



February 3, 2021

FY 2022 BUDGET DEVELOPMENT WORK SESSION

Agenda

1. FY 2022 Operating Budget
2. FY 2022 – 2026 Capital Improvement Program



Budget Process Update

Important Dates

- **Feb 9- Budget is Balanced!**
 - 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 13)
 - FY 2022 Proposed Budget must also be completed (ad includes % change to the budget from current year)
- **February 9** – Planning Commission CIP Public Hearing
- **March 1** - Proposed City and School Operating and Capital Budget Formally Presented to Council
- **March 15** - First Budget and Tax Rate Public Hearings
- **April 5** - Second Budget Public Hearing/Budget Approval First Reading/Tax Levy Approval First Reading
- **April 13** - Budget and Tax Levy Approval Second Reading



Budget Process Update

Scheduled Worksessions

- | | |
|---------------|--|
| Mar 4 | Budget Worksession #1 (Revenue & Expenditures) |
| Mar 11 | Budget Worksession #2 (Outside Agencies) |
| Mar 17 | Community Budget Forum |
| Mar 25 | Budget Worksession #3 (CIP) |
| Apr 8 | Budget Worksession #4 (Wrap-up) |

Please visit www.Charlottesville.gov/budget for further details.



FY 2022 Operating Budget Development

Estimates as of January 2021

FY 2022 Initial Revenue Estimates \$190,232,749

FY 2022 Initial Expenditure Estimates \$194,829,066

Initial FY 2022 Budget GAP (\$4,539,317)



