

BUDGET MESSAGE

May 15, 2016

Honorable Mayor McFarland and Members of City Council:

RE: Proposed FY 2017 Budget

In accordance with the City Charter and on behalf of your management team, I am respectfully submitting the City's Proposed Budget for Fiscal Year 2016-17 (FY17). This proposed budget provides the financial resources while our team provides the heart and soul of the work of the City.

It should not be a surprise that this year's budget theme is growth. The City is enjoying a period of new investment, new homes, new ideas and rapid growth. The Proposed Budget is engineered for growth. And it needs to be.

“GROWTH IS NEVER BY MERE CHANCE; IT IS THE RESULT OF FORCES WORKING
TOGETHER”

JAMES CASH PENNEY

Growth

Middle Tennessee has become one of the most desirable places to live and work in the United States. And Murfreesboro has been one of the most desirable places to live in Middle Tennessee. The regions' exponential growth is staggering. The Murfreesboro 2035 Comprehensive Plan predicts that the City will grow to 240,000 in the next twenty years.

During this growth, the City has been recognized on many lists: Best Places for Millennials, Fastest Growing Cities, Top Ten School system and there are more accolades. The Proposed budget will help Murfreesboro continue to grow well. It includes new personnel in Police, Fire & Rescue, Planning, Urban Environmental and other departments that face increased workloads. It also recommends a space planning study for the existing Police building. Finally, Murfreesboro 2035 will provide a blueprint for the community for the next 20 years.

Forces

I wasn't very good at physics! I had to look up the definition of forces: “A force is a push or pull upon an object resulting from the object's *interaction* with another object. Whenever there is an *interaction* between two objects, there is a force upon each of the objects. When the *interaction* ceases, the two objects no longer experience the force. Forces only exist as a result of an interaction.”

The City interacts with our entire community. City Council and City staff interact with the people who live, work, play, visit and desire to come here. Beginning with the Council and supported by the City employees, we work hard to make these interactions and forces positive in this high growth climate. In order to better manage change and these forces, the Proposed Budget includes funds for a change

management project. It will help build a better foundation for successful change and how to activate change more effectively.

Working Together



"You give 100 percent in the first half of the game, and if that isn't enough, in the second half you give what's left." — Yogi Berra

Our city is great because we work together with our residents, business community, non-profits and other agencies who partner and collaborate with the Council and staff. Best of all, during these projects, initiatives and programs, the credit is shared by those who participated and were involved. Our growth is directly related to working together. Our city employees are talented and give their all. Due to huge workloads, they have worked long hours and risen to meet the challenge.

PRIORITY 1: SAFE AND LIVABLE NEIGHBORHOODS

Highlights

- New personnel in Police and Fire & Rescue
- Opening of Fire Station 10 on Veterans Parkway
- Construction of the new Police HQ and Public Safety Training Facility
- Progress toward full implementation of a 700 MHz two-way radio system for public safety
- Beginning construction of the Stones River Greenway extension to Barfield Crescent Park
- Study of the Bottoms and Highland Avenue corridor
- Complete city-wide design guidelines

The City's first goal remains safe and livable neighborhoods. The Police Department continues to be the City's largest operating department. The proposed Police Department budget includes funding for 6 new police officer positions.

The Proposed Budget provides for the expansion of Fire and Rescue Department's Basic Life Support (BLS) to include medication administration and procedure by October 1 and a target date of July 1, 2017 has been identified to move to Advanced Life Support (ALS). Additionally, it recommends the opening of Station 10 and relocating Station 4 to Medical Center Parkway, where its aerial units are better positioned to serve the taller building found in the Gateway. These significant advancements earned the Fire & Rescue Department's first time on the budget cover.

Continuing our focus on livability, land acquisition for a new park in western Murfreesboro will be completed in FY 2017. The Adams Tennis Center has been a true success and has covered 84 percent of its expenses with revenue during its first nine months of operation. Parks and Recreation will also begin a master planning process for all recreation needs, build the Miracle Field, open a new soccer practice facility at the Jordan Farm and begin a greenway extension.

