

INTRODUCTION

I am pleased to present to City Council the principal, proposed budget documents for fiscal year 2008-2009. They have been organized as per the goals and objectives you established earlier this year. Although not all of the issues you identified are resolved herein, contingencies are in place should opportunities be realized.

As in previous years, all of the forecasts have been conservatively drawn. When projects could not be definitively measured, they were constructed with a deliberate, pessimistic view.

Over the past years, the City has been fortunate to effect a number of significant projects in addition to providing the expected levels of traditional services. The proposed budgets build upon these successes and continue Council's strategy for balanced growth.

At the opening of this document, I also want to thank the City Department Administrators who contributed to this proposal and particularly acknowledge the Finance Director, Denise White; the Assistant City Manager, Jeff Mikorski; Executive Secretary, Carol Allen; and the Finance Department staff for their expertise and imagination. More so than any other though, I thank the individuals that comprise the City's work force for their service to the people of Morgantown and for forming a dedicated, professional City Government.

Dan Boroff
City Manager

GENERAL CONSIDERATIONS

GROWTH: The Greater Morgantown Area continues to grow at a rate unprecedented in West Virginia. By every measurable statistic, this dynamic is in evidence. Per capita income (\$28,050 as of '05); unemployment rate (3.3%); new jobs created and maintained (total 61,000 in the MSA); and population increases (total 115,000 population in the MSA) are collectively unmatched anywhere else in the State. These are the fundamentals that create wealth and greatly influence quality of life. The continuing investments in the area economy though need to be carefully attended so as to maximize the positive benefits that they can generate.

With the above written, it has to be quickly added that there are other growth issues to be emphasized. These considerations contend with the underpinning infrastructure required to support new developments while retaining the traditional identity of the urban area. Infrastructure in this sense is not limited to physical structures such as water lines, sewage plants, storm water collection, and roads. It also needs to include preservation of neighborhoods, public services at large, and intangibles that define the character of the community. In many ways, these issues are more demanding and challenging than the typical, economic development assumptions of growth in general.

Reflecting these points, the proposed City Budget for Fiscal Year 2008-2009 has been assembled. Within its pages though there is one factor that needs to be emphasized. That principal point is that with all of the above noted growth, the City's budget for the new year reflects only modest growth itself. The reason for this is that the most important revenue item in the budget shows no growth at all. Routine B & O taxes for the past year, this year, and forecasted for next year are almost exactly the same—\$9,300,000 (42% of budget). As predicted several years ago, commercial developments outside the City seem to have become a telling influence of growing proportion. This situation will be closely monitored and factored into future considerations.

What follows is a brief summary of the major initiatives and issues that will have significant influences on the proposed budget documents:

GROUND TRANSPORTATION: The recent service fee election clearly documented the importance of this issue in Monongalia County. The public debate and participation in the election was a strong presentation of public sentiment concerning this matter. New remedies to growing transportation concerns need to be quickly put in place. Options range from the traditional (increased Federal and State support) to the creative (new financing tools that reflect the concerns expressed in the election) to the unorthodox (not everyone has to go to work at 8:00 am). Later in this document, these points will be further addressed.

DOWNTOWN MORGANTOWN: The heart and soul of any City is its Downtown. Several years ago, City Council partnered with Downtown businesses and defined an ambitious initiative to install a new streetscape on High Street. Two phases of the project have been completed and the third phase will start construction this spring at a cost of \$800,000. It is anticipated that the fourth phase will start next calendar year with a similar budget. Once completed, this \$4,000,000 investment should well serve the area for the next forty years. On a related matter, the \$400,000 Lower Walnut Street Project should be under construction this year as well.

