



February 7, 2022

BUDGET DISCUSSION— *Follow-up From February 3rd*

Agenda

1. Revisit Budget Projections + New Requests
2. Tax Comparisons
3. Tax Implications
4. Tax Relief Programming
5. Key Decision Points
6. Spend Scenario

FY 23 Revenue Drivers

Revenue Source	Projected Amount
Real Estate Taxes	8,285,551
Sales Tax	1,000,000
Meals Tax	2,100,000
Lodging Tax	1,500,000
Business & Professional Licenses	1,400,000
Charges for Services	(214,398)
One-Time Revenue/Funds Transfers/Carryover Funds	(750,000)
City/County Revenue Sharing-Ops	133,393
Miscellaneous Revenue	23,591
Designated Revenues	1,352,718
TOTAL REVENUE DRIVERS	14,830,855



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)**

TOTAL: \$14,455,000



FY 23 Projection

Revenue Drivers	14,830,855
Expenditure Drivers	14,455,000

****Reminder****

Available Balance to Still Allocate changes should
you adjust any Expenditure Drivers



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

Half of the New Requests are for additional people
 Many could address efficiency & performance
 Still Evaluating...



Tax Comparisons

\$0.83	Fredericksburg
\$0.854	Albemarle County
\$0.90	Waynesboro
\$0.92	Staunton
\$0.95	Charlottesville
\$0.98	Loudoun County
\$1.075	Fairfax City
\$1.11	Lynchburg
\$1.11	Alexandria
\$1.14	Fairfax County
\$1.20	Richmond
\$1.22	Roanoke



Tax Increase Implications

Reassessed Value (11.69% higher than last year)	Real Estate Taxes Paid 2021 @\$0.95	Real Estate Taxes Paid 2022 @\$0.95 and Reassessed Value	Real Estate Taxes Paid 2022 @\$1.05 and Reassessed Value
\$100,000	\$851	\$950	\$1,050
\$200,000	\$1,701	\$1,900	\$2,100
\$300,000	\$2,552	\$2,850	\$3,150
\$410,000	\$3,487	\$3,895	\$4,305
\$500,000	\$4,253	\$4,750	\$5,250
\$750,000	\$6,379	\$7,125	\$7,875
\$1,000,000	\$8,506	\$9,500	\$10,500

\$410,000 = average assessed value for taxable residential property

Note: actual changes on a parcel by parcel basis can vary significantly from the above averages. For example, the residential reassessment increases for neighborhoods varied from a high of 31.2% to 0.0%.



Tax Relief Programs

Program	Income Cap	Age Cap	Net Asset Cap	Value Cap
RETR	55,000	65	125,000	N/A
CHAP	55,000	N/A	N/A	\$375,000
RENTAL	50,000	65	125,000	N/A

- Increased Program Costs based on new assessments:
\$50,000+
- Lost eligibility based on new assessments:
67 households (11%)
- Existing homesteads ineligible based on new assessments:
14%



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
\$0.55	Cigarette Tax	\$0.10	\$100,000

\$.05 Real Estate Tax Increase Generates	4,637,885
\$.10 Real Estate Tax Increase Generates	9,275,770



Current Debt

FY2023 Debt Projection

"Planning"					"Consequences"		
Fiscal Year	Bond Issue Amount ⁽¹⁾	Annual Debt Service ⁽²⁾	General Fund Expenditure Budget ⁽³⁾	Ratio of Debt Service to Total General Fund Expenditures	General Fund Transfer ⁽⁴⁾	\$ Increase	Debt Service Fund Balance ⁽⁵⁾
2016	11,125,466	9,128,798	156,391,435	5.84%	9,279,578	-	11,962,480
2017	11,140,000	10,103,067	162,018,737	6.24%	9,817,330	537,752	11,880,013
2018	4,610,000	10,615,335	171,657,127	6.18%	10,371,750	554,420	11,905,368
2019	9,520,000	10,375,167	179,725,535	5.77%	11,003,348	631,598	12,830,074
2020	-	10,743,891	188,863,920	5.69%	11,049,584	46,236	13,410,785
2021	22,655,000	10,465,180	191,195,873	5.47%	10,251,550	(798,034)	13,333,802
2022	-	11,943,384	192,212,843	6.21%	10,700,784	449,234	12,216,429
2023	-	11,868,447	207,043,698	5.73%	11,125,758	424,974	11,586,017
2024	-	11,268,703					
2025	-	10,599,820					
2026	-	9,508,951					
2027	-	9,046,524					
2028	-	8,125,916					
2029	-	7,357,966					
2030	-	6,425,916					
2031	-	5,784,997					
2032	-	4,839,380					