The Street Department continues to advance its levels of service. Rover reports over a quarter million rides per year. Urban Environmental keeps our city beautiful and an additional staff person is recommended.

PRIORITY 2: STRONG AND SUSTAINABLE FINANCIAL AND ECONOMIC HEALTH

Highlights

- Maintaining the existing level of effective property tax rate, which is the 18th consecutive year without a property tax increase.
- Redevelopment of the former First Methodist Church/Franklin Synergy site
- Study tax increment financing districts as a method to encourage re-development
- Further deployment of new financial and human resources software
- A 4 percent health insurance premium increase after no increase last year
- Recruiting new jobs and employers to the Gateway
- Attracting tournaments to the indoor tennis complex in conjunction with Middle Tennessee State University, increasing even more a robust sports tourism economy
- Partnering with the Rutherford County Chamber of Commerce in workforce development
- Constructing Lytle Street, Jones Boulevard, St. Claire Street and Middle Tennessee Boulevard

The City continues to be strong financially. Moody's has upgraded Murfreesboro to Aa1 from Aa2, which is the second highest rating possible on an 18-step range. The Aa1 rating reflects the city's large sized and growing tax base benefitting from its proximity to the Nashville metro region, the well-managed financial position with ample reserves and liquidity supported by strong budgetary controls, and above average debt levels that remain manageable given well-developed debt plans and prudent policies. Moody's also mentioned the large institutional presence (MTSU, the VA, St. Thomas Rutherford Hospital) that provides tax base stability and a cushion during recession.

According to the last audit (FY 15), the City's actual revenues exceeded budgeted revenues by over \$5.37 million. The General Fund Balance is \$62.2 million in reserve, or 43% of one year's revenues available to meet financial obligations.

The City adopted comprehensive financial policies in 2010, which establish various performance measures. A comparison of the City's financial position against its policies shows that the City remains well managed and that its financial condition is strong. For instance, the City will pay off 92 percent of its debt in the next 10 years and is within the policies in terms of debt versus assessed value, debt per capita, variable debt ratios and debt as a percent of budget.

Fund Balance

In the past ten years the City has budgeted annually from \$1.5M to \$4.8 million from fund balance to balance the General Fund's annual operating budget. This year's budget recommends using approximately \$4 million.

In that same period, the City has actually used fund balance to close only twice. Current budget estimates for FY 2016 revenue and expenditures will result in the use of approximately \$500,000 in fund

balance. However, the purchase of Franklin Synergy property for \$1.55 million was not budgeted and explains the use of fund balance.

PRIORITY 3: EXCELLENT SERVICES WITH A FOCUS ON CUSTOMER SERVICE

Highlights

- Recognizing our employees as our customers and better engaging them in the workplace
- Selecting new land development management software for Planning and Building and Codes
- Continuing “Service Excellence,” the City’s customer service training program for City employees
- Converting CityTV to High Definition (HD) through a grant from Comcast
- Repaving \$2 million in City streets from State gasoline taxes
- Develop a shop and restrooms for Bloomfield Links

Service Excellence training and the STARS program continue to be two additional areas that we invest in our employees.

The Proposed Budget also recommends a Training and Development Manager in the Human Resources Department. Focused on training, employee development, this position will provide a dedicated staff member to help support the City’s initiatives and programs.

The Legal Department will also publish the City Code on-line for the first time. This will benefit our customers by having real-time access to the City’s code and requirements.

PRIORITY 4: ENGAGING OUR COMMUNITY

Highlights

- Utilizing an on-line community discussion board such as the comprehensive plan’s Mindmixer site
- Using social media, technology and neighborhood meetings to develop the comprehensive plan
- Conducting of neighborhood meetings on critical issues

The City already communicates with our residents in many ways. City TV, the City’s website, press releases, Parks and Recreation user surveys, neighborhood open houses, public hearings, presentations to civic groups, and Citizen Police and Fire academies are among the many ways the City reaches out to our residents and listens to our citizens. The City’s use of Facebook, Twitter and a homepage that received over 1.8 million hits are helping the City provide useful information to its residents.

