



February 1, 2018

BUDGET WORKSESSION

Agenda

1. FY2019 Budget Overview

- Revenue Drivers
- Expenditure Drivers
- Budget Balancing
- Capital Budget

2. Council Budget Priorities Review

3. Decision Points to Finalize Proposed Budget

Key Dates

- **Feb 11**
 - Real Estate Tax Rate (and rollback rate) advertisement will be sent to paper for publication per State requirement that must occur 30 days before the real estate tax rate public hearing (publish on Feb 15)
 - FY 2019 Proposed Budget must also be completed (ad includes % change to the budget from current year)
 - Other changes to local taxes require a 7 day advertisement and separate public hearing
- **March 5** - Proposed City Operating and Capital Budget and Adopted School Budget Formally Presented to Council
- **March 19** - First Budget and Tax Rate Public Hearings
- **April 2** - Second Budget Public Hearing/Budget and Tax Levy First Reading
- **April 10** - Budget and Tax Levy Second Reading and Final Approval



Scheduled Worksessions

- Mar 7** **Budget Worksession #1**
(FY 19 Revenues & Expenditures)
- Mar 15** **Budget Worksession #2**
(Capital Budget)
- Mar 28** **Community Budget Forum**
- Mar 29** **Budget Worksession #3**
(Outside Agencies)
- Apr 5** **Budget Worksession #4**
(Budget Wrap-up)

[Link to detailed calendar](#)



Major FY 19 Revenue Drivers

Revenue Category	\$ Change
<p><u>Real Estate Taxes</u></p> <p>The driver behind the increase for FY19 is new construction and the general reassessment increases.</p>	3,740,685
<p><u>Sales and Meals Taxes</u></p> <p>Sales Tax actuals are trending at an approximate 5% decrease from the previous year, and Meals Tax actuals are trending at an approximate 2% decrease from the previous year.</p>	(798,000)
<p><u>Other Local Taxes</u></p> <p>The two largest drivers behind the increase are Personal Property and Lodging taxes.</p>	222,200



Major FY 19 Revenue Drivers

<u>Licenses and Permits</u>	127,535
Major source in this category is Business License taxes and permit revenue (building, electrical, misc.).	
<u>Intergovernmental Revenue</u>	1,446,951
The major driver of the increases in this category is the addition of \$1.44M in EMS Revenue Recovery. Other revenue sources includes revenue from the State and intergovernmental agreements for fire protection, joint maintenance of various buildings with the County, and revenue from UVA for various functions.	
<u>Charges for Services</u>	1,246,375
Major items in this category include charges for the courts, recreation income, waste disposal fees and interest earned. Largest drivers behind the increased revenue in this category are Payment in Lieu of Taxes: Utilities and Information Technology Revenue.	



Major FY 19 Revenue Drivers

<u>One Time Revenue/Transfers from Other Funds/Carryover Funds</u>	612,784
<p>Funding includes transfers from the Risk Management Fund, the Landfill Account, and the Parking Fund. Carryover Revenue represents the carryover of a one-time reimbursement from the Regional Jail for the City's portion of unused debt service funding. These are one-time sources to help balance the budget and cannot be counted on in future fiscal years.</p>	
<u>City/County Revenue Sharing - Operating Budget Portion</u>	(2,568,727)
<p>Current estimate has overall amount decreasing by \$159,125 - remaining decrease of \$2.4M is due to increased contribution to the CIP.</p>	
<u>Miscellaneous Revenue</u>	88,000
<p>Includes interest earned, rent, and others.</p>	
<u>Designated Revenues</u>	2,459,899
<p>Includes City/County Revenue sharing transfer to CIP, \$.01 of Meals Tax dedicated to debt service, and the service contracts with the schools for school building maintenance and pupil transportation.</p>	
Preliminary Estimate - FY 2019 Revenue Change	6,577,702

Major FY 19 Expenditure Drivers

Expenditure Category	\$ Change
<p><u>Local Contribution for Schools</u></p> <p>The Schools requested an increase of \$2.7m. The current draft budget includes a \$2.0m increase.</p>	2,000,000
<p><u>City Council</u></p> <p>The amount allocated to the City Council Strategic Initiatives account carries over from year to year, with a current balance of \$1.389m. As part of the FY 2017 year end appropriation, \$1.124m was set aside as part of an equity package including a \$25,000 grant for Vinegar Hill Monument, \$99,000 for diversion opportunities for low risk offenders, and the remainder for a racial equity scan, citizen engagement, strategies for capitalizing CRHA and mitigating the impacts of gentrification. The amount budgeted for FY 2019 of \$500,000 will fund the Jefferson School African American Heritage Center, the second year of a two-year commitment.</p>	(125,000)



Major FY 19 Expenditure Drivers

Compensation and Benefits

Cost of living adjustment (2.0% as of July 1, 2018)	934,000
Health Care:	649,128
<p>Health Care costs are expected to rise by 12% per employee largely due to the rising costs of individual claims. Staff is currently in the process of evaluating future alternative options.</p>	
Employee Compensation and Training	(168,652)
<p>This includes citywide attrition savings, unemployment costs, corporate training funds, and other miscellaneous employee compensation funds not attributed to specific departments. The total amount also includes costs for new positions and reclassifications made throughout FY 2018.</p>	



Major FY 19 Expenditure Drivers

Department Expenses

IT Department move from an Internal Services Fund to the General Fund:	1,318,854
<p>The budgeted amount includes the costs to support the operations of the department, net of a decrease in costs to other General Fund departments. This is offset by \$874,774 in General Fund revenues.</p>	
Fire Department / EMS:	639,251
<p>On September 5, 2017 City Council established a fee schedule for Emergency Medical Services vehicle transport services and appropriated the necessary funds (revenues and expenditures) to establish such a program for FY 2018. FY 2019 is the first full year of this program.</p>	
Other general expenses	818,555
<p>This includes fixed costs, operational expenses, and other citywide expenses that cannot be attributed to specific departments.</p>	



Major FY 19 Expenditure Drivers

Contributions to Nonprofit and Outside Agencies

A majority of the increased budget can be attributed to contractual agencies, 318,133
such as the Library, JAUNT, Region Ten, Health Department, and Regional
Jail; offset by a decrease from the Juvenile Detention Center.

