# City Council Budget Briefing
# FY 2017-2018

**Monday, January 3, 2017**

# Estimated Local Tax Revenue
# Fiscal Year 2017

| | FY17 Adopted | FY17 Revised | $ Growth (Decline) | % Growth (Decline) |
|---|---|---|---|---|
| Real Estate Tax | $ 81,000,000 | $ 81,000,000 | $ - | 0.0% |
| Personal Property Tax | 22,800,000 | 22,500,000 | (300,000) | (1.3%) |
| Sales Tax | 22,000,000 | 19,800,000 | (2,200,000) | (10.0%) |
| Prepared Food & Beverage | 16,000,000 | 15,900,000 | (100,000) | (0.6%) |
| BPOL Tax | 13,621,000 | 12,700,000 | (921,000) | (6.8%) |
| Transient Occupancy Tax | 4,600,000 | 4,100,000 | (500,000) | (10.9%) |
| Other Local Taxes | 35,913,000 | 36,028,000 | 115,000 | 0.3% |
| **Total Local Taxes** | **195,934,000** | **192,028,000** | **(3,906,000)** | **(2.0%)** |

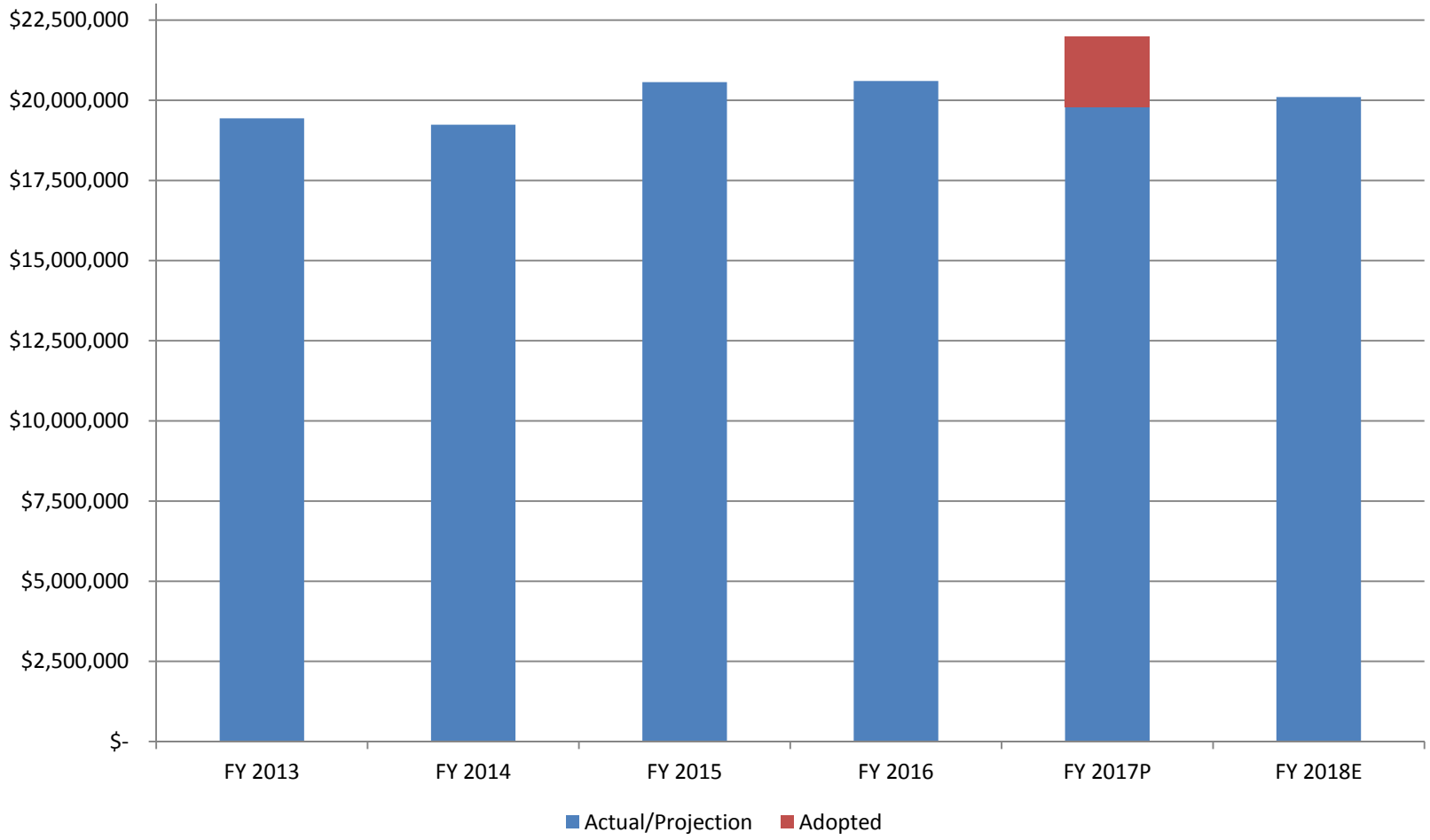
# FY 2017 Expenditure Update

- In alignment with revenue expectations, a reduced expenditure plan has been implemented
  - Hiring freeze effective December 13, 2016
    - Positions considered on a case-by-case basis
  - Expenditures of $4.3 million curtailed
    - RCPS - $1,473,000
    - Capital Building Maintenance - $446,500
    - Fleet Capital - $1,160,000
    - Technology Capital - $278,667
    - Administrative and Expenditure Trend - $927,585
  - No expectation of impact to services
    - Discussion on swimming pools to follow

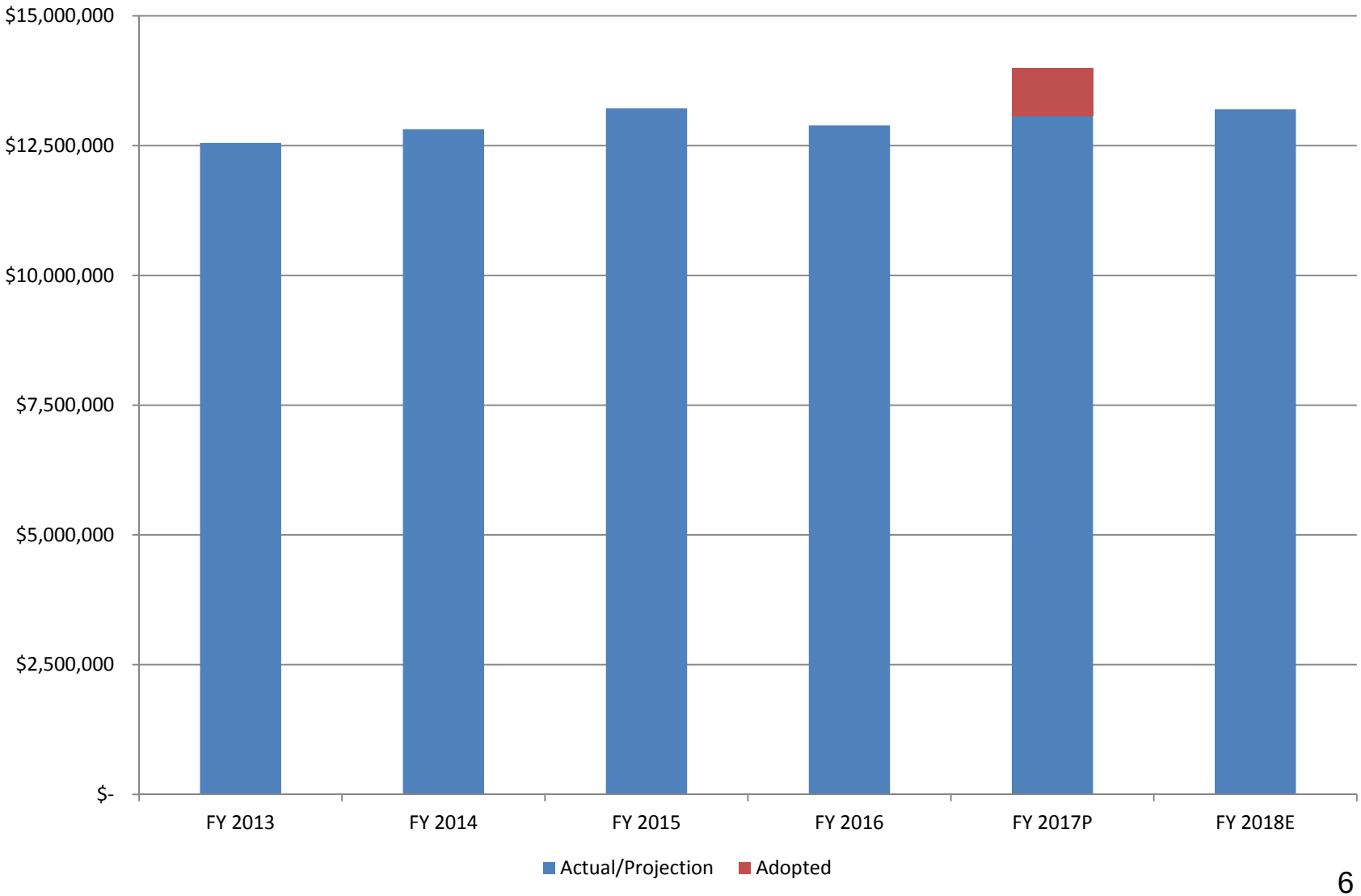
# Estimated Local Tax Revenue
# Fiscal Year 2018

