\$110,640
Electric Fund	\$ 23,442
Water and Sewer Fund	\$ 26,585
Storm Water Utility Fund	\$ 120
Solid Waste Utility Fund	\$ 9,354
Total	\$170,142

Due to the growth in the City's cash position in the Electric Fund, the Council determined that no electric rate increase will be necessary. Instead, the Council voted to adjust the basic electric charge and lower the energy charge across several rate classes. This change will be revenue neutral.

The Water and Sewer rate increase of 3% remains in the budget, pursuant to the Council's decision on May 23, 2016. Adjustments will be needed to reflect that the City prevailed in the water dispute lawsuit with Pasquotank County. The revenue generated by the rate increase will be used to rework several of the City's wells.

Adjustments to the Storm Water Utility Fund have been made to account for the Roanoke Avenue Project debt payment and the contingency line item has been adjusted to reflect this change.

FINANCIAL ACCOUNTING:

A spreadsheet has been prepared by the Finance Department, which lists all revisions that have been made to the recommended budget as described herein. This spreadsheet is attached for your review.

STAFF RECOMMENDATION:

By motion, recommend that the City Council accept the recap of the revisions made to the Manager's Recommended Budget; and further, pending the outcome of the Public Hearing on June 13, 2016, instruct staff to prepare the Budget Ordinance for adoption on June 27, 2016.

RCO/vdw

REVISIONS TO FY 2016/17 BUDGET

	Increase	Decrease	
General Fund			
Revenue			
Other Financing Source	998,659	Vehicles \$255,500, VIPER \$743,159	
One and Half Cent Tax Increase	174,000		
Pasquotank County Recreation Fee		569,917	
Private Donation Recreation Donation		6,666	
Total	1,172,659	576,583	
Increase in Revenue			596,076
Expenditure			
Health Insurance Savings		110,640	
Police Debt Payment	41,000		
Inspection Debt Payment	5,000		
Planning Debt Payment	5,000		
2% COLA	187,382		
Street Lighting		21,000	
Parks and Recreation Capital Outlay		45,000	
Parks and Recreation Capital Outlay - County		569,917	
Contingency		65,747	
VIPER Debt Payment	160,000		
Shortfall for Central Communications	68,947	(206841/3)	
City VIPER	743,159		
Emergency Management	45,430	29,301	
Leadership Training Program	3,500		
Total	1,259,418	812,304	
Increase in Expenditures			447,114
			148,962
Electric Fund			
Revenue			
Payment from Water/Sewer Fund	20,000		
Electric Energy Sales		1,078,171	
Retained Earnings Appropriated	185,455		
Total	205,455	1,078,171	
Decrease in Revenue			872,716
Expenditures			
Health Insurance Savings		23,442	
Customer Service P/T Salaries	30,000		
Contingency		916,087	
2% COLA	36,813		
Total	66,813	939,529	

Decrease in Expenditures 872,716

Water/Sewer Fund

Expenditures

Health Insurance Savings		26,586	
Customer Service P/T Salaries	30,000		
Pasquotank County Purchased Water		289,000	
Additional Cost to Produce Water	151,110		
2% COLA	35,898		
Contingency	98,578		
Road Street Improvements		1,400,000	
Transfer to Road Street Improvements	1,400,000		
Total	1,715,586	1,715,586	-

Stormwater Fund

Expenditure

Health Insurance Savings		220	
2% COLA	591		
Roanoke Avenue Debt Payment	150,641		
Contingency		151,012	
Total	151,232	151,232	-

Solid Waste Fund

Health Insurance Savings		9,354	
2% COLA	13,192		
Contingency		3,838	
Total	13,192	13,192	-