

Budget Process and Development Discussion

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CITY COUNCIL MEETING

AUGUST 1, 2022

4:00 PM

Discussion Points

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- I. Key Dates
- II. Budget Process Review
- III. Budget Guidelines
- IV. Historical Perspective – General Fund
- V. General Fund Trends
- VI. Key Drivers for Budget Development
- VII. Questions and Discussion

Key Dates

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February 6, 2023

- 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 2024 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 6, 2023

- Formal presentation of City Manager's FY 2024 City Budget and School Budget

March 20, 2023

- First public hearing on tax rate and budget

Key Dates

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April 3, 2023

- Second public hearing on budget, first budget reading/appropriation

April 11, 2023

- Special meeting for final reading and budget adoption

FY 2024 Budget Worksessions

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Proposed Dates

Budget Worksession - Budget Development

- January 24

Budget Worksessions – Proposed Budget

- March 9
- March 16
- March 30
- April 6 - if needed

FY 2024 Budget Process

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- Capital Improvement Program
 - ❖ Requests due end of September/Beginning October
 - ❖ Planning Commission member on review team
 - ❖ Planning Commission Review – *Tentative - 11/22 and 12/13 (public hearing)*
- City Department Budget Packages and Requests
 - ❖ Due end of October
 - ❖ City Manager/Budget Team Meetings with departments in November/early December
- Nonprofit and Outside Agency Applications
 - ❖ Receive end of October/ November
 - ❖ Application review and recommendations complete early January

Public Engagement Efforts

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City Manager Budget Forum

- January 10 – Carver Recreation Center
- City Manager Presentation with Public Discussion

Community Budget Forum

- March 22 or 23 (Wednesday or Thursday)
- Public Discussion with City Council

Public Comment Opportunities

- Advertised Public Hearings – at least 2 (March and April)
- Public Comment at each work session

FY 2024 Budget Development

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Review of Budget Guidelines and Strategic Goals

Budget Guidelines and Goals

1. Maintain the current real estate and personal property tax rates.
2. Develop operational budgets within projected available revenues.
3. Focus on Council's Strategic Vision:
 - ✦ Economic Sustainability
 - ✦ A Center for Lifelong Learning
 - ✦ Quality Housing Opportunities for All
 - ✦ Charlottesville Arts and Culture
 - ✦ A Green City
 - ✦ America's Healthiest City
 - ✦ A Connected Community
 - ✦ Community of Mutual Respect
 - ✦ Smart, Citizen Focused Government
4. Continue to incorporate the use of performance measures to assist in making decisions that support budget priorities related to City's Strategic Plan.

Budget Guidelines and Goals

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5. Continue the strong commitment to education by allocating up to 40% of new City real estate and property tax revenue to schools.
6. Invest strategically in employees by providing adequate pay, benefits, training, technology resources, support, and appreciation.
7. Annually review the living wage ordinance “so that every City contract for the provision of non-professional services will require that the contractor pay each employee assigned to perform services a living wage equal to no less than the lowest starting salary for City employees.”
8. Fund no new programs or major expansion of existing programs without fully offsetting revenues or reductions in expenditures.

Budget Guidelines and Goals

9. Balance reinvestment in the City's existing infrastructure and facilities and creation of new opportunities for investing in the future of the City.
10. Transfer at least 3% of general fund expenditures to the Capital Improvement Fund (CIP).
11. Budget a reserve for Council Strategic Initiatives.
12. Budget a Fund Balance Target Adjustment pool of funds to help ensure that the City continues to meet the important financial policy of maintaining an unappropriated fund balance in the General Fund equal to 14% of the City's operating budget and a Downturn Reserve Fund equal to 3% of the City's operating budget.

Long Term Financial Polices

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1. Maintain a minimum General Fund balance of at least 14% of General Fund budget.
2. Maintain a minimum Downturn Reserve Fund balance of no less than 3% of General Fund budget.
3. Maintain sufficient working capital in the utilities funds (Water, Wastewater and Gas).
4. Stabilize all non-general funds by ensuring they have a positive fund balance.
5. Maintain a debt service to general fund total expenditure budget ratio of 10% or less, with a target of 9%.
6. Transfer 1-cent of the meals tax revenue to the Debt Service Fund to be used for debt service.

