

## **MAYOR'S BUDGET MESSAGE**

**TO:** Morehead City Council, City Employees, & Citizens  
**FROM:** James Thomas Trent  
**DATE:** May 29, 2018  
**RE:** Budget Proposal and Message for FY 2018-2019

The Kentucky Revised Statutes (KRS) set forth the requirements and certain guidelines for financial administration of the fiscal affairs of cities. KRS 91.A010 through 91A.060, 83A.130(12), 83A.140(8) and 83A.150(5) specifically address the requirements of financial administration and fiscal responsibility. As required, I am providing my annual message on the condition and needs of the City along with my 2018-2019 budget proposal in accordance with KRS 83A.130(3).

As Mayor of my hometown, the City of Morehead, it is once again my honor and privilege to present the City's budget for the 2018-2019 fiscal year and detail the city's financial status, accomplishments over the last year and needs for the coming year. Although, the Kentucky Revised Statutes provide that the Mayor is to draft a budget to present to Council, I have continued the tradition of having the department heads, city clerk, city attorney and a budget committee which included three council members participate in drafting a budget. Throughout this process, the committee considered revenue sources along with the needs of the citizens and employees of the City of Morehead. With the limited resources available, I think you will see that most needs were met and that the proposed new capital projects will benefit the citizens of Morehead and our employees for years to come.

We began the fiscal year with a projected carryover of \$3.1 million dollars. After the audit process was completed, we were informed that the actual carryover was \$3,658,333.00. Since the carry-over was more than projected, council gave employees a mid-year raise of \$.25 on the hour. This is in line with one of my goals as incoming Mayor—to get all City Employees, our greatest resource, making at least \$10 per hour. When I took over, there were several making just \$8.25 an hour while working some of the most physically demanding jobs we have.

Since taking office as Mayor, one of my goals has been improving recreation opportunities for all citizens. In December 2018, the City finalized the purchase of the "Perkins" property which is adjacent to the Greenhill City Park. It should be noted that the Tourism Commission assisted with the purchase of the land. Additionally, with financial assistance from the County of Rowan, the City will develop this property to include a splash pad, walking track, senior citizen building and kayak launch. The splash pad is the first phase which will be complete by August 1 of this year, weather permitting and no unforeseen complications. The playground equipment at Don Greenhill City Park was unsafe for use. This equipment was over 30 years old. New equipment has been ordered and we hope to have it installed by the end of June. We are also resurfacing the basketball courts at the park. Another addition to the City Park

was the Dog Park. The Chamber's Leadership Class was the lead agency in developing the Dog Park.

We also converted our middle baseball/softball field at City Park, known as the Clinton Johnson Field, into a Little League Baseball only field by putting grass in the infield and restructuring the fencing to accommodate Little League Tournament play. This will help us eventually attract major tournaments with the ultimate goal of hosting the Little League Tournament, which of course would contribute to our community's Recreation Tourism draw.

We have also just entered into an agreement with MSU President Dr. Jay Morgan and staff to partner in allowing our City Day Camp children to have open swim at the MSU Wellness Center Pool each week of camp this summer. This is just another partnership that we have been able to enter into with one of our community entities that is a win-win for all concerned. We are also in serious discussions with MSU and Dr. Morgan to enter into a lease of Laughlin Health Building, including some dedicated parking; We will be again partnering with Rowan Co. Fiscal Court and Morehead Tourism to help finance this unprecedented agreement that will allow for our community to have access to its own recreation center. This will not only benefit our local recreation programs but will also add a much-needed wellness opportunity for our area seniors, provide space for after-school youth programming as well as allow for recouping monies from rentals and youth/adult tournaments that will continue to add to our recreational tourism.

The City continues to work on beautification of Main Street with the addition of trees and flowers in the hanging baskets. We added additional hanging baskets this fiscal year and kept the baskets filled with seasonal flowers and greenery. Besides beautification of Main Street, the City is working closely with New Cities and Downtown Morehead, Inc. for the development of downtown. A contract was signed with Luckett & Farley in January with regard to a possible hotel locating on Main Street. Luckett & Farley is the Master Developer for our downtown Tax Increment District ("TIF") and have been charged with locating and recruiting new development to the Downtown District that will be in excess of \$20 million dollars. Per the agreement, they have until January 2019 to present a comprehensive plan that will include development commitments for a downtown hotel, parking structure and other projects. The creation of a TIF District is truly a signature milestone for Morehead and Rowan County that will provide many positive benefits for years to come.

Police and Fire continue to be a priority for me. A new ladder truck was purchased for the Fire Department. Citizens should see the ladder truck in service by August. We had hoped to have broken ground for a new combined police/fire station this fiscal year. We are very close to obtaining the property for this project and hope to have it under contract and known to the Council and the public by late summer/early fall.

At the Carl Perkins Center, significant improvements have been made. We invested nearly \$20,000 in LED lighting throughout the building, on the perimeter and in

the parking lot. We also upgraded the stage with new carpet and trim. Our plan moving forward is to continue the upgrading with the addition of large fans in the main room as well as painting the entire building. This property is booked on weekends nearly a year in advance and is still a tremendous asset as a community building that can complement the Morehead Conference Center. Therefore, so long as this building is utilized by our community, I believe that the City should continue to make improvements annually.