RIVER FRONT DEVELOPMENT: Over the past ten years, rapid progress has been achieved with this project. The new fiscal year will see another significant development put in place. The Morgantown River Front Event Center will break ground this calendar year with investments totaling \$27,000,000. When completed in 2009, it will be perfectly situated to host a wide variety of promotions, entertainments, and special events that will give the facility an important regional popularity. With this addition, approximate \$200,000,000 in private, public, and non-profit sector investments will have been made in the River Front area of the City

SUNNYSIDE: Like River Front, Sunnyside has seen remarkable improvements in recent years. Private developers and West Virginia University have cleared entire blocks of blighted properties and initiated redevelopment projects in an attractive, upscale fashion. Because of this progress and the continuing interest in the area, potentially a \$10,000,000 Tax Increment Financing project may now be possible to completely reconfigure the public infrastructure in the area. Water, sewer, storm water, streetscapes, parks, trails, landscaping, lighting, and other public amenities would very well serve the area. Coupled with new private sector projects, the area could duplicate the success of River Front and give Morgantown another attractive facet of development.

SQUARE AT FALLING RUN: The first phase of this project has now been completed with an investment of \$26,000,000. The next phase is scheduled to start later this year with the ground breaking for a new 500 space garage at a cost of \$7,500,000. Most exciting though is the potential of seeing the proposed mixed use development layered around the garage being designed and perhaps financed this year as well. Taken all together, total investments of \$250,000,000 in this project, adjacent to West Virginia University's main campus, remain a viable outcome.

MORGANTOWN AIRPORT: This past year, development of the east side of the Airport has realized important advances. Most recently, Senator Byrd announced a \$1,960,000 Federal appropriation to help construct the access road that will serve the area. With additional State support and other assets in hand, construction of the \$4,500,000 project could start later this calendar year. Construction of the National Guard Readiness Center (\$15,000,000) and the Airport Business Industrial Park (total potential development \$50,000,000) could be started in 2009.

ENERGY CONSERVATION: In the new fiscal year, energy conservation measures will be an important part of City operations. It is anticipated that the State Legislature will give West Virginia Cities a new, important tool to support such programs. Energy Conservation Performance Contracting will allow Cities to audit all municipal facilities; identify improvements (both infrastructure and management practices); finance all proposed improvements over a fifteen year period; and manage and monitor results. Preliminary estimates are that Morgantown could save \$1,500,000 in energy cost during such a time period and significantly reduce its carbon footprint. Construction of a LEED Certified Fire Station (\$3,800,000 project) is also scheduled for this calendar year. Funding for additional hybrid vehicles for the City fleet is also possible along with continuing support for the City's Green Team.

GENERAL SERVICES: As noted in previous years, the City is hard pressed to match the growth and development of the City with appropriate levels of public services. The City is fortunate though in that it has been able to add twenty two full time employees over the past twelve years without having to increase tax or fee formulas. Additionally, the City has been able to fund cost of living raises, maintain attractive health insurance benefits, provide training, support continuing education, and make available all the tools, vehicles, and equipment necessary to provide good services. This issue will also be further addressed in CITY COUNCIL GOALS AND OTHER HIGHLIGHTS.

In recent years, Morgantown has been recognized by numerous, national authorities as a place of accomplishment. Economic development, quality of life, public safety, and education are only a few of the areas that have been gauged and applauded in prominent publications and municipal data books. The common denominator in achieving these end results is the creative vitality of the larger community, and it is certainly the area's most valuable asset. To further advance those local government components supporting this drive, the balance of this document recommends the municipal budgets for fiscal year 2008-2009.

**CITY COUNCIL GOALS
AND
OTHER HIGHLIGHTS**

What follows is a brief description of the proposed budget as per City Council's goals and an overview of significant, proposed features:

