



February 3, 2022

BUDGET WORKSESSION

Agenda

1. FY2023 Budget Overview

- Revenue Drivers
- Expenditure Drivers
- Departmental New Requests
- Capital Budget

2. Council Budget Priorities

3. Categories of Decision

Key Dates

- **Feb 14**
 - 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 17)
 - Other changes to local taxes require a 7 day advertisement and separate public hearing
- **March 7** - Proposed City Operating and Capital Budget and Adopted School Budget Formally Presented to Council
- **March 21** - First Budget and Tax Rate Public Hearings
- **April 4** - Second Budget Public Hearing/Budget and Tax Levy First Reading
- **April 12** - Budget and Tax Levy Second Reading and Final Approval



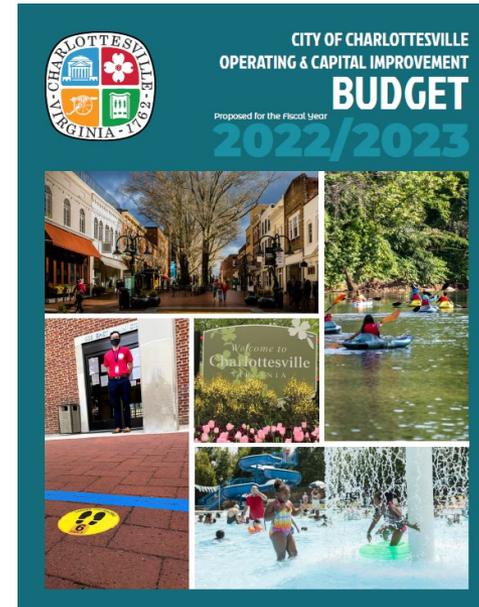
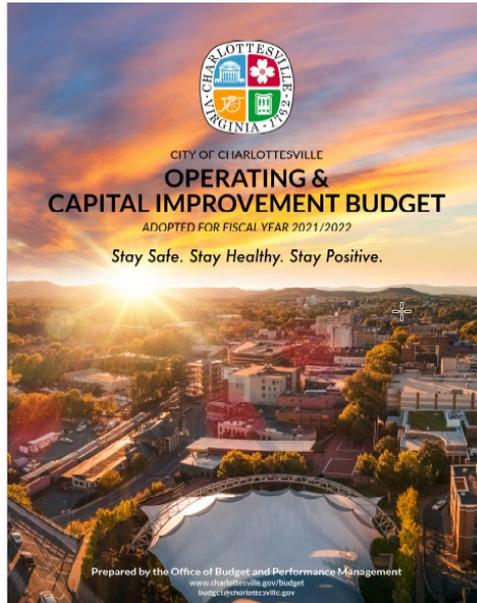
Scheduled Worksessions

- Mar 10** **Budget Worksession #1**
(FY 23 Revenues & Expenditures)
- Mar 17** **Budget Worksession #2**
(Outside and Non Profit Agencies)
- Mar 23** **Community Budget Forum**
- Mar 31** **Budget Worksession #3**
(Capital Improvement Program)
- Apr 7** **Budget Worksession #4**
(Budget Wrap-up)

[Link to detailed calendar](#)



FY 23 Revenue Drivers



FY 23 Revenue Drivers

Revenue Category	\$ Change
<p><u>Real Estate Taxes</u></p> <p>Overall assessment values increased 10.77% for 2022. The majority of the increase is the result of reassessment of existing properties. New construction only accounted for 2.86% of the total increase. Comparatively, Albemarle County saw a total increase of 9.53% for 2022.</p>	8,285,551
<p><u>Sales Tax</u></p> <p>Sales Tax continues showing steady growth to pre-COVID levels. Pending General Assembly discussions regarding the elimination of the grocery tax has been considered in this projection. Early estimates anticipate a revenue loss for the City in the amount of \$1.4M.</p>	1,000,000
<p><u>Meals Tax</u></p> <p>Meals Tax also continues to trend upward to pre-COVID levels. The total projected meals tax increase is \$2,564,974 however \$424,974 of the increase is dedicated as a transfer to the Debt Service Fund per policy and shown below as part of the designated revenue change.</p>	2,100,000



FY 23 Revenue Drivers

Revenue Category	\$ Change
<p><u>Lodging Tax</u></p> <p>Lodging tax was dramatically impacted by COVID. Current trends continue to trend upward to pre-COVID levels.</p>	1,500,000
<p><u>Business & Professional Licenses</u></p> <p>Previous forecast assumed a decline that did not materialize. The increase here reflect a budget adjustment to pre-COVID levels.</p>	1,400,000
<p><u>Charges for Services</u></p> <p>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.</p>	(214,398)



FY 23 Revenue Drivers

Revenue Category	\$ Change
<p><u>One Time Revenue/Transfers from Other Funds/Carryover Funds</u></p> <p>The FY 22 budget included transfers from the Risk Management Fund, the Healthcare Fund, the Landfill Account, and the Parking Fund. For FY 23 the transfers from Risk Management and the Healthcare fund are removed and the transfer from the Parking Fund is reduced by \$250,000.</p>	(750,000)
<p><u>City/County Revenue Sharing - Operating Budget Portion</u></p> <p>Slight increase projected based on projection received from Albemarle County.</p>	133,393
<p><u>Miscellaneous Revenue</u></p> <p>Includes interest earned, rent, and others.</p>	23,591
<p><u>Designated Revenues</u></p> <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>	1,352,718
Preliminary Estimate - FY 2023 Revenue Change	14,830,855



