



## Office of the City Manager

# The City of Morgantown

Jeff Mikorski, ICMA-CM  
City Manager  
389 SPRUCE STREET  
MORGANTOWN, WEST VIRGINIA 26505  
(304) 284-7405 FAX: (304) 284-7430  
[www.morgantownwv.gov](http://www.morgantownwv.gov)

Monday, February 15, 2016

## Proposed Fiscal Year 2016-2017 Manager's Message

It is my duty and privilege to submit for your consideration the proposed City of Morgantown budget for fiscal year 2016-2017 which will begin on July 1, 2016. This budget message presents an overview of the budget and the overall financial condition of the City. The budget is a planning document with the most feasible projections for the upcoming year's revenues, expenditures, inter-fund transfers, and fund balance amounts. This budget continues the City's mission of providing quality services within the limits of fiscal responsibility.

The past year has been highlighted by changes to the revenues, annexations, and collaborations. The following changes in 2015 will impact the upcoming budgets:

- The City has annexed approximately 47 acres of property adjacent into the City for commercial uses. A majority of the property is adjacent to the airport and will be a part of the Commerce Park near I-68.
- Mixed-use developments and large University projects are finishing up, providing ongoing revenues and added commercial businesses.
- The general fund was supported by a Fire Service Fee increase and a Business and Occupation Tax increase on service businesses beginning July 1, 2015.
- The Safe Streets and Safe Community Municipal Fee was implemented January 1, 2016. Collections of the fee, through City employers, will be quarterly beginning March – April 2016. FY 2017 will be the first budget to include a full year's collections of the fee.
- City technology has been upgraded to, including GPS units in vehicles and new software that will improve staff efficiency.
- No Health Insurance rate increase will be seen for the 2015-2016 contract year.
- Collaborations with West Virginia University, to include working to reduce street and dumpster fires will reduce first responder costs.

## Fiscal Condition

The Current fiscal year (FY 2016) is expected to meet budgeted expectations which will provide a solid framework for the FY 2017 budget. When looking at the total projected FY 2016 budget amount, increases in Business and Occupation (B&O) Taxes and Fire Fees have offset the reduction in construction B&O from last fiscal year. As seen in Figure 1, the proposed FY 2017 total budget anticipates an increase in general and capital revenues. These increases are mainly from the Safe Streets and Safe Community Municipal Service Fee. Funds will be included in the Capital Escrow Fund to expand the City's ability to improve streets and in the General Fund to

add, retain, recruit, and equip the Police Department; and add and equip additional Public Works employees to improve street services.