| | FY17 Adopted | FY18 Preliminary | $ Growth (Decline) | % Growth (Decline) |
|---|---|---|---|---|
| Real Estate Tax | $ 81,000,000 | $ 82,200,000 | $ 1,200,000 | 1.5% |
| Personal Property Tax | 22,800,000 | 22,800,000 | - | 0.0% |
| Sales Tax | 22,000,000 | 20,100,000 | (1,900,000) | (8.6%) |
| Prepared Food & Beverage | 16,000,000 | 16,218,000 | 218,000 | 1.4% |
| BPOL Tax | 13,621,000 | 12,900,000 | (721,000) | (5.3%) |
| Transient Occupancy Tax | 4,600,000 | 4,150,000 | (450,000) | (9.8%) |
| Other Local Taxes | 35,913,000 | 36,273,000 | 360,000 | 1.0% |
| **Total Local Taxes** | **195,934,000** | **194,641,000** | **(1,293,000)** | **(0.7%)** |

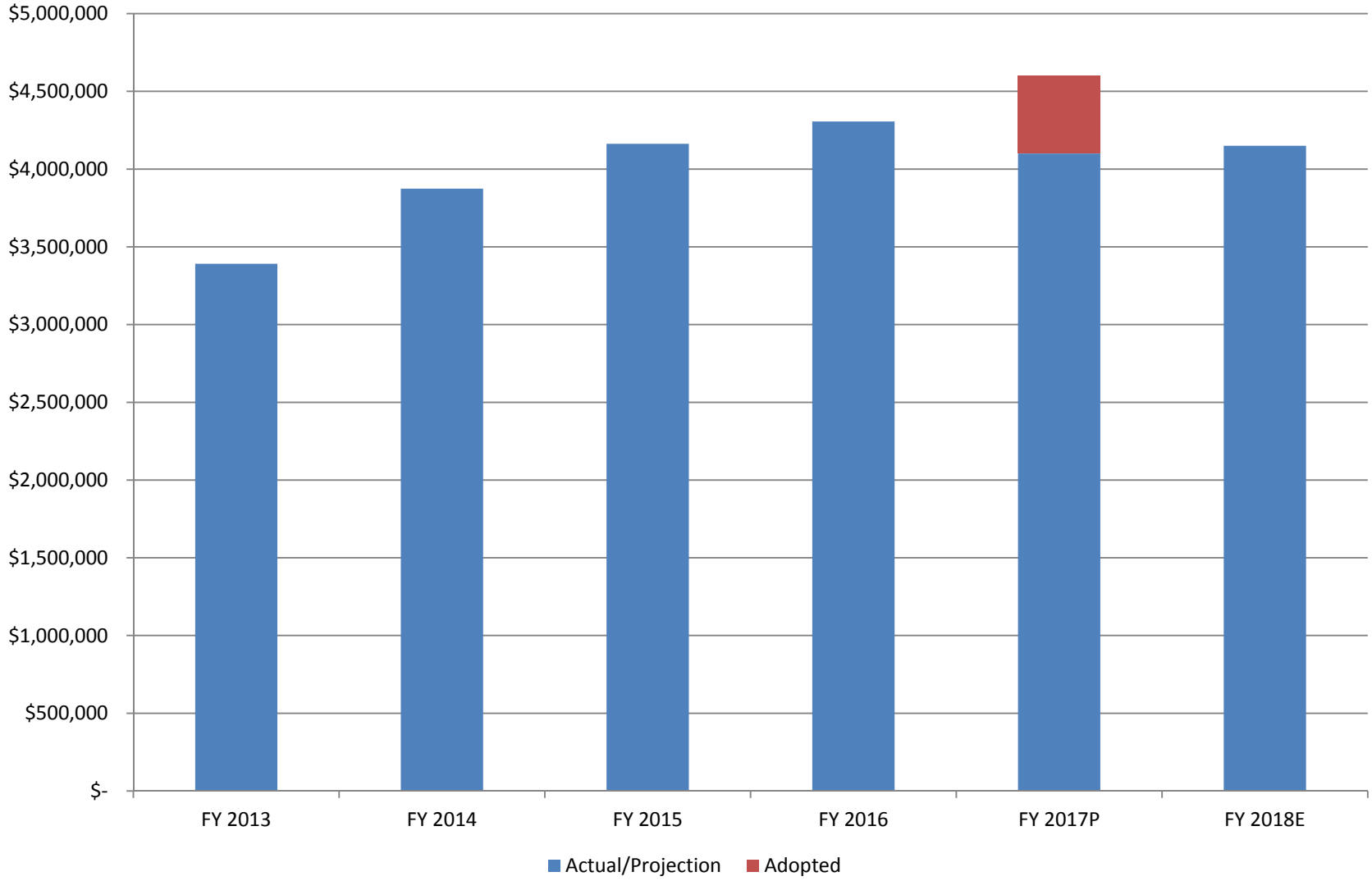
# Sales Tax


$22,500,000
$20,000,000
$17,500,000
$15,000,000
$12,500,000
$10,000,000
$7,500,000
$5,000,000
$2,500,000
$-
FY 2013
FY 2014
FY 2015
FY 2016
FY 2017P
FY 2018E
Actual/Projection
Adopted

# Business License Tax



# Transient Occupancy Tax




Note: In January 2013 rate increased from 7.0% to 8.0%

# Dates to Watch for
# Refinement of Local Tax Estimates (update)

- February 2nd – appeal period ends for real estate
- Late Feb – real estate estimate refined
- February – NADA data available for 2015 vehicular values; personal property estimate updated
- March 1st – Business license tax due date
- Mid March - BPOL estimate refined
- Early April – Commissioner of the Revenue releases 2015 personal property levy
- Mid April – personal property estimate finalized

