



OFFICE OF THE CITY MANAGER
Noel C. Taylor Municipal Building
215 Church Avenue, S.W., Room 364
Roanoke, Virginia 24011
540.853.2333
www.roanokeva.gov

July 5, 2022

Honorable Sherman P. Lea, Mayor
Honorable Patricia White-Boyd, Vice Mayor
Honorable William D. Bestpitch, Council Member
Honorable Joseph L. Cobb, Council Member
Honorable Stephanie Moon Reynolds, Council Member
Honorable Vivian Sanchez-Jones, Council Member
Honorable Anita J. Price, Council Member

Dear Mayor Lea and Members of City Council:

I am pleased to provide you with the Resource Allocation Plan as adopted by City Council for Fiscal Year 2022-2023. The adopted General Fund revenue and expenditure estimates both total \$324,789,000.

The Budget Summary section has been revised to reflect the two adjustments that were made following the Recommended Budget that were incorporated into the Adopted Budget which included shifting \$75,000 from Salary Lapse estimates and adding these funds to the Arts and Cultural Endowment. With the exception of these items, the content of the City Manager's message remains the same.

Respectfully,

Robert S. Cowell, Jr., ICMA-CM, AICP

c: Timothy R. Spencer, City Attorney
Cecelia F. McCoy, City Clerk
Clarence G. Grier, Deputy City Manager for Operations
W. Brent Robertson, Assistant City Manager for Community Development



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April 18, 2022

Honorable Mayor and Members of City Council,

The past two years have demonstrated the resiliency of our community continuing to highlight long-standing inequities and more recent national challenges including surges in violence, record-breaking inflation and increases in retirements and resignations. As COVID-19 appears to be moving toward an endemic stage, our community finds itself in full recovery mode. Unemployment has returned to near pre-pandemic levels, economic activity remains strong and the resulting tax revenues are enabling us to maintain delivery of essential services and begin addressing remaining challenges. A resurgence of COVID-19, high inflation, continued social unrest and political division represent risks to the duration and strength of this recovery.

Through establishment of priorities and broad strategies, the Council has constructed the framework necessary to rise to these challenges. The enclosed budget proposal represents a significant component of this framework.

With this document, I present a balanced budget of \$324,789,000 that I believe continues us on the path of recovery and toward strengthening the resiliency of the City, neighborhoods, businesses, households, and individuals. I believe the budget as presented responds to the priorities established by the Council and results in expenditures that will advance on desired outcomes.

Though uncertainty remains as we progress into this next stage of COVID-19, we do so in a strong economic position and with the state and federal government as committed partners. We remain a City focused on a positive future relying upon a strategic set of priorities to govern its actions. Roanoke continues as the economic, educational, and cultural center of Virginia's Blue Ridge, one of the most vibrant and beautiful areas of the Southeast. The vision we have for our community remains:

The City of Roanoke is a safe, caring and economically vibrant community in which all have equitable opportunities to live, learn, work, play and prosper.

A vibrant urban center with strong neighborhoods set amongst the spectacular beauty of Virginia's Blue Ridge

To advance this vision, we strive first to be a part of a region where anyone making choices of where to live, open a business, seek employment or visit, consider only Virginia's Blue Ridge. We further strive to build strength from within, where every individual, family, business, corridor or district, is as strong as possible.

This vision is pursued by focusing on seven areas of strategic importance:

Education
Community Safety
Human Services
Infrastructure
Good Government
Livability
Economy

Within the afore-mentioned context, as an organization, we act in accordance with the established strategies:

Prioritize – time, money, and attention
Take Strategic Action – everything should progress toward objectives
Seek and Enhance Collaborative Partnerships – we cannot and should not do this alone
Innovate – new ideas, new approaches, new partners
Empower Organization – free up talent, time, money, and resources

Caring for those that care for our community

Throughout the pandemic it has been evident just how essential the services the City provides are. Much of what we provide, private interests have deemed too risky, too costly, or too difficult and yet our community's health, safety, and quality of life depend upon them. As we have learned, essential services include public safety, education, social services, public health, transit, and recreation, along with the myriad of support systems needed for their success. These essential services are provided by people – approximately 1,800 dedicated professionals who show up every day to make a positive difference in the lives of our residents. This is as true for the custodian, clerk, and mechanic as it is for the firefighter, police officer or deputy.