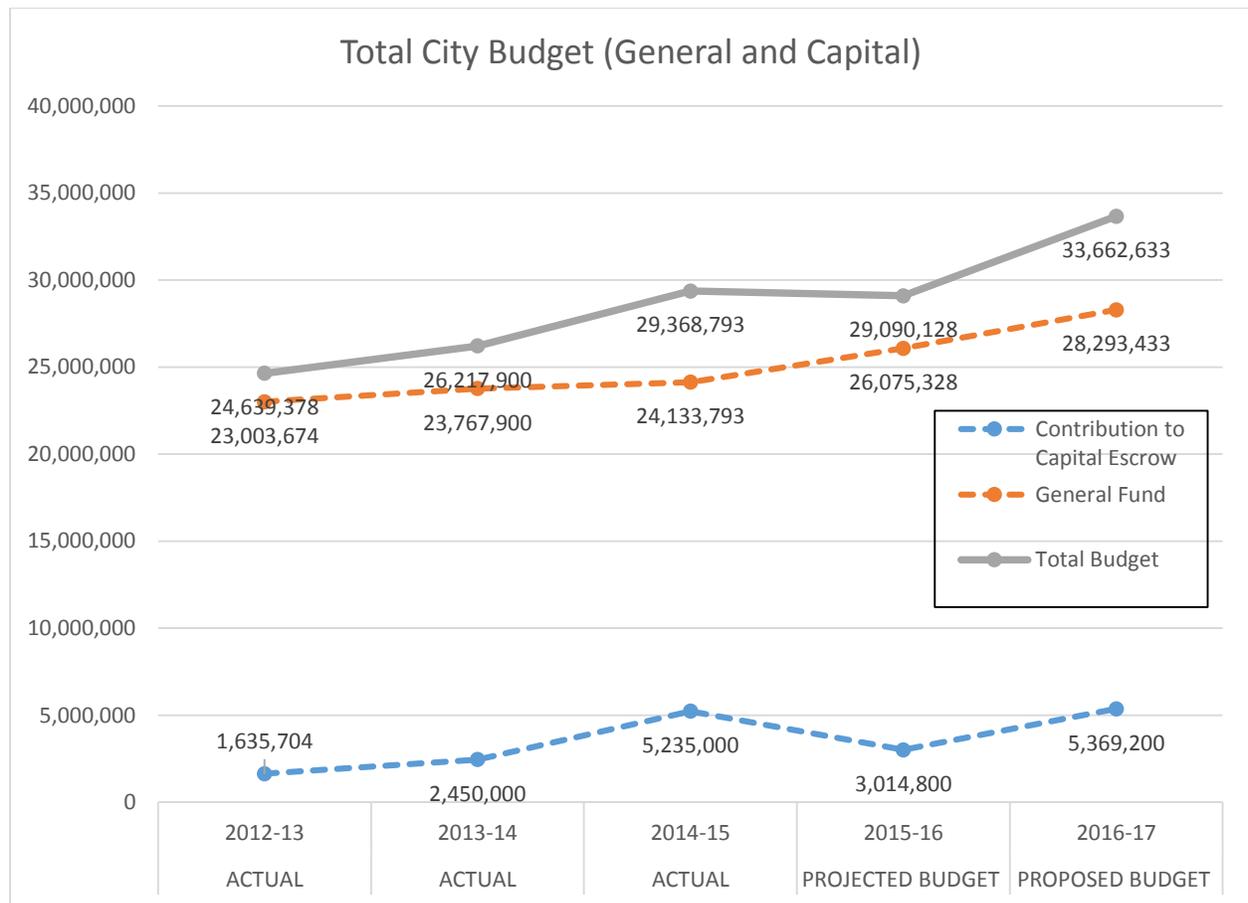


Figure 1. Total budgets across five years, and the general and capital totals that make up the total budget.

A closer look into the revenues that establish the General and Capital budget is seen in Figure 2. The major taxes collected by the City to maintain the City general services include Business and Occupation Tax, Property Tax, Hotel/Motel Tax, and Liquor Tax. Over the last ten years, these taxes remained relatively flat or had slight increases until recently. For instance, the total change in Business and Occupancy Tax collections from FY 2008 to FY 2014 increased by 4 percent. Since 2014, a 21 percent increase is expected if the projected and proposed revenues are accurate.

Business and Occupation Taxes on construction are mainly used for one-time capital projects because it is dependent on how many large (over 5 million dollar projects) construction projects are taking place. This revenue fluctuates drastically from a high of 6.5 million dollars in FY 2015 to a low of 1.3 million dollars in FY 2013. Projects less than a total of 5 million dollars are included in the normal Business and Occupation Tax category.