# FY 2018 Funding to Schools
# Based on Funding Formula

| Category | Adopted Budget FY 2017 | 1/3/17 Preliminary Estimate FY 2018 | $Growth (Decline) from Adopted Budget | FY18 Estimated FY17 Adopted Estimate % Difference |
|---|---|---|---|---|
| Local Tax Estimate | $ 195,934,000 | $ 194,641,000 | $ (1,293,000) | (0.7%) |
| Personal Property Tax Relief Provided by Commonwealth | 8,076,000 | 8,076,000 | - | 0.0% |
| **Total Revenue Subject to Sharing with Schools** | **204,010,000** | **202,717,000** | **(1,293,000)** | (0.6%) |
| | | | | |
| Deduct Dedicated Taxes: | | | | |
| Service District Taxes - Downtown and Williamson Road Districts | 697,000 | 661,000 | (36,000) | (5.2%) |
| Local Taxes Dedicated to Regional Tourism Marketing | 1,725,000 | 1,537,500 | (187,500) | (10.9%) |
| Local Taxes Dedicated to Ivy Market Performance Agreement | 190,000 | 275,000 | 85,000 | 44.7% |
| Local Taxes Dedicated to Roanoke River Investments | 170,000 | 250,000 | 80,000 | 47.1% |
| Local Taxes Dedicated to South Commonwealth Partners | 221,000 | 240,000 | 19,000 | 8.6% |
| Local Taxes Dedicated to Cambria Suites Performance Agreemer | - | - | - | - |
| Total Deductions | 3,003,000 | 2,963,500 | (39,500) | (1.3%) |
| | | | | |
| Adjusted Revenue Subject to Sharing with Schools | 201,007,000 | 199,753,500 | (1,253,500) | (0.6%) |
| | | | | |
| Percentage Allocated to Schools | 40.00% | 40.00% | 40.00% | |
| **Funding of Schools** | **$ 80,402,800** | **$ 79,901,400** | **$ (501,400)** | **(0.6%)** |