In recognition of the significance of these essential services and the people who provide them, the FY23 budget proposal preserves and enhances base funding necessary to continue to deliver these services and increases compensation for those who deliver them. A few highlights include:

- Compensation increases for all employees with strategic increases for sworn public safety positions
- Completion of \$15 per hour minimum wage initiative
- Assessment of compensation of the entire workforce to determine where further enhancement may be necessary and establishment of a reserve fund to begin response
- Strategic addition of personnel – neighborhood planning, capital project management, emergency management, social services, and tax compliance
- Restoration of paid internship opportunities

Continuing to Invest in our families, neighborhoods and municipal facilities and equipment

In addition to maintaining base funding for essential services, key enhancements are included in the proposed budget along with additional investments in facilities and equipment. Each of these expenditures are intended to help make our community and those that live and do business here stronger and more resilient. A few highlights include:

- Enhanced funding in Education – compensation increases, new school facilities, service enhancements
- Enhanced funding for mental health services
- Jail Improvements and upgrades
- Increased funding for street paving
- Increased funding for stormwater management projects
- Enhanced funding for Special Service Districts – Downtown and Williamson Road Area
- Increased funding for parks and recreation – deferred parks maintenance, replacement of Eureka Recreation Center
- Increased funding for sidewalks
- Replacement of Wasena/Main Street Bridge

Pandemic recovery and community transformation

Over the past two years the pandemic greatly disrupted how we delivered services and conducted business. The provision of CARES Act funding from the federal government was critical to sustaining local government and business activities, as well as ensuring support for area youth, individuals, and households, as they struggled with the impacts of COVID-19. Prior to distributing more than \$18 million in federal aid through the CARES Act, the City directly engaged with the community through surveys, focus group meetings, stakeholder interviews, public meetings, and the formation of a citizen-based Advisory Group. Guided by a framework known as Star City Strong, these efforts yielded a set of recommendations that resulted in financial support in the form of loans and grants to area small businesses, financial assistance to individuals and households, support of virtual learning academies, assistance to area non-profits and arts and culture groups, enhancement of neighborhood recreation facilities, and more. These funds were accompanied by increases in our CDBG, HOME and ESG programs, resulting in additional housing, homeless services and enhancement of various social services.

In 2021, for the first time in the history of the United States, all localities began receiving direct federal financial assistance to aid in COVID-19 recovery through the American Rescue Plan Act (ARPA). By May of 2022, the City of Roanoke will have received over \$64.5 million to support efforts at recovery and increased resiliency. With local funds, especially as we leverage them against other state and federal funds, of this magnitude, the opportunity exists to truly transform aspects of our community. The FY22 and FY23 budgets were balanced and not dependent upon the use of these funds, therefore

allowing them to be predominantly dedicated to transformational initiatives. As with the first phase of the Star City Strong effort, using CARES Act funds, the use of ARPA funds extensively engaged the community in assisting Council in establishing priorities and determining the most effective actions that may be taken over the next several years – culminating in a multi-year investment fund, the Star City Strong Recovery and Resiliency Fund. Already this fund has assisted hundreds of families and dozens of small businesses and is addressing homelessness, affordable housing, access to healthy food, public safety and health outcomes.

Budgeting for equitable and empowering outcomes

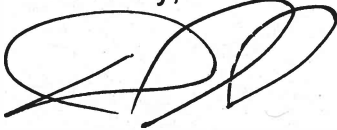
For a number of years, the City has prepared its annual budget through a process known as Budgeting for Outcomes, where the emphasis is on ensuring expenditures result in outcomes aligned with strategic priorities. In response to increased demands for greater emphasis on outcomes addressing disparities that exist in our community, a multi-year initiative to transition our Budgeting for Outcomes process into a Budgeting for Equitable and Empowering Outcomes was initiated. The first year focused on the preparation of a preliminary Disparity Report highlighting known disparities in our community, such as income, health outcomes, etc. This was followed by a requirement that every budget proposal (or offer) be accompanied by an explanation of how the proposed expenditure responded to a series of equity-related questions. The responses to these questions were assessed by review teams consisting of diverse team members, including Senior Administration and members of the Diversity Advisory Council. The feedback from these reviews was shared with submitting Departments and helped shape and refine the process used in the preparation of the FY23 budget. The next and final step with this initiative is underway and will be completed during the preparation of the FY24 budget, where budget proposals will be aligned not only with strategic priorities but also with Departmental Equity Action Plans, intended to ensure investment of resources address known disparities in the community and empower each of our residents, households and businesses to have equitable opportunity to succeed to their fullest potential.