Rent and Tax Relief

This includes the housing affordability tax grant and rent/tax relief for the 55,000
disabled and elderly.

Transfers to Other Funds

Includes increases in transfers to the to the Visitors Bureau, Transit, Golf, 402,531
Human Services and Debt Service Fund (non meals tax revenue portion),
offset by decreases to the CIP Contingency and CSA.



Major FY 19 Expenditure Drivers

<u>Designated Expenditures</u>	2,459,899
Includes City/County Revenue sharing transfer to CIP, \$0.01 of Meals Tax dedicated to debt service, and the service contracts with the schools for school building maintenance and pupil transportation.	
Preliminary Estimate FY 2019 Expenditure Change	9,301,699
FY 2019 Preliminary Budget Balance	(2,723,997)



Budget Balancing

Preliminary City Budget Surplus/(Gap)		(\$2,723,997)
Revenue increases & expenditure decreases		
Revenue Increases (one-time)		
FY 2018 carry-over for ACM position		100,000
FY 2018 carry-over for Arts Coordination		114,000
Expenditure Decreases		
Attrition savings		200,000
Cash fund CIP projects from CIP contingency fund		2,021,166
Department and other reductions		309,199
Transfers to other funds		250,000
Employee Vacancies (one-time)		
Department vacancies		310,632

Budget Balancing

Revenue decreases & expenditure increases

Expenditure Additions

Complete FY 2018 Living Wage compression adjustments	242,000
Council positions	225,000
FY 2018 carry-over for Arts Coordination	114,000

Expenditure Additions (one-time)

Participatory Budgeting (Council Fund - \$100,000)

Ending GF Budget Surplus/(Gap)

\$0



Capital Budget Overview

- Capital Improvement Program
 - FY 19 CIP: \$24.12M
 - FY19 – 23 Five Year Total: \$114.22M
- Proposed Projects Include (Five Year Total)
 - Charlottesville Affordable Housing Fund: \$16.96M
 - West Main Street Improvements: \$10.25M
 - Parking Structure: \$10M
 - Replacement Fire Apparatus & Bypass Station: \$7.15M
 - Courts Projects: \$6.36M
 - CCS Priority Improvement Projects: \$5.0M
 - Sidewalks (New and Repairs): \$4.15M
 - Joint City/County Parks – Darden Towe/Ivy Creek: \$1.86M



Capital Budget Overview

- General Fund Transfer to Capital Budget
Increase of \$2.4M
 - Over \$14.9M in NEW requests in FY 2019, more than \$75.3M over the five year period
 - Over \$6.29M requested in additional FY 2019 CIP funding through MODIFIED requests, and more than \$43.2M over the five year period
 - Debt Service – with current projected 5-year CIP, will stay within the 10% debt ratio cap as per the City's Long Term Financial , but is projected to exceed 9% in FY 2023 (9.09%)
 - Five Year Operational Impact of approximately \$2.5M



Capital Improvement Program Affordability

- General Fund Transfer to Debt Service (to support proposed CIP)
Projected Increase of \$592,788 in FY19
- Based upon proposed CIP would need to increase debt service contribution by \$750,000 per year in future fiscal years
- In order to address debt service affordability, the \$750,000 increase per year is not considered sustainable and needs to be reduced. To do so the City should look at cash funding a larger portion of the CIP projects or project reductions.



Council Budget Priorities Review

Affordable
Housing

Race and
Equity

Workforce
Development

Economic
Development

Safety and
Security



Real Estate Tax Increase

- Raise the Real Estate Tax Rate by \$0.01

What Does \$0.01 Generate Based on FY19 Revenue Estimates

<u>Tax Rate</u>	<u>Revenue Type</u>	<u>Amount</u>	<u>Revenue/ \$0.01 Increase</u>
\$ 0.95 / 100	Real Estate Tax	\$0.01	\$718,000
\$0.05	Meals Tax	\$0.01	\$1,966,200
\$ 4.20 / 100	Personal Property Tax	\$0.01	\$20,546
\$0.06	Lodging Tax	\$0.01	\$850,000
\$0.55	Cigarette Tax	\$0.01	\$13,182



Decision Points

• Schools request (unfunded portion)	\$667,598
• Phase in \$15.00 Living Wage	\$365,000
• DBAC request	\$250,000
• Arts Coordination (unfunded portion)	\$79,000
• CHAP/Tax Relief Program Adjustments	<u>\$ TBD</u>
• City Council Strategic Initiatives Fund	
– Participatory Budgeting \$100,000	
TOTAL:	\$1.36m



Wrap-up and Public Comment

City and Schools Budgets Formally Presented to
City Council:

March 5th 7PM Council Chambers

Next Budget Worksession:

March 7th 5PM City Space