One of the main areas that we have concentrated our efforts and funding on is the backlog of deferred maintenance that my administration inherited. It has taken us nearly four years to get back to where all of our departments have most of their equipment new or greatly updated. The cost of deferred maintenance goes much farther than just the purchase of new or better equipment, it affects all aspects of the departments including, first and foremost, safety, general maintenance costs in keeping older out of date equipment functioning, plus all of the extra man hours and additional costs of specialized repairs needed just to maintain a safe and efficient fleet of cars, trucks and heavy equipment. We believe that the fleet management program with Enterprise will go a long way to prevent another backlog of deferred maintenance issues.

With regard to revenues, over the last couple years the City has seen a growth in occupational taxes. We believe this is due to the several large construction projections such as St. Claire Pavilion, MSU ADUC, and Rowan County Jail. With those projections being completed and the end to an Interlocal Agreement between the City and County to share the occupational taxes from Guardian and Seal Master, the City may see a slight decline in those revenues over the next years. As we all know the City has very few sources for revenues. No one likes to raise taxes, but sometimes in order to provide the citizens with first rate services, a tax increase is necessary. For the past two years, council has voted to accept the compensating rate for property taxes and has not passed a tax rate which would have generated a 4% increase in revenues for city. In February 2018, Council did amend the Insurance Premium Tax from 5% on Casualty, Inland Marine and Fire and allied perils policies only to 7.5% on all policies permitted under the Kentucky Revised Statutes. This change will go into effect July 2018. It is expected that this will bring in an additional \$160,000 in tax revenues. This rate had not been changed since 1984.

## GOALS

My goals over the next year include, but are not limited to:

- See the completion and opening of the Splash Pad by the first of August.
- To secure the property and begin the architectural design work for the police/fire station.
- To repair and maintain our main infrastructure such as streets, sidewalks, curbs, gutters and drainage system. This will include the development and implementation of a comprehensive storm water management plan by partnering

with the Morehead Utility Plant Board. Phases of this plan will include the “cleaning out” of debris and sediment, in accordance with the U.S. Corps of Engineers and Kentucky Division of Water, of Triplett Creek. It will also include the repair and/or construction of better and more efficient system of controlling run off water from the City to Triplett Creek.

- To continue the development of the Perkins Property, including the planning for a 5,000-square foot Senior Center, a 30,000-square foot indoor multipurpose recreation facility and a landing/fishing dock/kayak launch on the creek bank.
- To continue to develop Laughlin Health Building’s potential not only for community use, but also for revenue generating site for multisport tournaments.
- To continue to work with Solarity on a plan for the “last mile” implementation of the Kentucky Wired High Speed Internet Project. This plan will include a “Phase 1” where high speed broadband is implemented throughout the City government offices with “Phase 2” being implementation of high speed internet throughout the City proper in a “street by street” approach.
- To continue already in process plan to “overhaul” our existing City Planning ordinances in order to become more efficient as well as conforming to any changes in the law since the original implementation of the existing ordinances.
- To continue working with Lockett & Farley, the master developers of our downtown TIF Project, in order to assist in bringing new development to downtown Morehead, which would include a 100-room hotel, parking garage and other retail and residential living space.
- To continue our unprecedented partnerships which includes Rowan Fiscal Court, Morehead State University, St. Claire Healthcare, Rowan Co. Schools, the City of Lakeview Heights, Morehead Tourism, Chamber of Commerce and others, to attract viable industry and economic development to our community. This will be focused on, but not limited to, the attraction of “high tech” research, development and manufacturing to coincide with Kentucky’s emerging role as a worldwide leader in aerospace manufacturing and exports, i.e. the Space Science Center at MSU, Rajant Corporation, Braidy Industries, etc.
- To continue the in-process multi-year plan to beautify Main Street and Downtown Morehead by adding more flowers, trees, esthetically pleasing architecture, murals, more efficient use of parking as well as unique and functional traffic control devices.
- While all of these projects do require taxpayer money, we will also continue to supplement the cost of these projects by the use of grants, partnerships and sponsorships from both the public and private sector. As an example, we are currently experiencing unprecedented success in utilizing these options for current projects that have saved the City nearly \$1 million dollars in the current year alone.

## REVENUES

Based on the City’s current account balances, the budget committee has projected a carryover of \$4.0 million into the new budget. The City’s revenues consist of

taxes, licenses and permits, intergovernmental revenue, other revenue and charges for services. The total revenue amount budgeted was \$11,235,694.00. This includes \$4.0 million in loan proceeds for new public safety building. Based upon the amount of interest the City earned on accounts this year, the interest income was raised \$7,000.00. Other than the increase in Interest Income and Insurance Premium Tax revenues, there were no other major changes to the City's projected revenues for 2018-2019. You may notice that the county's contribution to recreation decreased \$250,000. This decrease is because last year the County gave the City an additional \$250,000 towards the splash pad. Thus, there is no decrease in the annual amount the County provides towards recreation.

