

Memorandum

To: Mayor and City Council
Thru: Steven S. Crowell, Jr., City Manager
From: Jennifer Brown, Director of Finance
Date: 04/15/2013
Re: Operating Budget for FY 2014

General Fund

We are pleased to submit for your consideration the proposed Operating Budget for Fiscal Year 2014. Overall, the General Fund Operating Budget represents a decrease in revenues and expenditures of \$27,883 over last year. The General Fund Operating Budget is a balanced budget that conforms to state law.

This budget represents many hours spent by the City Manager and departments of the City. The result of this effort reflects the purpose of St. Marys to provide a designated quality of life for our residents. Governing and managing the City is not an easy task.

Increasing service demands and shrinking revenues complicate matters even further. The major part of the shrinking funds is property tax revenues that provide 31% of the General Fund revenue. Property tax revenue is budgeted at \$2.6 million, which is consistent with last year's collections. If the City has a tax digest decrease, the City would need to adjust its millage rate to allow for the collection of \$2.6 million dollars. The chart below represents tax calculations on real and personal property taxes. They are at various millage rates. (5.351, 5.5, 5.7, 5.9 and 7.2 mills)

	2011	2012	2013 Property Tax Scenarios for FY 2014				
	2011	2012	2013	2013	2013	2013	2013
Real and Personal	608,273,055	554,314,317	554,314,317	554,314,317	554,314,317	554,314,317	554,314,317
Less M&O Exemptions	(14,262,182)	(14,787,182)	(14,787,182)	(14,787,182)	(14,787,182)	(14,787,182)	(14,787,182)
Net M&O Digest	594,010,873	539,527,135	539,527,135	539,527,135	539,527,135	539,527,135	539,527,135
Net M&O Millage	5.351	5.351	5.351	5.5	5.7	5.9	7.2
Net Taxes Levied	3,178,552	2,887,010	2,887,010	2,967,399	3,075,305	3,183,210	3,884,595
Collection	2,860,697	2,597,400	2,597,400	2,670,659	2,767,774	2,864,889	3,496,136
(decrease)increase in Revenue		(263,297)	0	73,259	170,374	267,489	825,477
Taxes on a \$200,000 Home	\$ 428	\$ 428	\$ 440	\$ 456	\$ 472	\$ 576	
Increase in Tax Per \$200,000 Home			\$ 12	\$ 28	\$ 44	\$ 136	

A slight increase has been noted in LOST (Local Option Sales Tax) revenue as a result of Pilot and building permits as a result of anticipated increase in new construction.

Fund Equity has been budgeted for a use of \$130,983. This includes \$6,250 for grant revenue received several years ago in which the grant is slated to be spent in this fiscal year, \$41,462 for debt service that will be paid in full in FY 2014, \$8,500 for one time capital purchases, \$25,000 for contingencies and the balance (\$49,771) will be used to cover expenses. In prior year, the City did not expend all of the approved expenditures, therefore, the fund equity increased in FY 2012 by \$1,101,605.

Fund Balance General Fund	
Budgeted Fund Balance	\$ 130,983.00
Grant	\$ 6,250.00
Debt Service	\$ 41,462.00
Capital Expenditure	\$ 8,500.00
Contingency	\$ 25,000.00
Fund Balance less one time expenditures	\$ 49,771.00

Again this year, the greatest challenge on the expense side has been an increase in health costs. The budget currently reflects a 15% premium projected increase in health costs. Staff is working with the benefits consultant to finalize estimates and make recommendations on a specific health benefit plan. The recommendations may not be available until the budget meeting. The savings from the Employee Health Clinic have yet to be fully realized, however, staff anticipates the Health Clinic will help to control health benefit costs. If additional funding is needed to fund the health costs, staff is prepared to discuss options with Council on how to do so.

Expenditures include (in Contingency) the amount of \$174,000 for employee salary adjustments, pending discussion with the Mayor and Council with consideration given to the pending classification and compensation study. The amount allocated may or may not be sufficient to address the final salary decision by Mayor and Council. Staff is prepared to discuss options regarding this expenditure. Additionally, staff has proposed fuel estimates based on \$3.50 per gallon (note the City pays approximately 30 cents less than the “price at the pump”). The General Fund contingency has been decreased to \$25,000 from the previous years \$100,000.

Some recommendations which **have not** been included in this budget are provided below. Staff is prepared to discuss these items.