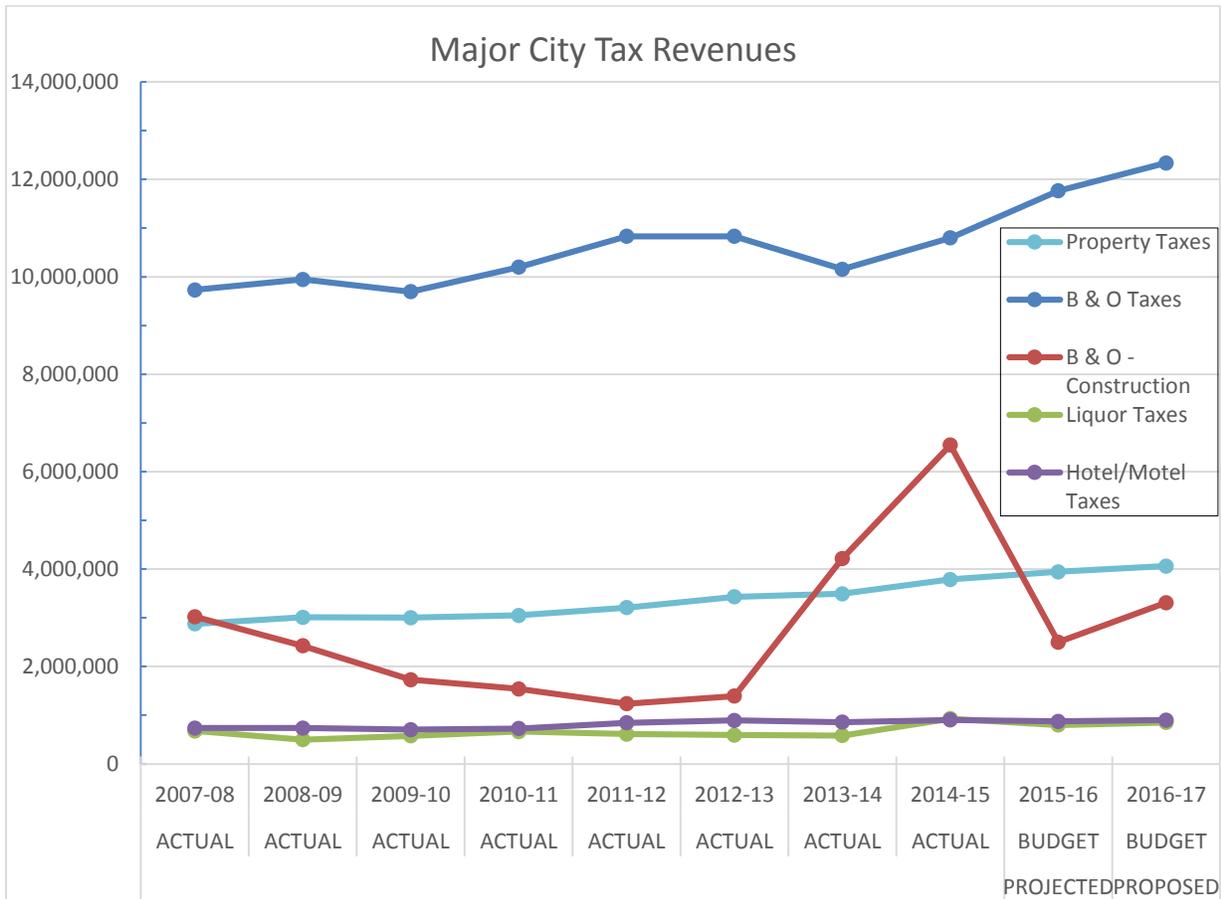


Figure 2. Major Tax Revenues in Morgantown over ten years

Figure 3 shows the two major Fees that are collected by the City to maintain services. The Municipal Fire Fee is expected to pay for a majority of the City’s Fire services. Shown are the Sub-divisions of the Fire Fee that conclude that the residential component of the Fee generates slightly more fire service revenue than tax-exempt organizations and commercial businesses. There are more residential structures in the City than tax-exempt or commercial structures. In FY 2016 and FY 2017 the Fire Fee covered 60-61 % of the Fire Department costs and \$500,000 of capital costs. As additional building are constructed and expanded, this percentage should increase.

Starting in FY 2017, the Safe Street and Safe Community Fee will add a consistent 2 million dollars to street improvement projects funded from the Capital Escrow Fund. In the past, the B&O on construction was the only source of funding for street improvements and fluctuations in construction limited street improvements. Table 1 shows the total breakdown of the revenue that is included in the FY 2016 and FY 2017 budgets and uses. Remember, the first quarter of collections will be March-April 2016, and more exact figures will be available once we receive the first-quarter collections.