The CDBG monies for operation of the Inspiration Center seem to keep coming so we will continue to participate. The CDBG for redevelopment in the Center Street and Cline/Hill Court is still ongoing and is included in the budget. We hope to have this project finalized by December 2018.

## EXPENDITURES

Successful businesses normally have good employees who provide first rate customer service and work hard to make the business great. The City of Morehead is fortunate to have such employees. Our pay may not be comparable to some businesses, but throughout the years we have been able to offer a benefit package to our employees to make up for the compensation. However, the cost of health insurance continues to rise and unfortunately, a change is needed. Beginning July 1, 2018, the city will only pay the cost of health, dental, vision and life insurance for the employee. The City will continue to pay the 94% of said costs of the employee's plan for current employees. The City will continue to look for ways to reduce this cost while at the same time maintaining quality employees. I have budgeted a \$.25 cent per hour raise across the board. Matt Hamilton and Jennifer Brockman, Recreation Department employees, were also given a merit raise based upon the recommendation of their supervisor. Building Inspector, Rodney Fouch's salary was increased for his recent certifications and Deputy Clerk, Pepper Williams' salary was increased to be in line with the compensation scale and job duties.

## Administration & Finance

Under contractual services, I once again allocated \$75,000 towards a Community Development Plan. This plan is to be a joint effort between the City, county and other community partners. We had hoped to have this plan completed last fiscal year, but that did not happen. I increased funding to Chamber of Commerce by \$3,225 for a total of \$15,725. This additional allocation will help them meet the demands of continued growth for the near future. I also have proposed that the airport board receive an additional \$5,000 for operational expenses making the City's total contribution \$35,000. The city's contribution to the Sister City program was increased by \$500. New to the expenses this year is a \$500 contribution to Cave Run Lake Chapter in the amount of

\$500 and \$10,000 to Casey's Law. The payment to Casey's Law was approved by Council at the May 2018 regular meeting.

Under Administration, the city currently has four debt payments totaling 208,762.14 annually. I have also proposed an estimated annual debt payment of 242,864.02 for the police/fire station.

#### Community Center – Perkins Bldg.

The changes to the Perkins Community Center's budget were the deletion of the sick leave purchase and motor fuel allocation and the increase to wages, FICA and Retirement for the projected employee raise. Overall, the budget decreased by 2,357.18. The center continues to be an asset to the community and is used almost on a daily basis and the rental revenues have exceeded projected revenues for 2017-2018 and we still have a month left in the fiscal year.

#### Fire Department

The loan for Engine 11 will be paid off June 2019 leaving only the payment on the ladder truck. There is an increase of 56,830.48 to the Fire Department's budget. These increases are due to the raise, vehicle repairs, building maintenance and the aerial apparatus (ladder truck) payment.

#### Police Department

The budget for the police department is projected to increase by \$150,950.08, which is mostly due to expenses associated with salaries and benefits. Other significant expenses include the Tower maintenance which was increased by \$6,000 to allow for inspections and the Accreditation fees for the Police Renewal and the new Accreditation for the Dispatch which total \$10,000. Debt Service for the 2018 vehicles was added which totaled \$36,432.24.

#### Public Works

As like the other departments, the major increases in the Public Works' budget were associated with the raise for all employees and the debt service payment for their 2018 vehicles.

#### Parks & Recreation

Parks & Recreation budget is projected to increase \$27,958.85. \$11,600 of that amount is associated with Splash Pad Attendants. Telephone increase was a big increase also going from \$100 to \$1,500 in order to add a line with internet service to the maintenance garage.

## Capital Projects

The majority of projected expenditures are associated with capital projects. First, the police/fire (public safety) building is under Administration. As stated above, it is my goal that the City breaks ground on this building this fiscal year. The Police Department and Fire Station #1 are in need of replacement. This should be our number one priority for the coming fiscal year. In the police department, I have included \$25,000 for a new K9 unit. It has been a while since we have had a K9. Further, at the Chief's request, I have budgeted for three SUVs for the department. Of, the \$144,871 capital expenditures for the Public Works department, all except \$20,000 is for vehicles and equipment. The \$20,000 is for sidewalk repairs. A new truck for the Assistant Chief, pager and roof repair for Station #2 at the cost of \$47,067 has been budgeted for the Fire Department. One of the largest capital projects is the splash pad. I have budgeted \$600,000 for this project. This is in addition to the equipment that was purchased from the current budget. Additionally, a new truck and 15 passenger Van has been budgeted for Recreation. I continue to budget \$20,000 for Carl Perkins Center building improvements

The total proposed budget for 2018-2019 includes resources of \$15,235,694.00 and appropriations of \$13,836,452.78. It is also proposed that \$1,000,000 be transferred to savings. Thus, the ending balance is projected to be \$399,241.22. As with previous years, we do expect that with careful management of the funds as we have in the past the ending balance will be more than \$399,241.22. Thus, as you can see, we continue to maintain services and programs for our citizens and investing in our future through capital projects while always operating within our means and without taking the 4% revenue increase with property taxes the last two years. As always, I invite council and the public to stop by my office anytime to discuss the city's finances and current financial status.