

Summary of Changes from Proposed to Adopted Budget

City Council adopted the FY2014-2015 Budget on May 27, 2014. The Budget was adopted as Proposed, with the exception of additional funding for School Operations, a general wage increase for employees and additional federal funding received for the CDBG and HOME programs. The summary of changes is as follows:

CITY OF PORTSMOUTH ADOPTED BUDGET						
	FY2014 Adopted	FY2014 Amended	FY2015 Proposed	FY2015 Adopted	Change from Proposed \$ Change	% Change
General Fund	232,685,811	232,685,811	232,431,998	239,281,998	6,850,000	2.9%
Other Operating Funds	156,123,560	156,123,560	152,875,496	152,897,683	22,187	0.0%
School Budget	165,670,818	165,670,818	161,370,818	167,703,508	6,332,690	3.9%
Combined CIP	<u>59,997,923</u>	<u>59,997,923</u>	<u>72,532,757</u>	<u>72,532,757</u>	-	0.0%
	<u><u>614,478,112</u></u>	<u><u>614,478,112</u></u>	<u><u>619,211,069</u></u>	<u><u>632,415,946</u></u>	<u><u>13,204,877</u></u>	2.1%

The sources and uses of additional Adopted appropriations are summarized below.

Sources of Additional Funding

General Fund

Increase to Motor Vehicle Licensing Fee	\$ 450,000
Increase use of Undesignated Fund Balance	6,400,000
Increase in HUD Funding for CDBG & HOME Programs	22,337
School Budget Changes	
Increased appropriation from City Council	6,400,000
School Board reductions	<u>(67,460)</u>
Total Increase from Proposed	<u>\$ 13,204,877</u>

Uses of Additional Funding

General Fund

School Operations	\$ 6,400,000
General Wage Increase	450,000
Community Development & Planning Programs - HUD	22,337
School Budget	<u>6,332,540</u>
Total Increase from Proposed	<u>\$ 13,204,877</u>



March 31, 2014

The Honorable Mayor and Members of City Council
City of Portsmouth, Virginia

Dear Mayor and Members of Council,

This is my Fiscal Year 2014-2015 Proposed Operating and Capital Improvement (GIP) Budget that I am submitting to you for your consideration.

I am very happy to report that for the second year in a row we have balanced this budget without increasing the real estate tax rate, the personal property tax rate, the utility rate, stormwater rate, or the solid waste collection fee.

In developing this budget, we attempted to match the community needs and our organizational necessities to our considerable financial limitations. This budget is driven by several key goals:

- Continued cost of living raises for our employees and retirees
- Addressing our regional and contractual obligations (Hampton Roads Transit, Hampton Roads Regional Jail, etc.)
- Maintaining adequate funding for education
- Support for healthy community initiatives
- The need to increase recreational programs and services
- The stewardship of our natural resources and environment

Maintaining our current property tax rates and utility rates

As with the last budget, this budget includes bold initiatives that are forward thinking and which will position the City for a financially stronger future.

This proposed budget also does the following:

- Maintains core municipal services

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- Invests in our employees and our community
- Implements three bold new initiatives:
 - Partnering with the Schools to provide more recreational facilities and programs for our citizen
 - Redirecting the use of federal funding to invest more money in improving our neighborhoods
 - Reducing the City's Other Post-Employment Benefits (OPEB) liability
 - Continues the City's commitment to its Public Schools at an adequate funding level
 - Maintains City staffing levels necessary for departments to accomplish their missions
 - Continues the investment in critical infrastructure
 - Invests in civic organizations and the Arts
 - Promotes sustainability, livability, education, human capital, economic development and fiscal stability
 - Maintains the current real estate tax relief program for the elderly and disabled homeowners

This overall budget proposal totals \$619.2 million for Fiscal Year 2014-2015. This amount includes an estimate of the Schools' total budget and my recommended local funding level for the Schools.

The size of the budget is indicative of the breadth, depth, and diversity of services, projects, and activities that the City undertakes for public safety, education, quality of life, economic development, infrastructure maintenance, and transportation. The two largest components of the budget are the General Fund and the Public Utility Fund.

The proposed General Fund operating budget is \$232.4 million, and the proposed Public Utility Operating Fund is \$43.6 million.

The General Fund, Public Utility, and Parking components of the proposed CIP Budget total \$72.5 million. One can find a comprehensive list of the funds included in this budget on pages 3-9 through 3-11 of this budget document.