Capital Budget Overview

	<u>Adopted Budget</u>	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Totals
	FY 2022						
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	85,273,907	9,885,491	9,885,491	-	\$ 121,912,356
Other	830,000	380,500	318,000	318,000	318,000	318,000	\$ 1,652,500
Total sources	\$ 27,611,913	\$ 23,985,907	\$ 93,141,285	\$ 16,783,891	\$ 16,679,891	\$ 6,799,098	\$ 157,390,072
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



Projected Debt

5 Year CIP Plan – **EXCLUDING** \$75M School Reconfiguration Project \$82.4M 5 Year Total - \$46.9M Bonds

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	Totals
Sources of Funds:						
General fund transfer	\$ 6,737,940	\$ 7,549,378	\$ 6,580,400	\$ 6,476,400	\$ 6,481,098	\$ 33,825,216
Year- End Surplus	-	-	-	-	-	\$ -
Bond issues	14,367,467	12,773,907	9,885,491	9,885,491	-	\$ 46,912,356
Other	380,500	318,000	318,000	318,000	318,000	\$ 1,652,500
Total sources	\$ 21,485,907	\$ 20,641,285	\$ 16,783,891	\$ 16,679,891	\$ 6,799,098	\$ 82,390,072
Uses of funds:						
Education	\$4,600,000	\$3,400,000	\$2,150,000	\$2,150,000	\$1,311,000	\$13,611,000
Economic development	\$95,000	\$120,000	\$120,000	\$120,000	\$0	\$455,000
Facilities Capital Projects	\$1,420,491	\$1,420,492	\$1,420,491	\$1,470,491	\$1,295,098	\$7,027,063
Public safety and justice	\$1,360,776	\$1,306,215	\$153,800	\$265,000	\$0	\$3,085,791
Transportation and access	\$4,919,440	\$4,556,178	\$4,429,600	\$4,414,400	\$0	\$18,319,618
Parks and recreation	\$1,475,200	\$1,473,400	\$895,000	\$895,000	\$78,000	\$4,816,600
Affordable Housing	\$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	\$40,000	\$1,200,000
Total uses	\$ 21,485,907	\$ 20,641,285	\$ 16,783,891	\$ 16,679,891	\$ 6,799,098	\$ 82,390,072



Projected Debt

5 Year CIP Plan – **EXCLUDING** \$75M School Reconfiguration Project
\$82.4M 5 Year Total - \$46.9M Bonds

Capacity for New Debt at 10% Debt Ratio	\$ 185,000,000	
Bonds Previously Authorized Not Issued (ABNI)	\$ (66,182,762)	*includes FY22 Adopted CIP, removes West Main Stre
	\$ 118,817,238	
FY 23-27 CIP Bonds Authorized	\$ (46,912,356)	*excludes \$75M allocated for School Reconfiguration
Remaining Bond Capacity	\$ 71,904,882	

Assumptions:

- *No Tax Increase*
- *\$15M New Bonds Annually based on historical average*
- *Annual borrowing rates: 2.5% FY22, 3% FY23, 3.5% FY24, 4% FY25 and beyond*
- *General Fund budget growth rate of 1.5% and 2% meals tax growth in years 2024-2027*
- *Debt Service Fund balance used to help mitigate impact on amount of General Fund Transfer*



