



CITY OF COVINGTON

333 W. LOCUST STREET, COVINGTON, VIRGINIA 24426

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David S. Crosier, Vice-Mayor
William E. Carson, Jr., Councilman
Raymond C. Hunter, Councilman
S. Allan Tucker, Councilman

Krystal M. Onaitis, City Manager
Rebecca W. Scott, City Clerk
Mark C. Popovich, City Attorney

May 4, 2021

Greetings Mayor Sibold, Vice-Mayor Crosier
and Honorable Members of Covington City Council,

As your City Manager, (Madam Manager if we want to be technical), it is a privilege to stand before you all once again, to present the City Administration's proposed fiscal year 2022 (FY22) budget. It is my hope that you all as City Council do as you have done previously on last year's budget and so many other major undertakings, and give this proposal careful review and consideration. Last year a proposed budget was presented, going through what was uncharted territory for us all, not just in our City, but all localities in the Commonwealth, throughout our Country and across the world as the COVID-19 pandemic was beginning to force us to re-think all facets of governmental planning, let alone daily life. While the economic recovery from the ongoing pandemic continues, and it's something that will take time, I am encouraged as to the potential that lies ahead for us as a City and region. In FY21 we truly managed what was "a shoe string budget." Although it is noteworthy that to date in FY21, NO agency under the City's administration submitted an appropriation request to Council, this was no easy feat. Simply put, we have "robbed Peter to pay Paul twice over," and we have gone without in many areas, depleting line items in totality and moving funds within functional areas to cover unforeseen operational challenges.

However, we must be more City and "citizen-centric" in our approach this year, if we are going to continue to meet the service demands that our citizens, businesses and visitors alike place upon us daily. This budget presented to you once again prioritizes core regionalism efforts and works to fund joint/shared services to the best of our ability with the current projected general fund revenues. That being said, this proposed FY22 budget has been developed and balanced with NO tax increase. However, City Administration could not balance the operational and maintenance costs of our Water and Waste Water Operations without a nominal increase of \$1.00 to the base rate for each of these services (this is 4% for water and 3.23% for sewer). This equates to a large soda at a fast food drive-thru monthly for our residential customers.

Due to what many of you are aware of, inflation has begun to impact the cost of acquiring materials for other aspects of City operational areas as the minimum wage increases, therefore

increasing usage fees relating to reserving a sports field, daily pool passes, reserving indoor venues that we manage. These proposed increases are for you all as City Council to consider and discuss too. Given the increases for cost of services, there are NO proposed changes to game attendance fees or fees being considered whatsoever for sports participation.

Additionally, through discussions with our Public Safety Portfolio, soft billing for Covington Fire Department (CFD) services is proposed in this budget. As proposed, this would be managed the same way soft billing is for Emergency Medical Services (volunteer or paid staff response). Funds (minus administrative costs) re-couped from this effort will go directly into the Public Safety Asset Reserve Fund, created last FY. This will further help to sustain our public safety agencies and their many varied needs. City Administration is projecting that soft billing for CFD could yield \$67,000.00 roughly for this fund.

Now for some good news highlights of what the Proposed FY22 Budget contains:

- Reorganizing the need to begin tackling blight in a methodic manner given the uptick in tourism, home sales, and overall economic development prospects within the City and region, the Demolition Fund has a proposed increase of 60% from its prior year allocation of \$25k to a proposed \$40k this FY.
- There is formally \$100k programmed to leverage our match for the Appalachian Regional Commission Grant application to move forward with the Center for Innovation and Unmanned Autonomous Vehicles “aka the Drone Zone.” We have applied for a second time and it is the recommendation of City Administration that should the grant for phase II – construction not be awarded, that the funds be re-programmed, \$75k to the Demolition Fund and \$25k would remain dedicated to the building maintenance of this site.
- This proposed budget also contains a new line item of a “Bridge Maintenance Program” with a baseline investment of \$100k to address much needed deferred maintenance on various bridges and culverts throughout our City.
- An additional \$111k is proposed for Rayon Bridge Replacement as previously discussed with VDOT; this project will cost the City \$400k, but is slated to cost up to \$17.5M...not a bad deal.
- Telephone savings of \$15,500 this FY and next results in an additional \$31k to be programmed to fill other mission critical gaps in this proposed budget. These savings were realized through our upgrade and new terms.
- Our Public Safety Asset Reserve Fund began with \$50k in FY21 and to date has increased to \$90k through EMS soft billing and Police fines, forfeitures, and seizures. Our Public Safety leadership works to prioritize how these funds are used.
- Also programmed are two major drainage projects: Phillip Street covering 240 linear feet (LF) and Hemlock Street addressing 60 linear feet (LF).
- For the Supplemental Environmental Project’s construction, per our Consent Order with DEQ, we have proactively programmed \$115k to be sure we meet the needs of the project and have an adequate contingency, given the unknowns there.
- In this proposed budget you will also find a Parks and Pool Fund, newly created to help assist with covering the increased costs of major big ticket items on the horizon, such as

parks equipment, pool sealing, etc. It is recommended that 10% of fees collected in these areas go directly to this fund.

