CITY OF POQUOSON

2013 PRELIMINARY BUDGET

JANUARY 23, 2012

(Revised 1/23/12)

FY 2013 Budget Issues

- FY 2013 will be the 5th consecutive challenging budget year.
- The FY 2014 forecast will be more of the same.
- Specific budget hurdles for FY 2013 include, but are not limited to:
  - Imbalance between base expenditures and ongoing reoccurring revenue of approximately $2.0 million.
  - More than $1 million School Division deficit expected.

FY 2013 Budget Issues

<u>Items Driving City's Operating Shortfall:</u>

- Increased debt service-$396,000.
- Utility Fund debt service - $260,000.
- State/Federal unfunded mandates-$560,000.
- Structural deficit in each of the City's self-supporting funds - $536,000.
- Estimated Health Insurance - $137,000.
- Natural Revenue Growth is expected to be less than $100,000.
- Use of General Fund Balance to support current year operating costs for City/School Division - $510,000.

revised 1/23/12

FY 2013 Budget Issues

<u>Six Basic Strategies to Overcome Shortfall:</u>

1. General Property Tax increase.
2. Reduction in Municipal services.
3. Increases in fees that support specific services.
4. Non-programmatic expenditure reductions.
5. Increase natural revenue growth.
6. Use of Gen. Fund Balance (one-time funds).

First two bullets are last resort options, so preparation efforts for FY 2013 will focus on strategies 3 thru 6.

FY 2013 Budget Issues

Strategy 3 – Correct imbalances in Self-Supporting funds:

- In the past, the City has limited fee & non-property tax rate increases.
- Every self-supporting fund requires General Fund monies to balance. To do so, $536,000 will be required in the FY 2013 Budget.
- General Fund no longer has capacity to support these funds, i.e. Solid Waste, Parks & Recreation, EDA & Utility Funds.
- The FY 2013 Recommended Budget will include specific recommendations to make these funds self-sufficient.

revised 1/23/12

FY 2013 Budget Issues

Strategy 4 – Reduce Gen. Fund Budget thru Non-Programmatic Reductions:

- Considering possible refinancing and/or restructuring of City debt.
- Reviewing organizational structure to determine if additional savings can be realized in Fleet Maintenance.
- Reviewing the budget for further possible reductions.
- Eliminating all new budget requests and pay increases.

FY 2013 Budget Issues

<u>Strategy 5 – Increase Natural Revenue Growth:</u>

- City is expending many hours on economic development in an effort to maintain existing businesses and bring in new businesses.
- Every tax dollar we can add through economic development lessens the demand for a property tax and/or service fee increase.

FY 2013 Budget Issues

Strategy 6 – Use of General Fund Balance:

- The City has retained a strong financial position and a healthy General Fund Balance despite the recession.
- If we are to prevent a property tax increase and/or service level reduction, use of the General Fund Balance will be necessary.
- The City currently has $1.07 million above the 15% General Fund Balance guideline.

FY 2013 Budget Issues

Strategy 6 – Continued:

- City Departments are encouraged to save discretionary money in their respective budgets.
- Caution should be noted when using the Fund Balance since this is a one-time, non-reoccurring revenue source.

FY 2013 Budget Issues

FY 2013 School Division Challenges:

- The Superintendent's Recommended Budget is not yet complete, so the details are not fully known.
- However, it is certain that the FY 2013 State Budget will have an almost $1 million impact upon our local School System.
- With increases such as utilities & health insurance the School shortfall could easily exceed $1 million.
- State impacts on education outpace the City's total natural revenue growth by more than a factor of 10.
- The City cannot keep pace with the State Budget negative impacts.

FY 2013 Budget Issues

Other FY 2013 Budget Issues:

- There are 2 issues of continued interest to Council beyond those previously mentioned. The first is:
  - A desire to gradually lower the boat tax to help support our watermen, marina owners & support our unique quality of life.
    - The Recommended Budget will include a revenue neutral plan to gradually lower the boat tax over a period of the next several years.

FY 2013 Budget Issues

Other FY 2013 Budget Issues Continued:

- The second issue of continued interest to Council is:
  - A re-affiliation with the Virginia Cooperative Extension Program in York County.
    - Several residents, who are members of the Master Gardeners' Program, have specifically requested this re-affiliation which includes an annual price tag of $7,500.

FY 2013 Budget Issues

<u>A Look Ahead to FY 2014:</u>

- As staff works to complete preparations for the FY 2013 Recommended Budget, we are also in the pre-planning stage for the FY 2014 Budget.
- FY 2014 promises to be quite challenging too as we consider mandated adherence to: storm water TMDL program & the EPA Sewer Consent Order.
- Should the General Fund Balance or other short-term strategies be used to offset the FY 2013 Budget, it will reduce our ability to use these same strategies in FY 2014.
- FY 2014 is a real property reassessment year.

FY 2013 Budget Issues

FY 2013 Budget Calendar:

January 2012

1/10/12	1/23/12	Pre-Budget Public Hearing.

April 2012

4/5/12	Proposed budget distributed to Council.
4/9/12	Presentation to Council & public on proposed real estate & property tax rates & fees.
4/11/12	Publish notice of 4/23/12 public hearing on proposed tax rates & fees.
4/23/12	Public hearing on budget at Council Mtg. w/Work Session held prior to meeting.

FY 2013 Budget Issues

<u>FY 2013 Budget Calendar:</u>

May 2012

5/7/12	Scheduled adoption of FY 2013 Budget at Council meeting.
5/15/12	Date by which Council must adopt FY 2013 Budget.