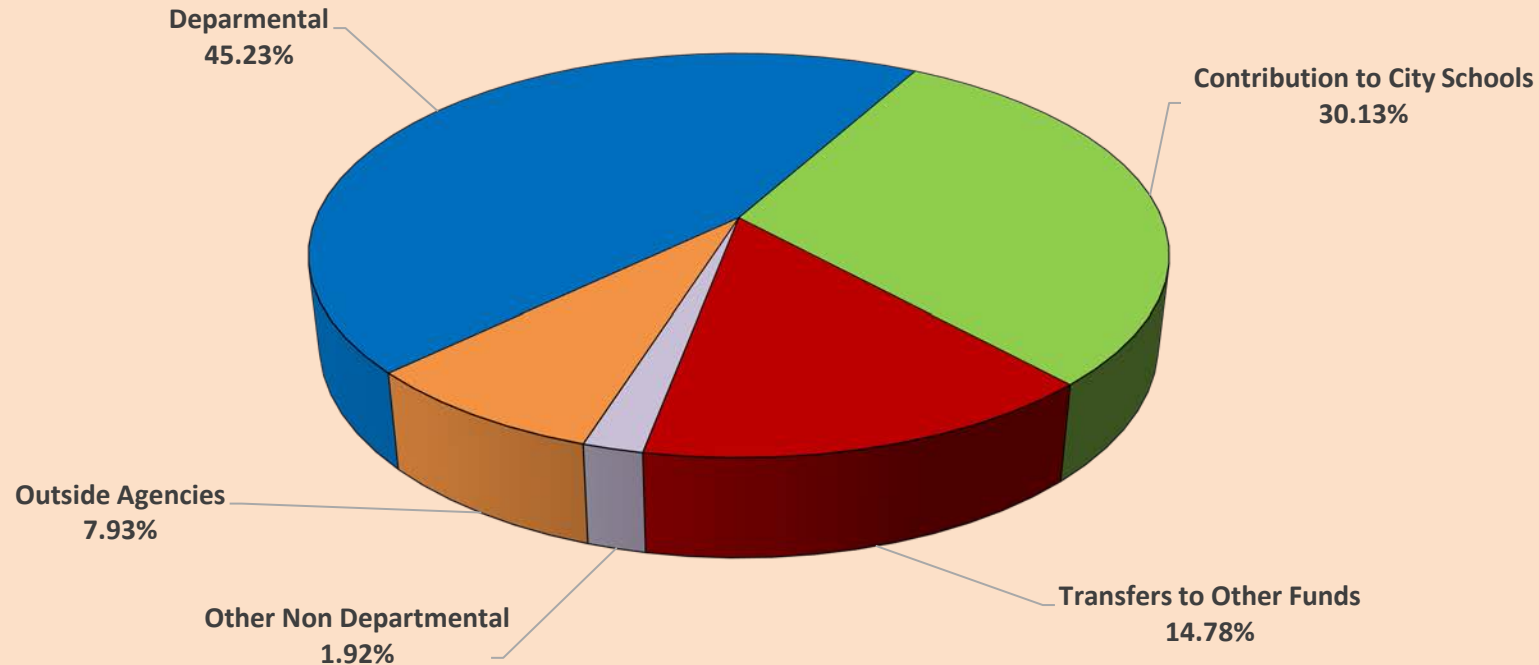
FY 2022 Operating Budget Development

Revenue Category	\$ Change
Local Taxes	(936,446)
Licenses and Permits	(425,500)
Intergovernmental Revenue	(115,600)
Charges for Services	118,380
Misc. Revenue	(220,956)
Transfers from Other Funds	(300,000)
City/County Revenue Sharing	822,521
Designated Revenue Changes	\$94,477
Preliminary Estimate - FY 2022 Revenue Change	(\$963,124)