Major Taxes

What Does Incremental Increase Generate Based on FY22 Estimated Revenue			
Current Rate	Revenue Type	Rate Increase	Revenue Increase
\$ 0.95 / 100	Real Estate Tax	\$0.01	\$927,577
6.0%	Meals Tax	1.0%	\$2,564,974
\$ 4.20 / 100	Property Tax	\$0.10	\$233,333
8.0%	Lodging Tax	1.0%	\$812,500



FY 23 Expenditure Drivers

Employee Compensation and Benefits - **\$5.9M**

- *Mid-Year 6% Market Adjustment - \$3.2M*
- *July 1, 2022 3% Merit - \$1.7M*
- *Retiree 2% COLA - \$1M*
- *No changes or cost increases for Health Insurance*

Schools – Local Contribution - **\$4.2M Request**

- *\$3.3M per Formula*

Tax Relief Program Enhancements - **\$1M**



FY 23 Expenditure Drivers

Operational Pre-COVID Funding Restoration - **\$1.8M**

- *Equipment Replacement Funding*
- *Facilities Repair*

Human Services City Match - **\$800k**

Contractual Agency Increases - **\$325k**

Meals Tax Transfer to Debt Service - **\$430k (per financial policy)**



Departmental New Requests

Summary by Request Category	
Request Category	\$ Requested
Position: New	\$ 4,775,968
Position: Reclassification	\$ 388,641
Increase: Compensation	\$ 3,014,547
Increase: Operational	\$ 2,476,113
Total	\$ 10,655,269



Capital Budget Overview

	<u>Adopted Budget</u>						Totals
	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	
Sources of Funds:							
General fund transfer	\$ 6,958,841	\$ 6,737,940	\$ 7,549,378	\$ 6,580,400	\$ 6,476,400	\$ 6,481,098	\$ 33,825,216
Year- End Surplus	-	-	-	-	-	-	\$ -
Bond issues	19,823,072	16,867,467	67,023,907	9,885,491	9,885,491	-	\$ 103,662,356
Other	830,000	380,500	318,000	318,000	318,000	318,000	\$ 1,652,500
Total sources	\$ 27,611,913	\$ 23,985,907	\$ 74,891,285	\$ 16,783,891	\$ 16,679,891	\$ 6,799,098	\$ 139,140,072
Uses of funds:							
Education	\$3,520,000	\$7,100,000	\$75,900,000	\$2,150,000	\$2,150,000	\$1,311,000	\$88,611,000
Economic development	\$0	\$95,000	\$120,000	\$120,000	\$120,000	\$0	\$455,000
Facilities Capital Projects	\$1,370,491	\$1,420,491	\$1,420,492	\$1,420,491	\$1,470,491	\$1,295,098	\$7,027,063
Public safety and justice	\$6,634,581	\$1,360,776	\$1,306,215	\$153,800	\$265,000	\$0	\$3,085,791
Transportation and access	\$8,462,000	\$4,919,440	\$4,556,178	\$4,429,600	\$4,414,400	\$0	\$18,319,618
Parks and recreation	\$865,000	\$1,475,200	\$1,473,400	\$895,000	\$895,000	\$78,000	\$4,816,600
Affordable Housing	\$6,469,841	\$7,325,000	\$8,075,000	\$7,325,000	\$7,075,000	\$4,075,000	\$33,875,000
General government	\$290,000	\$290,000	\$290,000	\$290,000	\$290,000	\$40,000	\$1,200,000
Total uses	\$ 27,611,913	\$ 23,985,907	\$ 93,141,285	\$ 16,783,891	\$ 16,679,891	\$ 6,799,098	\$ 157,390,072



Capital Improvement Program Affordability

- FY 23 CIP: \$27.6M
- FY23 – 27 Five Year Total: \$157.39M
- Current Plan **is not affordable** without significant revenue enhancements
 - Debt Service – with current projected 5-year CIP, is projected to exceed the 10% debt ratio cap in 2028 and annual debt service costs
 - Debt Service is projected to double over the 5 year period going from \$11.9M to \$23.7M
- Over \$126.83M in unfunded requests



Council Budget Priorities



Categories of Decision

- Employee Compensation
 - What to do July 1st
 - Retiree COLA

- School Formula
 - Ask (\$4.2M) vs Formula (\$3.3M)

- Tax Relief
 - Change Parameters for Increased Eligibility
 - Merging Various Relief Programs into One

- Restoration of funding Impacted by COVID
 - Budget cuts instituted to mitigate impacts of COVID (i.e. facilities repair, equipment replacement)



Wrap-up and Public Comment

City Manager's Proposed Budget Formally
Presented to City Council:

March 7th 6:30PM Zoom Webinar

Next Budget Worksession:

March 10th 6PM Zoom Webinar