Star City Strong

These past years have been demanding as the community grappled with the pandemic and its associated economic impact, increased violence and unrest and now rising inflation. The work of our employees during this time has been nothing short of amazing, ensuring essential services continue without interruption. As we support the community's recovery and strengthen its resiliency, it remains critical we maintain a focus on the vision for the desired future of our community, the strategies that represent the best path forward, and the actions that it will take to get us there. Done well, we can continue to make the City government, the community, local businesses, area families and residents stronger and more resilient.

It remains a privilege to serve as your City Manager and I thank you for the opportunity to present this budget on behalf of the hardworking employees of the City of Roanoke, as we all work to keep the Star City strong!

Sincerely,

A handwritten signature in black ink, appearing to be 'RSC', written in a cursive style.

Robert S. Cowell, Jr., ICMA-CM, AICP
City Manager

BUDGET OVERVIEW

The recommended budget for FY 2022-2023 is \$324,789,000. The total budget increase is \$17,159,000, or 5.6% from FY 2021-2022.

	<u>Adopted Funding Level</u>	<u>Dollar Change from FY 20-21</u>	<u>Percent Change from FY 20-21</u>
General Fund Budget	\$324,789,000	\$17,159,000	5.6%

The following items outline incremental cost adjustments which comprise the balanced budget sorted by priority. Additional summary statements for each offer are included in each priority section.

ORGANIZATION-WIDE EXPENSES - \$6,372,871

Debt Service - \$1,349,730 - Increase in budgeted funding to support planned capital projects.

Transfer to Reserves - \$250,000 - Increase in budgeted funding for reserves.

Worker Compensation - \$250,000 - Increase to provide funding for Worker Compensation expenditures.

Compensation - \$6,724,115 - Increase in budgeted funding for a 5% general compensation increase as well as additionally addressing public safety compensation and a reserve to respond to the Compensation Analysis that is underway.

Retirement - (\$914,859) - Reduction in funding due to reduction in required contribution level.

Lapse - (\$934,895) - Increase in negative lapse budget due to vacancy expectation.

Medical and Dental Residual Fringe - (\$351,220) - Reduction in budgeted level due to lower expectation of required increase in December 2022.

EDUCATION - \$6,773,375

Roanoke City Public Schools - \$6,773,375 - Operating funding for Roanoke City Public Schools increase determined by the school funding formula.

COMMUNITY SAFETY - \$731,037

Commonwealth's Attorney - \$16,285 - Provides funding for grant matches.

E-911 - \$108,746 - Provides funding for call handling equipment and operating costs

Fire/EMS - \$186,647 - Funding is provided to support Deputy Emergency Manager position, uniforms and utility expenses.

Police - \$138,916 - Provides funding for in-car camera license and maintenance as well as equipment.

BUDGET OVERVIEW

Residential Juvenile Detention - \$101,843 - Funding provided for increased costs associated with juvenile detention support.

Sheriff/Jail - \$150,000 - Funding is provided for increased Inmate Phone Commissions

Technology - \$28,600 - Funding to support contractual increases.

HUMAN SERVICES - \$91,177

DSS Attorney Administrative Support - \$42,577 - Funding to provide for administrative support for DSS Attorney

Cremation Services - \$48,600 - Provides funding to support rate increase for cremation services.

INFRASTRUCTURE - \$1,519,024

Bridge Maintenance and Inspection - \$154,000 - Provides additional funding for bridge inspections and maintenance.

Engineering Architect II - \$79,574 - Provides funding for restoration of an Architect II position.

Facilities Management - Custodial Services - \$62,203 - Provides additional funding for contractual services and timecards.

Fleet Management - \$596,707 - Provides funding to support parts, sublet vendor, expendable equipment and contractual increases

Street Paving - \$49,000 - Provides additional funding for street paving due to increase reimbursement from the state.

Technology Contract Increases - \$577,540 - Increase in budgeted funding for technology contracts

GOOD GOVERNMENT - \$486,004

City Manager - \$49,441 - Provides funding for Assistant to City Manager position reinstatement, Lean Practitioner Training and funding for a student intern..

Director of Finance - \$118,927 - Provides funding for technology cost increases, maintenance contract increases, tax records maintenance and support, benefit plan consultative services increase, landbook administration support as well as support for professional development.