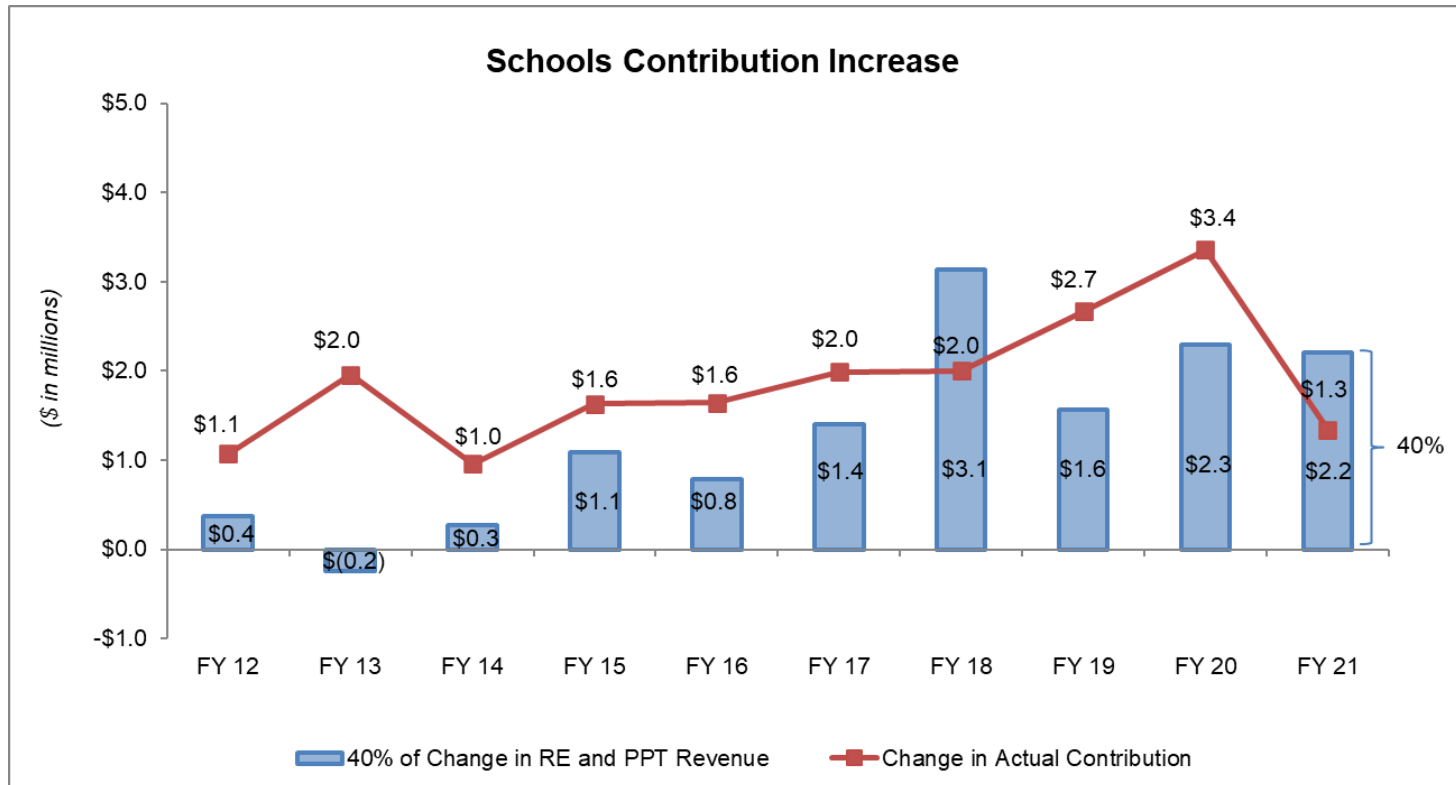


FY 2022 Operating Budget Development

FY22 General Fund Budget Submissions



FY 2022 Operating Budget Development



- Exceeded the 40% formula in 8 of past 10 fiscal years.
- Schools total budget increase of approx. \$3.3M in FY22, which includes 19.5 new FTE's and a 2% average pay increase.
 - Requested City contribution for FY22 is level due to the use of one-time funding (CARES) to fund ongoing budget increases.
- City Budget projected to decrease in FY22.
- Considering significant future capital investment in City Schools



FY 2022 Operating Budget Development

What is not included at this time:

- Tax Rate Increases
- Economic Reserve Funding
- Increases for Employee Compensation
- Change in the contribution to City Schools
- Increase in General Fund Contribution to Debt Service
- \$4.9M in City Departmental New Requests