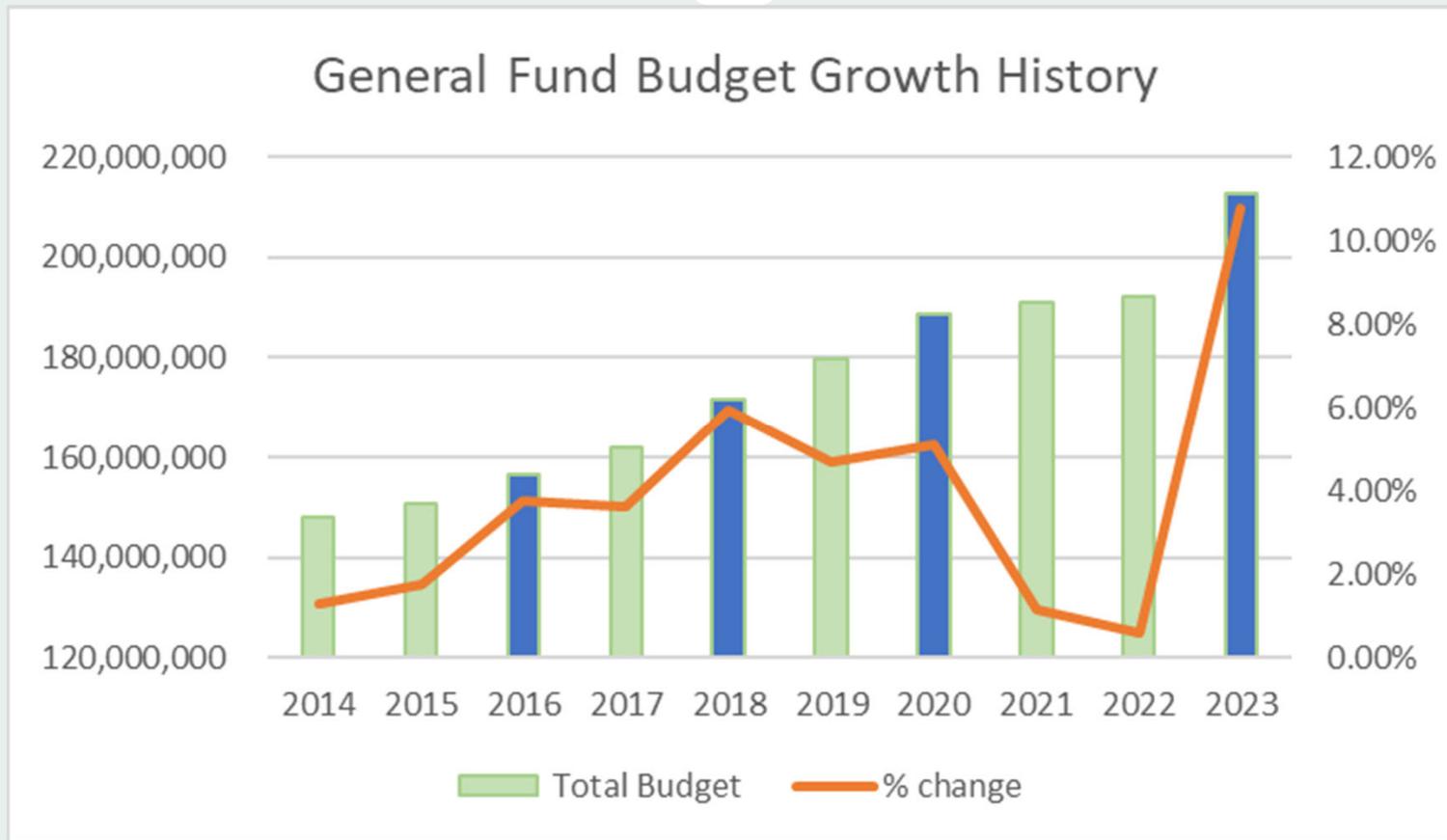
FY 2024 Budget Development Discussion

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Historical Perspective

FY 2014 – 2023 General Fund Revenue History (Budget)