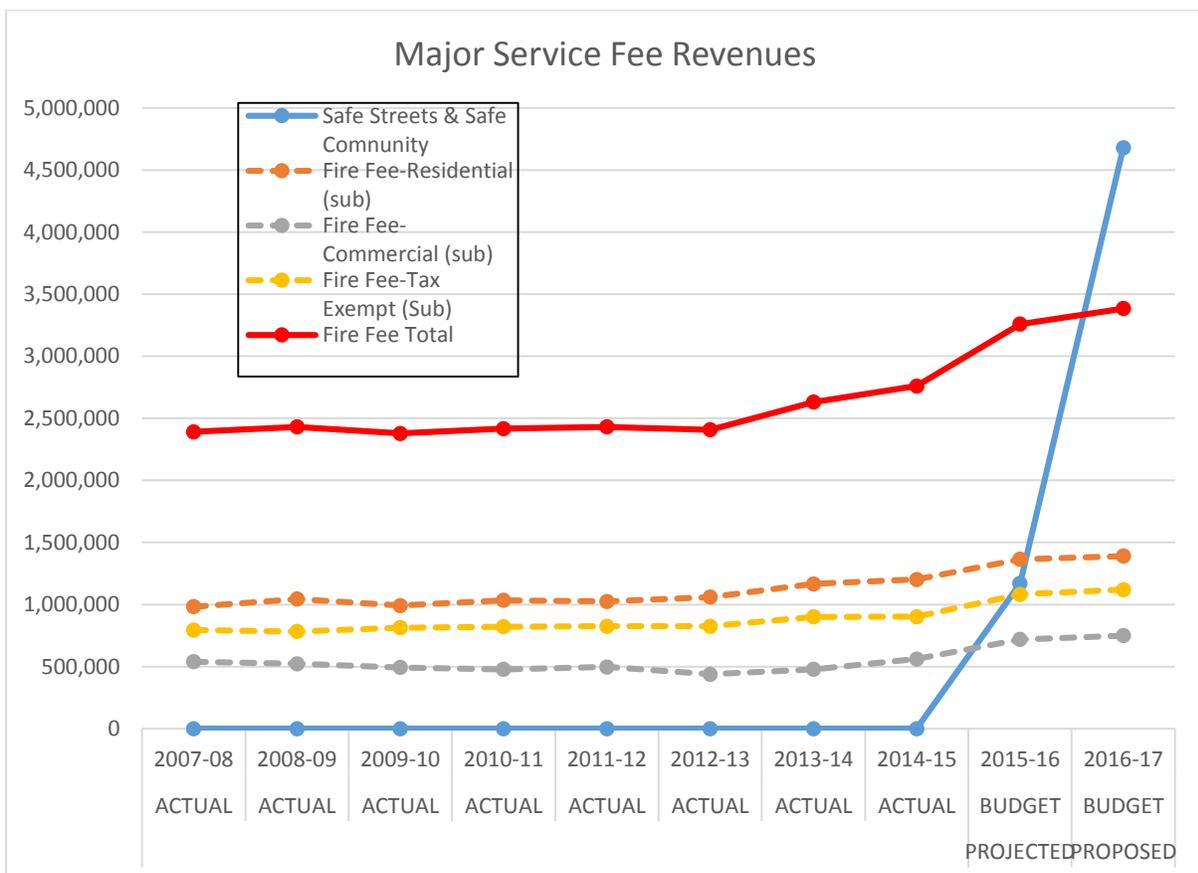


Figure 3. Major Fees Revenue in Morgantown over ten years

Table 1. Safe Street and Safe Community Municipal Service Fee Breakdown

	Percent of Total	Fund	FY 2016	FY 2017
Impact				
Street Improvements	44%	Capital Escrow	\$ 514,800	\$ 2,059,200
Street Dept. Personnel	7%	General Fund	\$ 81,900	\$ 327,600
Street Dept. Equipment	9%	General Fund	\$ 105,300	\$ 421,200
Police Dept. Personnel	30%	General Fund	\$ 351,000	\$ 1,404,000
Police Dept. Equipment	10%	General Fund	\$ 117,000	\$ 468,000
<b>Total</b>	<b>100%</b>		<b>\$ 1,170,000</b>	<b>\$ 4,680,000</b>

As you can see from Figure 4, City operational costs (purple line) and Personnel costs (blue line) have been minimal for the years leading up to FY 2016. Starting in the current year, both Personnel and Operations show increases due to the Safe Streets and Safe Community Municipal Fee. The Personnel increase in FY 2017 also includes a Cost Of Living Adjustment (COLA), not seen in a few of the past years. The COLA is funded from the General Fund, unless positions are created from funds received for the Municipal Service Fee. Non-operational costs (green line) include capital purchases, projects such as paving, contributions to non-profit organizations, debt service, and other single year projects. Debt service (red line) is also shown separately to highlight the low amount of debt the City holds.