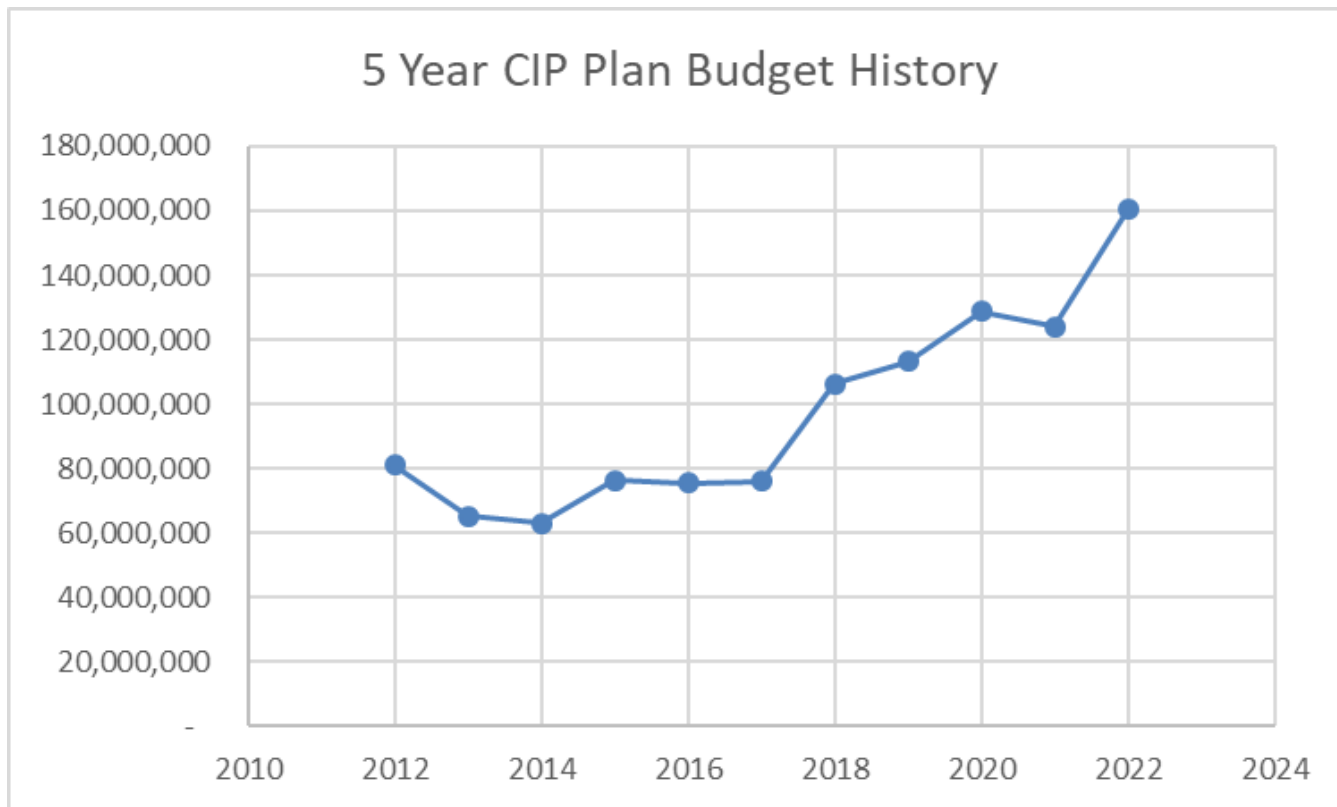


FY 2022–2026 CIP Budget Draft

	<u>Adopted Budget</u>		Proposed Capital Improvements Program				Totals
	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	
Sources of Funds:							
General fund transfer	\$ 900,000	\$ 7,665,841	\$ 6,737,940	\$ 7,549,378	\$ 6,580,400	\$ 8,580,400	\$ 37,113,959
Year- End Surplus	-	-	-	-	-	-	\$ -
Bond issues	23,861,092	26,823,072	12,235,491	12,287,907	59,885,491	9,885,491	\$ 121,117,452
Other	1,033,750	908,000	380,500	318,000	318,000	318,000	\$ 2,242,500
Total sources	\$ 25,794,842	\$ 35,396,913	\$ 19,353,931	\$ 20,155,285	\$ 66,783,891	\$ 18,783,891	\$ 160,473,911
Uses of funds:							
Education	\$3,400,000	\$3,520,000	\$4,600,000	\$3,400,000	\$52,150,000	\$2,150,000	\$ 65,820,000
Economic development	\$0	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$ 750,000
Facilities Capital Projects	\$4,120,491	\$1,370,491	\$1,370,491	\$1,370,492	\$1,370,491	\$1,370,491	\$ 6,852,456
Public safety and justice	\$1,295,500	\$7,079,581	\$265,000	\$1,417,415	\$265,000	\$265,000	\$ 9,291,996
Transportation and access	\$14,445,101	\$15,652,000	\$4,563,440	\$4,662,378	\$4,443,400	\$4,443,400	\$ 33,764,618
Parks and recreation	\$93,750	\$865,000	\$790,000	\$790,000	\$790,000	\$790,000	\$ 4,025,000
Affordable Housing	\$2,400,000	\$6,344,841	\$7,200,000	\$7,950,000	\$7,200,000	\$9,200,000	\$ 37,894,841
General government	\$40,000	\$415,000	\$415,000	\$415,000	\$415,000	\$415,000	\$ 2,075,000
Total uses	\$ 25,794,842	\$ 35,396,913	\$ 19,353,931	\$ 20,155,285	\$ 66,783,891	\$ 18,783,891	\$ 160,473,911