Projected Debt

5 Year CIP Plan – **EXCLUDING** \$75M School Reconfiguration Project
\$82.4M 5 Year Total - \$46.9M Bonds

Fiscal Year	"Planning"					"Consequences"		
	Bond Issue Amount ⁽¹⁾	Annual Debt Service ⁽²⁾	General Fund Expenditure Budget ⁽³⁾	Ratio of Debt Service to Total General Fund Expenditures		General Fund Transfer ⁽⁴⁾	\$ Increase	Debt Service Fund Balance ⁽⁵⁾
2016	11,125,466	9,128,798	156,391,435	5.84%		9,279,578	-	11,962,480
2017	11,140,000	10,103,067	162,018,737	6.24%		9,817,330	537,752	11,880,013
2018	4,610,000	10,615,335	171,657,127	6.18%		10,371,750	554,420	11,905,368
2019	9,520,000	10,375,167	179,725,535	5.77%		11,003,348	631,598	12,830,074
2020	-	10,743,891	188,863,920	5.69%		11,049,584	46,236	13,410,785
2021	22,655,000	10,465,180	191,195,873	5.47%		10,251,550	(798,034)	13,333,802
2022	15,000,000	11,943,384	192,212,843	6.21%		10,700,784	449,234	12,216,429
2023	15,000,000	12,993,447	207,043,698	6.28%		11,575,758	874,974	10,911,017
2024	15,000,000	13,574,953	210,149,353	6.46%		12,077,057	501,299	9,512,488
2025	15,000,000	14,139,820	213,301,594	6.63%		12,579,383	502,325	8,038,428
2026	15,000,000	14,331,451	216,501,118	6.62%		13,082,755	503,372	6,863,159
2027	15,000,000	15,121,524	219,748,634	6.88%		13,587,194	504,439	5,387,570
2028	15,000,000	15,423,416	223,044,864	6.91%		14,092,723	505,528	4,078,905
2029	15,000,000	15,847,966	226,390,537	7.00%		14,599,361	506,639	2,859,671
2030	15,000,000	16,078,416	229,786,395	7.00%		15,107,133	507,772	1,903,073
2031	15,000,000	16,569,993	233,233,191	7.10%		15,616,060	508,927	949,140
2032	15,000,000	16,726,876	236,731,689	7.07%		16,126,165	510,106	348,429

**Estimates and subject to change



Projected Debt

5 Year CIP Plan – **INCLUDING** School Reconfiguration Project
 \$157.4M Total 5 Year Plan - \$121.9M Bonds
 \$0.05 Tax Increase

Capacity for New Debt at 10% Debt Ratio	\$ 185,000,000	
Bonds Previously Authorized Not Issued (ABNI)	\$ (66,182,762)	*includes FY22 Adopted CIP, removes West Main Street
	\$ 118,817,238	
FY 23-27 CIP Bonds Authorized	\$ (121,912,356)	*includes \$75M allocated for School Reconfiguration
Remaining Bond Capacity	\$ (3,095,118)	

Assumptions:

- **\$0.05 Tax Increase**
- **\$15M New Bonds Annually based on historical average + \$75M for School Reconfiguration**
- Annual borrowing rates: 2.5% FY22, 3% FY23, 3.5% FY24, 4% FY25 and beyond
- General Fund budget growth rate of 1.5% 2% meals tax growth in years 2024-2027
- Debt Service Fund balance used to help mitigate impact on amount of General Fund Transfer
- Draw Schedule as per VMDO - \$2M FY23, \$23M FY 24, \$33M FY25, \$16M FY26, \$1M FY27



Projected Debt

5 Year CIP Plan – **INCLUDING** School Reconfiguration Project - \$75M
 \$157.4M Total 5 Year Plan - \$121.9M Bonds

Fiscal Year	"Planning"				"Consequences"		
	Bond Issue Amount ⁽¹⁾	Annual Debt Service ⁽²⁾	General Fund Expenditure Budget ⁽³⁾	Ratio of Debt Service to Total General Fund Expenditures	General Fund Transfer ⁽⁴⁾	\$ Increase	Debt Service Fund Balance ⁽⁵⁾
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2019	9,520,000	10,375,167	179,725,535	5.77%	11,003,348	631,598	12,830,074
2020	-	10,743,891	188,863,920	5.69%	11,049,584	46,236	13,410,785
2021	22,655,000	10,465,180	191,195,873	5.47%	10,251,550	(798,034)	13,333,802
2022	15,000,000	11,943,384	192,212,843	6.21%	10,700,784	449,234	12,216,429
2023	38,000,000	12,993,447	211,681,583	6.14%	15,763,643	5,062,859	15,098,902
2024	48,000,000	15,414,953	214,856,807	7.17%	15,814,942	51,299	15,598,258
2025	31,000,000	18,750,320	218,079,659	8.60%	15,867,268	52,325	12,801,583
2026	16,000,000	20,289,701	221,350,854	9.17%	15,920,640	53,372	8,505,949
2027	15,000,000	21,045,524	224,671,117	9.37%	15,975,079	54,439	3,494,245
2028	15,000,000	21,221,166	228,041,183	9.31%	16,030,608	55,528	(1,674,285)
2029	15,000,000	21,519,466	231,461,801	9.30%	16,087,246	56,639	(7,077,134)
2030	15,000,000	21,623,666	234,933,728	9.20%	16,145,018	57,772	(12,541,097)
2031	15,000,000	21,988,993	238,457,734	9.22%	16,203,945	58,927	(18,326,145)
2032	15,000,000	22,019,626	242,034,600	9.10%	16,264,050	60,106	(24,081,721)