Major Budget Challenges and Drivers

In preparing this proposed budget, we had to overcome a number of very major hurdles:

- The City's economy, like the State and National economy, is in a slow, fragile recovery from the unprecedented global recession that began in 2007. We derive 51% of our General Fund revenue from property taxes, of which 76% comes from real estate taxes.
- Our assessed valuation of real property declined by four and a half percent from Fiscal Year 2010 to Fiscal Year 2011, increased by one percent in Fiscal Year 2012, and then dropped by four percent in Fiscal Year 2013. It has remained relatively flat ever since. As a result, we expect overall revenue growth to be flat compared to the Fiscal Year 2014 estimated total.
- In addition to impacts caused by the recession, the recently implemented tolls at both the Downtown and Midtown tunnels will likely impact our local economy. The City commissioned Dr. James V. Koch, a professor of economics and President Emeritus at Old Dominion University, to prepare a study on the potential impact to Portsmouth from these tolls. Dr. Koch found that the negative burden of these tolls will affect Portsmouth over 8.48 times more than Virginia Beach, 6.1 times more than Norfolk, and 2.4 times more than Suffolk. Further, Portsmouth restaurants and businesses that have regional clientele will bear the brunt of any decline in discretionary driving. In effect, the tolls will have the impact of a five to ten percent tax on the prices paid by their discretionary customers. While we do not have clear financial estimates of these impacts on our tax revenue, we expect the tolls to dampen our economy in Portsmouth, at least in the short run.

We have not applied any reduction due to tolls to our revenue estimates for this budget, particularly because the initial toll amounts are significantly less than originally planned. However, we will monitor revenues closely, and we will adjust for any unusual variances.

- The City is a member of the Hampton Roads Regional Jail, along with the cities of Hampton, Newport News and Norfolk. The Jail's proposed Fiscal Year 2014-2015 Budget includes significant cost increases for its member cities as a result of two changes :
 - The loss of a decade-long reliable revenue source from housing up to 400 low-cost ICE (*U.S. Immigration and Customs Enforcement*) detainees
 - The depletion of the Rate Stabilization Fund, primarily as a result of the loss of federal revenue

The Jail Board is pursuing alternatives to lessen the cost increase, but based on current information, we expect Portsmouth's cost to increase by \$10 per diem, or \$912,500 for Fiscal Year 2014-2015.

- Beginning with the Fiscal Year 2012-2013 Budget, the Virginia Retirement System (VRS) offered those employers who participate in VRS the option to pay a retirement contribution rate that was less than the VRS Board certified rate. This reduced rate was 70% of the VRS certified rate for the State's Fiscal Year 2012-14 biennial budget, then increases to 80% for the 2014-2016 biennium, 90% for the 2016-2018 biennium and reaches 100% beginning July 1, 2018. The City elected to take the reduced rate.

As a result, our VRS rate will increase by 17% in Fiscal Year 2014-2015, from 9.67% to 9.81% of VRS eligible compensation. For the General Fund, this increased cost is just under \$1 million.

- In September 2012, the City opened a new \$78 million Courts facility to house all three levels of courts as well as the offices of the Commonwealth's Attorney and Sheriff. The City issued \$74.6 million in bonds to pay for the cost of this facility. At the time the City developed the financing plan for the new courts facility, the City structured the debt service to minimize the budget impact. Even with this structuring, the General Fund debt service costs will increase each year from Fiscal Year 2014-2015 through Fiscal Year 2017-2018, rising \$3.6 million from the current budgeted level of \$25.6 million to \$29.2 million in Fiscal Year 2017-2018. Debt service will decline to \$24.6 million in Fiscal Year 2021-2022 if the City does not issue any more debt.

Significant Budget Initiatives

The City's overall budget strategy centers on actions to strengthen Portsmouth's financial position, to support a healthy community, and to invest in our employees, schools, critical systems and infrastructure. These actions include:

- Investing in our neighborhoods
- Providing raises for our employees and retirees
- Ensuring quality service delivery
- Maintaining the City's support for education
- Continuing to identify strategies to reduce or eliminate subsidies for enterprise funds
- Continuing to reduce our health care costs and OPES liability
- Investing in capital infrastructure

Investing in Our Neighborhoods

Neighborhoods are the cornerstones of our community, and in 2013, we created the Department of Neighborhood Advancement (DNA), whose purpose is dedicated to the improvement and quality of our neighborhoods. DNA combines the resources of the permits, inspections, and zoning functions in order for us to provide a holistic approach to identifying improvements and addressing neighborhood concerns. While recognizing that each neighborhood is unique and that we must celebrate that uniqueness, DNA engages all citizens in the improvement efforts and coordinates staff activity in the various departments to meet the goal of improving our neighborhoods.