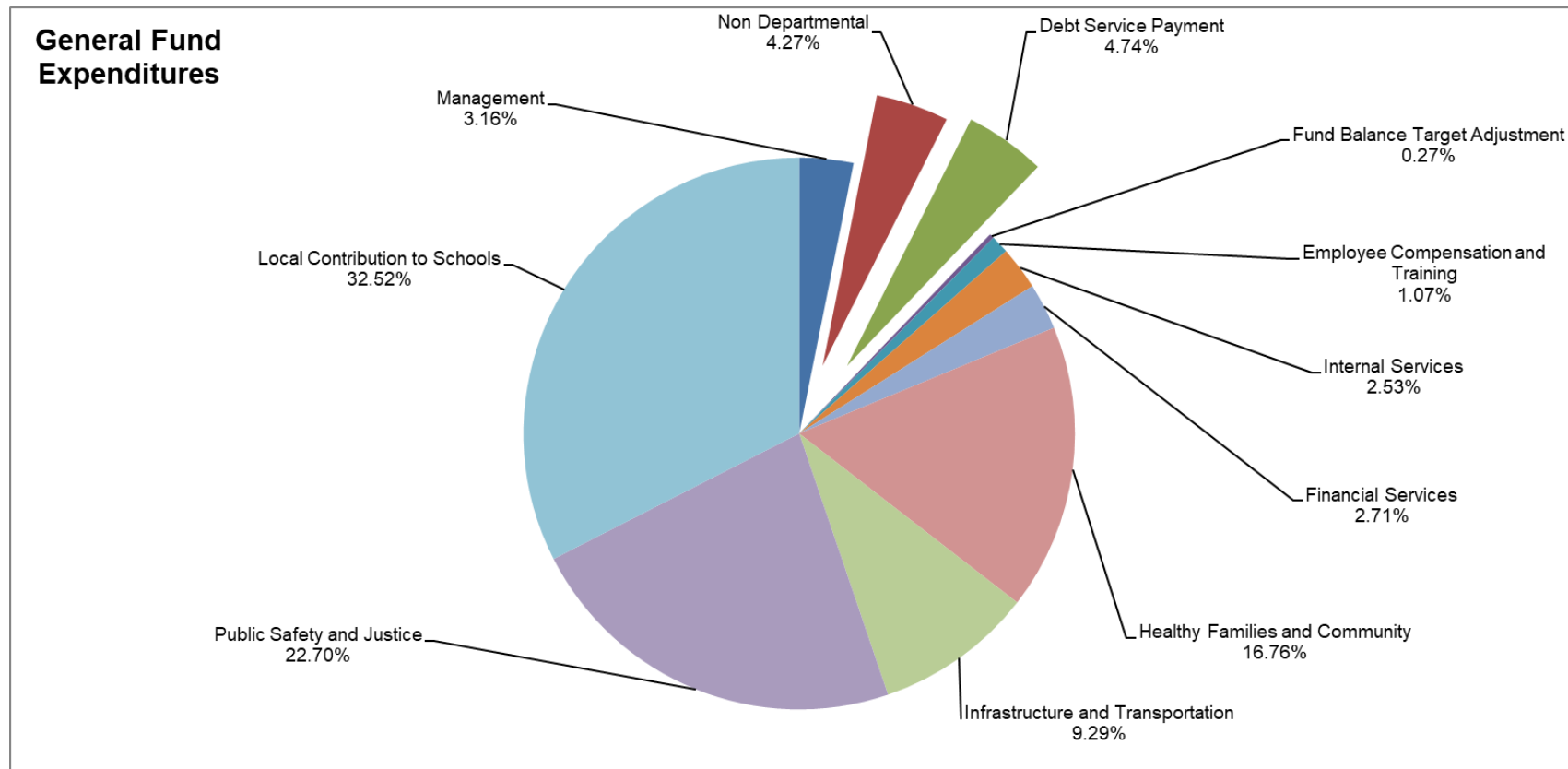
FY 2022 – 2026 Capital Improvement Program



5 Year CIP Plan Funding Progression		
FY 2017 -2021 Plan Total	Priority	FY 2022 -2026 Plan Total
\$ 7,976,890	Affordable Housing	\$ 37,894,841
\$ 8,802,455	Education	\$ 65,820,000
\$ 26,854,528	Transportation and Access	\$ 33,764,618
	Additional Funding	\$ 93,845,586



