

**BUDGET MESSAGE**  
**for**  
**Fiscal Year Ending**  
**June 30, 2012**

June 11, 2011

**BOARD OF COMMISSIONERS:**

Jim Barnes, Mayor  
Donna Baird, Mayor Pro tem  
Robert Blythe, Commissioner  
Jason Morgan, Commissioner  
Richard Thomas, Commissioner

I am pleased to submit to you the General Fund operating budget for the City of Richmond, Kentucky. The Mayor, Finance Director, Department Heads, et al have worked diligently and cooperatively with me to produce this budget. We have been conservative in the projection of our revenue and have estimated our expenses based on our projected revenue.

**CASH RESERVES**

As of the close of business June 10, 2011, the balance in the General Fund Demand Deposit Account was \$871,872. Additionally, we had \$2,500,000 invested in Certificates of Deposit.

We will continue to transfer any surplus funds from the General Fund Demand Deposit Account to another interest bearing account that will produce earnings that are greater than what the General Fund earns.

**GENERAL FUND REVENUE SUMMARY**

The City of Richmond continues to enjoy growth in retail development even though the national and local economy has not fully recovered. Retail development creates additional jobs resulting in an increase in the City's revenue. We are projecting a 1.4% increase in Payroll Tax over the budgeted amount in the previous year.

The City unconditionally supports its existing manufacturing/distribution/service industries and continues to recruit new industries. Richmond's existing industries produce a significant portion of its Payroll Tax. We believe Richmond is well positioned and prepared to acquire new industries whenever the economy fully recovers.

We believe there are a number of businesses that are operating within the City that do not have a business license. Consequently, the City is not collecting all of the taxes that it is entitled to. We will make every effort to identify these businesses and will correct this problem to the best of our ability. At this time, we are unable to estimate what the increase in our revenue will be whenever the aforementioned problem is corrected. Most likely, there will always be some businesses that have operated within the City and departed before they were identified.

We are in the process of getting appraisals on certain real properties owned by the City that can be sold. The estimated proceeds of the proposed sale of these properties (\$175,000) are included in this budget and would be added to the General Fund if property is sold.

Richmond Water, Gas & Sewerage Works will pay the City \$25,000 per month during this Fiscal Year. This is in addition to the \$2.10 monthly water meter charge that we presently receive.

This budget is balanced with revenues projected to be \$23,076,490 for this Fiscal Year. We will continue to seek all known grants that are available and affordable.

#### **GENERAL FUND EXPENDITURE SUMMARY**

We have already made numerous changes in the daily operation of the City in order to lower expenses. We will continue to monitor expenditures closely and will review this budget on a quarterly basis.

We have consolidated (3) loans with Kentucky League of Cities, totaling approximately \$4,500,000, which required a monthly payment of principal and interest. We now have (1) loan with Fifth Third Bank which requires a semi-annual payment of interest only. This will produce additional cash flow of approximately \$400,000 annually over the next (3) years.

We have reviewed our Property/Liability insurance coverage and made numerous adjustments on the coverage. Then, we advertised for bids for the insurance. The combination of the adjustments and the bid we accepted resulted in a savings for this Fiscal Year of approximately \$100,000.

Overtime pay has been reduced significantly and is monitored continuously. The effect of this change in policy is visible in our expenses. Overtime pay has not and cannot be totally eliminated.

Our annual grant to the Madison Airport has been increased to \$25,000 for this Fiscal Year.

### PERSONNEL

Presently, Richmond has (247) fulltime employees which is (29) less than the previous Fiscal Year. We anticipate that this number will be lowered even more by way of attrition, retirements, resignations and so forth.

This Fiscal Year, the City will incur pension costs of 18.96 percent for non-hazardous duty employees and 35.76 percent for hazardous duty employees. This is an increase of 11.99 percent and 7.55 percent, respectively.

This Fiscal Year, the City will not incur an increase in the cost of providing a single plan of health insurance coverage for all eligible employees.

### CAPITAL EXPENDITURES

We estimated and budgeted \$25,000 this Fiscal Year to cover the probability of expenses. Also, the budget reflects adequate funds to maintain our existing facilities in good condition.

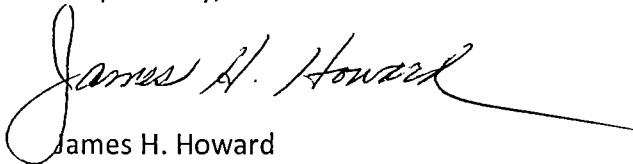
### CONCLUDING COMMENTS

The sole purpose for adopting a budget is to provide the framework for services to be provided to the taxpayers of the City of Richmond. We have attempted to focus on this objective as this budget was being prepared.

The preparation of a budget is perhaps the most important single activity that occurs on behalf of the City during any Fiscal Year. The reason being, the end result guides and dictates all programs and services provided by the City of Richmond throughout the year. The process of creating this budget began with meetings with each Department Head individually and continued through a series of review sessions and then the Budget Workshop. Finally, the completed version of the budget is submitted to you for your approval.

Many employees were involved in the preparation of this budget. I personally thank each and everyone who participated in this endeavor.

Respectively,

A handwritten signature in cursive script that reads "James H. Howard". The signature is written in black ink and has a long, sweeping underline that extends to the right.

James H. Howard  
Interim City Manager