



City of Washington

P. O. Box 1988, Washington, NC 27889-1988

June 5, 2012

RE: FY 2012/2013 Budget Message

Honorable Mayor and Members of City Council:

I am pleased to present the City of Washington's 2012-2013 fiscal year budget. The FY 12/13 total organization budget is 19% lower than the amended FY 11/12 budget (a 5.8% decrease in operational funds) and accomplishes many of the goals and objectives that you, as City Council, have outlined for the staff. The following message will attempt to provide a high level recap of the budget and will hopefully provide our citizens and customers with an understanding of where our revenue is derived and how we, as an organization, plan on expended their dollars for services and programs for their use and enjoyment.

The City's fiscal year begins on July 1st and runs to June 30th. The City of Washington's budget is divided into many separate funds in order to best account for revenue collected and services provided. The following is a list of the funds accounted for in this budget:

- General Fund – This fund is the “typical” governmental fund, where all taxes and some user fees and intergovernmental transfers are used to provide basic governmental services, such as police, fire, finance, planning, zoning, inspections, and administration of all City services.
- Enterprise Funds – These funds are separate “self-sustaining” funds, commonly including all utility services and other functions where taxes are not generally used in its operations. Washington's enterprise funds include:
 - Water Fund
 - Sewer Fund
 - Electric Fund
 - Storm Water Management Fund
 - Airport Fund
 - Solid Waste Fund
 - Cemetery Fund
- Trust Funds – These funds are primarily received from interest proceeds from investments maintained by the City for specific purposes, such as Library and Cemetery operations.
- Special Revenue Funds – These funds are typically restricted in purpose and designation by City Council, and include such funds as capital reserve funds and a façade grant fund.
- Grant Funds – Grant funds are restricted in their use and are ongoing projects funded by grants from outside agencies and are usually for short-term operating expenditures for programs.

- Capital Project Funds – These funds are similar to grant funds in that they are restricted for specific uses; however, they are usually geared toward capital improvements rather than operations.
- Internal Service Funds – These funds are utilized by the City in managing across the organizational services, such as the City’s self-insured worker’s compensation program.

The remaining portion of this budget message will attempt to convey major components of revenues and expenditures within the General Fund and the three largest Enterprise Funds (Electric, Water, and Sewer Funds).

General Fund

The proposed General Fund is \$14,491,745 and is balanced.

Revenue

General Fund revenues were estimated very conservatively, assuming similar economic conditions that faced in the past two to three years. Estimates for taxes (property and sales) are either at or below 2012 fiscal year-end estimates on all major revenue accounts. The property tax rate remains at \$0.50 per \$100 valuation with \$0.0144 designated for Public Safety Capital Reserve. There is no fund balance appropriation proposed in the General Fund and utility funds transfers were reduced from \$1,198,140 in the approved 2011/2012 budget to a proposed \$958,616 – a 20% reduction.

- Transfer from Water Fund - \$143,926 in 11/12 to a \$71,963
- Transfer from Sewer Fund - \$81,064 in 11/12 to a \$40,532
- Transfer from Electric Fund - \$973,150 in 11/12 to \$846,121

Personnel

Personnel costs in the General Fund were reduced by approximately \$500,000 from last year, through retirements, elimination of vacant positions, and through a small reduction-in-force. Due to these reductions, the number of FTE (full-time equivalent) positions within the General Fund is reduced from 157 in 2011/2012 to 150.

This reduction in FTE’s and the subsequent operation savings was offset significantly by an organization-wide 43% increase in health insurance costs. In order to mitigate this increase to a manageable 30% increase, the City will reduce its HSA (health savings account) contributions to employees’ accounts to \$600 annually (from \$975.72 annually).

Outside Agencies

Eleven (11) “outside” agencies requested funding from the City of Washington, totaling \$141,715. This total request compares to the 11/12 Budgeted appropriation of \$69,350 (a 104% increase over previously budgeted appropriations). The proposed budget includes appropriations to all eleven agencies for a total amount of \$77,295. Below lists their requests with the appropriations budgeted:

Organization	11/12 Budget	Requested	12/13 Budget
Arts Council & Concerts	\$21,940	\$24,000	\$16,000

Boys & Girls Club	\$19,735	\$35,000	\$16,000
Zion Shelter	\$9,385	\$10,500	\$6,000
Blind Center	\$2,500	\$2,500	\$1,000
Eagle's Wings	\$0	\$3,000	\$1,000
Purpose of God	\$1,610	\$50,000	\$24,000
Kiwanis (Christmas Parade)	\$1,970	\$2,800	\$1,500
Washington Community Care	\$500	\$0	\$250
Wright Flight	\$3,795	\$5,000	\$3,500
Human Relations Council	\$500	\$1,500	\$1,000
Wildlife Guild	\$7,415	\$7,415	\$7,045
TOTAL	\$69,350	\$141,715	\$77,295

