

TOWN CRIER – SPECIAL EDITION

June 10, 2008

John Burdiss is solely responsible for the content.

As you may recall, Council meetings were recently changed to Thursday evening vs. the Tuesday date. I will not be able to attend the meeting on June 12th owing to long standing plans to be out of town with family. So, I am providing comments on the Budget which is scheduled to be addressed at this month's meeting and is the most important issue on that agenda.

The Budget

Among the primary functions of Council is to provide *policy guidance* to the operation of the Town, particularly in *the Town's Budget* which sets the taxing and spending priorities for the Town and thus *is among the Town's most significant policy documents*. The "General Fund" is the primary operating fund for the Town and taxes on real estate are the primary source of revenue for this fund. The General Fund and each "enterprise fund" – such as Water and Waste Water, Harbor and Sanitation must balance independently and of course the total of all fund revenues and expenditures for the Town must also balance.

You will be pleased to know that the budget proposed for fiscal 2008/2009 provides for less than 1% real estate tax increase over 2007/2008. The rate was adjusted downward to reflect the significant increase in tax (assessed) values of real estate (from 30.08 cents last year to the initial statutory rate of 16.12 cents and then raised to 16.28 cents/\$100 of assessed value). Please note that your actual real estate tax bill may be more or less than it was last year, depending upon whether your individual property assessment increased more or less than the average for all real estate in Town.

An early proposed General Fund budget would have required an initial 9½ cent increase needed to fund the laundry list of items presented at the "retreat" in mid-April (projecting a 25.62 cent Town rate). Realizing that with a 9½ cent increase, the tax burden would have risen – on average – nearly 60% just for Town taxes, not including the expected (now known) huge increase in the County taxes, a budget was presented to Council by the Town Treasurer on May 14, 2008 that reflected a 5½ cent increase (projecting 21.62 cent Town rate) – still a tax requiring a tax increase of 34%.

After input from members of Council at the May 14th meeting, additional trimming was accomplished by the Treasurer and the "new" budget was advertised on May 28, 2008 in the E.S. News. A Council workshop was held on the evening of May 28th, after the proposed budget was already published. The 16.28 cent rate, achieving a balanced budget with a less than 1% tax increase, was accomplished by the Treasurer's selected "cuts" (large cuts included legal fees related to the alley project and a 50% reduction in

the expected spending on the “multi-use trail project) and by some appropriate reallocation of portions of administrative costs from the General Fund to some of the enterprise funds, all of which were included in the May 14th Budget.

The E.S. News advertisement on May 28th – before the Council workshop, was necessary to meet the statutory requirements.

It is my opinion that this year’s budget process started late, precluded important input and resulted in a budget that, among other things, cuts the recreation budget – an area of spending where, in my view, we have seen the greatest bang for our buck, in favor of other projects and some increases in other departmental spending.

Also, you should be advised that each 1 cent in Town taxes on real estate provides about \$58,000 in revenues to the Town’s General Fund; hence each penny cut saves the same amount. So, for example if the Town’s share of \$83,000 spent after grants on the multi-use trail (admittedly cut from initially contemplated amount of \$166,000) was eliminated from this year’s budget, we could spend (*if we chose to*) \$25,000 more than is currently planned for the recreation budget (only \$28,876 in 2008/2009 vs. a budget in 2007/2008 of \$41,669) and then actually *cut* the tax rate to 15.28 cents, a *decrease* of about 5% compared to last year. I will encourage Council to revisit this and other budgetary matters beginning at the July 2008 meeting.

I apologize that there is such a large amount of financial information attached (see comments below and especially comments about the Bridgewater model); however, the purpose of sending the attached, until we move toward the Bridgewater model is *to make sure that you have an opportunity to understand: how & why we spend your money; and ultimately how we stack up against other municipalities in Virginia.*

Moving forward and looking back

I have attached for your review several documents noted below and I also offer the following comments for your consideration:

1. Attached is a spreadsheet that I have created and attempted to maintain over the years comparing budgets and spending in the General Fund since 2003.
 - a. Please note that accounting classification changes and categories of spending have changed in some periods – particularly the 2006 budget, thus some comparisons are skewed.
2. Attached are some selected Tables and Exhibits from the Accountants’ - *Draft* – Fiscal 2007 report (the latest one available) for the Town. Again, please note that some of the categories used in these schedules do not match the nomenclature of some of our Budget categories and they also may include or exclude items that make direct comparisons difficult. Nevertheless, taken as a whole they do show trends in spending, tax rates, taxes and other revenue collected, growth in staff compensation, and real estate values, among other things.

3. Enterprise funds not only need to be self-sustaining on a cash basis – current income must equal or exceed current expenses, provisions need to be made for long term assets and/or projects, such as repainting and maintaining the water tower, for example, separate from the enormous expansion costs we are also faced with in water and waste water projects.
4. Debt service in the General Fund reflects payments on past projects like the beach and breakwaters. Future capital projects – a “new” town hall for example would have to be paid for in the same fashion.
 - a. Liquidation (sale) of unutilized Town assets may be a means of reducing the amount needed to fund some of the future capital projects.
5. Bridgewater “model” (See website <http://town.bridgewater.va.us/v.php?pg=27>). While much more elaborate in presentation quality than we need – it offers excellent commentary and comparisons that we could emulate. Bridgewater has been at the forefront of presenting in-depth, but user friendly financial information. For years Bridgewater has been a model that the Virginia Municipal League (“VML”) has touted as truly “citizen” friendly and informative.
 - a. I wholeheartedly agree; please let me and others know if you would appreciate this type of presentation of the Town’s financial information.

Public involvement and how Council works

In the vein of public involvement and public knowledge regarding how your Council and its Commissions & Boards actually function, I will continue to push for televising and/or webcasting (& taping) meetings so the public can watch them at its convenience.

I will also push for a “Policy of Council” that includes the following principles:

- 1) Council as a whole and each individual member has a duty to oversee the Town's operations to ensure that the Town operates in a manner that is:
 - a) responsible to all affected persons and entities;
 - b) efficient in all areas of operations and fiscal management; and,
 - c) fully in compliance with all applicable laws and regulations promulgated by the United States Government, the Commonwealth of Virginia, and with all provisions of the Town’s Charter and the Town’s Ordinances.
- 2) Each individual Council member has a duty to:
 - a) Attend Council meetings well prepared;
 - b) Think and vote independently of other members of Council, while working collegially toward building consensus when possible;
 - c) Evaluate proposals from the Town staff and others carefully and objectively;
 - d) Insist that all proposals make sense or be clarified, modified, or rejected;
 - e) Take personal responsibility for actions of the Town’s government, striving to correct any obvious or identified deficiencies, inequities or improprieties; and,
 - f) Avoid personal attacks against any person, particularly someone who presents a position contrary to yours.

NOTE: There will be no Constituents meeting in June, but the meetings will resume at 5:15 PM at my office one week after the July Council meeting. However, don't hesitate to call 757-331-4331 or stop by my office if you have any questions at any time.