- Camden Partnership \$5,000.
- Fire “SAFER” positions eliminated from the budget cost approximately \$250,000.

- Part-time Municipal Court Personnel eliminated from the budget approximately 12,400.
- Combine City Managers/Mayors and Economic Development Administrative Assistance approximate annual savings \$30,000.
- As previously discussed with City Council, adjustments have not been made to address “Sale of Sick Leave” to employees. Estimated savings, if any, are dependent upon how City Council chooses to implement adjustments. Staff is prepared to discuss this in more detail.

During the goal setting meetings, economic development was identified as the top goal. One way to address this issue would be to fund an economic development incentive program to be combined with other existing incentives from the State, etc. Approximately \$500,000 could be designated from fund equity to fund this program. Staff is prepared to discuss this suggestion in more detail.

SPLOST

The remaining SPLOST VI funds have been budgeted at \$3.922 million with approximately \$3.75 million (which is an estimate at this time) budgeted for Gains Davis sewer infrastructure. The balance of the funds (\$242,000) is budgeted in road, streets, bridges and facilities.

Also included in the budget is SPLOST VII funds to cover FY 2014 expenditures. These expenditures include the following:

SPLOST VII Expenditures FY2014			
General Fund		Water/Sewer	
Police Cars	\$ 80,000	Engineer & Consultants *	\$ 25,000
IT Server	\$ 15,000	Alarm System PPWWTP & Water System	\$ 10,489
IT Storage	\$ 25,000	Demoliation of Weed Street Plant **	\$ 30,000
IT Workflow Software	\$ 3,000	Generator for Mission Trace	\$ 150,000
IT Rack Enclosure/Equipment	\$ 3,800	Repair Generator	\$ 50,000
Total	\$ 126,800	Total	\$ 265,489
		*Colerain Road Relocation Plan	
		**Grants Will be Sought	

The County will receive the initial \$5.335 million of SPLOST VII funds collected. I estimate these funds will be collected in the first nine (9) months. Once the County has collected the \$5.335, the City will be able to start drawing down funds. It is proposed that the General Fund and Water/Sewer Fund upfront the monies to purchase the necessary items in the above chart. Once the City can draw its proceeds, the General Fund and Water/Sewer Fund would be reimbursed for the expenditures.

Water/Sewer Fund

Again this year, the greatest challenge on the expense side has been an increase in health costs. The budget currently reflects a 15% premium projected increase in health costs. Staff is working with the benefits consultant to finalize estimates and make recommendations on a specific health benefit plan. The recommendations may not be available until the budget meeting. The savings from the Employee Health Clinic have yet to be fully realized, however, staff anticipates the Health Clinic will help to control health benefit costs. If additional funding is needed to fund the health costs, staff is prepared to discuss options with Council on how to do so.

Expenses include (in Contingency) the amount of \$23,400 (sewer) and \$20,300 (water) for employee salary adjustments, pending discussion with the Mayor and Council with consideration given to the pending classification and compensation study. The amount allocated may or may not be sufficient to address the final salary decision by Mayor and Council. Staff is prepared to discuss options regarding this expenditure.

A sum of the SPLOST VII will be used to retire the 2010 Water/Sewer bond debt. Currently the City is paying interest only (\$1,915,400), however, in December 2014 the debt will increase to \$3,555,400. In calendar 2014, it is estimated that the City of St. Marys will receive \$2.12 million in SPLOST VII funding. The City estimates using \$1.5 million for debt retirement which would leave \$620,000 to be used for other projects. If the collections fall short or if the City needs to use part of the funds for an emergency, Water/Sewer cash reserves can be used and the City will seek reimbursement once the funds are available.

Solid Waste

Currently the Solid Waste fund charges a non-refundable \$75 administration fee to each new resident at time they request service. Therefore, the customer has to pay a total of \$210.00 to get water/sewer and trash service. It is recommended to decrease the \$75 administration fee to \$25 at the time of service. It will cover the cost of paper work to get the service started for the customer. The estimated decrease in revenue to the City as a result of the above referenced administrative fee adjustment is approximately \$22,500 annually.

Expenses include (in Contingency) the amount of \$2,000 for employee salary adjustments, pending discussion with the Mayor and Council with consideration given to the pending classification and compensation study. The amount allocated may or may not be sufficient to address the final salary decision by Mayor and Council. Staff is prepared to discuss options regarding this expenditure.