We will use \$123,000 in additional General Fund monies to enhance property maintenance enforcement. For example, the DNA staff recently completed an inventory of vacant buildings in the City, and they will focus their efforts on properties that include these abandoned structures. We are directing \$100,000 in Community Development Block Grant (CDBG) funds to neighborhood revitalization efforts with the focus of removing blight in low to moderate-income neighborhoods. In addition, staff members from Planning, DNA, and Engineering are exploring the use of CDBG funds to provide transportation improvements for pedestrians, cyclists, and vehicles.

This budget recognizes that our parks and our recreational programs both complement and strengthen our neighborhoods. As such, this budget undertakes a bold new initiative that will provide recreational opportunities for all our citizens - from our youngest to our seniors - and everyone in between.

This budget starts a five-year program that will address the major recommendations of our Parks and Recreation Master Plan; which are: caring for our assets, updating our facilities, providing programs that support the entire community, and marketing our recreational programs and assets. This initiative combines the use of current recreation centers with the creative use of existing assets. We will use our elementary schools, the old Churchland Library, and programs on cable television channel to deliver comprehensive recreation programs. In the first year, Fiscal Year 2014-2015, we will open five schools for use as recreation centers. Most importantly, this budget provides \$1,000,000 in capital funds to renovate the Churchland Library and the Brighton Elementary fields, to replace the equipment in the weight rooms at both the Cavalier Manor and the JFK Recreation Centers, and to begin bringing both the Elm Avenue Neighborhood Recreation Center and the Clifford Street Senior Station up to "like-new" condition.

Here are some specifics of this investment.

The remediation of field behind Brighton Elementary School did not occur after the school was demolished years ago; as such, it currently is not suitable for use as a sporting venue. This budget provides the necessary funding to reconstruct the open space thus making it playable for league sports.

This budget proposes that we renovate the old Churchland Library and utilize it as a recreation center. We intend to offer programs for seniors during school hours and teens and young adults after school at this facility.

The Churchland Primary and Intermediate School is one of the five schools that we propose to use as a recreation facility. Although the gym on this school is new, the gym floor is polished concrete and not adequate for league basketball. We propose to install a wooden gym floor with the capital funds.

Our athletic programs will focus on the goal of increasing participation in both adult and youth leagues by 10 times the current level. We will do this through active community involvement, parent training classes, and increasing access to playing fields and gymnasiums city-wide. We will continue to encourage participation in basketball, football, baseball and soccer, and we will partner with the Schools' First Tee program to encourage youth golf leagues at City Park as well as offer sailing, summer swimming, and crew leagues. We will deliver programs throughout the City that are designed to engage the community such as: how to start a league sports team, or how to establish a civic league, or core curriculum tutoring with School collaboration, and youth mentoring.

Communities cannot thrive without businesses, and we are excited to begin a partnership with our community businesses to offer programs such as automotive repair or targeted home repair classes at our recreation centers.

We create synergy in a community when our neighbors have opportunities to get to know each other. Recreation is one way to increase those opportunities, but entertainment is another. Our Parks and Recreation Department will increase the number of events that we offer our citizens, and it will re-energize Portside with a regular schedule of music and food throughout the summer, featuring local talent and restaurants.

The beauty of this recreation initiative is that it utilizes our school facilities, improves the condition of existing facilities, and adds programs across the City for the enjoyment for all our citizens. As such, it is a very cost effective way of jump starting a city-wide network of neighborhood programs and facilities.

With this budget, we celebrate the very core of what makes Portsmouth a great place to call home by our investment in our neighborhoods, parks, and recreation.

Raises for Employees and Retirees

This budget proposes a two percent increase for general wage employees, to include our "permanent" part-time employees, effective July 1, 2014. We are including funds for this increase for Constitutional Officers and their employees; however, we recommend holding those funds back until the General Assembly and the Governor finalize the State Budget. Once we know what level of raises the State is funding, then I will bring back before Council a recommendation to give the Constitutional Officers and their employees a raise.

The budget also continues the step increases for Sworn Police and Fire employees, and it

includes a one percent Cost of Living increase for retirees of the Portsmouth Supplemental Retirement System and Fire & Police plans.

