



City Council Budget Briefing

May 4, 2020



Agenda

- FY 2020 Overview
- FY 2021 Development
- Enterprise Funds
- Capital Improvement Program
- Next Steps

FY 2020 Local Tax Revenue Estimate

Tax	FY 2019 Actual	FY 2020 Adopted	Revised FY 2020 Estimate	Change (\$)	Change (%)
Real Estate	\$85,587,303	\$87,765,000	\$87,598,155	(\$166,845)	(0.19%)
Sales	22,389,378	21,535,280	18,372,929	(3,162,351)	(14.68%)
Transient Occupancy	4,564,108	4,612,500	3,217,052	(1,395,448)	(30.25%)
Prepared Foods & Beverage	16,335,846	16,500,000	11,428,642	(5,071,358)	(30.74%)
Cigarette Tax	2,108,069	2,150,000	2,080,595	(69,405)	(3.23%)
Motor Vehicle License	2,914,811	3,000,000	2,804,564	(195,436)	(6.51%)
Communications Tax	5,897,696	6,300,000	5,653,042	(646,958)	(10.27)
Personal Property	23,338,381	23,721,120	21,445,521	(2,275,599)	(9.59%)
Business License	13,846,241	13,030,500	13,873,248	842,748	6.47%
Other*	27,337,517	25,462,600	27,846,287	2,383,687	9.36%
TOTAL	\$204,319,350	\$204,077,000	\$194,320,034	(\$9,756,966)	(4.78%)

*Other: District Taxes, Public Service Corp, Penalties/Interest, Utilities Tax, Recordation and Probate, Admissions, Franchise Fees, Bank Stock, Delinquent Taxes

FY 2020 Vulnerabilities

- Continued developments with COVID-19
- Further reduced revenue received
 - Commonwealth of Virginia actions
 - PPTRA - \$8,076,000
 - Compensation Board reimbursement delays - \$3,310,818
 - Street Maintenance - \$4,276,754
 - HB 599 - \$1,261,401
 - Disbursal of federal aid
 - Consumer behavior

FY 2020 Approach, Monitoring and Planning

- Necessary expenditure reductions or delays - \$6.4 million
 - Suspension of Recreation programs
 - Suspension of Library programs
 - Employee furloughs
 - Hold funding for selected Fleet replacements
 - Hold funding for capital projects funded with one-time capital funds
 - Departmental administrative reductions
- Adjustments to funding for formula partners
 - Roanoke City Public Schools - \$3.8 million decrease estimated based on decreased adjusted local tax performance
 - Visit Virginia's Blue Ridge - \$423,891 decrease estimated based on decreased Transient Occupancy Tax performance
- Service sustainability and further impacts into FY 2021 and beyond
- Frequent revenue and expense reviews
 - Additional expenditure revisions as necessary

Questions & Discussion

FY 2021 Local Tax Revenue Assumptions

- Real Estate
 - 4.63% estimated gross taxable value increase
 - Assumes 3.33% estimated revenue increase due to potential collection ability of 93.7%
- Sales
 - Assumes 60% of prior year performance beginning in July
 - Increases to normal activity in November-December, 1% growth January-June
- Transient Occupancy
 - Assumes 10% of prior year performance beginning in July
 - Increases to 70% performance by fiscal year end
- Prepared Food & Beverage
 - Assumes 40% of prior year performance beginning in July
 - Increases to normal performance by November

FY 2021 Local Tax Revenue Assumptions

- Cigarette
 - 6.98% decline based on trend performance
- Motor Vehicle License
 - 3.33% decline based on assumption of collections
- Communications Tax
 - 9.52% decline based on trend performance
- Personal Property Tax
 - 2% growth over FY 20 levy, 5% reduction for assumption of collections
- Business License Tax
 - 1% growth over FY 20 levy, 1% reduction for assumption of collections

FY 2021 Local Tax Revenue Estimate

Tax	FY 2020 Adopted	FY 2021 April 6	FY 2021 May 4	Change (\$)	Change (%)
Real Estate	\$87,765,000	\$91,500,000	\$90,685,562	\$2,920,562	3.33%
Sales	21,535,280	21,146,000	21,146,000	(389,280)	(1.81%)
Transient Occupancy	4,612,500	1,414,617	1,414,617	(3,197,883)	(69.33%)
Prepared Foods & Beverage	16,500,000	14,645,000	14,645,000	(1,855,000)	(11.24%)
Cigarette Tax	2,150,000	2,000,000	2,000,000	(150,000)	(6.98%)
Motor Vehicle License	3,000,000	2,900,000	2,900,000	(100,000)	(3.33%)
Communications Tax	6,300,000	5,600,000	5,700,000	(600,000)	(9.52%)
Personal Property	23,721,120	24,816,000	23,683,489	(37,631)	(0.16%)
Business License	13,030,500	13,662,000	13,662,000	631,500	4.85%
Other*	25,462,600	25,982,300	25,900,300	437,700	1.72%
TOTAL	\$204,077,000	\$203,665,917	\$201,736,968	(\$2,340,032)	(1.15%)

