



CITY OF COVINGTON

Office of the City Manager

Community Services
Development
Finance
Fire
Human Resources
Legal
Police
Public
Improvements
Section 8 Housing
Choice Voucher

June 24, 2014

Honorable Mayor and Commissioners:

Please accept this update to my FY 2014-2015 Annual Budget recommendation of May 27, 2014.

Since the May 27, 2014, Annual Budget recommendation, the original recommended budget appropriation total of \$75,337,097, has changed to \$76,557,699, reflecting carryover amounts due to reprogramming of the City's federal CDBG and HOME funds based on an amendment to the NKY Home Consortium and CDBG funds. As a reference, the FY 2013-2014 revenue projected Budget was \$77,909,225.

Also, the original FY 2014-2015 General Fund Budget recommendation of \$47,279,276 in revenues remains the same, but now includes a net increase in expenditures of \$390, from \$46,909,128 to \$46,909,518. The total carryover amount in the FY 2014-2015 General Fund budget is now a mere \$19,759, after an initial \$350,000 annual payment on the City's Tax Anticipation Note (TAN) of \$3.5 million. As a reference, the FY 2013-2014 General Fund revenue budget was projected at \$47,519,236.

City Administration had several individual meetings with the Mayor and Commissioners about the City Manager Recommended Budget that was presented on May 27, 2014. A great deal of good feedback, questions, suggestions and concerns, were shared between the City Commission and City Administration. From those discussions, the following changes have been made to the May 27, 2014, City Manager Recommended budget:

- 1) A majority of the City Commission wants to continue staffing with full time positions in the Community Services Division, which is responsible for the residential rental inspection program, rather than staffing with part time positions. The \$99,031 per year that would have been saved from staffing with part time positions instead of full time positions has to be made up elsewhere in the budget.

The following assumptions are recommended to compensate for the additional \$99,031 expense to retain full time staffing:

Assumptions	Savings
1) Utility Savings from Sale of former City Hall Property (Assumes October 1, 2014 Transfer Date)	\$ 50,000
2) Property Insurance Savings from Sale of former City Hall (Assumes October 1, 2014 Transfer Date)	\$ 10,962

3) Initiate FY 15 Capital Projects August 1 not July 1	\$ 40,000
Total	\$100,962

If any of these assumptions above are inaccurate, further reconsideration of how to compensate for the additional \$99,031 in expense to retain the positions as full time, will be necessary.

2) In addition, a five-year contract to update software used by the Fire Department has resulted in an annual additional expense of \$2,321.

3) Police and Fire, and City Employee Pension Funds

The Police and Fire Pension Board approved a 1.5% cost of living increase at its June Board meeting. The City Employee Pension Board is expected to do the same at its July meeting. The respective annual cost to the City from both cost of living increases is \$21,404 and \$8,136 for a total of \$29,540. The annual expense for both of these cost of living increases is recommended to come from the City's annual contribution to both pension funds that was intended to fully fund the pension funds over a period of 25 years. This reduction in the annual contribution will cause that 25 year period to be extended.

4) Other – Additional Supplemental Information

In addition to the May 27, 2014 Budget Transmittal Letter and City Manager Recommended Budget for FY 2014-2015, and related information and exhibits, the following supplemental information is included in this Update so that future readers of the FY 2014-2015 budget have more information about the City so they are better informed and in the interest of transparency.

- Directory of (City) Public Officials FY 2014-2015
- City of Covington, Kentucky, General Information
- City of Covington, Kentucky, Miscellaneous Data
- City of Covington, Kentucky, Appointed Boards and Commissions
- City Staffing Plan: FY 2014-2015
- City Organizational Chart
- City Employee Wage Increase History: 2001 – 2015

- City of Covington, Kentucky FY 2014-2015 Departmental Goals (modified from May 27, 2014 Budget Transmittal Letter to Reflect Final Budget)

Thank you for the opportunity to present the City of Covington's FY 2014-2015 Budget, and great appreciation is extended to the countless hours that the City's department directors and other City staff who have contributed to this comprehensive FY 2014-2015 budget document.

Sincerely,

Larry Klein

City Manager

City of Covington, Kentucky