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Notable Changes

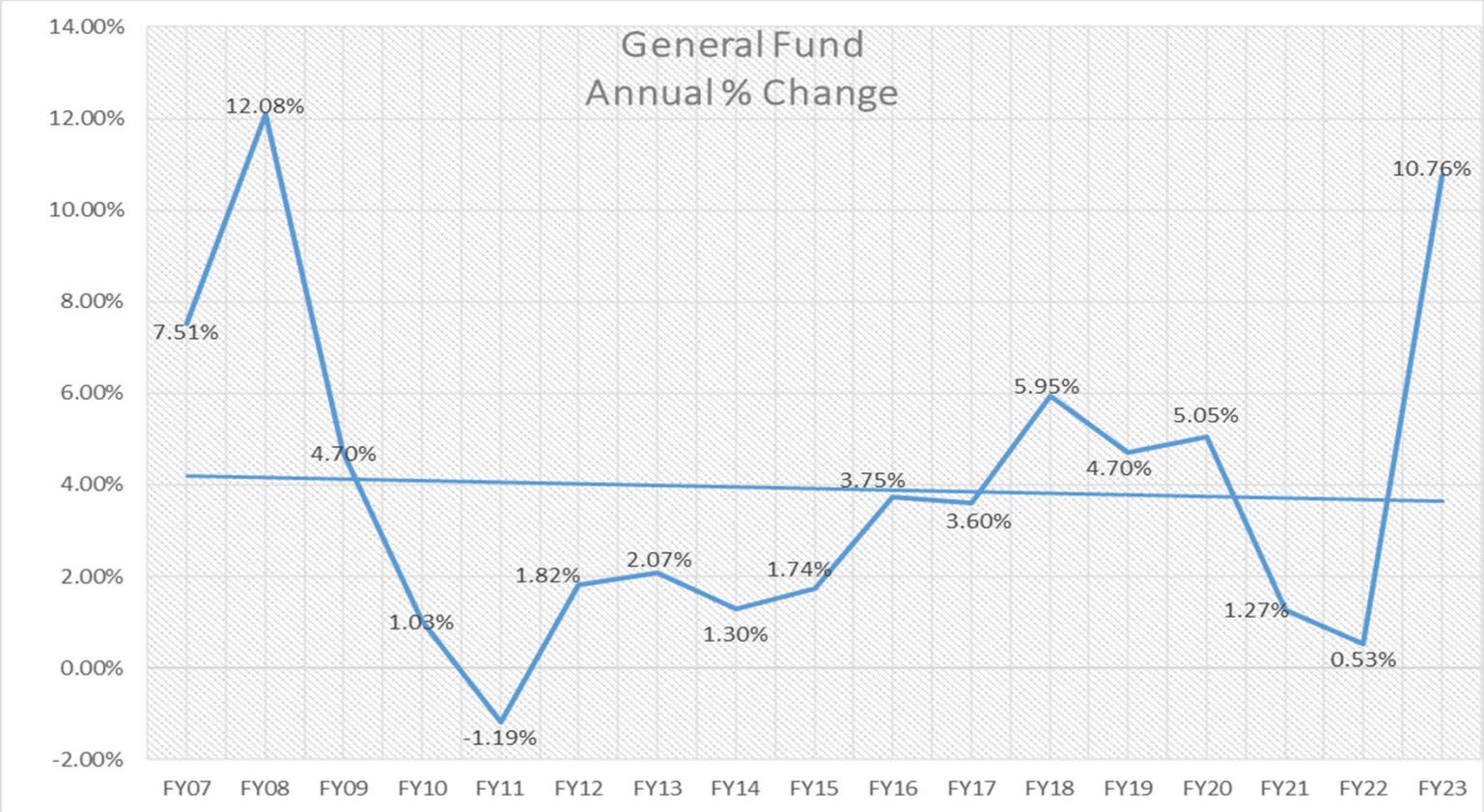
2016 - 1% Meals Tax Increase (4% to 5%), Parks and Rec Fee Increases

2018 - 29.45% Increase Commercial Property Assessments (+\$7M)

2020 - 1% Meals Tax Increase, 1% Lodging Tax Increase

2023 - \$0.01 Real Estate Tax Increase, 0.5% Meals Tax

General Fund Trends



The average of the annual General Fund increases from 2007 to 2023 is 3.92%.