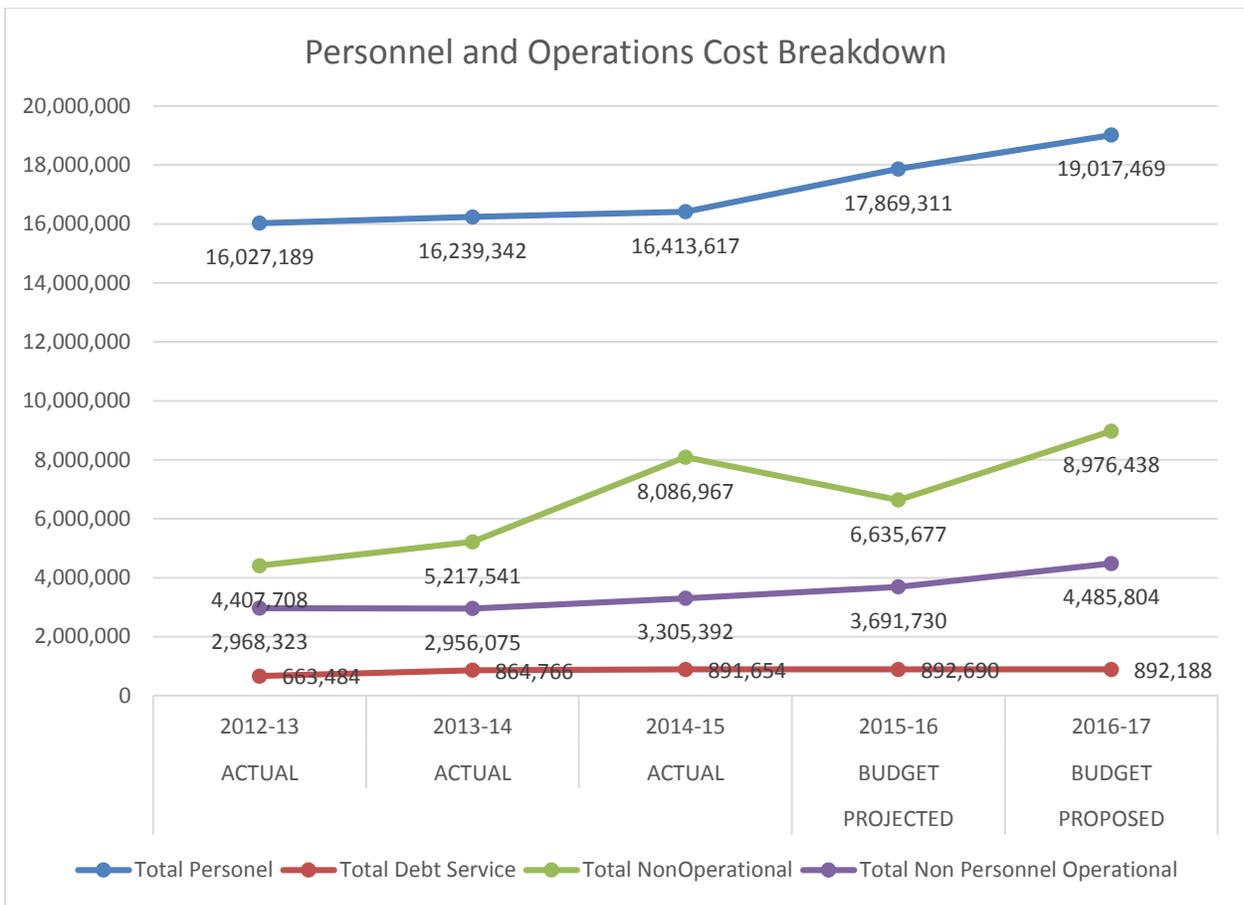


Figure 4. Personnel and Operational Costs

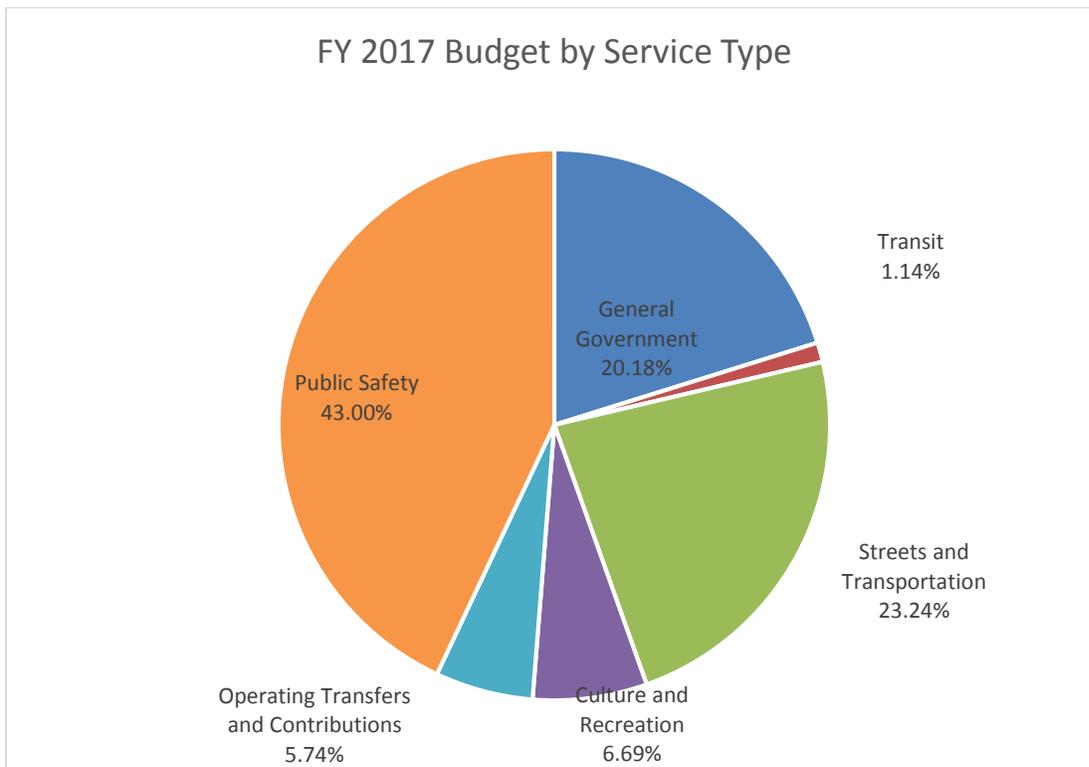


Figure 5. Percentage Cost Services breakdown

Figure 5 shows the percentage of cost breakdown based on the service category for the upcoming fiscal year. Police, Fire, and Public Works make up the bulk of City costs (63%). Revenues dedicated to specific services have helped to direct funding to the necessary services that need to be improved.

## **Recommendations**

With increased revenues, the following recommendations are included in the FY 2017 budget:

1. Our employees do a great job with the resources available. Increases in general revenues will allow us to provide a 2% Cost of living adjustment, consistent with the national CPI over the last year.
2. As Safe Street and Safe Community Municipal Service Fee funds have been identified for Street and Police department enhancements, I expect to hire at least four to six Police Officers and two-four Public Works employees by the end of FY 2017. FY 2017 will be the first full year of Municipal Fee collections, with that additional equipment for Police and Street Departments will be purchased to utilize the fees for improving the City services. By winter of 2016, the fee collections will have allowed the City to increase snow plows and other winter road treatment equipment to improve winter travel situations.
3. Two part-time positions in the City are expected to advance to Full-time. Those include the City Clerk secretary position and the IT Tech I position.
4. General Fund revenues will allow the restructuring in the Finance Department and will allow the hiring of a Fire and Municipal Fee Clerk. Further restructuring will allow comprehensive internal and external auditing capabilities.
5. No Business and Occupation Tax collections will be needed to support the general fund, as seen in the past, allowing additional capital projects to be completed. Also, with the Municipal Service Fee providing revenue for street improvements, Police equipment and Street department equipment, funds from B&O on construction can continue to support other all other departments.

I look forward to further analysis of the FY 2017 budget with City Council.

Jeff Mikorski, ICMA-CM