REVENUES OVERVIEW

General Fund revenues total \$144,256,026, which is an increase of 10.6 percent.

The Proposed Budget recommends an increase to the hotel-motel tax from 2.5 percent to 5 percent. A 1983 private act enabled a city hotel motel tax rate of 5 percent. Upon adoption, City Council approved a rate of 1.5 percent, which was increased to 2.5 percent in 1993.

Since the last increase 23 years ago, the City has substantially invested in tourism. There are a number of substantial capital expenses, including the land for the Embassy Suites and Conference (\$5.5 million), Siegel Soccer Complex (\$13 million), Adams Tennis Center (\$5 million). Additionally, the City built and staffs Barfield Crescent Park, Star*Plex and maintains Cannonsburg and Bradley Academy. The City directly funds special events including Jazzfest through its support of Main Street, Uncle Dave Macon Days, Discover Center among others. In FY 2016, over \$150,000 was budget for tourism events.

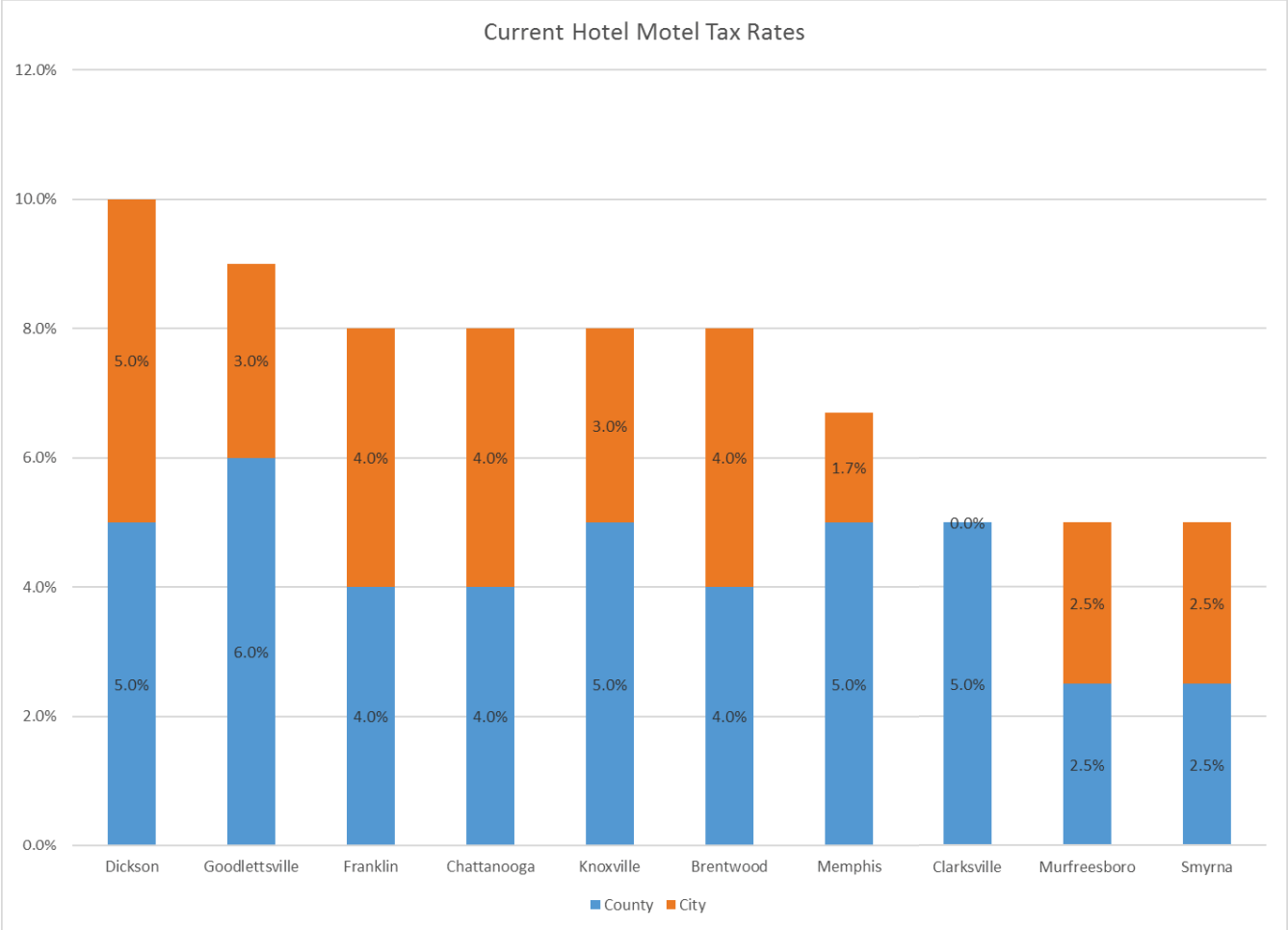
By formula, the City earmarks 30 percent of the hotel motel tax collections for the Convention and Visitors Bureau (CVB). In FY 2016, it is estimated that the CVB will receive approximately \$390,000 under the current 2.5 percent tax. Combined with the tourism events, the City spends \$550,000 for tourism plus the cost to operate, maintain and staff the facilities used by tournaments.

