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FOR IMMEDIATE RELEASE: May 23, 2013

City Releases Proposed FY 2014 Budget

MURFREESBORO, Tenn. – For the 15th year in a row, Murfreesboro’s just over \$117.9 million Fiscal Year 2014 budget does not call for a property tax rate hike and maintains expected municipal service levels to the over 111,000 residents of the community. Budgeted expenses are up only 0.5% from the previous year and reflect the direction of City Council to prioritize spending and continue to focus on the four primary goals: Safe and Livable Neighborhoods, Strong and Sustainable Financial and Economic Health, Service Excellence with a Focus on Customers and Engaging Our Community.

Projects included in the Safe and Livable Neighborhood Category includes an initiative for the Murfreesboro Fire and Rescue Department to transition from the delivery of First Responder medical service to Basic Life Support (BLS). The community, City Council and staff have shown interest in having Fire & Rescue personnel provide service commensurate with their certifications. Although this analysis has not been finalized, the plan is to begin training personnel accordingly and to revise the appropriate job descriptions. Conversations with Rutherford County to move in this direction have been initiated.

During FY 2013, the City initiated a comprehensive overhaul of the City’s public safety radios. This included purchasing state-of-the art hand-held radios and engineering new communication towers. Additionally, a new public safety training complex is under design and its first phase of construction has been funded in the 2012 bond issue.

The partnership between Murfreesboro and Middle Tennessee State University (MTSU) continues to excel. The community celebrated with the University as the General Assembly funded the new Science Building on campus. The anticipated cost of \$140 million requires the University to provide \$18,750,000 from its own resources. In support of MTSU, City Council has agreed to contribute \$1,000,000 to the project. This proposed budget fulfills one-third of that promise.

Similarly, the University has been an extraordinary partner in developing athletic facilities that allow the community to recruit high school and collegiate sporting events that support the City’s hotels, restaurants and shopping. Having already partnered with MTSU on a baseball facility and a track and field complex, it seems only natural to combine interests in the development of an indoor tennis building. To be located at Old

Fort Park, where the City's newest outdoor courts exist, the proposal plans for the City to own and operate the building while granting MTSU priority in use at selected times. The City's contribution to the facility is \$800,000 of the total \$2.5 million with the University and private fund raising responsible for the difference.

Strong and Sustainable Financial and Economic growth is returning to our community. Retail sales, building permits, additional students in the City Schools and even the number of new garbage cans delivered all point out an improving economy. When the economy contracted, the City reduced the number of authorized positions in the departments that deal with growth at the front line. This budget recommends three new positions: a Planner, an Engineer –in-Training and an Electrical Inspector, in order to keep pace and deliver the quality of service expected. The budget also proposes an additional employee in the IT Department to open a Help Desk for immediate needs of City staff with their technology service.

Staff continues to scrutinize the numbers of employees and has eliminated two previously authorized positions in other Departments. Actual authorized positions increases by two employees to 789 in the general operations of the City. This is still five positions below authorized 2008 staffing levels and reflects the elimination of 49 positions or 6% of the work force since 2009.

The City's share of local option sales taxes continues to gain upward traction. "The local option sales tax is 2.75 percent on most retail purchases and now exceeds 30% of the City's revenue" City Manager Rob Lyons stated in his budget message. The retail economy is showing signs of rebounding as evidenced in an estimated growth of over 5 percent in local sales tax for FY 2013 as compared to FY 2012. The FY 2014 projection is an approximate \$1.5 million or 4.5 percent increase from the FY 2013 budget. Although the property tax has been flat, sales taxes have been growing since FY 2010.

The proposed budget does not recommend a property tax increase and recommends adoption of \$1.2703 as the tax rate. This is the 15th consecutive year without a property tax increase. Property tax revenues are projected to be \$34.26 million, a decrease of \$725,000 from FY 2013. Due to the economy, property assessments in the years following the decline must be adjusted. To date, in FY 2013, Murfreesboro has refunded over \$850,000 in prior year taxes. These adjusted appraisals will negatively impact the FY 2014 property tax collection. The FY 2014 projected collection is the smallest since FY 2010.

The proposed budget includes a 3.5 percent pay increase for all full time employees. The cost of the pay increases, including the increased cost of FICA and retirement, is approximately \$1.4 million annually.

This budget proposes a classification and compensation study in FY 2014 at a projected cost of \$70,000. Although a scope of work has not been finalized, steps would likely include discussions regarding compensation philosophy and strategy with City Council, a

classification study, a survey of total compensation and the development of a performance based compensation model.

The City made changes in January 2013 to the self-insured employee health insurance plan design in order to affect cost control, consumerism and wellness. The benefits design changes have been implemented and include a new PPO structure with larger deductibles and the adjustment of co-insurance level from 90/10 to 80/20.

Cost savings from plan design changes have not been fully realized as they only became effective in January, 2013. The City has experienced a 100% increase in high claimants (claims in excess of \$60k) in FY 2013 versus FY 2012, raising claims paid by \$690,000. This experience has resulted in an estimated 10% increase in the stop loss premium renewal for FY 2014. Medical inflation on all claims is expected to increase by 7 percent for 2013. Expenses associated with Health Care reform compliance and Medical and prescription drug claims inflation are also impacting costs.

This combination of factors represents a premium increase of approximately 16% to the rates for employee's insurance coverage. The new insurance premiums for employees become effective in December, 2013.

Another theme of the 2014 budget is technology. There have been substantial advances in upgrading the technology of the City. New handheld radios were purchased for Public Safety departments, new tablets are coming for Building and Codes officials to conduct damage assessments in the wake of severe weather, a new website is launching, new software for financial reporting and human resources will be deployed and cloud based computing is here. This investment in technology will greatly assist us to be more efficient, provide more information and to serve our residents more effectively.

City Council's study of the proposed budget begins today at 5:00 p.m. The Public Hearing and First Reading of the budget ordinance are scheduled for the regular City Council meeting of June 6th at 7:00 p.m. A copy of the Proposed FY 2014 budget is available on the City's website.

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