# Net FY2018 Local Tax Impact

| | |
|---|---|
| Local Tax Revenue Projection Variance | ($1,293,000) |
| RCPS expenditure adjustment | ($501,400) |
| CVB expenditure adjustment | ($168,750) |
| District Taxes expenditure adjustment | ($36,000) |
| **NET IMPACT** | **($586,850)** |

# Preliminary Identified FY 2017-2018 Expenditure Adjustments

<u>Total: $4,691,162</u>

- Medical – $1,212,939
  - Five months of CY 2017 increase - $366,447
  - Seven months of CY 2018 anticipated increase of 15% in employer share - $846,492
- Retirement – $834,875
  - Increase in rate from 15.81% to 17.04%
- Reserves - $250,000
  - Increase in base funding above current $1.125M level
- Debt Service - $250,000
  - Multi-year plan to restore debt service funding for future years
- FLSA - $202,848 (implementation on hold)
- Employee Compensation - $1,940,500
  - 2% Salary increase

# Preliminary Identified FY 2017-2018 Expenditure Adjustments (continued)

- Life Insurance
  - Current rate of 1.19%
- VRS – Sheriff
  - Current rate of 17.42%

# Aquatics

- FY 2017
  - Fiscal Impact:
    - $150,0000 - estimated capital maintenance improvements at Washington Park pool
    - $35,250 – initial preparation operational costs
  - Other Considerations:
    - Timing of staff hiring
    - Impact on other budget reduction targets of department
- FY 2018
  - Fiscal Impact: $80,000 – net operating costs
  - Other Considerations:
    - Impact on other budget reduction targets of department
    - Costs versus participants served
    - Costs versus duration of service