CPI Trends

12-month percentage change, Consumer Price Index, selected categories, not seasonally adjusted

- All items
- Food at home
- Energy
- Electricity
- All items less food and energy
- Apparel
- Medical care commodities
- Shelter
- Education and communication
- Food
- Food away from home
- Gasoline (all types)
- Natural gas (piped)
- Commodities less food and energy com...
- New vehicles
- Services less energy services
- Medical care services

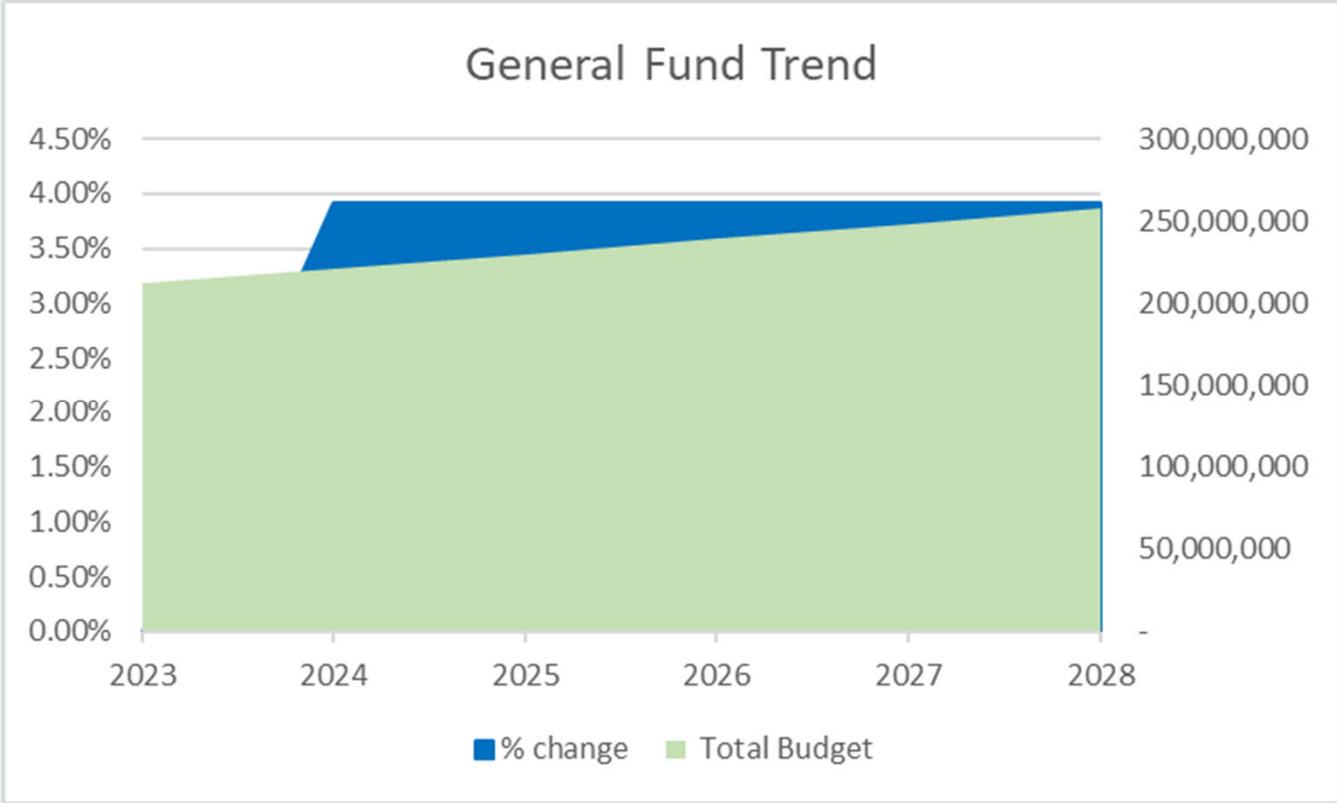


Source: U.S. Bureau of Labor Statistics

Note: Shaded area represents recession, as defined by National Bureau of Economic Research

Long-Term Forecast

It is anticipated that the FY 2024 General Fund Budget will return to a more modest growth rate that is closer to historical trends of a more modest projected growth of 3-4%. This could equate to \$7M to \$8M.



FY 2024 Budget Development Worksession

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FY 2024 Budget Development Key Drivers

FY 2024 Key Budget Drivers

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- Cost Increases due to supply chain issues and inflation
- Revenue impact of potential Recession
- EE Comp - Collective Bargaining/Compensation Study
- Funding needs for City Schools
- Ability to fund new requests for City departments
 - ✦ Absorbing recurring costs added with one-time ARP and other grant funds
- Funding other needs and priorities (Strategic Plan and others)

Questions and Discussion

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- Council Feedback
 - ✦ Big Issues you want to focus on for the Budget
 - ✦ Information you want to see
 - ✦ Other items?