We will continue to study the relationship of the competitiveness of our pay plan with the start of Fiscal Year 2014-2015, and we will provide you with the results and recommendations of our study during the course of the budget year.

Quality Service Delivery

As part of this budget, we are recommending disbanding the Mounted Patrol Unit. This unit was designed to supplement foot, bicycle, and vehicle patrols in crowd control; however, the City has not had these problems for some time. The Mounted Patrol Unit is comprised of one sworn officer, a vacant groom position, and the operational costs to care for the horse and stables. We propose to reassign the sworn officer to another unit and to eliminate both the vacant groom position and operational costs. This change provides budget savings of almost \$51,000. We will reuse the stables to house our Police Special Operations Vehicles. In doing so, we will free up necessary space at the Special Investigation Unit Garage at the Operations Center, and this will also allow the Police Department to store bulk property and evidence at the facility.

This budget proposes funding the Hampton Roads Transit (HRT) in the amount of \$2,541,833 for ferry, transit, and para-transit services. This is a five percent increase over what we paid for HRT services in Fiscal Year 2013-2014 (\$2,420,793), but it is less than the \$2,753,499 amount HRT proposed for Fiscal Year 2014-2015 services. We believe our increase is sufficient to cover our share of HRT's cost increase for health insurance and pension funding.

We anticipate that our proposed funding for HRT may result in HRT reducing its service, as it is \$211,666 less than the amount HRT estimates as the cost to continue the same services as Fiscal Year 2013-2014. We will work with HRT to identify the reductions that would have the fewest impacts. HRT identified the services listed below as the City's poorest performing, so the discussion of service reductions likely will begin with these routes:

- Weekend service on Route 43 (County/Bart Streets), which averages less than five riders per trip
- Weekend service on Route 50 (Academy Park/Victory Crossing), which averages less than seven riders per trip
- Weekday service on Route 43 (County/Bart Streets), which averages less than seven riders per trip

- Weekend service to Route 47 (Downtown/Churchland}, which averages less than nine riders per trip

As a reminder, the adopted Fiscal Year 2013-2014 budget included \$3,047,838 for HRT services, as an overbilling error was discovered by City staff after both Portsmouth's and HRT's budgets were finalized. We have been reducing our payments to adjust for HRT's overbilling error. This reduction will result in the City actually paying HRT a total payment of \$2,420,793 for the current budget year.

Local Support for Education

In maintaining City Council's commitment to the goal of high quality public education, I am recommending that you appropriate the sum of \$46 million for Fiscal Year 2014-2015, the same recommendation I made last year. I also recommend that you make this appropriation on a categorical basis, in quarterly increments. By changing to quarterly categorical appropriations, the Schools will need to provide regular quarterly financial reports to the City, which will allow us to better monitor their financial activity.

Past Comprehensive Annual Financial Reports have shown that the City has historically appropriated funding to the Schools beyond their needs. In making this recommendation, we are attempting to "*right-size*" the funding level for our schools.

As you all know, this misalignment of funding has allowed the School System to consistently generate year-end surplus while maintaining a per-pupil expenditure and beginning teacher salaries that are not only the highest in the region but are also higher than the state average. Portsmouth spends \$11,230 per pupil, compared to the State average of \$10,969. Our starting salary for a teacher with a Bachelor's degree is \$42,134, which is the 13th highest in the State. The State average is \$38,582.

Although the City funds its school system at a substantially high level, the outcomes we get for that investment are disappointingly low. Currently, Portsmouth Public Schools has low SOL scores, low graduation rates, and 53% of its schools that are not fully accredited. The School Board will hire a new Superintendent in the near future. We propose that the City work with the new Superintendent to determine how we can ensure that the City's invested dollars are used strategically to produce better results.

In addition to strategic budgeting, the Schools could realize significant savings by consolidating administrative/overhead functions with the City and by embracing best practices for health insurance funding. Other School districts have successfully implemented shared benefits and service programs with their appropriating organizations, to include health and wellness programs, maintenance, procurement, and finance. An actuary reviewed the Schools' health insurance and claims data last year and determined that the Schools could save \$1.6 million by switching from a fully-insured to a self-insured program of funding medical claims. We cannot afford to forgo the significant costs savings these opportunities provide. The dollars freed up by these cost saving measures can be redirected to classroom instruction. As you know, we made this same recommendation to the Schools last year.