*Other: District Taxes, Public Service Corp, Penalties/Interest, Utilities Tax, Recordation and Probate, Admissions, Franchise Fees, Bank Stock, Delinquent Taxes

FY 2021 Total Estimated Revenue

	FY 2020 Adopted	FY 2021 April 6	FY 2021 May 4	Change (\$)	Change (%)
Local Taxes	\$204,077,000	\$203,665,917	\$201,736,968	(\$2,340,032)	(1.15%)
Permits, Fees and Licenses	929,800	1,024,800	1,024,800	95,000	10.22%
Fines and Forfeitures	1,049,350	1,019,200	1,019,200	(30,150)	(2.87%)
Use of Property and Money	477,000	466,000	466,000	(11,000)	(2.31%)
Intergovernmental	75,748,134	75,649,279	75,949,279	201,145	0.27%
Charges for Services	16,509,208	17,206,621	16,950,889	441,681	2.68%
Miscellaneous	640,508	614,900	614,900	(25,608)	(4.00%)
TOTAL	\$299,431,000	\$299,646,717	\$297,762,036	(\$1,668,964)	(0.56%)

FY 21 Anticipated Revenue Summary

- Local tax revenue
 - Growth in Real Estate, Business License
 - Declines in Transient Occupancy, Prepared Food & Beverage, Communications, Sales Tax
- Overall (1.15%) or (\$2.34) million local tax decline

Strategies Leading to Budget Adoption

- Fund highest base and supplemental priority services and programs
- Fund non-discretionary cost increases
- Prioritize remaining base and supplemental services and programs
- No pay increase
- Base expenditure reductions as necessary

FY 2021 Priority Considerations

	Base	Supplemental	Proposed Total
Education – RCPS	\$82,788,981	\$0	\$82,788,981
Education	1,867,976	8,000	1,875,976
Community Safety	70,540,323	1,300,564	71,840,887
Human Services	40,554,243	33,420	40,587,663
Infrastructure	29,261,869	274,868	29,536,737
Livability	18,372,067	352,072	18,724,139
Good Government	18,150,268	212,050	18,362,318
Economy	2,241,267	100,000	2,341,267
Non-Departmental*	23,785,735	618,599	24,404,334
External Agencies	8,826,005	208,275	9,034,280
TOTALS	\$296,388,734	\$3,107,848	\$299,496,582

*Lapse, Line of Duty, OPEB, Dental, Extended Illness, Medical, Payroll Accrual, Reclass Contingency, Termination Leave, Unemployment Wages

Supplemental Expenditures Under Consideration

Priority	New Service	Existing Service
Education/RCPS		
Community Safety	<ul style="list-style-type: none"> • Gun Violence Task Force • 811/911 Center operating costs • Municipal Building Security presence 	<ul style="list-style-type: none"> • Jail medical contract • Police body-worn camera support • Sheriff overtime • Regional Juvenile Detention expenses
Human Services		<ul style="list-style-type: none"> • Cremations funding right-sizing
Infrastructure		<ul style="list-style-type: none"> • Technology Support
Livability	<ul style="list-style-type: none"> • Relocation of Campbell Court sealed trash compactor 	<ul style="list-style-type: none"> • Recycling fees • Library maintenance and utilities to support branches
Good Government	<ul style="list-style-type: none"> • Tax/Treasury System Project support 	<ul style="list-style-type: none"> • Cyber-security • Property insurance
Economy	<ul style="list-style-type: none"> • Financial Stability Program • Microloan Program 	<ul style="list-style-type: none"> • Enterprise Zone annual support
Non-Departmental		<ul style="list-style-type: none"> • Debt Service • Civic Center Debt Service • Worker Compensation

Supplemental Expenditures Under Consideration

Priority	New Service	Existing Service
External Agencies		<ul style="list-style-type: none"> • Blue Ridge Behavioral Healthcare • Health Department • Hotel Roanoke Conference Center Commission (1% Sales Tax) • Roanoke Center for Animal Control and Protection (RCACP) • Roanoke Regional Partnership • Roanoke Regional Small Business Development Center • Roanoke Valley Greenway Commission

FY 2021 Variance

Revenue Estimate	\$297,762,036
Expense Estimate	(\$299,496,582)
COVID-19 Contingency	?
May 4th Variance	(\$1,734,546)

Expenditure Reductions Under Consideration

Priority	
Education	<ul style="list-style-type: none"> • Eliminate weekday evening hours at Main Library
Community Safety	<ul style="list-style-type: none"> • DARE operating expense reduction • Deer Culling deferral • Number of fire inspections reduction • Police Accreditation support reduction • Police technology contracts reduction
Human Services	
Infrastructure	<ul style="list-style-type: none"> • Alley maintenance reduction • Fleet capital funding reduction • Paving funding reduction • Snow removal chemical funding reduction
Livability	<ul style="list-style-type: none"> • Eliminate one full day of operation at Neighborhood Branch Libraries • Neighborhood Services reduction • Pools closed for 2 seasons • Purchase of books and materials reduction • Code Enforcement staff deployment reduction