Rutherford County also levies a 2.5 percent hotel motel tax even though virtually all of the hotels are located within the municipalities. As you are aware, Mayor Burgess has recommended the County's rate be increased to 5 percent. As a result, the city and county rates are stacked and guests are charged the combined total, which is currently 5 percent.

Survey Data

In 2015, the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) published a study of hotel motel taxes. The study analyzes the effect of lodging taxes, hotel customer's sensitivity to room prices and taxes, Tennessee's tax structure and includes survey data of states, cities and counties.

The TACIR study was previously sent to City Council. A selection of peer cities is shown below.



To prepare for the coming closing of the Middle Point Landfill, the City is proposing a Solid Waste Fee of \$5 per City collected can per month to begin in January 2017. It is estimated that this fee would generate approximately \$1.3 million during the fiscal year and begin the process of transferring solid waste services from general fund support to an enterprise of the similar to the Water and Sewer Department. As part of this effort, the City will also begin studying a curbside residential recycling program and funds are included in the Proposed Budget.

EXPENDITURES OVERVIEW

General Fund expenditures total \$148,270,324, which is an increase of 7.96 percent.

EMPLOYEE COMPENSATION AND TOTAL REWARDS

Pay increases

The 2015 Classification and Compensation Study recommended adjustments based on the Labor Department's Bureau of Labor Statistics Employment Cost Index (ECI) for State and Local Government. The ECI is currently 1.8 percent.

The proposed budget recommends a 2 percent across-the-board increase as well a 2 percent adjustment to the minimum and maximum pay ranges. While the City led the state in pay increases for 5 years running, this year the recommended increases moves us back toward our peers. However, the combined salary increases over the last five years along with this year, still puts Murfreesboro at the top.

Longevity Pay

The Proposed FY 2017 budget includes the normal longevity pay of \$60/completed year of service.

Retirement Plans

The City initiated a defined contribution plan (retirement plan) on July 1, 2010 to replace the traditional defined benefit retirement (pension plan) for City employees. At the current time, there are over 260 employees in the new retirement plan. It requires employees to contribute 3% of salary to the program, with the City matching equally. Employees may contribute up to an additional 5% of salary, with the City matching 100% of their contributions.

The defined benefits retirement plan continues to be stable and funded at actuarially prescribed rates. The recommended percentage of salary for the defined benefits plan is unchanged at 12.32 percent.