Strategies to Reduce Subsidies for Enterprise Funds

As you may recall, there are three funds that are intended to be self-supporting, but they require subsidies from the General Fund over the years – Willett Hall, Golf, and the Parking Authority. We stated during last year's budget process that we would evaluate the revenues and operations of these funds, and we would develop recommendations for City Council's future consideration.

We are still in the process of reviewing these funds; therefore, we propose to use one-time money from the unassigned fund balance of the General Fund to help fully pay for the cost associated with these funds as we continue to evaluate options and strategies to make these funds fully self-supporting. In total, the subsidies to these funds are \$1,422,079 for Fiscal Year 2014-2015.

The preliminary analysis of two of these funds, Golf and Willett Hall, shows that restructuring both programs will benefit the City in the short term. For Golf, we will benchmark other municipal golf courses and implement best practices from that study; we will strengthen our marketing efforts to increase the rounds of play, as first steps towards eliminating the subsidy. For Willett Hall, we are considering outsourcing the management of the venue in a similar fashion that we do with our amphitheater.

Health Care Costs and OPEB Liability

Last year, we tackled our most serious financial liability: the City's woefully underfunded retirement plans. We successfully issued \$170 million in Pension Obligation Bonds at a taxable rate of 4.08%. In doing so, we increased the funded level of the Portsmouth Supplemental Retirement System (PSRS) and the Fire & Police Retirement System from 28% and 32%, respectively, to 76% and 77%.

Our priority this year is to earnestly begin to address the City's Other Post Employment Benefits (OPEB) liability. As of January 1, 2012, this liability was almost \$196 million, which equated to 178% of our covered payroll, by far the most significant liability in the Hampton Roads area. We also contributed just 29% of our Annual Required Contribution (ARC), lower than any of our regional comparative cities. Our actuary estimates that the liability has grown to over \$219 million as of January 1, 2014, and our unfunded ARC will be \$13.2 million and growing, without any changes.

The City's OPEB liability is directly impacted by health care costs, retiree coverage, and cost-sharing. The City's health care costs increased significantly over the past two years due to a limited number of covered members with very serious medical conditions. We made a number of changes beginning this year that will help contain our health care costs and align the City's health care coverage for retirees with programs offered in neighboring cities:

- We established minimum City service requirements before an employee is eligible for retiree medical coverage, subject to certain grandfathering provisions.
- Our three categories of members who receive health insurance – active employees, "working age retirees" (those retirees who are less than 65 years old), and retirees over 65 years old are now rated separately to reflect the cost of their coverage. Previously, the rates for these three groups were blended.
- Retirees must contribute 50% of the separately rated cost of health care coverage.

For the next health insurance plan year, beginning January 1, 2015, the City will make additional changes to its health insurance coverage. Most significantly, we are in the process of working towards a "win/win" for our retirees over the age of 65 by assisting them in getting Medicare supplemental health insurance coverage outside of the City's program. These plans would cost retirees significantly less than what they currently pay for the City's health insurance coverage. Also, this change would reduce the City's OPES liability. In addition to this modification, staff is evaluating other ways to bring our health insurance and retiree coverage closer in line with the market. We will look at plan design, incentive programs, and wellness initiatives.

Investments in Capital Infrastructure

This proposed budget includes a \$72.5 million CIP investment in major City assets, of which \$55 million is for water and sewer projects. Funding of \$6.5 million is included for the Churchland Bridge project in Fiscal Year 2015 towards a total project cost of \$29.5 million. This project will replace the two westbound lanes of the Churchland Bridge with a totally new structure. The funding identified will address the eventual replacement of the bridge. In addition to the Churchland Bridge, \$4.6 million is included for Fiscal Year 2015 to fund a number of ongoing drainage, traffic and street improvements.

The CIP includes \$1.7 million for School projects in Fiscal Year 2015, including continued School bus replacement, design of a new Churchland High School HVAC system, replacement of the Woodrow Wilson High School fire alarm system, design of two roofs and replacement of two Public Address systems.

As stated earlier in this message, to support the neighborhood recreation initiative we are proposing a \$1,000,000 investment in the City's capital improvement plan. The plan aims to provide improvements in recreation for the entire City. These improvements are described earlier in this Budget Message.

The majority of the \$55 million in Public Utility funding is for two major water projects: replacement of the Lake Kilby filters (\$28 million) and continuation of the Downtown Master Utility program (\$18 million). The remaining funds are primarily directed to ongoing maintenance work.