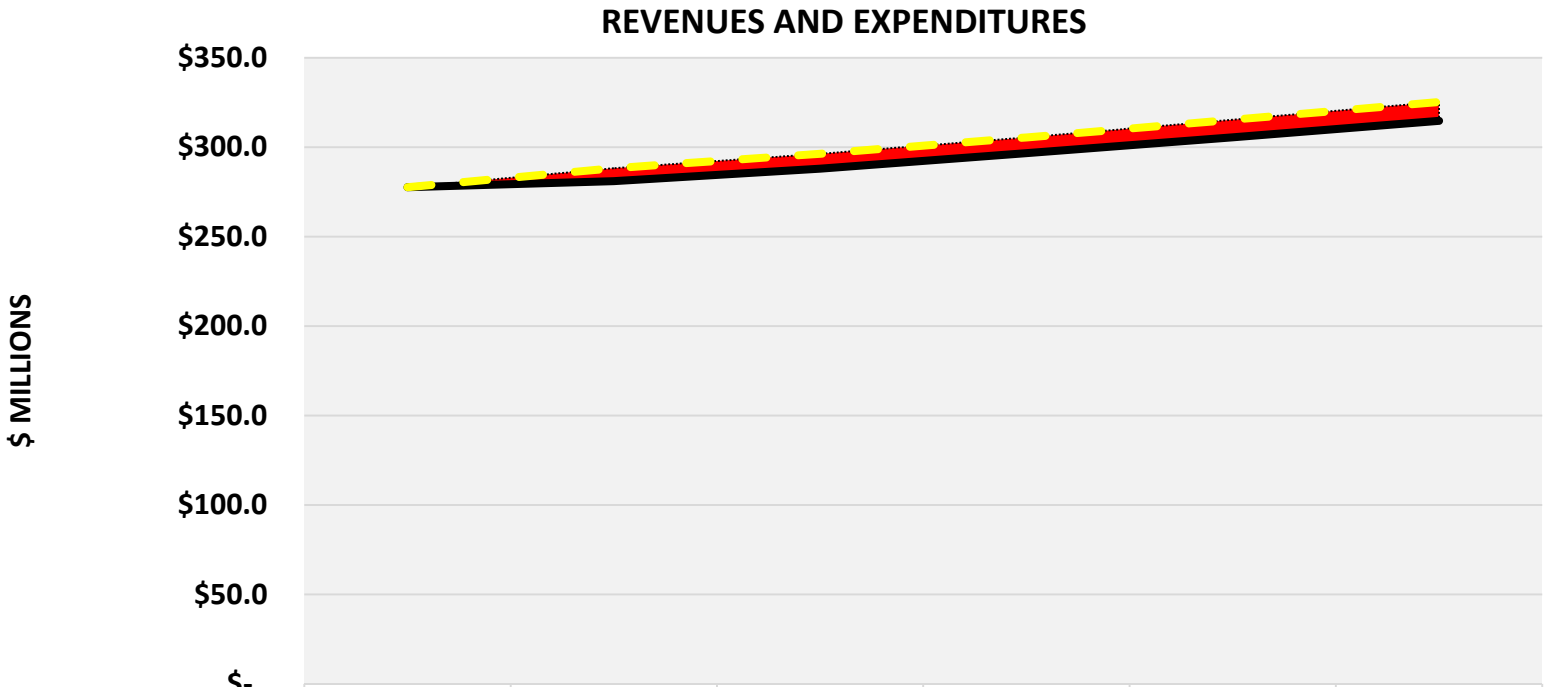
# Aquatics

- Options Going Forward
  - Close Pools for 2017 Summer Season
  - Close Washington Park Pool
    - Seek YMCA to operate Fallon Park Pool (3 or 6 days)
  - Close Fallon Park Pool
    - Seek YMCA to operate Washington Park Pool (3 or 6 days)
  - Operate Pools as in FY 16-17
    - Fallon Park (3 days)
    - Washington Park (3 days)
    - YMCA Operate Washington Park (3 days)

# 5 Year Financial Planning

- Strategic Planning Tool
- Advance discussion of revenue and expenditure issues
- Identifies a possible fiscal gap to be closed each year during budget development

# 5 Year Forecast




| | FY2017P | FY2018E | FY2019F | FY2020F | FY2021F | FY2022F |
|---|---|---|---|---|---|---|
| VARIANCE | $- | $(7.3) | $(8.3) | $(8.8) | $(9.8) | $(10.6) |
| VAR BASE | $277.6 | $288.3 | $296.3 | $305.5 | $315.4 | $325.4 |
| REVENUE | $277.6 | $281.0 | $288.0 | $296.7 | $305.6 | $314.7 |
| EXPENDITURES | $277.6 | $288.3 | $296.3 | $305.5 | $315.4 | $325.4 |

| Assumption | Percentage and Time Period |
|---|---|
| Operating Expenditure Growth | 0% in FY 18; 1% in FY 19; 1.5% in 20-22 |
| Salary Increases | 2% in FY 18-22 |
| Real Estate Tax Growth | 1.5% in FY 18; 2.5% in 19; 3% in 20-22 |
| Personal Property Tax Growth | 1% in FY 18; 2.5% in 19; 3% in 20-22 |
| Prepared Food and Beverage Tax Growth | 2% in FY 18; 2.5% in 19; 3% in 20-22 |
| All Other Revenue Growth | 1% in FY 18; 2.5% in 19; 3% in 20-22 |

# Next Steps

- Budget Offers due today (January 3, 2017)
- DMB Staff and Priority Team Reviews
- Council Briefing – February 6, 2017
  - Price of Government
  - Offers by Priority
  - Capital Planning
  - 5 Year Operating Planning