Human Resources - \$69,041 - Provides funding for the increased Wellness Reimbursement, INFOR Maintenance Contract and Marathon Health contractual increases.

Risk Management - \$248,595 - Increase in budgeted funding to support risk administration and insurance premium increases..

BUDGET OVERVIEW

LIVABILITY - \$335,610

General Services - Sustainability - \$17,717 - Provides support for Climate View and Energy Manager software.

Libraries - \$61,324 - Provides funding for restoration of library security position and increase in funding for books and materials.

Parks and Recreation - \$12,325 - Increase in funding for therapeutic and senior recreation services.

Planning, Building and Development - \$144,244 - Provides funding to support increased neighborhood improvement grants, a City Planner II for long-range community planning and a Combination Inspector position.

Solid Waste Trash Collection - \$100,000 - Provides funding for the increased tonnage fee.

EXTERNAL AGENCIES - \$847,827

Arts and Cultural Endowment - \$75,000 - Increase in budgeted funding to support the Arts and Cultural Endowment.

Blue Ridge Behavioral Healthcare - \$91,315 - Increase in budgeted funding to support mental health services.

Center in the Square - \$23,528 - Increase in funding to support the Center in the Square.

District Taxes - \$69,189 - Increase in budgeted funding based on estimated revenue.

Harrison Museum of African American Culture - \$36,569 - Increase in base funding to support the Harrison Museum.

Health Department - (\$215,967) - Decrease in budgeted funding for support of the Health Department operating expense based on funding formula.

Hotel Roanoke Conference Center Commission (\$80,000) - 1% Sales Tax Rebate - Reduction in budgeted funding based on anticipated rebate level.

Regional Industrial Facility Authority - \$262,553 - Increase in funding to support the regional Authority.

Roanoke Center for Animal Control and Protection (RCACP) - \$173,468 - Increase in funding to support the operations of the Roanoke Center for Animal Control and Protection (RCACP).

Roanoke Higher Education Center - \$11,700 - Addition of funding to support the Roanoke Higher Education Center.

Roanoke Valley Broadband Authority - (\$75,778) - Decrease in funding required to support the Broadband Authority.

Visit Virginia's Blue Ridge - \$476,250 - Increase in funding for Visit Virginia's Blue Ridge based on 3% of the transient occupancy tax for marketing and promotion of the region based on revenue estimate.

BUDGET OVERVIEW

ECONOMY - \$69,880

Senior Economic Development Specialist - \$69,880 - Funding to support a Senior Economic Development Specialist.

OTHER - (\$67,805)

Other - (\$67,805) - Other decreases are attributed to a net decrease in salary and fringe costs due to vacancies as well as other operating expenditure decreases.

BUDGET OVERVIEW

GENERAL FUND REVENUES:

Revenue estimates are developed using a conservative and practical approach based on general economic conditions, historic experience, and expected changes in activities and services. General Fund FY 2023 estimated revenues total \$324,789,000, an increase of \$17.159 million, from the FY 2022 adopted budget. The increase was primarily attributable to increased Real Estate Tax, Personal Property Tax, Sales Tax, Prepared Food & Beverage Tax, Transient Occupancy Tax, Intergovernmental revenue offset by decreased Charges for Services, Revenue from Use of Money/Property and Fines & Forfeitures. Revenues are divided into three major categories: (1) Local Taxes, (2) Intergovernmental, and (3) Miscellaneous. More detailed trend information for these three categories is presented in the following pages.

An analysis of changes in the three major categories of revenue as compared to the Adopted FY21 Revenue Estimate is as follows:

A. LOCAL TAXES \$17,480,889

Local taxes are the largest category of revenues for the City. Local taxes will comprise 70.0 of all FY23 General Fund revenues. Changes in major revenues or categories of revenue are noted below.

1. Real Property - \$7,370,000 -The real estate tax is the single largest source of revenues for the City of Roanoke. Property values increased as the result of the general reassessment and new construction activity, which contributed to a 7.79% revenue increase in FY23. Important elements of Roanoke's real estate taxation system are programs that provide relief to certain taxpayers or on selected types of properties. For FY 2023 this relief is comprised of relief to the elderly and disabled taxpayers including some Veterans, relief on agricultural properties, and relief for properties under rehabilitation. Additionally, leased and energy efficient properties receive tax exemptions. These relief programs are intended to benefit those on fixed incomes or with limited ability to cover the costs of increased taxes or to provide incentives for owners who invest in the rehabilitation of aged properties. The City's real estate taxes are due annually in two installments, October 5th and April 5th.
2. Personal Property - \$2,750,000 - The personal property tax is the second largest local tax. FY 2023 is anticipated to increase by 11.11% compared to the FY 2022 adopted budget. Annual assessments of the personal property tax are made in early April, and the tax due date is May 31st.
3. Sales Tax - \$2,200,000 - Sales tax is Roanoke's third largest local tax, and it is expected to increase by 9.65% when compared to the FY 2022 adopted revenue estimate.