The Proposed Capital Improvements Budget can be found in Section 14 of the budget document.

Revenues

As for the General Fund, one penny on the real estate tax rate generates \$678,000. Again, this budget does not propose an increase in the real estate tax rate. It is very important to note the City did not equalize the tax rate in prior years when assessed valuations fell, so that total real estate tax revenue could have remained constant. As a result, the City has not fully recovered financially from the impacts of the recession. In Fiscal Year 2010, the City's assessed valuation was almost \$7.7 billion. In Fiscal Year 2014, it is \$7.2 billion, a drop of 6.5%. In order for the real estate tax rate to produce the same revenue today as it did in Fiscal Year 2010, the rate would need to be equalized from its current rate of \$1.27 to \$1.34. The City will continue to face the challenge of limited revenue growth compared to expenditure demands. With the past two budgets, we have scrubbed costs and pared the expenditure budget down to the lowest level possible without reducing or eliminating services. Therefore, in order to maintain current operations, it is likely that the City will need to consider equalizing the tax rate in future years.

We project flat revenues for Fiscal Year 2014-2015, reflecting the continued slow economic recovery.

As for the Utility Fund, one penny on the water rate generates \$77,000 in revenues, and one penny on the sewer rate generates \$33,000 in revenue. This budget does not propose any increases in utility rates.

Our cash situation is such in the Utility Fund that we are able to cash fund some capital projects that we had previously planned to debt finance. Again, we are able to balance the Utility Fund budget without increasing the water and sewer rates as originally forecasted.

Cigarette Tax Increase

According to the United States Department of Health and Human Services Centers for Disease Control and Prevention (the "CDC"), tobacco use is the leading *preventable* cause of death nationally and worldwide. Tobacco use costs the United States more than \$289 billion annually, including at least \$133 billion in direct medical care for adults and more than \$156 billion in lost productivity. An additional \$5.6 billion a year (2006 data) is lost in productivity from exposure to secondhand smoke.

Our healthy coalition partner, Healthy Portsmouth, is committed to making the City the "healthiest place in Hampton Roads," and this budget supports that goal with a 30¢ increase in the cigarette tax. The increase from 60¢ to 90¢ per pack is substantial enough to cause smokers to more carefully consider the personal financial loss of continuing the habit, which will eventually translate to reducing our taxpayers' share of the aforementioned costs cited by the CDC. The proposed new tax rate is only marginally

higher than our neighboring cities, and so the projected tax revenue leakage to cities with a lower tax rate is minimized. The projected General Fund revenue increase is \$1,083,000 for Fiscal Year 2014-2015.

Healthy Portsmouth and Healthy Hampton Roads will continue to work with the region's cities to achieve consistent cigarette tax rates across jurisdictions. As of this writing, no other Hampton Roads city has stated its intent to increase the tax for Fiscal Year 2014-2015. These healthy coalitions also strive to improve Virginia's national rank in cigarette tax rates: dead last at #50.

Use of General Fund Balance

This budget proposes to use \$6,581,674 of the General Fund Balance to fund one-time expenditures during the Fiscal Year 2014-2015. This budget also sets aside an additional \$6,415,772 of fund balance as a debt service "sinking fund" to cover the increased cost of debt service between now and Fiscal Year 2020.

We plan to increase ongoing revenue for debt service by \$287,000 in Fiscal Year 2014-2015, then by an additional \$500,000 each year between Fiscal Year 2015-2016 and Fiscal Year 2019-2020. The sinking fund monies will cover the difference between what is budgeted and our actual debt service costs. If the City does not issue any new bonds, our debt service costs will drop by \$4 million in Fiscal Year 2021-22. In total, we will need to use and reserve almost \$13 million of fund balance with the Fiscal Year 2014- 2015 Budget.

Conclusion

I recommend that you give this proposed operating budget and proposed CIP your favorable consideration by adopting the same. Despite our sluggish national economy and its impact on our community, this budget supports Council's 2030 Vision Statement, and it undertakes multiple bold initiatives that will have a lasting benefit on our City's quality of life and fiscal soundness. It does all of this without increasing our real estate tax rate, personal property tax rate, stormwater rate or utility fees.

I also want to recognize the high degree of professionalism, commitment, and effort of City employees to our community; without which, we could not continue to meet our overall goals and objectives. They are the best.

Again, I recommend that you adopt this budget as presented.

Respectfully submitted,



John L. Rowe, Jr.
City Manager

