

# **BUDGET MESSAGE**

**for**

**Fiscal Year Ending**

**June 30, 2013**

June 1, 2012

## **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 had input in the preparation of this budget. The Finance Director has worked many hours on this budget in order to assist me in presenting a document that will guide the City effectively through the upcoming Fiscal Year. The Department Heads as well as other employees have worked cooperatively with the Finance Director and 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 May 31, 2012, the internal balance in the General Fund Demand Deposit Account was \$928,973. Additionally, we had \$5,500,000 invested in Certificates of Deposit. This is an increase of \$3,000,000 in Certificates of Deposit from the previous year.

One Hundred Thousand (\$100,000) will be transferred from the General Fund Demand Deposit Account to a new interest bearing account. This transfer is to fund the potential payout of vacation hours for an estimated three to four employees who may leave the employment of the City during the Fiscal Year Ending June 30, 2013.

Surplus funds will continue to be transferred from the General Fund Demand Deposit Account to another interest bearing account(s) that will produce earnings 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.

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

We are projecting a \$250,000 (2.283%) increase in Payroll Tax over the budgeted amount in the previous year.

We believe there are a significant number of businesses that operate within the City during a year that do not have a business license. Consequently, the City is not collecting all of the Net Profit taxes that it is entitled to. A fulltime Audit Clerk has been employed to review Net Profit returns that are received and to identify businesses that have a business license, but are not filing their Net Profit returns. Also, we budgeted for a fulltime employee whose job will be to ensure compliance with City ordinances regarding Occupational License Registration. Every effort will be made to identify businesses that do not have a business license. At this time, we are unable to estimate what the increase in our revenue will be whenever the aforementioned problem is corrected. However, we do expect it to be a significant amount.

We are in the process of closing the sale of a certain real surplus property and the proceeds of the sale (\$34,465) are included in this budget.

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

This budget is balanced with revenues projected to be \$23,186,218 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 make additional changes when needed.

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.

The City's storm water system is old and failing. Presently, we have knowledge of two storm water problems that will cost the City an estimated \$790,000 to correct. Therefore, we added \$100,000 to this budget for unknown storm water problems. Also, there is \$35,000 in this budget to be used for the construction of the U.S. Highway 25 detention basin.

There is \$75,000 in this budget for the possible demolition of three houses.

**PERSONNEL**

Presently, Richmond has (232) fulltime employees which is (15) less than the previous Fiscal Year. The budget has funding for the employment of a Director of Industrial Development and a Director of Community Development.

This Fiscal Year, the City will pay pension costs of 19.55% of gross salary for non-hazardous duty employees and 37.60 % of gross salary for hazardous duty employees. This is an increase of 0.59% and 1.84%, respectively.

The cost of a single plan of health insurance will be \$381.91 per month compared to \$356.73 per month in the previous fiscal year. This is an increase of \$25.18 (7.06%) per employee.

**CAPITAL EXPENDITURES**

We budgeted \$150,000 for (5) police cars. Fifty One Thousand (\$51,000) is in the budget for our portion of the forthcoming annual payment of new 911 equipment. Also, we budgeted \$25,000 for unknown capital improvements.

**CONCLUDING COMMENTS**

The sole purpose for adopting a budget is to provide a statement of the financial position of an administration for a definite period of time based on estimates of expenditures during the period and proposals for financing them. We focused 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 the Finance Director meeting with me. The Finance Director and I met at least once with each Department Head individually. Subsequent to the aforementioned meetings, we discussed it at a regularly scheduled City Commission Workshop meeting. The final version of the 2012-2013 budget is hereby submitted to you for your approval.

I am grateful to each person who participated in this endeavor.

Respectively,

James H. Howard  
City Manager