Health Insurance

The Proposed Budget includes a 4 percent increase to health insurance premiums beginning on January 1. The increased amount begins in December since insurance is paid a month in advance.

NEW POSITIONS

As is the case each year, departments requested new positions, but not all of the positions are included in the Proposed Budget. Several requests are not recommended for funding during the priority setting and balancing of the budget. In FY 2016, there are 820 full-time positions, which is still 22 fewer positions than the high water mark in FY 09. During the recession, the City chose to eliminate 52 positions through attrition or reduction in force. Now that growth has increased workloads for all City departments, and some dramatically, FY 2017 is the time to add back additional labor to maintain customer satisfaction and service levels.

Full-time

Below is a spreadsheet summarizing the new positions in the Proposed Budget. As mentioned above, I am recommending 6 new police officers to form a second Directed Patrol unit.

New Positions/Promotion Requests For FY17			
Department	Position Requesting	Description	Addition to headcount?
Building & Codes	Building Inspector	New Position	Yes
Fire & Rescue	Fire Trainees (4)	New Positions	Yes
Fire & Rescue	Firefighters (5)	New Positions	Yes
Fire & Rescue	Driver (3)	New Positions	Yes
Fire & Rescue	Captain (3)	New Positions	Yes
Human Resources	Training & Development Mgr	New Position	Yes
IT	Network Specialist	New Position	Yes
IT	Admin Support Specialist I	New Position	Yes
Planning	Assistant Planning Director	New Position	Yes
Police	Police Officer (6)	New positions	Yes
Urban	Landscaper/Greenskeeper	New Position	Yes
Airport	Admin Support Specialist	Convert part-time to full-time	Yes
Building & Codes	Permit Technician	Convert part-time to full-time	Yes
Fire & Rescue	Captain (6) Driver <6>	Job elimination/replacement	No
Fire & Rescue	Supplemental Pay	(8) EMT supplements, (3) Paramedic supplements	No
Golf	Facility Attendant	Increase from 4 part-time to 5 part-time with no cost increase	Yes, but \$0
Golf	Laborer (2)	New part-time positions to eliminate work contracted out	No

BUDGET PRESENTATION

Government Finance Officers Distinguished Budget Presentation Award

The City has won 5 consecutive Distinguished Budget Presentation Awards and we will seek our fifth with this budget. This is a companion to the award the City has won for 17 years for our annual audit.

GFOA states that, “since 1984, the Distinguished Budget Presentation Awards Program recognizes exemplary budgeting practices among governmental entities in the US and Canada....and promotes improvements in public sector budgeting and enables governments of all sizes to provide citizens and other stakeholders with clear, understandable and complete budget documents.” Budgets are evaluated in four major categories: as a policy document, a financial plan, an operations guide and a communication device.

ACKNOWLEDGEMENTS

The FY 2017 Proposed Budget is the first using the new Munis software. While the program has features and functionality that is a marked improvement, it required training for all departments and there is still a learning curve. Because the prior budget years were not imported into Munis, the program only includes FY 2016 Estimated Expenditure and the Proposed Budget. This will remedy itself over time.

As part of the conversion, the City established a new chart of accounts. This resulted in expenditures being changed from the prior line to a new one. This has improved the consistency across the board on how expenses are categorized and will deliver new reporting capabilities. This is the reason you may see large line item reductions and the following line item has an equivalent increase.

Like last year, Ana Marie Stovall was a “rockstar” again and Erin Tucker’s command of Munis made the transition easier. They were extremely helpful as staff had questions about how to input the budget in Munis. They were supported by Jim Crumley, Jennifer Moody, Melissa Wright, Amanda DeRosia and the Finance Department’s support staff. Cheryl Sharp ran payroll projections and was a significant help.

We are blessed to living in a thriving community. I believe the budget should equip the City for the growth that is here now and what we expect is coming. I believe it provides the resources and tools for the men and women who do the work of the City and make us proud every day. They love what they do and it shows. We look forward to your input and advice.

Robert J. Lyons
City Manager