4. Prepared Food and Beverage Tax - \$2,050,000 – This tax is a consumer-driven revenue source and its performance is impacted by consumer consumption behavior. The FY 2023 estimate includes a projected revenue increase of 13.85%.
5. Transient Occupancy Tax - \$1,270,000 – This tax is a consumer-driven revenue source and its performance is impacted by tourism and consumer confidence. The FY 2023 estimate includes a projected revenue increase of 46.52%.
6. Other - \$1,840,889 – Local taxes not individually described include cigarette tax, motor vehicle license tax, communications tax, business license tax, public service tax, bank franchise taxes, penalties and interest, consumer utilities, recordation and probate, admissions, and franchise fees. The estimated increase in this area is primarily related to increasing delinquent tax collections offset by decreases in other tax revenues for FY 2023.

BUDGET OVERVIEW

B. INTERGOVERNMENTAL REVENUE \$597,902

The Intergovernmental category presents revenue state and federal services sources for services provided internally. Most of the revenue in this category is generated from Social Services services rendered to our citizens. This category comprises 23.6% of General Fund revenues. The major charges for services categories are discussed as follows:

C. MISCELLANEOUS (\$919,791)

The Miscellaneous category is the smallest revenue category. The revenue in this category is generated from Charges for Services, Fines & Forfeitures, Revenue from Use of Money/Property, Permits, Fees & Licenses, and Miscellaneous Revenue. This category comprises 6.4% of General Fund revenues.

PROPRIETARY FUND REVENUES:

A. ENTERPRISE FUNDS:

1. Civic Facilities Fund - Estimated FY23 revenue for the Civic Facilities Fund totals \$12,443,672. This revenue will fund operating expenses of \$10,645,292 and \$1,798,380 in principal and interest payments due in fiscal year 2023.
2. Parking Fund - The City owns seven parking garages and several parking lots to provide for parking in the downtown area. In addition, parking ticket enforcement is included in the Parking Fund to align all parking strategies into one area of responsibility. Estimated FY23 revenues generated from the City’s parking facilities through user fees and ticket violations will total \$3,222,000. The projected revenues will fund operating costs of \$2,170,380 and FY 2023 principal and interest payments of \$1,051,620.
3. Stormwater Utility Fund - Estimated FY23 operating revenues for the Stormwater Utility Fund total \$7,170,000. These revenues will fund total operating expenses of \$6,290,608 and \$879,392 in principal and interest payments due in FY 2023.

B. INTERNAL SERVICE FUNDS:

1. Risk Management - The primary activity of this fund is to record health insurance premiums billed to other funds and related claim payments under the City’s employee medical plan. Additionally, the City’s self-insured workers’ compensation and general and automotive liability plans are recorded in this fund. Projected FY 2023 revenues and expenses for this fund total \$22,516,051.

FEE ADJUSTMENTS

All Library Late Fees were eliminated to prevent alienating those who might not be able to afford the fees.

Library Late Fees	FY 2022	FY 2023
Hot Picks / DVDs / CDs / Video games	\$1/day (\$5 maximum)	Eliminated
Books	\$0.20/day (\$1 maximum)	Eliminated
Magazines	\$0.10/day (\$1 maximum)	Eliminated

This Stormwater Utility Fee was approved in a prior budget cycle but is being restated as a reminder of the upcoming changes approved by City Council.

Stormwater Utility Fee Parameter	FY22	FY23	FY24	FY25	FY26	FY27	FY28
Monthly/Billing Unit	\$0.90	\$1.05	\$1.20	\$1.35	\$1.45	\$1.55	\$1.60
Change/Year	-	0.15	0.15	0.15	0.10	0.10	0.05
Avg. Residential/Month	5.40	6.30	7.20	8.10	8.70	9.30	9.60
Avg. Residential/Year	64.80	75.60	86.40	97.20	104.40	111.60	115.20