- City Operations will (if all goes well and the rain doesn't keep on) be projected to have a \$19k carryover in its Storm Fund (recent VDEM money from Derecho), and we are proposing \$23.5k in allocations for FY22, given all that we have faced with weather, City Administration strongly recommends keeping this intact.
- Sidewalk repair funds are formally included in this proposed budget, at \$50k to repair the sidewalk on Thacker Avenue and an additional \$25k for generalized repairs throughout the City to address as much as possible, prioritizing safety and accessibility to business corridors and main thoroughfares.
- Within the Jeter-Watson Center budget, there is \$20k programmed for your review and consideration of needed fencing near the new playground and basketball courts completed last year.
- This proposed budget now groups all building and grounds allocations and costs centrally to ease tracking on overall facility maintenance and custodial costs.
- There are two new mission critical positions that are programmed into this proposed budget – an additional administrative assistant to allow for more code enforcement work and general staff support in administrative areas, as well as Director of Public Works position.
- Dedicated funds for employee relations and adjustments to cover benefit changes, retirement payouts, etc. are proposed in this budget under Human Resources, as we recognize being behind the times in this area. Proposed amount is \$20k.
- Covington City Schools is level funded at their request of \$2,994,872.00.
- The Allegheny Highlands Economic Development Corporation (AHEDC) based on prior agreed upon discussions for funding levels and a need to act on its recently completed business plan to ensure success with industrial site development, AHEDC is proposed to be funded at its request of \$100k.
 - This will cover marketing the industrial development, a website re-vamp to increase visibility in a broad way, a new comprehensive and targeted communications plan, and continued work with Hunton and Timmons.
- Funding for Olde Town Covington has been proposed to be reduced slightly by \$2,500, due to decreased activities and events; however, the City remains committed to supporting its Main Street affiliate organization.
 - On another note to leverage efforts underway with the City and those with Olde Town Covington on the City's Planning Grant Team (established in 2020), we have proposed allocating \$25k for action items resulting from the work of Head Down Strategies and to help leverage our efforts to pursue a Community Improvement Grant with DHCD which can evolve to seven figure grants depending on components included.
- Keeping a focus on regionalism and building off the uptick in passerbys for tourism and last year's Overlander event, the Allegheny Highlands Chamber of Commerce's funding request for an increase was met halfway at \$15k.
- Level funding is proposed for the Roanoke Regional Partnership (RRP) and the Roanoke Valley Allegheny Regional Commission (RVARC), as these requests are based on population and nominal.

- The Alleghany Highlands Regional Library has their funding request met and programmed in this proposed budget. There is a nominal increase due to minimum wage mandates.
- With regards to our much valued Community Services Board (CSB), which has been heavily utilized through this pandemic per their reports, the proposed funding amount is \$82,566.00. This is an increase; however, it does not come close to their request of \$113k overall. This cut will impact services per the CSB's impact statement we received, but we did our best to get to local match amount as there is a need.
- The Department of Social Services submitted a budget allocation increase from \$135k to \$296k, we have worked to meet this \$160k increase, through internal City agency cuts.
- For the Child Services Act Request, a substantial increase of \$131k was requested, making their total request for FY22 just over \$2.1M. At this time City Administration must strongly tow the line and cap the FY22 request at \$2.1M, discussions are taking place with Schools and Social Services on this. This request created the need for additional City agency cuts, which run the risk of service delivery impediments.
- Our shared law enforcement agency, the Alleghany-Covington Sheriff's Office, is level funded at \$233k for actual law enforcement. However, there is a significant increase in the jail housing component of this shared service. Costs have grown from what used to be under a \$100k to nearly \$500k with this collective shared service.
 - This is not sustainable, and as you all are aware there is a working group in its infancy that has met to discuss this. Bristol has and continues to face a similar challenge, as a result this has led them to explore options regarding an authority or joining one. City Administration welcomes Council's thoughts on this.

I hope you all will consider this proposed budget for FY22 with an open-mind and favorably. As always I am more than happy to discuss anything presented, address any questions, comments or concerns that you all may have.

Sincerely,



Krystal M. Onaitis, MPA
Your City Manager