**Estimates and subject to change



Projected Debt

5 Year CIP Plan – **INCLUDING** School Reconfiguration Project - \$50M
\$0.05 Tax Increase

Assumptions:

- ***\$0.05 Tax Increase***
- *\$15M New Bonds Annually based on historical average + \$50M for School Reconfiguration*
- *Annual borrowing rates: 2.5% FY22, 3% FY23, 3.5% FY24, 4% FY25 and beyond*
- *General Fund budget growth rate of 1.5% 2% meals tax growth in years 2024-2027*
- *Debt Service Fund balance used to help mitigate impact on amount of General Fund Transfer*
- *Estimated Draw Schedule - \$1M FY23, \$15M FY 24, \$22M FY25, \$11M FY26, \$1M FY27*



Projected Debt

5 Year CIP Plan – **INCLUDING** School Reconfiguration Project - \$50M
 \$0.05 Tax Increase

Fiscal Year	"Planning"					"Consequences"		
	Bond Issue Amount ⁽¹⁾	Annual Debt Service ⁽²⁾	General Fund Expenditure Budget ⁽³⁾	Ratio of Debt Service to Total General Fund Expenditures		General Fund Transfer ⁽⁴⁾	\$ Increase	Debt Service Fund Balance ⁽⁵⁾
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2022	15,000,000	11,943,384	192,212,843	6.21%		10,700,784	449,234	12,216,429
2023	30,000,000	12,993,447	211,681,583	6.14%		15,763,643	5,062,859	15,098,902
2024	37,000,000	14,774,953	214,856,807	6.88%		15,814,942	51,299	16,238,258
2025	26,000,000	17,187,320	218,079,659	7.88%		15,867,268	52,325	15,004,583
2026	16,000,000	18,307,951	221,350,854	8.27%		15,920,640	53,372	12,690,699
2027	15,000,000	19,105,024	224,671,117	8.50%		15,975,079	54,439	9,619,495
2028	15,000,000	19,321,916	228,041,183	8.47%		16,030,608	55,528	6,350,215
2029	15,000,000	19,661,466	231,461,801	8.49%		16,087,246	56,639	2,805,366
2030	15,000,000	19,806,916	234,933,728	8.43%		16,145,018	57,772	(841,847)
2031	15,000,000	20,213,493	238,457,734	8.48%		16,203,945	58,927	(4,851,395)
2032	15,000,000	20,285,376	242,034,600	8.38%		16,264,050	60,106	(8,872,721)

**Estimates and subject to change



Key Decision Points

- Historical Financial Practice:
 - Real Estate Taxes = 40% Schools + 60% General Fund
- If you raise real estate tax, will schools get their normal split for operations?
 - How do we address future operational increases?
- What portion would you like to commit:
 - Reconfiguration?
 - City Operations?
 - Other Priorities?



Other Key Decisions Coming

- **\$5.5M** ARP Balance – 1st Installment (Now)
 - Next ARP Request: \$300,000
 - Considering request of \$3M to offset Thank You Bonus (Return to GF)
 - Council reallocates once in GF to one-time priorities
- **\$9M** ARP – 2nd Installment (Available May 2022)
- **\$8M** ARP from Schools for CIP
- Projected FY22 Surplus (Available Dec 2022)



Possible Spend Scenario

\$.10 Real Estate Tax Increase = \$9,275,770

- Schools Fund: \$4,637,885M
- Operations Priorities: \$2.3M
 - Staff Capacity
 - Projects
 - Equipment
- SAFER Grant for CFD: \$337,885
- Affordable Housing: \$2M
 - CAHF Increase: \$1.5M
 - Staff Capacity– \$500,000
 - \$8M allocations already budgeted (CIP, Tax Relief, & OCS Staff)



Key Decision Points

- Historical Financial Practice:
 - Real Estate Taxes = 40% Schools + 60% General Fund
- If you raise real estate tax, will schools get their normal split for operations?
 - How do we address future operational increases?
- What portion would you like to commit:
 - Reconfiguration?
 - City Operations?
 - Other Priorities?



Council's Decision