1. **Transportation:** As directed, new transportation initiatives will be a City priority in the new fiscal year. Toward this end, \$175,000 is proposed to fund the following programs—\$65,000 to enhance mass transit route scheduling; \$25,000 to fund additional mass transit operating expenses; \$35,000 for a pilot bike program on State and City streets; and \$50,000 (optimally with up to a \$50,000 County match) to fund MPO traffic strategies (reverse lanes at rush hour; park and ride; vehicle storage; bike lanes; employer work schedules; traffic control coordination; and similar initiatives).
2. **Service Fee Increases and Tax Formulas:** No recommendations are made to increase any existing service fees or changes in calculating taxes. In the new fiscal year, it is anticipated that recommendations will be presented to increase building permit fees and code enforcement inspection fees to cover part of the additional expenses for these services. A Downtown user fee may also be considered to help fund the cost of late night public services in the area.
3. **Continue the Street Paving Program:** Included in the Capital Escrow Account Budget is \$400,000 for the 2009 Street Paving Program. As with the past several years, the City will look forward to working with the City of Westover in a joint paving program to maximize cost efficiencies.
4. **Continue the Sidewalk Program:** \$60,000 is proposed to be added to the \$57,171 balance in this program to fund the 2009 program for a total of \$117,171
5. **Grant City Employees a Cost of Living Raise:** The current rate of the Federal Consumer Price Index is 4 %. The proposed budget recommends a pay increase of 4 %. As well, the budget includes a \$.25 per hour increase for the second tier of City employees above the entry level positions (entry level positions were funded a similar increase last year). Special Note: If approved, this will be the sixteenth year in a row that such a raise has been granted. The total cost of this increase is \$371,196.

6. **Continue the Capital Improvement Program:**

DEPARTMENT	ITEMS	AMOUNT
Police	Cruisers	\$150,000
Fire	Pumper	450,000
City	Municipal Complex	600,000
Engineering	Traffic Calming	25,000
Public Works	Equipment/Vehicles	200,000
Signs & Signals	Truck	28,000
Code Enforcement	Vehicles (hybrid)	75,000
Information Technology	Security & Equipment	60,000
City Hall	Building Improvements	15,000
Municipal Court	Video Conferencing	11,000
TOTAL		\$1,614,000

Principal Capital Improvements planned for the next 4 years are as follows:

Department	2009-2010	2010-2011	2011-2012	2012-2013
Municipal Complex	\$500,000	\$500,000	\$500,000	\$500,000
Street Resurfacing	400,000	400,000	400,000	400,000
Police Cruisers	150,000	150,000	160,000	160,000
Fire	450,000			
Sidewalks	100,000	100,000	100,000	100,000
Bike Lanes	50,000	50,000	50,000	50,000
BOPARC	350,000	350,000	350,000	350,000
Public Works Garage	90,000	90,000	90,000	90,000

7. **Support BOPARC:** For the past several years, the City has been able to support BOPARC's capital improvement program in a significant way. This year, \$300,000 is suggested to continue the program. Special Note: Additional funds may be available to replace the chiller at the Municipal Ice Rink given the progress of energy conservation performance based contracting.
8. **Continue Support for Sunnyside Up:** This coming year, Sunnyside Up has an important challenge and opportunity to radically alter the character and appearance of Sunnyside. The organization has agreed to act much as a private developer would to work with the City on a Tax Increment Financing District and a Tax Increment Financing Project. Toward this end, they have engaged a bond counsel and in the near future will contract with a design engineer to develop the project. As written earlier, potentially \$10,000,000 may be available for public improvements throughout the area. \$100,000 is proposed to continue this program contingent upon a \$100,000 match from West Virginia University.
9. **Beautification Projects:** The Beautification Commission has been very successful in recent years with a series of landscaping projects, assistance to City Departments, and maintaining public areas and hanging baskets. To continue this program, \$52,000 is recommended to be added to the \$27,080 balance in this line item so as to make \$79,080 available for the new fiscal year (includes an Urban Forest component).
10. **Public Works Soil Reclamation Project:** Work continues at the Public Works Garage to mitigate a fuel tank leak that likely occurred in the 1980's. \$90,000 is budgeted for this State mandated project. Special Note: There is a possibility that the City may be reimbursed these funds by the State Legislature by virtue of a discontinued State insurance program that would have covered this expense.
11. **Contributions to Other Agencies:** Contributions to the United Way, the MRTC, Celebration of America, MLK Day, the Community Trust, the Humane Society, Vision 20/20, Special Youth Program, MAEP, the Botanic Gardens, Social Justice, Mon Health, and the Bartlett House are all recommended to be funded in the new budget at the same rate as the current year. Main Street Morgantown is recommended to be increased by 5% (first increase in operations in recent years. The Art and Culture line is recommended to be increased by \$5,000. New contributions recommended are Year of the Child \$10,000; Inclusive Communities \$5,000; and the Boys and Girls Club \$5,000. Contributions to agencies in this category total \$260,500.
12. **Special Projects:** Special project proposed for the new year are Downtown Security Cameras \$25,000; Wall Street Lighting \$25,000; Employee Home Assistance Program \$50,000; and the Comprehensive Plan Update \$175,000. These projects total \$275,000.