Capital

The proposed General Fund budget does include a significant increase in the amount of capital purchases proposed (\$771,368). In order for staff to balance the budget while simultaneously including capital items requested and needed by the various departments, it is proposed to finance the capital purchases through 59-month installment purchase program. Additionally, the proposed budget only includes three months of carrying costs; therefore, staff will not present installment purchase financing bids until the second half of the fiscal year. Major capital items contained in the proposed budget include:

<u>Project</u>	<u>Total Project Amount</u>	<u>FY 12/13 Amount Financed</u>
Replacement of Planning & Inspections vehicle	\$17,500	\$17,500
Civic Center decking replacement	\$125,000	\$125,000
Replace 2 police cars	\$55,000	\$55,000
Replace City Hall chillers	\$90,000	\$90,000
Replace Logics server	\$45,000	\$45,000
Install fiber to com center	\$65,000	\$65,000
West-end restrooms on Stewart Parkway	\$300,000	\$50,000
Replace street sweeper	\$240,000	\$52,000
Replace 2 Library servers	\$48,000	\$48,000
2nd (of 5) year boardwalk replacement	\$19,000	\$19,000

Contingency

The proposed General Fund budget includes a contingency of \$6,611.

Major Utility Funds: Water Fund

Water Fund revenue is projected to be \$3,051,737 for FY 2012/2013 – which includes the following:

- \$50,000 increase in sales and services from the 2011/2012 budget; however, a \$20,000 reduction from current year-end projections;
- No fund balance or water reserve transfer;
- Transition to an inclining block water rate.

Water Fund expenditures are below the previous year's budget and below year-end estimates. Major changes in this fund include:

- Reallocation of supervisory staff from General Fund budgets into the Water and Sewer funds to better account for their time;
- Increased funding to complete the AMR (automated meter reading) installation on all city-water customers;
- New line-item to reflect fuel purchases (seen in all departments), which will allow staff to differentiate between fuel purchases and vehicle maintenance;
- Major capital purchases of:
 - Replacement of vehicle #413: \$38,000 via 59-month installment purchase
 - Rehab equipment #553: \$10,000
 - Construction of a shelter to protect equipment #553: \$15,000

Major Utility Funds: Sewer Fund

Sewer Fund revenue is projected to be \$3,222,139 for FY 2012/2013 – which includes the following:

- \$10,000 increase in sales and services from the 2011/2012 budget, due to increased sales and is not rate related
- Appropriation of \$150,000 from fund balance, which will be used to fund the capital purchases of the sewer flusher and lift station generator.

Expenditures in the Sewer Fund as a whole are below the 2011/2012 budget and below estimated expenditures for the end of the current fiscal year. Highlights of expenditures in this fund include:

- New line-item for fuel purchases
- Major capital purchases of:
 - Replacement of equipment #4008 Sewer Flusher: \$90,000
 - Rebuild of degritter: \$45,000
 - 125 kW generator for Penn & Haven sewer lift station: \$60,000

Major Utility Funds: Electric Fund

Electric Fund revenue is projected to be \$38,391,373, a \$1,213,368 (3%) reduction from the FY 2011-2012 budget. Revenue for the FY 2012-2013 Budget includes the following:

- A decrease of \$39,569 in the sale of electricity, which is attributed to a 1% residential rate decrease;
- \$1,060,000 in installment note proceeds compared to \$630,000 in 2011/2012;
- No fund balance appropriated.

Expenditures within the Electric Fund are below the approved 2011/2012 budget as well as the 2012 FY year-end projections. Major highlights of expenditures in the electric fund include:

- Transfer to General Fund of \$846,121 (a reduction of \$127,029 from the FY 2011-2012 Budget);
- Administrative Charges paid to General Fund of \$1,202,245 (a reduction of \$66,986 from the 2011/2012 budget)
- Long Range and Sectionalization Plan: \$90,000
- Purchased power costs of \$29,105,200
 - NCEMPA & Engineering estimates of purchase power costs were both either higher or lower than this projection.
- Major capital purchases (through installment purchases) of:
 - Peak shaving catalyst installation (EPA RICE regulations): \$175,000
 - Design engineering for 2nd & 5th Street circuit: \$100,000
 - Design engineering for Clarks Neck Road: \$90,000
 - Terra Ceia Phase II rebuild: \$325,000
 - Replacement of vehicle #616: \$240,000

Conclusion

The proposed budget was a difficult task to manage given continued uncertainty in the local and regional economy and the continued increases in operating expenditures. I believe though, that the FY 2012-2013 Budget provides the Washington organization with a very realistic and conservative operational plan that will provide a high level of services to our citizens and customers. I want to especially thank Matt Rauschenbach, Anita Radcliff, and the entire Finance team for their hard-work and dedication to this budget process. I also would be remised if I did not thank all of the department heads and their staffs for putting together their budget requests and for their time and energy in providing invaluable information and guidance in their operations. Also, thanks to the Mayor and City Council for their dedication in reading and reviewing the many proposals and participating in the budget workshops and hearings. Finally, to the citizens that participated in and throughout the process, thanks for your input and feedback.

Sincerely,



Joshua L. Kay
City Manager