Expenditure Reductions Under Consideration

Priority	
Good Government	<ul style="list-style-type: none"> • Council training and special events funding reduction • External audit costs reduction • Juvenile and Domestic Relations Court, General District Court stipend elimination • Legislative liaison funding reduction
Economy	<ul style="list-style-type: none"> • Annual Business Appreciation Luncheon deferral • Strategic/Special Project support reduction
Non-Departmental	<ul style="list-style-type: none"> • GRTC Peak Service reduction
Personnel Impacts	<ul style="list-style-type: none"> • 20 positions (17 vacant, 3 filled)
External Agencies	<ul style="list-style-type: none"> • Arts & Cultural Funding <ul style="list-style-type: none"> --Arts Commission funding reduction --Center in the Square funding reduction --Cultural Endowment funding deferral --Sister Cities funding reduction • Human Services Funding <ul style="list-style-type: none"> --Human Services Committee funding reduction --TAP funding reduction • I-73 Coalition funding elimination • Roanoke Valley Broadband Authority funding reduction • RVTV funding reduction • Transdominion Express funding elimination • Virginia Cooperative Extension funding reduction • Sponsorships funding reduction

FY 2021 Budget Balancing Status

Revenue Estimate	\$297,762,036
Expense Estimate	(\$299,496,582)
Approximate Expenditure Reductions	<u>3,499,765</u>
COVID-19 Contingency	\$1,765,219

Strategies For Responding To Changing Circumstances

- Preparing a staged contingency plan in the event of lower revenues
- Monthly revenue monitoring and strategy adjustments
- Quarterly determination of necessary expense adjustments

Other Budget Matters

- Real Estate Tax Abatement Program
 - Program expiration requires consideration / re-authorization with budget adoption
 - Previous briefings on October 8, 2019 and February 3, 2020
 - Required City Code amendments drafted
 - Action anticipated with budget adoption on June 15, 2020
- Fee Compendium Amendments
 - Building Permit and Occupancy Permit Fees
 - Development Inspection Process Changes and Related Fees
 - Erosion and Sediment Control Violation Fines
 - Fees for Periodic Commercial Use of Park Sites
 - For consideration after July 1, 2020

Capital Improvement Program Enterprise Fund and Other Considerations

- Parking Fund
 - Revenues for FY 21 projected to decline by 12% (\$450,000)
 - Expenses to be adapted to lower revenue expectations
 - No fee increases anticipated for FY 21
 - Future Hotel/Garage Project design process temporarily suspended (will require a future fee increase)
- Berglund Center
 - Uncertainty with live entertainment industry
 - Operating subsidy is level funded based on current plan for restart of activity based on current information available and rescheduled events
 - Expenses will be managed based on the timing of events coming back on-line
 - Certain level of risk associated with actual subsidy exceeding budget

Capital Improvement Program Enterprise Fund and Other Considerations

- Stormwater Fund
 - Challenge with maintaining level of capital project funding if grant funding declines and addressing future identified operating need
 - Previously identified fee increase will be deferred, but needed in the future
 - Any reduction in Utility Fee collection will be offset with lower level of available cash funded capital
- Market Building Support
 - Operating support level funded
 - Sufficient operating funding to weather limited period of financial uncertainty
 - Agreement between the City and Market Building Foundation for operation of the Market Building requires the City to cover operating deficits

FY 2021-2025 CIP

Project	2021	2022	2023	2024	2025	Total
RCPS	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$25,000,000
Bridge Renovation	2,500,000	13,750,000	13,750,000			30,000,000
Library Master Plan						0
P&R Master Plan	100,000	3,000,000				3,100,000
Civic Center	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	7,500,000
Stormwater Improvements	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000	10,000,000
Curb, Gutter and Sidewalk	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	7,500,000
Streetscapes Improvements	500,000	500,000	500,000	500,000	500,000	2,500,000
Passenger Rail		1,869,000				1,869,000
Fleet Capital Replacements	600,000	600,000	900,000	600,000	600,000	3,300,000
Technology Capital	500,000			1,500,000	1,500,000	3,500,000
Fire Facility Master Plan					669,500	669,500
Public Works Service Center	1,500,000					1,500,000
Capital Building Maintenance	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	5,000,000
Campbell Court	4,000,000					4,000,000
Transit Facility	7,478,000					7,478,000
TOTALS	\$28,178,000	\$30,719,000	\$26,150,000	\$13,600,000	\$14,269,500	\$112,916,500

- Excess debt service may be available in some years for one-time capital needs, the Undesignated Fund Balance and the Stabilization Reserve.

Balancing Next Steps

- Revenue estimate review and expenditure revisions
- May 18th – Presentation of Recommended Budget
- May 28th – Public Hearings
 - Real Estate tax rate
 - General Fund Budget
 - HUD/CDBG
- June 1st – Budget Study
- June 15th – Budget Adoption