FY 2022 – 2026 Capital Improvement Program



Debt Projection – The “Planning” Side

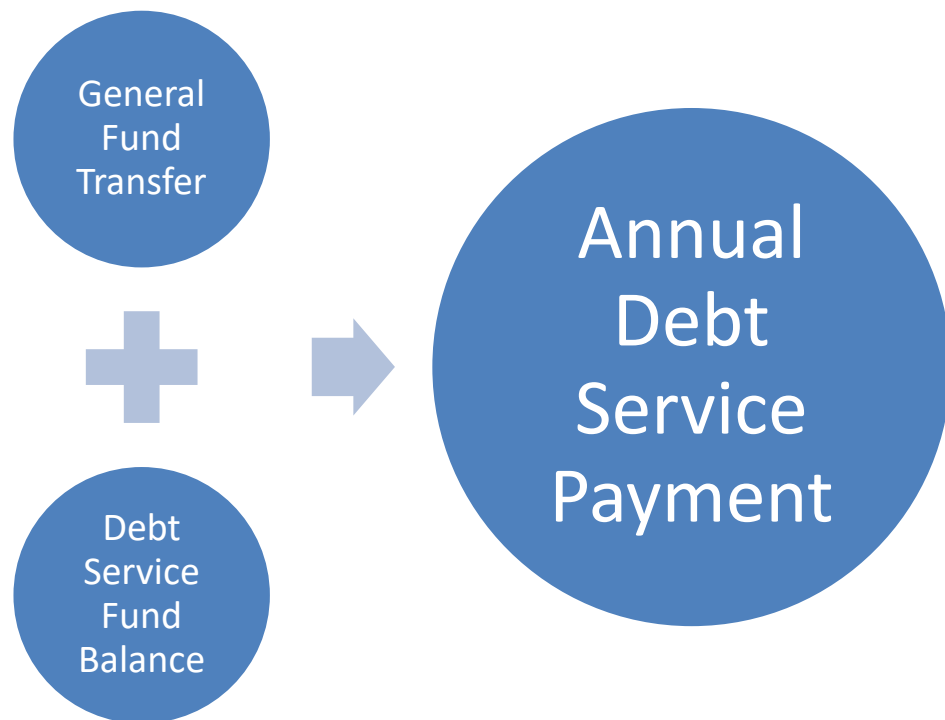
Fiscal Year	Bond Issue Amount ⁽¹⁾	Annual Debt Service ⁽²⁾	General Fund Expenditure Budget ⁽³⁾	Ratio of Debt Service to Total General Fund Expenditures
2016	11,125,466	9,128,798	156,391,435	5.84%
2017	11,140,000	10,103,067	162,018,737	6.24%
2018	4,610,000	10,615,335	171,657,127	6.18%
2019	9,520,000	10,375,167	179,725,535	5.77%
2020	-	10,771,937	188,863,920	5.70%
2021	13,455,000	10,465,180	191,195,873	5.47%
2022	25,000,000	10,983,075	190,232,749	5.77%
2023	25,000,000	12,732,218	193,086,240	6.59%
2024	25,000,000	14,128,519	195,982,534	7.21%
2025	60,000,000	15,541,933	198,922,272	7.81%
2026	25,000,000	19,760,790	201,906,106	9.79%
2027	25,000,000	21,351,167	204,934,698	10.42%
2028	-	22,419,071	208,008,718	10.78%
2029	-	21,344,164	211,128,849	10.11%
2030	-	20,107,983	214,295,781	9.38%
2031	15,000,000	19,100,717	217,510,218	8.78%
2032	15,000,000	19,531,680	220,772,871	8.85%

- Variables Subject to Change
 - Bond Issue Amount – New Projects and Projects Previously Approved
 - Timing of Bond Issues
 - Interest Rates
 - General Fund Growth
- Variable Relationships
 - More Debt = Higher Annual Debt Service
 - Reduced Capacity = shrinking General Fund Budget, higher Interest Rates
 - Increased Capacity = General Fund Growth, stable/lower interest rates