13. **Municipal Work Force:** As noted in the first part of this budget message, the City has been fortunate to increase the size of the municipal work force without having to increase fees or tax formulas. Consistent with this principle, the proposed budget recommends three, new full time positions. They are an additional Police Officer, a new Fire Fighter, and an Engineer to support Code Enforcement. Special Note: The new Engineer will be responsible for reviewing all building permits and code enforcement issues freeing the Public Works Director of personally conducting these time consuming tasks and thereby speeding the processes. The total cost for these new positions is \$163,768

REVENUES
GENERAL CONSIDERATIONS

1. Projected 2007-08 revenues appear to exceed projected revenues for 2008-09. The reasons for this are the City received property taxes in 2007-08 that should have been paid in the preceeding year and the diminished cash carry over for the new year. The reason for the delay in the property tax payment was a TIF error made in that preceeding year.
2. The cash carry over is estimated to be \$1,165,984. This number is based upon projections of this year's revenues and expenditures. A formal budget amendment for the current year will be presented prior to the end of the fiscal year when more accurate numbers will be available.
3. Property tax assumptions for the new year are based on past levels of growth. Revenues for the new year are conservatively estimated to increase by 3%. The actual expected assessment should be forwarded by the County Assessor's Office in early March.
4. B & O construction taxes are estimated to be \$2,400,000 (11% of budget). As in prior year budgets, it is recommended that these funds be segregated as one-time revenues and invested in capital improvements. As these taxes are collected, adjustments in the capital programs can be made as appropriate.
5. Fire Service Fees are based upon actual charges with a 3% delinquency factor.
6. Remaining revenues are projected on the basis of recent, historic trends.

EXPENSES
GENERAL CONSIDERATIONS

1. Health Insurance rates are calculated at the current rates (125% of expected claims) and allow for an 8% increase in the second half of the new fiscal year. With this assumption, the City will expend \$2,717,506 on this fringe benefit next year.
2. All liability Insurance costs are increased 5% for a total cost of \$249,746
3. All employee retirement costs are increased by factors required by State law. Special Note: The State Legislature is currently considering major reforms in funding requirements for Police and Fire Pension programs. These reforms would increase employee and State contributions to the programs and then require local government to fund whatever the remaining balance is to make the programs actuarially sound on a forty year basis. This could increase the City of Morgantown's cost by as much as \$200,000 per year, but reforms are very much needed.
4. Workers Compensation rates remain unchanged. In recent years, the City has enjoyed extraordinarily low rates because of its very attractive claims history and resulting merit rating (last rated .56 with 1.0 being considered average).
5. Credit card fees in the Finance Office have grown from \$5,000 per year in 2004-05 to a projected \$30,000 in the new year reflecting the convenience of this form of payment. \$13,000 of this fee though is attributable to one customer. The City will request that customer to pay by check.
6. Contributions to BOPARC and the Library are increased to fund a 4% cost of living raise for the employees.
7. Contributions to the Building Commission are the fire service fee increases put in place to fund the new North Side Fire Station—\$362,111.
8. The General Fund Contingency is proposed to be \$614,762 which is 2.75% of the budget. It is suggested that if additional cash carry over funds are realized at the end of this fiscal year, that the first \$55,185 be used to increase this contingency to 3% of budget.

