

FY2017-2018 BUDGET MESSAGE

May 9, 2017

To the Mayor, Council, and Residents of the City of Covington:

I am pleased to present the recommended \$33.9 million operating budget for fiscal year 2017-2018 for the City of Covington, which provides funding for municipal and joint services through the general fund, school operations, water operations, and wastewater operations. Highlights of this proposed budget include the following:

- A one cent increase in the real estate tax rate, dedicated to public safety (fire services coordinator position)
- An increase in vehicle license fees on average by five dollars, dedicated to transportation infrastructure improvements
- An increase in sanitation fees by five dollars per month for residential customers, and 30 percent increase for commercial customers, as the first phase in a fee increase to address landfill expansion and sanitation collection costs, to be placed in a landfill fund (with a goal of establishing an enterprise fund during the upcoming fiscal year)
- Maintaining existing water and wastewater rates
- No fund balance or reserve appropriations, with the exception of water and wastewater funds for Durant Road bluff project and some wastewater treatment plant capital items (\$128,889 from water fund reserves, and \$304,372 from wastewater fund reserves)
- Funding of a number of high priority capital requests
- One percent COLA and longevity for employees
- Minor change to health insurance plan with minimal financial impact
- A decrease in the school budget by \$188,000 (based on 33% city funding formula) to reflect additional state lottery funds for debt service

Following a budget calendar, the City Manager and Director of Finance and Human Resources met with each department head to review each line of the requested budget and consider each department's personnel, operating, and capital needs. Staff prepared this proposed budget with the goal of maintaining or reducing existing spending levels in each department, while providing for essential capital improvements as discussed at the Council's March 2017 budget planning session. In addition, staff reviewed with the Allegheny County Administrator each funding request for jointly funded services, such as the library, CSB, DSS, and Sheriff, following the joint City-County budget planning session in March 2017.

The proposed \$17.8 million budget for the general fund is four percent more than the \$17.1 million budget for the 2016-2017 fiscal year. The proposed \$2.1 million budget for the water fund is 11 percent more than the \$1.9 million budget for the 2016-2017 fiscal year. The proposed \$2.2 million wastewater fund budget is 24 percent more than the 1.8 million wastewater fund budget for the 2016-2017 fiscal year. These increases largely reflect needed capital improvements and projects.

Personnel Highlights for 2017-2018:

For all employees, a one percent cost-of-living increase (COLA) is included in the proposed budget, but no merit increases. In addition, one longevity payment based on existing policy is included in the proposed budget. While the recommended COLA is often comparable to the CPI (approximately 2.7%), only one percent COLA, along with longevity, is recommended this fiscal year to balance costs.

The proposed health insurance plan through Key Advantage is proposed to be changed to better manage increased costs. The only noticeable change is an

increase in the deductible from \$100/\$250 (depending on the plan) to \$500/\$1000, and increase in doctor office co-pays to \$25.

The following personnel changes are reflected in the budget:

- Adding a part-time laborer position for Public Works, with 50% of time spent at the landfill for litter pick-up (to meet regulatory compliance) and general maintenance, and 50% spent on wastewater collection
- Reestablishing a full-time operator position at the wastewater treatment plant and reclassifying an existing wastewater utility worker position, to ensure that a certified operator is at the plant at all times
- Adding a full-time Fire Services Coordinator position to provide administrative, logistical, and fire response support to the Covington Fire Department
- Changing the titles of Central Accounting positions to reflect position responsibilities

Departmental Capital Requests/Operating Highlights for 2017-2018:

- Human Resources: Establishing a budgeted human resources function and providing for safety training programs and random drug testing
- Treasurer: Increased funding for legal fees by \$10,000 to process delinquent tax properties
- Police Department: Leasing plan replacement of seven patrol vehicles (\$85,000/three years), in response to consultant study and goal to provide a take-home vehicle for officers residing within the City; taser docks (\$6,500)
- E-911: Phone/radio recorder (\$35,000)
- Fire Department: Oil dry spreader (\$7,000)
- EMS: Continued funding for EMS Coordinator and part-time EMS positions

- Inspections (Development Services): Increased funds for housing demolition (\$15,000)
- Engineering: Establishing a separate engineering function to better account for general fund-related engineering costs (\$95,000), including funding for bridge inspection/engineering for Hawthorne and Rayon bridges (\$50,000)
- Public Works-Streets: Paving of top three streets on paving prioritization list (N. Magazine, W. Locust, E. Cedar) (\$160,000); Edgemont Drive guardrail installation (\$55,000 to be paid in part by increased vehicle license fees); leaf collection machine (\$45,000); dump truck (\$125,000); pick-up truck (\$12,000 (plus additional water/wastewater funding))
- Public Works-Snow Removal: Sander for dump truck and two spreaders for pick-up trucks (\$35,000)
- Public Works-Traffic Engineering: Additional funding for street sign replacement (\$11,500)
- Public Works-Refuse Disposal: Landfill expansion engineering costs (\$50,000); mower (\$15,000); establishment of a landfill fund to account for future costs (\$175,000)
- Community Services Board: Additional funding for jail substance abuse services (\$10,000)
- Parks and Recreation: Mower, utility trailer, and sod cutter for field maintenance (\$30,000)
- Jeter-Watson Center: Additional funding for flooring and restroom repairs (\$12,000)
- Cemetery: Mower (\$15,000)
- Library: Replacement of roof (shared with Alleghany County) (\$23,000)
- Planning Commission: One-half funding for comprehensive plan update, with remainder in FY19 (\$25,000)
- AHEDC: Maintaining current funding of \$42,619

- Water Plant: Automated entrance gate for security purposes (\$25,000); roof repairs; pick-up (an existing pick-up to be transferred to Public Works) (\$30,000)
- Wastewater Treatment Plant: Dump truck (to be paid from reserves) (\$125,000); storage building, UV cover, and pump replacement (\$75,570)
- Durant Road Bluff Project (Water and Wastewater): Engineering and construction costs related to Durant Road Bluff Project, for the replacement of water and wastewater lines (\$261,944 in water funds, and \$143,550 in wastewater funds)

In summary, the proposed 2017-2018 operating budget is based on expected minimal growth in revenues, but was prepared with the goals of continuing to provide quality services to our residents, striving to improve our financial position, and planning for future capital needs as identified at the March 2017 Council planning sessions. The budget is designed to function as a work plan in guiding departmental operations, in an attempt to accomplish all the goals and objectives for the City of Covington.

Each department head and the Director of Finance and Human Resources should be commended for another difficult job in refining revenue and expenditure estimates and working to achieve only minimal increases as necessary in their budget requests. I welcome further discussion on this proposed budget as we move toward the upcoming fiscal year.

Sincerely,

Richard Douglas

Richard Douglas
City Manager