**Estimates and subject to change



Debt Projection –The “Consequences” Side



Annual Debt Service ⁽²⁾	General Fund Transfer ⁽⁴⁾	\$ Increase	% Increase	Debt Service Fund Balance ⁽⁵⁾
9,128,798	9,279,578	-	0.00%	11,962,480
10,103,067	9,817,330	537,752	5.80%	11,880,013
10,615,335	10,371,750	554,420	5.65%	11,905,368
10,375,167	11,003,348	631,598	6.09%	12,830,074
10,771,937	11,049,584	46,236	0.42%	13,255,398
10,465,180	10,251,550	(798,034)	-7.22%	13,178,415
10,983,075	10,285,365	33,815	0.33%	12,605,932
12,732,218	12,019,857	1,734,492	16.86%	12,005,848
14,128,519	13,755,038	1,735,181	14.44%	11,731,734
15,541,933	15,490,923	1,735,885	12.62%	11,767,101
19,760,790	17,227,526	1,736,603	11.21%	9,307,263
21,351,167	18,964,861	1,737,335	10.08%	6,979,699
22,419,071	19,102,943	138,082	0.73%	3,685,599
21,344,164	19,241,786	138,843	0.73%	1,612,592
20,107,983	19,381,406	139,620	0.73%	900,700
19,100,717	19,521,818	140,412	0.72%	1,321,801
19,531,680	19,663,039	141,221	0.72%	1,453,159



Debt Projection – Big Picture

KEY POINTS

Existing Capacity	\$ 185,000,000
Existing Projects (ABNI)	\$ 74,000,000
FY 22-26 CIP Draft	<u>\$ 121,117,452</u>
Total Projects	\$ 195,117,452

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	-	10,771,937	188,863,920	5.70%	11,049,584	46,236	13,255,398
2021	13,455,000	10,465,180	191,195,873	5.47%	10,251,550	(798,034)	13,178,415
2022	25,000,000	10,983,075	190,232,749	5.77%	10,285,365	33,815	12,605,932
2023	25,000,000	12,732,218	193,086,240	6.59%	12,019,857	1,734,492	12,005,848
2024	25,000,000	14,128,519	195,982,534	7.21%	13,755,038	1,735,181	11,731,734
2025	60,000,000	15,541,933	198,922,272	7.81%	15,490,923	1,735,885	11,767,101
2026	25,000,000	19,760,790	201,906,106	9.79%	17,227,526	1,736,603	9,307,263
2027	25,000,000	21,351,167	204,934,698	10.42%	18,964,861	1,737,335	6,979,699
2028	-	22,419,071	208,008,718	10.78%	19,102,943	138,082	3,685,599
2029	-	21,344,164	211,128,849	10.11%	19,241,786	138,843	1,612,592
2030	-	20,107,983	214,295,781	9.38%	19,381,406	139,620	900,700
2031	15,000,000	19,100,717	217,510,218	8.78%	19,521,818	140,412	1,321,801

KEY POINTS

- ✓ Debt Service Doubles - \$10M to \$22M
- ✓ Significant New Revenue Enhancements Required



Key Messages

- **Strategic Focus** – The DRAFT CIP focuses on Council’s key priorities
- **Affordability** - This plan is not affordable without the significant revenue enhancements
- **Reallocations** – Funds already committed but not spent in previous plans can still be reallocated
- **Future Needs** - Additional or new CIP funding would likely not be available for quite some time. Cash funding would be the only option and would also be competing with the additional funds needed to cover the debt service.
- **Limited reserves** – Even with additional tax revenues, the reserve funds are depleted

Responding to the challenge

To accomplish Council's goals and priorities, the DRAFT CIP is presented with the following recommendations:

- **Schools Reconfiguration** is included with a \$50 Million placeholder.
- **West Main Streetscape** is removed entirely and previously committed funds (about \$18 Million) are available to be reallocated to the school project if needed.
- **Real estate property taxes** are proposed to be increased by 2 cents annually beginning in FY23 for a total of 10 cents over five years. Council and the School Board will need to build community support for these investments.
- **The School funding formula should be recalibrated to recognize the new debt service requirements.** A once in a generation project to reconfigure the schools will require a new approach to the school transfer calculation starting in FY23.
- While the CIP, operational budgets, and tax rates are all reviewed and adjusted annually, once the school project commences, future Councils will be obligated to complete the work.

Wrap-Up

Questions and Discussion

